MIR (2009) 49:269–290
DOI 10.1007/s11575-009-0143-z

RESEARCH ARTICLE

Management International Review

Strategic Orientation and the Choice of Foreign Market Entry Mode

An Empirical Examination

Xin Liang · Martina Musteen · Deepak K. Datta

Abstract:

- Drawing on the transaction costs, strategic capability and the strategic cognition perspectives, our study seeks to examine whether and how firms' strategic orientations at the business level influence the entry mode choices that firms make in accessing foreign markets.
- The study uses a sample of 332 foreign market entries made by 62 U.S. based firms over a period of 6 years to test hypotheses linking firm business level strategy to the choice of foreign entry modes.
- Findings indicate that Prospectors are more likely to choose equity-based foreign market entry modes than Defenders. In addition, Prospectors favor full-ownership entry modes, namely, greenfield investments and full acquisitions, over shared-ownership modes such as joint ventures and partial acquisitions.

Keywords: Strategic orientation · Foreign market penetration · Prospectors · Defenders · Entry mode

Received: 22.09.2006 / **Revised:** 03.04.2008 / **Accepted:** 17.11.2008

Prof. D. K. Datta (✉)
College of Business Administration, University of Texas at Arlington, Arlington, Texas, USA
e-mail: ddatta@uta.edu

Ass. Prof. X. Liang
School of Business and Economics, University of Minnesota-Duluth, Duluth, Minnesota, USA

Ass. Prof. M. Musteen
College of Business Administration, San Diego State University, San Diego, California, USA

Introduction

In a competitive landscape characterized by increased globalization, the choice of entry mode represents a key strategic decision facing firms seeking expansion into international markets. Several foreign market entry options exist. They include exporting, contractual entry (licensing and franchising), joint ventures, greenfield investments and acquisitions with each entailing different levels of resource requirements, organizational control, expected future returns and risk exposure (Anderson/Gatignon 1986, Buckley/Casson 1998). Entry mode choice is also viewed as a "frontier issue" in international business research (Anderson/Gatignon 1986, Madhok 1997) and a "very important, if not critical, strategic decision" (Agarwal/Ramaswami 1992; p. 2). Not surprisingly, there has been a proliferation of research on entry mode choice over the past three decades (see Datta/Herrmann/Rasheed 2002 for a review), much of it focusing on the antecedents of such choice, especially those related to entrant firm characteristics and host country conditions. In addition, a few studies (e.g., Hennart 1991, Stopford/Wells 1972, Wilson 1980) have examined how firms' corporate strategy (e.g., the degree of corporate diversification) influence decisions pertaining to entry mode choice. However, to the best our knowledge, no study, to date, has examined the influence of firms' business strategy on such choices. As a result, we currently have a limited understanding of how business strategy orientations of firms influence the selection of entry mode strategies.

Our study seeks to address this important gap. Strategic management scholars have long argued that firms with different business strategy orientations exhibit different behaviors as reflected in their willingness to take risks, resource allocation priorities, and preferences for specific organizing and controlling mechanisms (Miller/Droge 1986, Miles/Snow 1978, Porter 1980). We believe that such differences are also likely to be reflected in the strategic choices firms make in entering foreign markets. In the context entry modes, Pan and Tse (2000) argue that decisions related to foreign market entry are typically made in two stages. The first involves choosing between equity (i.e., joint ventures, wholly owned subsidiaries and acquisitions) and non-equity (i.e., exports and licensing) modes. The choice of an equity mode in the first stage leads to the next stage wherein firms decide on the level of ownership they seek in the foreign venture. They may opt for a full-ownership equity mode (e.g., a greenfield investment or a full acquisition) where they retain complete control of operations in the host country. Alternatively, they can choose a shared-ownership mode (e.g., a joint venture or a partial acquisition), wherein control is shared with a local entity.

Our study draws primarily on three theoretical perspectives to hypothesize specific relationships between firms' business strategy and their choice of entry modes. Specifically, we invoke theoretical perspectives in transaction cost economics (Hennart 1991), strategic capability (Madhok 1997) and strategic cognition (Thomas/Litschert/Ramaswamy 1991) to examine the relationships between business strategy orientation as exemplified by Prospectors and Defenders in the Miles and Snow typology (Miles/Snow 1978) and decisions pertaining to the selection of entry modes. In doing so, we expect our study to advance the literature in international management by highlighting the potential linkages that exist between firm strategies at the business level and strategies in the international context.

The paper unfolds as follows: In the following section we briefly discuss the business strategy typology developed by Miles and Snow (1978) along with the related empirical evidence supporting the typology. In the next section we advance arguments pertaining to the hypothesized relationships between two distinct business strategy types (Prospectors and Defenders) and the choice between (a) equity and non-equity, and (b) full-ownership and shared-ownership foreign market entry modes. Following that, we describe the study methodology including sample and measures. Next, we present the results of our analyses. Finally, we discuss the findings and their implications from the perspective of research and managerial practice and identify potential directions for future research.

Theoretical Overview

Firm Strategic Orientation

At the business level, firms are concerned with how best to compete in individual product markets (Schendel/Hofer 1979). Strategy scholars have, over the years, developed several classificatory schemes to study business level strategies. One of the most widely used is the Miles and Snow (1978) typology. In their seminal work, Miles and Snow (1978) posited that firms exhibit different behaviors as they adapt to changes in the external environment. These adaptive behaviors embody distinctive and identifiable patterns in firms' policies dealing with entrepreneurial, engineering, and administrative problems. Over time, in their adaptive cycle, firms demonstrate consistent strategic postures, which are typically driven by different perceptions of competition by firms' dominant coalitions (Cyert/March 1963) and are embodied in their adoption of compatible organizational structures (Rogers et al. 1999), processes (Segev 1987), and technologies (Borch/Huse/Senneseth 1999).

Miles and Snow (1978) identified four strategic approaches used by firms for dealing with their entrepreneurial, engineering and administrative problems, which they labeled as "Prospectors", "Defenders", "Analyzers" and "Reactors." A key discriminating factor between these different strategy types is the rate at which firms change their products or markets (Hambrick 1983, Zahra/Pearce 1990). By definition, Prospectors are firms that compete primarily based on innovation. They have an external orientation, make relatively frequent changes in their product-market domain and play a pioneering role in the development of new products and markets (Miles/Snow/Meyer/Coleman 1978). Defenders, in contrast, emphasize efficiency in how they position themselves in their competitive domain. They represent internally oriented firms that emphasize cost control and engage in limited new product or market development (Boyd/Salamin 2001). Compared to Prospectors, Defenders have a limited proclivity for change. In summary, while Prospectors emphasize growth, risk taking and innovation, Defenders seek stability, risk reduction and greater operational efficiency. The third strategy type in the Miles and Snow typology, namely, "Analyzers", represents a hybrid approach. Analyzers seek to balance the exploration of new opportunities with the exploitation of current markets through efficiency seeking behavior. "Reactors," are the final strategy type and represent unsuccessful firms that lack a clear, consistent approach in dealing with the three fundamental organizational problems.

