Determinants of Equity Ownership Stake in Foreign Entry Decisions: A Systematic Review and Research Agenda

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Abstract

In international business literature, the level of equity ownership opted by a firm is an important decision and has received increased scholarly attention over the past two decades. To improve the understanding on antecedents of equity ownership decision, we believe that an integration of this stream knowledge is required. To that end, this paper systematically reviews the empirical studies on the determinants of equity ownership in the foreign entry decisions published between 1991 and 2019. In this study, we categorise and synthesize existing literature according to three primary theoretical lenses - Organizational learning, transaction cost economics, and institutional perspective. Additionally, we develop an integrative framework with various levels of antecedents affecting equity ownership decisions. Building on our theoretical synthesis, we highlight some gaps and propose promising future research avenues to extend international business scholarship on equity ownership decisions of MNEs.

Keywords: *Equity ownership decisions, international business, literature review*

Introduction

An enormous body of empirical research in international business and management literature focuses on multinational enterprises' (MNEs) entry mode decisions, including the choice of entry mode vehicle(s), determinants of the equity ownership decision, relationship between international diversification and performance and so forth. Consequently, a series of timely review articles have focussed on various aspects of entry mode decisions e.g., choice of entry-mode, location decision, distance issues, and performance implications (Brouthers and Hennart, 2007; Canabal and White, 2008; Zhao, Ma, and Yang, 2017). Despite an impressive volume of empirical research on equity ownership decision, there lies a lack of systematic review on this topic. This is a surprising omission since equity ownership chosen by an MNE involves a trade-off in terms of commitment of resources, degree of control, and uncertainty due to information asymmetry, which makes a firm's choice of equity ownership a crucial strategic decision in its internationalization pursuits (Anderson and Gatignon, 1986; Chari and Chang, 2009). In this paper, we draw on diverse theoretical perspectives to present a comprehensive assessment of the existing literature on determinants of equity ownership in the context of foreign direct investment (FDI).

The level of equity ownership (henceforth, EO) varies on a continuum from full ownership structure – through full acquisition or majority-owned joint venture to shared ownership structure in partial acquisitions or minority-owned joint ventures (Tang and Gudergan, 2018). The choice of EO depends on the relative costs and benefits of the two alternative ownership strategies: Owning a majority stake in FDI provides a firm complete control over the operations, resource deployment and power to retain or remove the employees and revise their compensation structure (Anderson and Gatignon, 1986; Chari and Chang, 2009; Jensen and Ruback, 1983). However, acquiring a majority stake in a new geographical location also exposes the firm to various risks such as adverse selection (Akerlof, 1970; Chari and Chang, 2009), moral hazard (Chakrabarti and Mitchell, 2013), coordination issues (Vernon, 1977) and so forth. On the other hand, minority or shared ownership mitigates the issues of information asymmetry (Balakrishnan and Koza, 1993) by allowing the focal firm to collect more information about the true value of the target firm or the new foreign subsidiary, but it is associated with the risk of behavioural uncertainty from the partner firm (Richards and Yang, 2007).

A timely synthesis and consolidation of extant literature facilitates extension and development of theory (Macpherson and Jones, 2010), and thus conducting a review on determinants of EO decision could guide the future work in the international business literature. There are three pertinent motivations for this review article: First, while there is a rich body of empirical research on the factors affecting EO choices, to the best of our knowledge, no recent review article touches this field of EO decision in the IB literature. Empirical studies in this field of research have drawn arguments largely from three theoretical lenses, including organizational learning perspective (e.g., Cho and Padmanabhan, 2005; Li and Meyer, 2009), transaction cost economics (e.g., Pak and Park, 2004; Pan 2002), and institutional perspective (e.g., Cui and Jiang, 2012; Dikova and Van Witteloostuijn, 2007). Thus, our second objective is to synthesize the research findings from these three important theoretical lenses and highlight the gaps which provide ample opportunities to further this stream of knowledge. Third, we note that there are several untapped but possibly important frontiers for EO research. Following community calls that the IB field should focus more on the micro-foundations in the IB field, we suggest to include and assess the role of chief cognizer of firm's strategy i.e. CEO on firm's EO decisions (Buckley, Devinney, & Louviere, 2007; Finkelstein, Hambrick, and Cannella, 2009; Foss and Pedersen, 2019; Serfling, 2014), social capital of top management team and board members (Ferris, Javakhadze, and Rajkovic, 2017; Tuschke, Sanders, and Hernandez, 2014). Furthermore, we suggest the role of temporal aspects of internationalization at which an MNE builds its network of foreign subsidiaries (Casillas and Acedo, 2013).

The rest of the paper is organized as follows: We begin with a description of the methodology for this literature review. Following that, we provide a comprehensive overview and synthesis of three major theoretical lenses and develop an integrative framework. In the final section, drawing on the systematic literature review, we suggest future directions not only to extend our knowledge on existing theoretical lenses but also to provide guidance to exploring new frontiers in this field of IB scholarship.

Method and Scope of Review

Equity ownership decisions

Foreign entry decisions vary with the level of EO bought on a continuum from full ownership (complete acquisitions or sole ventures) to shared ownership (partial acquisitions and joint ventures) (Tang and Gudergan, 2018). The decision regarding the level of equity ownership in a foreign entry decision is evaluated in terms of the benefits and risks involved (Anderson and Gatignon, 1986). In this paper, we reviewed published studies on the determinants of EO decisions in foreign market entries involving full acquisitions, partial acquisitions, joint ventures, and foreign subsidiaries. In a majority (60) of papers, the share of equity owned is treated as a continuous variable varying from 1% to 100% . Few papers treat EO as a categorical variable by using a binary classification of majority vs. minority ownership or full vs. shared ownership.

Review procedure

A systematic literature review approach was adopted to integrate the diverse literature on antecedents of EO (Tranfield, Denyer, and Palminder, 2003). We followed all the three stages of the systematic review procedure: (a) planning the review, (b) conducting the review, and (c) reporting and dissemination of findings. In the planning stage, we defined the scope and objective of conducting the review. To increase the transparency, we have ring-fenced the scope for the synthesis of extant literature on antecedents of EO decision. The objective of our review is to synthesize the extant literature on determinants of level of equity ownership in foreign entry decisions. As a result, we have excluded studies examining the non-equity modes of internationalization, greenfield investments and studies investigating EO decisions in the domestic context. To define the scope of our review we have included all the articles published on EO decision after the seminal article of Hennart (1991). Thus, we reviewed all the published articles on determinants of EO decisions from 1991 to 2019.

The second stage of the review process consists of four steps which are summarized in Table 1.

Table 1. Review procedure

Step	Purpose and process	Outcome
Step1: Keyword or string search	Reviewed and analysed title, keyword, abstract and body of articles to generate keywords	Comprehensive string search generated using different variants of keywords
	Determined appropriate keywords and formed relevant strings for collecting relevant papers	
	Performed comprehensive keyword search of published work in Google scholar in title of the articles and Web of Science using different strings in the title, keywords and abstract of the articles.	Cumulative total: 343 unique articles found
	Excluded working papers, dissertation, books, book chapters, conference proceedings, and articles of finance and economics journal	Cumulative total: 47 published articles located and reviewed in Strategy and IB journals
Step 2: Ancestry search	Identified seminal articles that inform the core of the equity ownership level in foreign entry decisions	Cumulative total: 97 unique articles
	Read all the papers collected by keyword search in the above step and included all the relevant references of these papers	
Step 3: Progeny search	Searched citations of all the papers collected in the above two steps using keyword search and included the ones which are relevant to our topic after reading them	Cumulative total :130 unique articles
Step 4: Identify core papers	Analysed all the articles collected in the above steps to determine the centrality of the equity ownership concept within the papers	104 articles retained for detailed review and assessment
	Classify papers into three categories: (1) equity ownership decision as the main outcome variable of the study, (2) equity ownership decision as the mediator or moderator in the hypothesized model, and (3) equity ownership decision as one of the covariates in the hypothesized model. Retained articles that fall within category 1	