The Miles and Snow typology has been the focus of extensive empirical research (e.g., Aragon-Sanchez/Sanchez-Marin 2005, Bird/Beechler 1995, Boyd/Salamin 2001, DeSarbo et al. 2005, Hambrick 1983, James/Hatten 1995, Kabanoff/Brown 2008, Olson/ Slater/Hunt 2005, Rajagopalan 1997, Rogers/Miller/Judge 1999, Shortell/Zajac 1990, Thomas et al. 1991). Studies have covered a wide range of manufacturing and service industries, including, the automobile, plastic, semiconductor, and air transportation (Snow/Hrebiniak 1980), computer (Thomas et al. 1991), electric utility (Rajagopalan 1997), retailing (Hawes/Crittenden 1984), hospital (Meyer 1982, Zajac/Shortell 1989), and the banking industry (James/Hatten 1995, Rogers et al. 1999). In addition, DeSarbo et al. (2005) conducted an extensive test of the typology involving organizations in three countries (China, Japan, and United States). Their study validated the Miles and Snow business types across countries. The recent studies also provide evidence of the staying power of the Miles and Snow typology. Commenting on this, Hambrick (2003, p. 116), mentions that "of the several strategy classifications introduced over the past 25 years, it has been the most enduring, the most scrutinized and the most used." More recently, Kabanoff and Brown (2008) have attributed the staying power of the Miles and Snow typology to the fact that it is both "parsimonious and rich" in describing how different strategic orientations are reflected in managers' decisions on how to deal with issues emanating from the entrepreneurial, engineering and administrative domains.

The different strategy types have been documented to vary systematically in terms of their investment patterns (Hambrick 1983), risk orientations (James/Hatten 1995, Shortell/Zajac 1990), and internal resource and capability configurations (DeSarbo et al. 2005, Hambrick 1983). For example, Hambrick (1983) observed that Prospectors spend significantly more on R&D and marketing than Defenders. Slater and Olson (2000) also found that Prospectors are characterized by more aggressive marketing strategies when compared to Defenders. In addition, Di Benedetto and Song (2003) found that Prospectors are characterized by internal systems that facilitate technology and knowledge creation. In contrast, Defenders are seen as being conservative in investing in new technologies (Dvir/ Segev/Shenhar 1989). Moreover, Rogers et al. (1999) found that Prospectors emphasize integration and coordination, flexibility, scanning, and breadth dimensions of planning, and are negatively disposed to utilizing accounting controls. Defenders, on the other hand, emphasize accounting controls and place much less emphasis on the other dimensions of planning. Prospectors have also been shown to exhibit greater risk taking behavior when compared to Defenders (Shortell/Zajac 1990) and are often characterized by reward and evaluation systems that reward long-term, risk seeking behavior on the part of managers (Rajagopalan 1997).

In the following section we argue that firms exhibiting the two distinct business strategy orientations in the Miles and Snow's typology, namely, Prospectors and Defenders, can be expected to favor very different foreign market entry mode choices. We limit our investigation to only Prospectors and Defenders following the approach used in previous studies (e.g., Boyd/Salamin 2001, Hambrick 1983, Jennings/Seaman 1994, Rajagopalan 1997, Rogers et al. 1999, Slocum et al. 1985, Simon 1987, Thomas et al. 1991). While Prospectors and Defenders are viewed as two distinct strategy types, Analyzers are seen as adopting a hybrid strategy (a cross between Prospectors and Defenders) and Reactors as having an unsustainable strategy. The lack of conceptual clarity makes it difficult to theoretically link Analyzers and Reactors to entry mode choices in the context of our study. Indeed, this factor has been one of the primary reasons why past research has primarily focused on Prospectors and Defenders.

Strategic Orientation and Entry Mode Choices

The extensive empirical research based on the Miles and Snow typology demonstrates that Prospectors and Defenders are systematically different along multiple dimensions. These include, technological sophistication (Borch et al. 1999), investment patterns (Hambrick 1993), design of compensation plans (Rajagoplan 1997), aggressiveness in product introductions (Shortell/Zajac 1990), risk taking (James/Hatten 1995), and planning and control processes (Rogers et al. 1999). Building on this research we argue that these differences also manifest themselves in the choice of foreign market entry modes. Specifically, we argue that there will be differences between Prospectors and Defenders in their assessment of transaction costs associated with dealings with foreign partners, their attitudes toward risk and resource commitments in the context of foreign operations. In doing so, we draw on three theoretical perspectives – transaction cost economics, strategic capability and strategic cognition, in postulating that the choice between equity and non-equity modes as well as choices related to the level of ownership associated with equity modes will be influenced by firm strategic orientation. We detail our arguments in the following paragraphs.

Strategic Orientation and the Choice between Equity and Non-Equity Entry Modes

Transaction cost economics (TCE), the most widely used theoretical perspective in explaining firms' choice of entry modes (Zhao/Luo/Suh 2004), posits that firms choose to internalize or externalize exchange relationships based primarily on costs incurred in the exchange process. TCE argues that key factors that influence decisions are asset specificity, bounded rationality and partner opportunism. Several scholars (e.g., Anderson/Gatignon 1986, Brouthers 2002, Hennart 1991) have used the tenets of TCE to argue that the appropriate governance structure (e.g., a foreign market entry) is one that minimizes total transaction costs. When such costs are perceived to be low, firms can be expected to favor market-based transactions. In contrast, when transaction costs are high, firms are more likely to internalize transactions and choose governance structures that involve greater control. In estimating transaction costs, potential entrants consider both the difficulty of transferring proprietary knowledge to potential partners (Contractor 1984) and the likelihood of opportunistic behavior on the part of such partners (Calvet 1981). Proprietary knowledge and processes that cannot be easily codified are more difficult and costly to transfer to potential partners via market transactions such as licensing. Since they also require higher levels of monitoring to mitigate opportunistic behavior, entry modes involving greater ownership and control are typically favored to reduce transaction costs (Anderson/Gatignon 1986, Hennart 1991).

Extending the above arguments to business level strategy we postulate that Prospectors and Defenders are likely to differ in their choice of foreign market entry modes given differences in the level of proprietary and tacit knowledge that they typically possess. By definition, Prospectors engage in frequent product market innovation and typically invest significantly in R&D (Hambrick 1983, Miles et al. 1978). With time, they accumulate greater levels of proprietary knowledge and sophisticated product technology (Hambrick 1983, Miles/Snow 1978). In contrast, Defenders' product knowledge and technology tend to be less proprietary and more mature (O'Reagan/Ghobadian 2005). Also, as observed by Borch et al. (1999), Prospectors typically possess higher levels of intellectual property related to both products and processes than Defenders. Following TCE logic, we surmise that Prospectors, in order to protect their proprietary knowledge from partner opportunism, are more likely to seek higher levels of control via equity modes of entry.

While TCE theory emphasizes the effects of market failure and opportunism, the strategic capability perspective views firm strategy as a function of competencies based on tangible and intangible resources (Amit/Schoemaker 1993). While tangible resources are relatively easy to transfer across organizational boundaries, intangible resources (e.g., know-how) are not (Kogut/Zander 1991). It is because intangible resources relate to firms' idiosyncratic characteristics and tacit organizational "routines" (Nelson/Winter, 1982) that are more difficult to transfer across organizational boundaries. As argued by Madhok (1997), firms with more specialized technology and products are likely to favor internalization (i.e., equity modes) to contractual modes of foreign market entry. On the other hand, there will be a greater propensity on the part of firms characterized by more mature technology and greater levels of product standardization to favor contractual modes.

Thus, from a strategic capability perspective, dissimilarities in the resources and capabilities possessed by Prospectors and Defenders are likely to manifest themselves in the form of differences in entry mode choices. Prospectors' internal systems emphasize integration, coordination and flexibility when contrasted with Defenders who emphasize accounting controls (Rogers et al. 1999). Such systems are more difficult to transfer via arm's length relationships and are, therefore, more likely to be internalized via equity-based modes of entry. Similarly, as stated by Hambrick (1983, p. 6), "Prospectors tend to have complex coordination and communication mechanisms," while defenders "tend to have relatively simple coordination mechanisms." To be compatible with such systems, Prospectors contemplating foreign entry can be expected to prefer the internalization of their difficult-to-transfer learning and adaptation capabilities, through equity entry modes involving higher levels of ownership. In contrast, Defenders, with their emphasis on standardized products and mechanistic administrative systems, are more likely to favor non-equity modes. The use of non-equity entry modes in the context of Defenders ensures almost the same level of rent generating capability as would be achieved via equity modes of entry. In addition, such modes require comparatively less resource commitments and with internalization not conveying a significant advantage, Defenders are more likely to opt for non-equity modes of entry.