In the first step, we generated keywords after reading and analysing influential papers on EO decision. We identified two groups of keywords – the first group of keywords consists of different words used to describe the equity ownership decisions (e.g. “equity", “ownership", “control", “ownership choice”, “ownership decision”, “minority", “majority”, "stake”, "shared", “full") and the second group of keywords includes the main themes of various foreign entry modes (e.g., “international”, “foreign", “cross-border", “entry mode”, “FDI”, “merger", “acquisition”, "joint venture", “international joint venture”, “strategic alliance”, “alliance”). We did a pairwise keyword search (using keywords from both the groups) in the title of the articles in the Google Scholar. To supplement this, we also conducted string search using the same set of words in the title, keywords and abstract of the articles using Web of Science. The combined search yielded a total of 343 papers from both the databases for further review. To be consistent with the previous review articles on internationalization, we restricted our review to published articles in the peer-reviewed English language journals, and excluded dissertation, books, book chapters, conference proceedings, working papers and articles published in non-refereed journal and journal outlets of finance and economics area (Deng, 2012). To ensure comprehensive coverage of the literature regarding the predictors of EO level, we sought to include international and cross-cultural research journals. We also included the articles published in business and management journals that have examined the antecedents of EO decisions. This step yielded 47 published papers which focused on the antecedents of EO decisions.

Next, we followed two bibliometric methods, namely ancestry (reference) and progeny (citation) search to make the review process more comprehensive (Simsek, Fox, and Heavey, 2015). In ancestry search (as the second step), we found out all the references contained in the articles identified in the first step. This is a backward search ensuring that we do not miss any relevant article upon which our focal article population had built the arguments. This step yielded a total of 97 papers. In the third step, we conducted a progeny search, also known as citation analysis. We searched papers which have cited the papers identified in the above two steps. This process resulted in a total of 130 articles.

Once the selection process was complete, we performed the fourth and final step of our search. We began by analysing all the papers identified in the above steps to determine the centrality of EO decision on theoretical arguments of the paper. We classified the papers into three groups: (1) papers where EO decision is the main outcome variable, (2) papers where EO decision acts as a mediator or moderator, and (3) papers where EO decision acts as one of the covariates in the hypothesized model. Since the scope of our review is to investigate the antecedents of EO decision, we retained only those articles which belong to the first category and excluded the articles belonging to the remaining two. This resulted in a total of 104 papers which were retained for the subsequent review. These 104 articles become our focal population for the core investigation of antecedents of EO decisions and are marked by * in the final reference list.

Journals and year-wise distribution

Our review found that EO decision research spans across twenty refereed journals in management, strategy and international business fields. Out of these, seven journals, including *Journal of International Business Studies (21), International Business Review (13), Journal of International Management (10), Journal of Business Research (11), Journal of World Business (9) and Management International Review (7), Asia Pacific Journal of Management (5),* published majority (64%) of the total articles. The final population of selected published papers belong to the period of 1991-2019. Chronologically, we observed that seventeen articles were published in 1991-2000, 24 in 2001-2009 and 63 between 2010 and 2019. Thus, we witnessed a two-fold increase in the number of publications in the last nine years, which indicates a substantial increase in recent scholarly attention on this issue. Table 2 provides the details of article distribution across the journals and time period.

Table 2. Sources of EO decision studies

Journal field and name	Relevant articles	1991-2000	2001-2009	2010-19
International and cross-cultural				
Journal of International Business Studies	21	7	7	7
International Business Review	13	1	4	8
Journal of International Management	10	1	3	6
Journal of World Business	9	0	3	6
Management International Review	7	1	4	2
Global Strategy Journal	2	0	0	2
Cross Cultural and Strategic Management	1	0	0	1
International Marketing Review	1	0	0	1
Corporate Governance- An international review	1	0	0	1
Thunderbird International Business Review	2	0	0	2
Business and Management				
Journal of Business Research	11	1	2	8
Asia Pacific Journal of Management	5	1	0	4
Management Decision	3	0	0	3
Strategic Management Journal	2	2	0	0
British Journal of Management	2	0	0	2
R&D Management	2	0	0	2
Asia Pacific Business Review	2	0	0	2
Journal of Management	2	0	0	2
Industrial Marketing Management	2	0	1	1
Management Science	1	1	0	0
Organization Science	1	1	0	0
Academy of Management Journal	1	1	0	0
Long Range Planning	1	0	0	1
Research Policy	1	0	0	1
Canadian Journal of Administrative Sciences	1	0	0	1

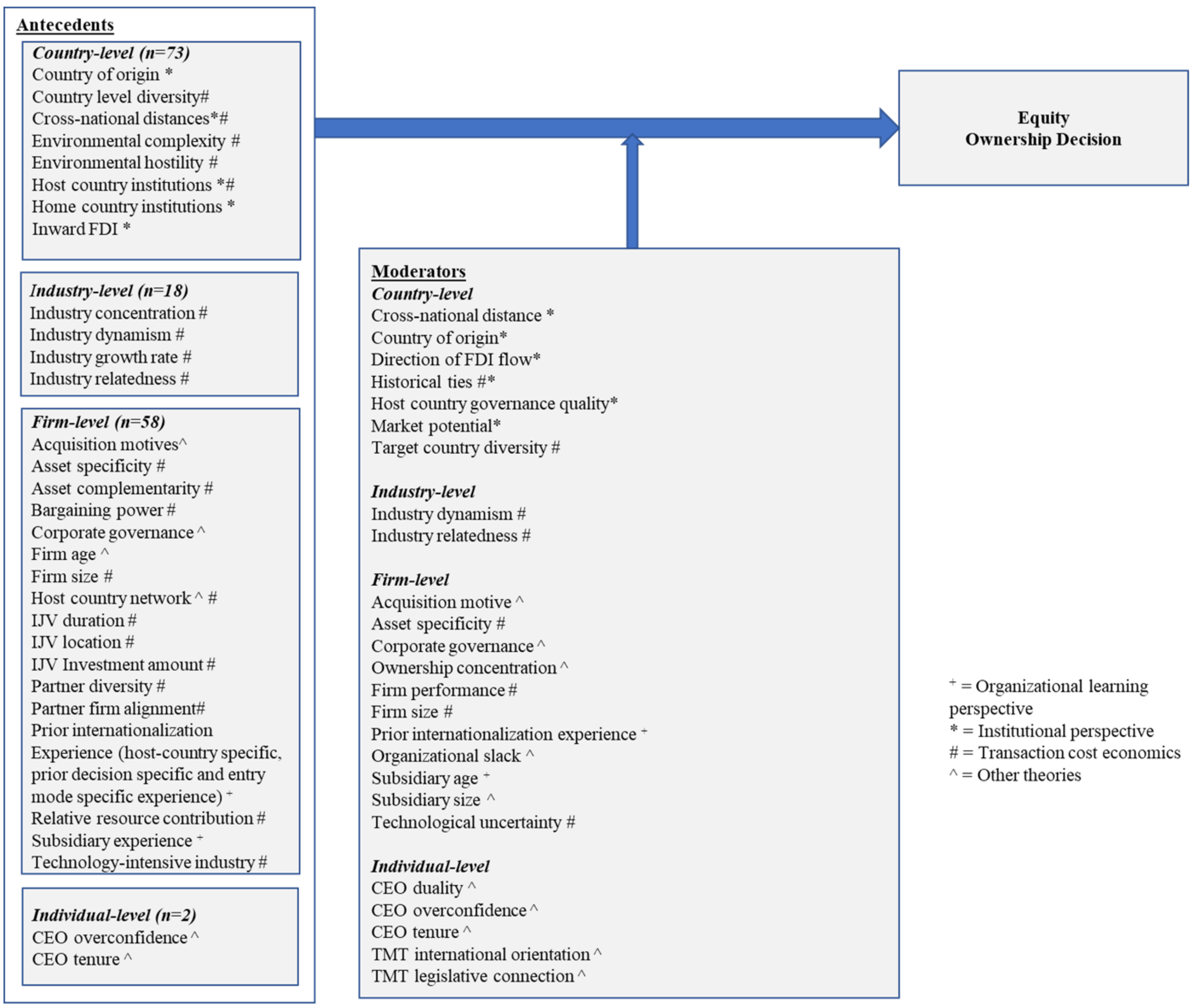
Theoretical frameworks and perspectives used to explore determinants of Equity ownership decisions

The decision regarding the EO in internationalization pursuits of an MNE involves trade-off between various risks and benefits and has been examined using multiple theoretical frameworks. Hence, a comprehensive understanding about the determinants of EO choice involves studying the relevant theoretical perspectives. We observe that in empirical studies on EO decision scholars have primarily drawn on three theoretical frameworks about: Organizational learning perspective (n=14), Transaction cost economics (TCE) (n=32), and Institutional perspective (n=59). Using organizational learning perspective, authors have found that prior internationalization experience and host country specific experience can help a firm to overcome uncertainty thus making the firm to take higher EO in their FDIs (Delios and Beamish, 1999; Padmanabhan and Cho, 1999). The basic tenet of TCE is that a firm has greater incentives to internalize the transaction when there is high asset specificity, and thus prefer a higher degree of control in FDI (Zhang, Zhong, Wen, and Jiang, 2014). From an institutional perspective, institutions of home or host country could affect firm's EO decision. For instance, a firm prefers joint ownership when entering a country with institutional restrictions on inward FDI (Cui and Jiang, 2012), and it prefers a minority stake when acquiring a foreign firm with greater institutional distance (Elango *et al.*, 2013).