The notion that Prospectors are likely to be more inclined to use equity-based modes of entry is also supported by the strategic cognition perspective. This body of research suggests that firms learn and adapt to changes in their environments via exploration and exploitation (March 1991). Exploration consists of activities such as search, innovation and experimentation and requires risk taking and a long-term orientation on the part of managers. Exploitation, on the other hand, involves incremental improvement of existing technologies and processes. By definition, Prospectors and Defenders differ in their cognitive orientation, with Prospectors relying more on the explorative mode of learning and Defenders preferring exploitation (Kabanoff/Brown 2008, Sidhu/Volberda/Commandeur 2004). We expect such differences to be reflected in their choice of entry modes. Specifically, the explorative orientation favored by Prospectors involves inherently greater risk taking in the form of product introduction and market exploration, activities that are associated with uncertain, but potentially higher, returns over an extended period of time (DeSarbo et al. 2005). Given that equity modes involve relatively higher levels of risk-taking behavior, one can justifiably expect Prospectors (rather than Defenders) to choose such modes. In contrast, Defenders' focus on exploitation, involving incremental refinements that represent predictable and temporally proximate returns (Hambrick 2003, Miles/Snow 1978) are likely to be more compatible with the relatively less risky non-equity modes.

In sum, the above arguments, based on the TCE, strategic capability and cognition perspectives, lead to our first hypothesis:

Hypothesis 1. Other things being equal, Prospectors are more likely to choose equity over non-equity entry modes. Defenders, on the other hand, are more likely to choose non-equity over equity entry modes.

Strategic Orientation and the Choice between Full and Shared-Ownership Entry Modes

Pan and Tse (2000) argue that once managers decide on an equity (as opposed to a non-equity) mode of entry, they proceed to the next stage of decision making which relates to ownership levels. In the context of equity modes, options can be broadly classified as full-ownership (greenfield investments or full acquisitions) and shared-ownership (joint ventures and partial acquisitions) modes. Again, TCE, strategic capability, and strategic cognition perspectives provide clues related to the level of ownership that is likely to be sought by Prospectors and Defenders in their entry mode decisions.

TCE maintains that the choice of entry mode in terms of control and ownership is influenced by the costs associated with identifying partners, negotiating contracts and monitoring the activities of such partners (Agarwal/Ramaswami 1992, Makino/Neupert 2000), with full-ownership entry modes being more efficient when the potential for unintended leakage, "free riding" and partner opportunism is relatively high (Anderson/Gatignon 1986). When firms possess innovative technologies and differentiated products, there is the potential for opportunistic behavior in shared ownership modes when knowledge acquisition by partner firms makes them possible future competitors (Agarwal/Ramaswami 1992). In such cases, transaction costs associated with monitoring partner behavior can be high, resulting in entrant firms exhibiting a preference for entry modes involving full ownership (Erramilli/Rao 1993). Since Prospectors engage in higher levels of innovation (Borch et al. 1999, Song/Di Benedetto/Nason 2007), they are also more vulnerable to leakage and partner opportunism in shared-ownership entry modes. Therefore, full-ownership modes often represent more efficient vehicles for entering foreign markets from the perspective of Prospectors. In contrast, it can be argued that Defenders, who typically rely on the exploitation of mature technologies (O'Reagan/Ghobadian 2005), are less vulnerable to partner opportunism and, will therefore be more inclined to use shared ownership entry modes in entering foreign markets.

The strategic capability perspective also provides theoretical support for the use of full ownership entry modes by Prospectors. As Prospectors seek to solve the entrepreneurial problem of locating and exploiting new opportunities, they need flexibility in their technological and administrative systems (Miles et al. 1978). Such flexibility is likely to be greater in full-ownership modes. While exiting from shared-ownership modes may be less costly (given lower investment levels), such modes are also generally characterized by lower levels of control and flexibility given contractual obligations and the need to accommodate partner goals and expectations. The constraints imposed by partner goals and interests also limit discretion and decision making latitude in shared-ownership modes, making full-ownership modes more attractive from the standpoint of Prospectors. In addition, Prospectors are characterized by procedures that are non-routinized, and technologies that, instead of being codified, are embedded in people (Rogers et al. 1999, Shortell/Zahra 1990). To ensure compatibility of such systems (which are inherently difficult to transfer), Prospectors contemplating foreign entry can be expected to favor high ownership modes. As the study by Olson et al. (2005) indicates, Prospectors rely on decentralized structures to achieve higher levels of innovation and creativity whereas Defenders' structures are more formalized and consist primarily of generalist positions. Given the challenges associated with the effective codification and transfer of their tacit capabilities, Prospectors are more likely to use entry modes with higher levels of ownership. Moreover, as DeSarbo, Di Benedetto, Jedidi and Song (2006) point out, Prospectors require sophisticated cross-functional integration which is likely to be more effectively achieved when international operations are internalized via full-ownership entry modes.

The view that Prospectors are more likely to choose full-ownership modes of entry is also consistent with the strategic cognition perspective. Thomas et al. (1991) observed that top managers in Prospectors and Defenders have different demographic attributes, with those in Prospectors being typically younger and characterized by shorter firm tenures and higher educational levels. The upper echelons literature associates these demographic attributes with greater risk taking propensity (Finkelstein/Hambrick 1996). As such, compared to Defenders, we can expect top managers at Prospectors to favor riskier full-ownership entry modes over shared-ownership modes.

Full-ownership and shared-ownership entry modes are also associated with very different levels of risk exposure. The former involves higher levels of risk exposure given greater resource commitments, the assumption of total decision making responsibility and the absence of a local partner that can provide local knowledge and guidance (Musteen/Datta/Herrmann forthcoming). Moreover, given significant investments, full-ownership entry modes generally require a long-term orientation on the part of entrant firms (Gleason/Mathur/Wiggins 2006). The inherently higher risks and the required long-term orientation associated with full-ownership modes (Agarwal/Ramaswami 1992, Herrmann/Datta 2002) means that such modes are more compatible with a Prospector strategic orientation. In contrast, shared-ownership modes represent a good fit with the relatively risk-averse postures of Defenders. They are also widely regarded as being relatively short-term arrangements – joint ventures, for example, have an average life span of less than 6 years (Buchel 2003). As such, they represent a better fit with the short-term decision horizon of Defenders. Hence,

Hypothesis 2. Other things being equal, there is a greater likelihood that Prospectors will choose full-ownership entry modes over shared-ownership entry modes. Defenders, on the other hand, are more likely to choose shared-ownership entry modes over full-ownership entry modes.

Table 1 summarizes the different theoretical perspectives and associated arguments linking strategic orientation to the choice between equity and non-equity entry modes and also the choice between full and shared-ownership entry modes.

Table 1: Theoretical Perspectives and Implications for the Relationships between Business Level Strategy and Entry Mode Choice

Theoretical Perspectives	Relevant Arguments	Implications
Transaction Cost Economics (Anderson/Gatignon 1986, Hennart 1991, Williamson 1975)	In order to minimize transaction costs and overcome market failure in the context of arm's length relationship, firms will internalize international transactions (i.e., choose higher ownership, full control entry modes)	Prospectors accumulate greater firm specific knowledge with higher investments in R&D and advertising. Given the higher level of proprietary and difficult to transfer technological know-how, Prospectors, more than Defenders, will favor equity modes of entry involving higher levels of ownership
Strategic Capability/ Resource Based View (Barney 1991, Madhok 1997)	Firms will choose entry modes that allow them to exploit and/or enhance their capabilities. Tacit resources and complex capabilities are better transferred through equity, high ownership modes of entry	Prospectors whose capabilities are developed through cross-functional cooperation and embedded in complex human and technological resources are likely to favor equity modes entailing higher levels of ownership. Defenders' competencies in the area of cost control and their strong market-linking capabilities will result in them preferring non-equity and shared-control modes of entry
Strategic cognition (Daft/ Weick 1984, Thomas et al. 1991)	Cognitions of top managers reflect in strategic choices. Certain cognitive characteristics of top managers translate in their entry mode choices	Prospectors and Defenders likely differ in cognitive orientations of their top managers. Prospectors' managers are more risk-seeking and therefore likely to choose riskier, full-ownership entry modes. Defenders' managers are more risk-averse and therefore more likely to choose less risky, shared control modes and lower ownership modes

Method

Sample

Firms had to satisfy several criteria to be included in our sample. For one, given that our study focuses on business level strategic orientations, the sample was limited to non-diversified U.S. firms (deriving at least 70 percent of their sales from their primary 4-digit SIC business segment in three consecutive years 1996–1998). Second, we limited the sample to firms in the manufacturing sector (two-digit SIC codes 20–39). Third, only firms with international sales during the period 1993–1998 were included. Fourth, sample firms were required to have at least $250 million of sales in the year of entry. Finally, we considered only publicly traded firms, enabling us to gather data from secondary sources. The procedure resulted in a set of 193 non-diversified firms.

Measures

Strategic Orientation

Two approaches have been used in past research to assess the business strategy orientation of firms based on the Miles and Snow typology. Some researchers (e.g., Shortell/Zajac 1990, Snow/Hrebiniak 1980) have directly surveyed managers to assess the business strategies (Prospector or Defender) adopted by their organizations. However, a majority of studies (e.g., Hambrick 1983, Shortell/Zajac 1990, Thomas et al. 1991) have used archival data to infer business strategy based on the investment patterns of business units. Our study adopted the latter approach.

To identify the strategic orientation of sample firms, we developed a four step procedure based on content analysis of "Chairman's Letter to Shareholders" from Annual Reports. Text analysis of letters of shareholders have been used in several organizational studies (e.g., Abrahamson/Park 1994, Cho/Hambrick 2006, Clapman/Schwenk 1991) as a way of collecting data that is either not readily available from archival sources or is difficult to collect via a survey. First, we identified firms with very high (top 10 percent relative to industry) and very low (bottom 10 percent relative to industry) R&D and advertising intensity. Following Thomas et al. (1991) firms with high R&D or advertising intensity were classified as Prospectors and those with low R&D and advertising intensity were classified as Defenders. This process resulted in the identification of 30 firms. Second, using the Lexis-Nexus database, we indentified the "Letter to Shareholders" in the Annual Reports of these firms pertaining to the period 1992–1998. Two of the researchers involved in this project independently read each letter and made judgments related to the strategic orientation (Prospector or Defender) of the firms. An inter-rater reliability of 0.93 was achieved in the first round. In instances where agreement was lacking, both researchers analyzed the reasons for lack of agreement, reread the letters and then arrived at a consensus.

Third, based on a thorough examination of the definition and descriptions of Prospectors and Defenders in the literature, we identified a list of twenty-seven words that have been often associated with the description of strategic orientations of firms by managers. We then used "Concordance" (a text analysis software) to count the occurrence of these words in all the letters to shareholders of identified firms. During the "counting" process the use of each of the 27 identified words was carefully examined by the researchers to ensure that listed words carried the correct meaning (in the context of business strategy) when used in the document. Fourth, treating each word in the list as a dependent variable and its incidence as the score of the variable, we conducted discriminant analysis on the Prospector and Defender groups identified in the previous step. The process allowed us to identify four variables (i.e., words), namely, "production", "efficiency", "market", and "introduce" that, jointly, explained 75.7 percent of the total variance in the 27 variables. Wilk's Lamda indicates that the correlation between the initial variable group and the final representative variables is 0.57 ($p<0.001$). Also, as expected, the coefficients associated with "production" and "efficiency" in the discriminant function were opposite of those associated with "market" and "introduce". The discriminant function successfully predicted the strategic orientation of firms in 83.5 percent of the cases.

We then counted the incidences of the four words ("production", "efficiency", "market", and "introduce") in the Chairman's "Letter to Shareholders" for all the firms in original sample of 193 firms with R&D intensity or advertising intensity in the upper 25 percent or bottom 25 percent. The cutoff values used by us are consistent with those used by Thomas et al. (1991)[1]. Following that, we applied the discriminant function from the previous step to identify the business strategy of these firms. However, recognizing that the discriminant function may suggest different strategic orientations for the same firm in different years, we considered a firm's strategic orientation to be distinctive only if the same business strategy was identified in at least three of the four years preceding the entry. The use of this criteria resulted in the identification of 62 firms with a clearly identifiable strategy. Forty-three of the 62 firms were Prospectors (Business Strategy=1) and 19 were Defenders (Business Strategy=0). These firms made a total of 332 entries. In other words, the average firm had slightly more than 5 entries over the study period (1993–98). The entries involved 53 foreign markets. Overall, firms in our sample represented total of 36 different manufacturing industries at the 3-digit SIC level.

Entry Mode

Data on foreign market entries made by firms in our sample with identifiable strategic orientation during the period 1993–1998 were collected from information reported in the *Wall Street Journal Index*, *Mergers and Acquisitions*, *Moody's Industrial Manual*, and *Moody's OTC Manual*, supplemented with information in the annual reports and 10-K statements of the firms. Entry modes were coded as follows: 1=export, 2=licensing/franchise agreements, 3=joint ventures, 4=partial acquisitions; 5=full ownership acquisitions and 6=greenfield investments. Next, the entry modes were categorized as follows: First, we divided entry modes into two broad categories: (a) equity modes (3, 4, 5 and 6) and, (b) non-equity modes (1 and 2). A dichotomous variable *Equity Mode* was created where Equity Mode=1 for entry via an equity mode of entry and '0' otherwise. Following that, we sub-divided the equity market entries into (a) full-ownership (i.e., 5 and 6) and, (b) shared-ownership (i.e., 3 and 4) modes. Again, a dichotomous variable *Ownership* was defined where Ownership took a value of "1" in the context of a full-ownership entry mode and "0" when entry involved a shared-ownership mode.

Control Variables

Based on prior research on entry mode choice, we identified and controlled for several firm and country factors. First, we controlled for *firm size* given that firm size has been shown to influence the entry mode choice (Erramilli 1991, Kobrin 1987). Consistent with Datta and Rajagopalan (1998), firm size was operationalized as the natural logarithm of a three-year average of the total number of employees. In addition, we controlled for *firm profitability*, which was measured as the pre-entry three-year average of firm ROA, and firm *international experience*, measured as the percentage of international sales of total firm sales (Aulakh/Kotabe 1997, Herrmann/Datta 2002). We also controlled for *firm sales growth* which was computed as the average percentage change in total sales in the three year period preceding the entry. In addition, our study controlled for cultural differences between the U.S. and host countries given that such differences have been shown in prior research (e.g., Erramilli 1991, Kogut/Singh 1988, Slangen/Hennart 2008) to significantly impact entry mode choice. Following Kogut and Singh (1988) and Datta and Puia (1995), *cultural distance* was operationalized as a composite index derived from Hofstede's measures. Finally, consistent with past research (Barkema/Vermeulen 1998), our study controlled for the host market size and growth (proxied by host country *GDP* and *GDP growth*). GDP data was obtained from the U.N. *Statistical Yearbook* and the *International Financial Statistics* of the IMF.