Apart from these three salient lenses, the rest of the articles have used other theoretical lenses such as anchoring perspective, agency theory, comparative ownership advantage theory, hostage theory, real options theory, resource-based view, resource dependence theory, organizational ecology theory, ownership-location-internalization model, socioemotional wealth perspective, springboarding perspective, structuration theory, and upper echelon theory (Ahammad *et al.*, 2017; Chen and Hennart, 2004; Cho *et al.*, 2014; Cuypers and Martin, 2010; Erramilli, 1997; Demirbag *et al.*, 2009; Dutta *et al.*, 2016;

Filatotchev *et al.*, 2007; Gubbi, 2015; Hou and Priem, 2013; Ilhan-Nas *et al.*, 2018 a; Ilhan-Nas *et al.*,2018b; Lai *et al.*, 2017; Malhotra *et al.*, 2018; Peng, 2012; Scalera *et al.*, 2018; Talay and Cavusgil, 2009; Xie, 2014; Xie, 2017; Yamanoi and Asaba, 2018; Yang and Hyland, 2012; Yu *et al.*, 2015) .

As shown in Figure 1, we have summarized key factors affecting firm's EO decisions, which are categorized by various theoretical perspectives and by different in investigating levels. In Appendix A, we have listed all articles as mentioned in the framework (please refer Tables A.1-A.4 in the Appendix A). Moreover, in Appendix A, we detail all interaction effects in EO literature (refer Table A.5 in the Appendix A).



Note: Other theories includes articles sparsely spread across thirteen different theoretical frameworks- anchoring perspective, agency theory, comparative ownership advantage theory, hostage theory, real options theory, resource-based view, resource dependence theory, organizational ecology theory, ownership-location-internalization model, socioemotional wealth perspective, springboard perspective, structuration theory, and upper echelon theory.

Figure 1. Determinants of EO decision in internationalization

A brief look at influential contributions

While the EO literature is large and diverse, it is useful for general readers and to those who are new to this field to have a compilation of some of the most influential papers of this field. Table 3 shows the influential papers of our sample, which includes articles with no less than 100 google scholar citations (until 31st of October 2019) for each of three major theoretical lenses. Three of five most influential EO articles belong to the organizational learning theory, while Delios and Beamish's (1999) paper integrated all three prevalent theories to investigate determinants of EO decision. General international experience plays an important role either to enhance firm's EO commitment in foreign subsidiary directly (Li and Meyer, 2009; Padmanabhan and Cho, 1999) or to mitigate the negative effect of cultural distance on EO decision (Cho and Padmanabhan, 2005; Wilkinson *et al.*, 2008). According to the TCE, asset specificity, resource complementarity and relative contribution of resources to the venture influence firm's EO decision (e.g., Hennart, 1991; Delios and Beamish, 1999; Hu and Chen, 1993; Mjoen and Tallman, 1997; Pan 2002), while industrial and cross-country uncertainties make firms opt for shared ownership in FDI (e.g., Folta, 1998; Padmanabhan and Cho, 1996; Pak and Park, 2004; Pan, 1996; Shan, 1991). Regarding the institutional perspective, previous influential literature either explore the positive impact of country-level institutional development on firms' EO decisions (e.g., Cui and Jiang, 2012; Delios and Henisz, 2000; Dikova and Van Witteloostuijn, 2007), or investigate the ambiguous relationship between institutional distance and EO decisions (e.g., Demirbag *et al.*, 2007; Hennart and Larimo, 1998; Xu *et al.*, 2004).