To control for possible time effects, three "*Year*" variables were created. If the entry occurred during the year 1993 and 1994, the Year1 = 1, "0" otherwise. Likewise, if entry took place in 1995–96, Year2 = 1, "0" otherwise. Finally, if the foreign market entry was made in either 1997 or 1998, Year3 was coded as "1" and "0" otherwise. Year1 was used as the base case and left out of the regression models.

Results

Means, standard deviations and correlation coefficients associated with study variables are presented in Table 2. We used logistic regression (Hosmer/Lemeshow 2000, Pindyck/Rubinfeld 1998), an analytical approach that has been widely used in the literature on entry mode choice (e.g., Barkema/Vermeulen 1998, Herrman/Datta 2002) to examine the relationships between strategic orientation and entry mode choice (a binary dependent variable).

Table 3 presents the regression results pertaining to logistic regression analysis. Model 1 in Table 3 incorporates only the control variables in the context of the choice between equity and non-equity modes. Model 2 includes firm strategic orientation in addition to the control variables. Results indicate a strong relationship between business strategy orientation and the choice of equity-based entry mode, with the regression coefficient being positive and statistically significant ($p < 0.001$). In other words, our results suggest that Prospectors are more likely to opt for equity-based entry modes. The odds ratio for the business strategy variable in Model 2 is 6.02 indicating that the odds of a Prospector selecting an equity entry mode is six times the odds of selecting a non-equity entry mode. Thus, our findings provide strong support for the first hypothesis.

Table 2: Means, Standard Deviations and Correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Equity Mode	0.87	0.30									
2. Full-ownership Mode	0.68	0.50									
3. Business Strategy	0.58	0.50	0.19***	0.18**							
4. GDP	0.80	1.00	0.00	0.00	0.08						
5. GDP Growth	3.85	4.30	−0.01	−0.21***	−0.01	−0.24***					
6. Cultural Distance	1.81	1.20	−0.15**	−0.27***	−0.07	−0.16**	0.25***				
7. Performance	6.74	5.00	−0.04	0.03	0.34***	0.09†	0.03	0.07			
8. Size	3.99	0.80	0.17***	−0.04	−0.42***	−0.16**	0.00	−0.04	−0.34***		
9. International experience	0.30	0.10	0.16**	0.06	0.17***	0.02	0.03	−0.01	−0.12*	−0.04	
10. Sales growth	0.16	0.2	0.08	0.04	0.06	0.11†	−0.09	−0.10	−0.21***	−0.25***	−0.13*

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$; 2-tailed α

Table 3: Logistic Regression Analysis: Choice between Equity and Non-Equity Entry and between Full and Shared-Ownership Modes

	Equity vs. Non-equity (N=332)		Full vs. Shared-ownership (N=290)	
Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Intercept	−2.289† (1.277)	−3.440* (1.378)	1.829† (0.979)	0.212 (1.106)
Firm Size	0.914*** (0.252)	1.136*** (0.266)	−0.044 (0.174)	0.238 (0.195)
Firm Performance	0.022 (0.037)	−0.035 (0.049)	0.021 (0.028)	−0.009 (0.032)
Cultural Distance	−0.374* (0.168)	−0.281† (0.175)	−0.443*** (0.124)	−0.433*** (0.126)
Host country GDP	−0.022 (0.166)	−0.047 (0.173)	−0.217 (0.141)	−0.208 (0.143)
Host Country GDP Growth	0.006 (0.040)	0.014 (0.043)	−0.093* (0.036)	−0.097** (0.037)
International Experience	3.677** (1.296)	2.167 (1.392)	1.548 (1.096)	1.487 (1.127)
Sales Growth	2.340† (1.260)	2.562† (1.333)	0.199 (0.749)	0.645 (0.790)
Year1	−0.444 (0.455)	−0.515 (0.481)	−0.215 (0.360)	−0.375 (0.370)
Year2	0.312 (0.467)	0.330 (0.480)	−0.336 (0.318)	−0.323 (0.326)
Business Strategy		1.795*** (0.458)		1.124** (0.342)
−2 log likelihood	215.89	198.09	332.90	321.71
Wald chi-square	30.15***	41.61***	29.01***	36.47***

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Model 3 in Table 3 presents the control variables model for the choice between full and shared-ownership entry modes, with Model 4 incorporating the Business Strategy variable. Again, results presented in Model 4 provide strong support for the second hypothesis by indicating that Prospectors (Business Strategy=1) are significantly ($p<0.01$) associated with the choice of full-ownership modes of entry. The odds ratio of 3.08 suggests that Prospectors, when compared to Defenders, are three times as likely to select full-ownership entry modes.

A crucial assumption in standard logistic regression is that observations used in the analysis are independent of one another. Since our data included, in many cases, multiple entries made by the same firm over the study period (1993–98), we conducted supplemental analysis to account for potential violation of independence between observations (i.e., to account for possible firm effects in regression models). We used the Nonlinear Mixed (NLMIXED in SAS) procedure to estimate our models. The nonlinear mixed procedure handles models in which both fixed and random effects are permitted to have a nonlinear relationship to the response variable (Davidian/Giltinan 1995 provide a good overview of nonlinear mixed models). The procedure enables a researcher to specify a conditional distribution for given data with random effects) and provides parameter estimates along with their approximate standard errors computed from the second derivative matrix of the likelihood function. In our analysis, we used NLMIXED to estimate a model with nine fixed effects (i.e., our independent and control variables) and a single random effect (i.e., the firm) as having a normal distribution. Thus, the analysis assumed that the input data set is clustered by individual firms and the heterogeneity between firms is explicitly modeled and not considered a mere nuisance effect. Table 4 represents NLMixed regression results which controls for both time and firm effects and provides a very conservative test of the hypotheses. They support our logistic regression results and indicate that Prospectors, when compared to Defenders, are more likely to use equity ($p < 0.05$) and full-ownership ($p < 0.01$) entry modes.

Although not central to the current study, the observed relationships between some of the control variables and the choice of entry mode are interesting. In addition to a more rigorous test of the research hypotheses, they provide meaningful comparison of our results with those of prior entry mode research. First, consistent with past research (e.g., Erramilli/Rao 1993, Kogut/Singh 1988), we find cultural distance to be negatively associated with the preference for equity-based entry modes and full-ownership entry modes. That is, our

Table 4: NLMIXED Analysis: Choice between Equity and Non-Equity Entry and Between Full and Share-Ownership Modes

	Equity vs. Non-equity (N=332)		**Full vs. Shared Ownership (N=290)**	
Variable	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Firm Size	1.001** (0.319)	0.898** (0.312)	0.341* (0.145)	0.281* (0.128)
Firm Performance	0.015 (0.068)	−0.033 (0.081)	0.029 (0.034)	−0.012 (0.037)
Cultural Distance	−0.438† (0.234)	−0.408† (0.240)	−0.475*** (0.139)	−0.472*** (0.138)
Host country GDP	−0.058 (0.234)	−0.090 (0.238)	−0.230 (0.154)	−0.244 (0.152)
Host Country GDP Growth	0.083 (0.061)	0.085 (0.061)	−0.088* (0.039)	−0.093* (0.039)
International Experience	−0.630 (2.475)	−3.033 (2.713)	2.495† (1.304)	1.480 (1.280)
Sales Growth	1.196 (2.029)	0.840 (2.082)	0.598 (0.950)	0.595 (0.925)
Year1	−0.467 (0.714)	−0.514 (0.718)	−0.237 (0.402)	−0.396 (0.400)
Year2	0.378 (0.660)	0.393 (0.668)	−0.384 (0.364)	−0.416 (0.362)
Business Strategy		2.501* (1.030)		1.388** (0.449)
−2 log likelihood	177.4	170.3	330.0	318.4

† $p < 0.10$; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$; 2-tailed α

results suggest that when firms venture into foreign markets with dissimilar cultures they tend to prefer non-equity arrangements. However, in instances when firms choose equity modes under conditions of high cultural distance they are more likely to favor shared-ownership over full-ownership modes. Moreover, our findings indicate a significant positive relationship between firm size and the use of equity modes. This is consistent with the findings of prior research, including those by Kobrin (1987) and Erramilli (1991), suggesting that larger firms are more likely to use equity modes in entering foreign markets.

Discussions and Conclusions

In this study, we drew on three theoretical perspectives (transaction costs, strategic capability and strategic cognition) to argue that business strategy orientations of firms influence the choices they make in entering foreign markets. Overall, our results provide strong support for this argument. Two key findings emerge from our study. First, our findings indicate that Prospectors are more likely to favor equity-based entry modes than Defenders. This finding is consistent with domain expansion orientation of Prospectors and the fact that Prospectors' competencies often exist in the form of idiosyncratic organizational attributes. The efficiency and cost management orientations of Defenders, on the other hand, result in a greater propensity on their part to use non-equity modes. Second, our findings indicate that Prospectors are more likely to use full-ownership entry mode options in entering foreign markets. Defenders, on the other hand, exhibit a greater preference for shared-ownership modes – a finding that is consistent with their overall risk averse orientation. In addition, greater use of full-ownership entry modes by Prospectors is also probably a reflection of the relatively higher levels of proprietary knowledge that they possess and their efforts at minimizing knowledge leakage and partner opportunism in their international operations.

In sum, we believe that our findings make some important contributions to the international business and strategic management literatures. While extant research on entry mode choice has examined a broad array of antecedent factors (primarily entrant firm capabilities and conditions in the host nation), the impact of firm business strategy orientation on such choice had remained unexamined. In filling this important gap, our research highlights the important influence that existing business level strategy has on such choice. In the context of Pan and Tse's (2000) hierarchical model of entry mode selection, our findings indicate that when it comes to choices between equity and non-equity modes, Prospectors are much more likely to choose equity entry modes than their Defender counterparts. Also, our findings indicate that the business strategy orientation of firms has a significant impact on the decision to use a full or shared-ownership mode of entry. This was as expected. In addition to mitigating the possibility of leakage of critical knowledge and potential partner opportunism, full-ownership modes enable the easier transfer of firm specific knowledge from the home operations of Prospectors to their new overseas units.

From the perspective of research in strategic management, our findings lend credence to the theoretical argument that firms with different strategic orientations behave differently in their adaptation to external uncertainties by designing different organizational structures and identifying different resource allocation priorities (Miles/Snow 1978, Zahra/Pearce 1990). Our study also addresses the call for the examination of internationalization as a strategic process. As Melin (1992) points out,

> The strategy process determines the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms. The internationalization dimension (of ongoing strategy process) is related to all these aspects of the strategy process. (p. 101)

Our inquiry embodies Melin's belief that a study of business level strategy should provide useful insights in explaining the internationalization phenomenon of MNEs in the global context. As our findings indicate, the strategic orientations of firms at the business level do indeed guide their selection of approaches used in entering international markets.

Our findings also have important practitioner implications. They suggest that the choice of entry modes used in accessing international markets is often contingent on how they compete in their domestic markets. While Prospectors should give careful consideration to full ownership equity entry modes, Defenders, given their strategic focus, might find non-equity entry modes and shared-ownership entry modes better suited for their purpose. Our findings, however, raise an interesting question: "Does the use of an entry mode that is compatible with the strategic orientation of a firm contribute to superior performance in the foreign market?" While data limitations precluded us from exploring the performance consequences of such a fit, it remains an important question that should be addressed in future research.

In addition to the above, our study points to other interesting issues that can be explored in future research. Future studies can extend our research by investigating the relationship between strategic orientation and the sequence of entries and exits from various foreign markets. For example, are Prospectors more likely to engage in behavior that involves taking relatively short-term positions in foreign markets and moving out as market conditions becomes less attractive (e.g., because of increased competition)? Alternatively, are Defenders likely to exhibit a long-term orientation in an effort to solidify their positions in newly entered markets? Investigating entry and exit dynamics in the context of strategic orientation undoubtedly represents an interesting avenue for future research.

In our study, we relied exclusively on archival data to identify firm strategy orientation. While our measure of business strategy considers the consistency in firms' investment behaviors over multiple years (Zahra/Pearce 1990), it does not adequately address the cognitive dimension underlying strategies (Snow/Hambrick 1980). Future research using subjective measures of firm strategy orientation (e.g., based on data obtained from firm managers via surveys or interviews) should be helpful in validating the findings of our research. In a similar vein, this study can be extended to the examination of relationships between business strategy and foreign market entry mode choice in the context of other business strategy typologies, including, the typology of generic strategies developed by Porter (1980). While the major elements of the Porter and Miles and Snow typologies converge on dimensions of proactiveness and consistency (Segev 1989), it would be interesting to see if the relationships identified in this study also hold for business strategies as conceptualized by Porter. Such a study would also provide convergent validity of the reported business strategy-foreign market entry mode relationships identified in this study. Likewise, future research can also cross validate the findings by adopting alternative measures of key control variables. For example, while the cultural distance index used in our study (Kogut/Singh 1988) remains the most widely used measure of cultural distance, it has been recently criticized as being too generic and limited in scope (Shenkar 2001). Future studies ought to make use of alternative measures of cultural differences (e.g., survey-based measures) that overcome the limitations of the measure used in this study.

Finally, a possible limitation of our study is that it is confined to firms in the manufacturing sector. This restriction, obviously, limits the generalizability of our findings. Future research using different samples (e.g., firms in the service sector) should provide important additional insights and add to our understanding of the relationships explored in this study. Moreover, our study sample consisted only of U.S. firms and while it is very likely that the relationships observed in our study will hold for firms in other countries (e.g., firms in other developed or developing countries) it remains an empirical question that deserves future research attention. In sum, given the relative paucity of research on the relationships between firm strategic orientation and strategic choices in the international context, it represents a fertile area for future research. We hope that this study will be valuable to others who wish to pursue this stream of research.

Acknowledgements: An earlier version of the paper was presented at the 2005 Academy of Management Annual Meetings, Honolulu, Hawaii. We would like to thank the editor and two anonymous MIR reviewers for their valuable suggestions and guidance. Thanks are also due to Witold Jerzy Henisz, Abdul Rasheed and Vince Barker for their comments on earlier versions of the paper.

Endnote

1 Thomas et al. (1991), for example, identified firms as Prospectors if their average R&D Intensity (R&D Expenses/Sales) and advertising intensity (advertising expenditure/ sales) ranked above the 75^{th} percentile of the industry's averages on the two variables. Defenders, on the other hand, were firms that scored below the 25^{th} percentile of the industry average on both dimensions.

References

Abrahamson, E./Park, C., Concealment of Negative Organizational Outcomes: An Agency Theory Perspective, *Academy of Management Journal*, 37, 5, 1994, pp. 1302–1334.

Agarwal, S./Ramaswami, S. N., Choice of Foreign Market Entry Mode: Impact of Ownership, Location, and Internalization Factors, *Journal of International Business Studies*, 23, 1, 1992, pp. 1–27.

Amit, R./Schoemaker, P., Strategic Assets and Organizational Rent, *Strategic Management Journal*, 14, 1, 1993, pp. 33–46.

Anderson, E./Gatignon H., Modes of Entry: A Transaction Cost Analysis and Propositions, *Journal of International Business Studies*, 17, 3, 1986, pp. 1–26.

Aragón-Sánchez, A./Sánchez-Marín, G., Strategic Orientation, Management Characteristics, and Performance: A Study of Spanish SMEs, *Journal of Small Business Management*, 43, 3, 2005, pp. 287–308.

Aulakh, P./Kotabe, M., Antecedents and Performance Implications of Channel Integration in Foreign Markets, *Journal of International Business Studies*, 28, 1, 1997, pp. 145–175.

Barkema, H. G./Vermeulen, F., International Expansion through Start-up or Acquisition: A Learning Perspective, *Academy of Management Journal*, 41, 1, 1998, pp. 7–26.

Bird, A./Beechler. S., Links Between Business Strategy and Human Resource Management Strategy in U.S.-Based Japanese Subsidiaries: An Empirical Investigation, *Journal of International Business Studies*, 26, 1, 1995, pp. 23–46.

Borch, O.J./Huse, M./Senneseth, K., Resource Configuration, Competitive Strategies, and Corporate Entrepreneurship: An Empirical Examination of Small Firms, *Entrepreneurship Theory & Practice*, 24, 1, 1999, pp. 49–70.

Boyd, B. K./Salamin, A., Strategic Reward Systems: A Contingency Model of Pay System Design, *Strategic Management Journal*, 22, 8, 2001, pp. 777–792.

Brouthers, K., Institutional, Cultural and Transaction Cost Influences on Entry Mode Choice and Performance, *Journal of International Business Studies*, 33, 2, 2000, pp. 203–221.

Buckley P. J./Casson, M., Models of the Multinational Enterprise, *Journal of International Business Studies*, 29, 1, 98, pp. 21–44.

Buchel, B., Managing Partner Relations in Joint Ventures, *Sloan Management Review*, 2003, 44, 4, pp. 91–95.

Calvet, A. L., A Synthesis of Foreign Direct Investment and Theories of the Multinational Firm, *Journal of International Business Studies*, 12, 1, 1981, pp. 43–59.

Cho, T. S./Hambrick, D. C., Attention as the Mediator between Top Management Team Characteristics and Strategic Change: The case of Airline Deregulation, *Organization Science*, 17, 4, 2006, pp. 453–469.

Clapham, S. E./Schwenk, C. R., Self-serving Attributions, Managerial Cognition, and Company Performance, *Strategic Management Journal*, 12, 3, 1991, pp. 219–229.

Contractor, F. J., Choosing between Direct Investment and Licensing: Theoretical Considerations and Empirical Tests, *Journal of International Business Studies*, 15, 3 1984, pp. 166–188.

Cyert, R. M./March, J. G. (eds.), *A Behavioral Theory of the Firm*, New Jersey: Prentice-Hall 1963.

Daft, R. L./Weick, K. E., Toward a Model of Organizations as Interpretation Systems, *Academy of Management Review*, 9, 2, 1984, pp. 284–295.

Datta, D. K./Herrmann, P./Rasheed, A. A., Choice of Foreign Market Entry Modes: Critical Review and Future Directions, *Advances in International Management*, 14, 2002, pp. 85–153.

Datta, D. K./Puia, G., Cross-border Acquisitions: An Examination of the Influence of Relatedness and Cultural Fit on Shareholder Value Creation in U.S. Acquiring Firms, *Management International Review*, 35, 4, 1995, pp. 337–359.

Datta, D. K./Rajagopalan, N., Industry Structure and CEO Characteristics: An Empirical Study of Succession Events, *Strategic Management Journal*, 19, 9, 1998, pp. 833–852.

Davidian, M./Giltinan, D. M. (eds.), *Nonlinear Models for Repeated Measurement Data*, New York: Chapman and Hall 1995.

DeSarbo, W. S. et al., A Constrained Latent Structure Multivariate Regression Methodology for Empirically Deriving Strategic Types, *Management Science*, 52, 6, 2006, pp. 909–924.

DeSarbo, W. S. et al., Revisiting the Miles and Snow Strategic Framework: Uncovering Interrelationships between Strategic Types, Capabilities, Environmental Uncertainty, and Firm Performance, *Strategic Management Journal*, 26, 1, 2005, pp. 47–74.

Di Benedetto, C. A./Song, X. M., The Relationship between Strategic Type and Firm Capabilities in Chinese Firms, *International Marketing Review*, 20, 5, 2003, pp. 514–533.

Dvir, D./Segev, E./Shenhar, A., Technology's Varying Impact on the Success of Strategic Business Units within the Miles and Snow Typology, *Strategic Management Journal*, 14, 2, 1993, pp. 155–161.

Erramilli M. K./Rao, C. P., Service Firms' International Entry Mode Choice: A Modified Transaction-cost Analysis Approach, *Journal of Marketing*, 57, 3, 1993, pp. 19–38.

Erramilli, M. K., The Experience Factor in Foreign Market Entry Behavior of Service Firms, *Journal of International Business Studies*, 22, 1991, pp. 479–502.

Finkelstein, S./Hambrick, D. C. (eds.), *Strategic Leadership: Top Executives and Their Effects on Organizations*, New York: West Publishing 1996.

Gleason, K. C./Mathur, I./Wiggins, R. A., The Use of Acquisitions and Joint Ventures by U.S. Banks Expanding Abroad, *Journal of Financial Research*, 29, 4, 2006, pp. 503–522.

Hambrick, D. C., Some Tests of the Effectiveness and Functional Attributes of Miles and Snow's Strategic Types, *Academy of Management Journal*, 26, 1, 1983, pp. 5–25.

Hambrick D. C., On the Staying Power of Defenders, Analyzers, and Prospectors, *Academy of Management Executive*, 17, 4, 2003, pp. 115–118.

Hawes, J. M./Crittenden, W. F., A Taxonomy of Competitive Retailing Strategies, *Strategic Management Journal*, 5, 2, 1984, pp. 275–287.

Hennart, J. F., The Transaction Costs Theory of Joint Ventures: An Empirical Study of Japanese Subsidiaries in the United States, *Management Science*, 37, 4, 1991, pp. 483–497.

Herrmann, P./Datta, D. K., CEO Successor Characteristics and the Choice of Foreign Market Entry Mode: An Empirical Study, *Journal of International Business Studies*, 33, 3, 2002, pp. 551–569.

Hill, C. W. L./Hwang, P./Kim, W. C., An Eclectic Theory of the Choice of International Entry Mode, *Strategic Management Journal*, 11, 1, 1990, pp. 117–128.

Hofstede, G., Culture's Consequences: International Differences in Work-related Values, Beverly Hills: Sage Publications 1980.

Hosmer, D. W./Lemeshow, S. (eds.), *Applied Logistic Regression*, 2nd ed., New York: Wiley 2000.

James, W. L./Hatten, K. J., Further Evidence on the Validity of the Self Typing Paragraph Approach: Miles and Snow Strategic Archetypes in Banking, *Strategic Management Journal*, 16, 2, 1995, pp. 161–168.

Jennings, D. F./Seaman, S. L., High and Low Levels of Organizational Adaptation: An Empirical Analysis of Strategy, Structure, and Performance, *Strategic Management Journal*, 15, 6, 1994, pp. 459–475.

Kabanoff, B./Brown, S., Knowledge Structures of Prospectors, Analyzers, and Defenders: Content, Structure, Stability, and Performance, *Strategic Management Journal*, 29, 2, 2008, pp. 149–171.

Kobrin, S., Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries, *International Organization*, 41, 4, 1987, pp. 609–638.

Kogut, S./Singh, H., The Effect of National Culture on the Choice of Entry Mode, *Journal of International Business Studies*, 19, 3, 1988, pp. 411–432.

Madhok, A., Cost, Value and Foreign Market Entry Mode: The Transaction and the Firm, *Strategic Management Journal*, 18, 1, 1997, pp. 39–61.

Makino, S./Neupert, K., National Culture, Transaction Costs, and the Choice between Joint Venture and Wholly Owned Subsidiary, *Journal of International Business Studies*, 31, 4, 2000, pp. 705–713.

March, J. G., Exploration and Exploitation in Organizational Learning, *Organization Science*, 2, 1, 1991, pp. 71–87.

Melin, L., Internationalization as a Strategy Process, *Strategic Management Journal*, 13, 1992, pp. 99–118.

Meyer, A. D., Adapting to Environmental Jolts, *Administrative Science Quarterly*, 27, 4, 1982, pp. 515–537.
Miles, R. E./Snow, C. C. (eds.), Organizational Strategy, Structure and Process, New York: McGraw-Hill 1978.
Miles, R. E. et al., Organizational Strategy, Structure, and Process, *Academy of Management Review*, 3, 3, 1978, pp. 546–562.
Miller, D./Droge, C., Psychological and Traditional Determinants of Structure, *Administrative Science Quarterly*, 31, 4, 1986, pp. 539–560.
Moore, M., Towards a Confirmatory Model of Retail Strategy Types: An Empirical Test of Miles and Snow, *Journal of Business Research*, 58, 5, 2005, pp. 696–704.
Musteen, M./Datta D. K./Herrmann, P., Ownership Structure and CEO Compensation: Implications for the Choice of Foreign Market Entry Mode, *Journal of International Business Studies*, forthcoming.
Nelson R. R./Winter, S. G. (eds.), *An Evolutionary Theory of Economic Change*, Cambridge, Massachusetts: Belknap Press 1982.
Olson, E. M./Slater, S. F./Hult, G. T. M., The Performance Implications of Fit among Business Strategy, Marketing, Organization Structure, and Strategic Behavior, *Journal of Marketing*, 69, 3, 2005, pp. 49–65.
O'regan, N./Ghobadian, A., Strategic Planning: A Comparison of High and Low Technology Manufacturing Firms, *Technovation*, 25, 10, 2005, pp. 1107–1117.
Pan, Y./Tse. V. K., The Hierarchical Model of Market Entry Modes, *Journal of International Business Studies*, 31, 4, 2000, pp. 535–554.
Pindyck, R. S./Rubenfield, D. L. (eds.), *Econometric Models and Economic Forecasts*, 4th ed., Boston, Massachusetts: Irwin/McGraw-Hill 1998.
Porter, M.E., *Competitive Strategy*, New York: Free Press 1980.
Prahalad, C. K./Hamel, G., The Core Competence of the Corporation, *Harvard Business Review*, 64, 3, 1990, pp. 79–91.
Rajagopalan, N., Strategic Orientations, Incentive Plan Adoptions, and Firm Performance: Evidence from Electric Utility Firms, *Strategic Management Journal*, 18, 10, 1997, pp. 761–785.
Rogers, P. R./Miller, A./Judge, W. Q., Using Information-processing Theory to Understand Planning/Performance Relationships in the Context of Strategy, *Strategic Management Journal*, 20, 6, 1999, pp. 567–577.
Schendel, D. E./Hofer, C. W. (eds.), *Strategic Management: A New View of Business Policy and Planning*, Boston: Little, Brown and Company 1979.
Segev, E., A Systematic Comparative Analysis and Synthesis of two Business-level Strategic Typologies, *Strategic Management Journal*, 10, 5, 1989, pp. 487–505.
Segev, E., Strategy, Strategy-making, and Performance in a Business Game, *Strategic Management Journal*, 8, 6, 1987, pp. 565–577.
Shenkar, O., Cultural Distance Revisited: Towards a More Rigorous Conceptualization and Measurement of Cultural Differences, *Journal of International Business Studies*, 32, 3, 2001, pp. 519–535.
Shortell, S. M./Zajac, E. J., Perceptual and Archival Measures of Miles and Snow's Strategic Types: A Comprehensive Assessment of Reliability and Validity, *Academy of Management Journal*, 33, 4, 1990, pp. 817–832.
Sidhu, J. S./Volberda, H. W.,/Commandeur, H. R., Exploring Exploration Orientation and its Determinants: Some Empirical Evidence, *Journal of Management Studies*, 41, 6, 2004, pp. 913–932.
Simons, R., Accounting Control System and Business Strategy: An Empirical Analysis, *Accounting, Organizations and Society*, 12, 4, 1987, pp. 357–374.

Slangen, A. H. L./Hennart, J. F., Do Multinationals really Prefer to Enter Culturally Distant Countries Through Greenfields rather than through Acquisitions? The Role of Parent Experience and Subsidiary Autonomy, *Journal of International Business Studies*, 39, 3, 2008, pp. 472–490.

Slater, S. F./Olson, E. M., Strategy Type and Performance: The Influence of Sales Force Management, *Strategic Management Journal*, 21, 8, 2000, pp. 813–829.

Slater, S. F./Olson, E., Marketing's Contribution to the Implementation of Business Strategy: An Empirical Analysis, *Strategic Management Journal*, 22, 11, 2001, pp. 1055–1067.

Slocum, J. W. et al., Business Strategy and the Management of Plateaued Employees, *Academy of Management Journal*, 28, 1, 1985, pp. 133–154.

Snow, C. C./Hrebiniak, L., Strategy, Distinctive Competence, and Organizational Performance, *Administrative Science Quarterly*, 25, 2, 1980, pp. 317–335.

Snow, C. C./Hambrick, D. C., Measuring Organizational Strategies: Some Theoretical and Methodological Problems, *Academy of Management Review*, 5, 4, 1980, pp. 527–538.

Song, M./Di Benedetto, C. A./Nason, R. W., Capabilities and Financial Performance: The Moderating Effect of Strategic Type, *Journal of the Academy of Marketing Science*, 31, 1, 2007, pp. 10–34.

Stopford, J. M./Wells, L. T. Jr. (eds.), Managing the MNE: Organisation of the Firm and Ownership of the Subsidiaries, New York: Basic Books 1972.

Thomas, A. S./Litschert, R. J./Ramaswamy, K., The Performance Impact of Strategy-manager Coalignment: An Empirical Examination, *Strategic Management Journal*, 12, 7, 1991, pp. 509–522.

Tihanyi, L./Griffith, D. A./Russell, C. J., The Effect of Cultural Distance on Entry Mode Choice, International Diversification, and MNE Performance: A Meta-analysis, *Journal of International Business Studies*, 36, 3, 2005, pp. 270–283.

Williamson, O. E. (ed.), Markets and Hierarchies: Analysis and Antitrust Implications, New York: Free Press 1975.

Wilson, B. D., The Propensity of Multinational Companies to Expand through Acquisitions, *Journal of International Business Studies*, 11, 1, 1980, pp. 59–65.

Zahra, S. A./Pearce II, J. A., Research Evidence on the Miles-Snow Typology, *Journal of Management*, 16, 4, 1990, pp. 751–768.

Zajac, E. J./Shortell, S. M., Changing Generic Strategies: Likelihood, Direction, and Performance Implications, *Strategic Management Journal*, 10, 5, 1989, pp. 413–430.

Zhao, H./Luo, Y./Suh, T., Transaction Cost Determinants and Ownership-based Entry Mode Choice: A Meta-analytical Review, *Journal of International Business Studies*, 35, 6, 2004, pp. 524–554.