Table 3 Salient papers on equity ownership decision in major peer-reviewed management journals (1991 — 2019)

Rank[a]	GSc cit[a]	Year	Author(s)	Journal	Key findings
Organizational learning perspective					
1	827	1999	Delios, Andrew; Beamish, Paul W; [d]	SMJ	Prior international experience and institutional environment of host country plays an important role in impacting ownership levels in foreign subsidiary. Whereas, transactional factors (asset specificity) had less influence than experiential and institutional factors on EO decision. [b]
2	306	1999	Padmanabhan, Prasad; Cho, Kang Rae;	JIBS	Prior decision specific experience of firms in terms of dealing with full ownership or shared ownership structures in past impacts their subsequent EO decisions. The impact of decision specific experience was found to be greater than general international experience and host country specific experience on EO decisions. [c]
3	178	2005	Cho, Kang Rae; Padmanabhan, Prasad; [e]	IBR	Firm's experience in organizing and managing an ownership mode (full or shared) would mitigate the negative impact of cultural distance on the EO decisions. Firms with prior decision specific experience developed strong organizational routines which enables them to overcome uncertainties and costs of managing a particular ownership structure in culturally dissimilar host countries. [b]
4	115	2009	Li, Peng-Yu; Meyer, Klaus E;	JBR	The article illustrates two different types of effects of prior experience in terms of competence-building effect and partner selection effect and explicates the mechanism how contextual differences (emerging vs developed target country) affects the relevance of the general and prior host country specific experience on EO decisions. Higher competence building effect (due to general international experience) helps the firm to manage operations independently whereas partner selection effect (due to country specific experience) helps the firm's ability to manage relationship with a local firm. [c]
5	100	2008	Wilkinson, Timothy J; Peng, George Z; Brouthers, Lance Eliot; Beamish, Paul W;	JIM	Subsidiary age (experience) weakens the negative relationship between cultural distance and EO decision such that older subsidiaries with greater host country specific experience will face less negative impact of cultural distance. Thus, cultural distance has a greater impact on EO level of parent company ownership for newer subsidiaries than for older subsidiaries. [c]
Transaction cost economics					
1	1553	1991	Hennart, J. F.	MS	Firms opt JV when they want to access complimentary resources, local market knowledge, and when they need intermediate inputs which are subject to high market transaction cost. [c]
2	755	1998	Folta, Timothy B;	SMJ	Using a sample of firms in biotechnology industry, this study suggests that the cost of commitment from technological uncertainty leads to shared ownership in EO decision. [c]
3	632	1997	Mjoen, Hans; Tallman, Stephen;	OS	Integrating learning from resource-based view, transaction cost theory and bargaining power theory the study found that equity ownership in IJV is positively influenced by relatedness of parent and IJV's rent-yielding strategic resource. The relative contribution of resources to the venture can positively affect partner's EO commitment through enhanced bargaining power. [c]

Table 3 (Continued)

Rank[a]	GSc cit[a]	Year	Author(s)	Journal	Key findings
Transaction cost economics					
4	441	1996	Pan, Yigang;	JIBS	Foreign equity ownership of joint ventures in China is determined by eleven factors, including advertising intensity, foreign capital input, country risk of China, IJV investment amount, IJV contractual duration, cultural distance, competitive intensity, local partner state ownership, local partner alignment, foreign partner alignment, and IJV location. The impact of these determinants is contingent on foreign partner's country of origin. [c]
5	423	1991	Blodgett, Linda Longfellow;	JIBS	The study examines the role of relative resource contribution of partner firm on EO decisions in IJV such that if a firm contributes technology and local market knowledge it opts for majority ownership. But this relationship does not hold in countries with government restrictions on FDI. [c]
6	323	1996	Padmanabhan, Prasad; Cho, Kang Rae;	MIR	The parent firm's technological intensity, familiarity with the host country, and cultural distance between the host and home country positively affects the EO decision of Japanese MNCs. [b]
7	258	1991	Shan, Weijian;	JIBS	The foreign firm's share in a JV is negatively correlated with uncertainties and the extent to which foreign venture success is dependent on the relationships within the host country in order to gain access to local market resources. [c]
8	247	2007	Demirbag, Mehmet; Glaister, Keith W; Tatoglu, Ekrem; [f]	JWB	The study draws argument from both TCE and institutional perspective and found that political risk, cultural distance, linguistic distance, agglomeration, location and the size of the affiliate have greater impact on EO decisions in emerging market context. [b]
9	189	2009	Demirbag, Mehmet; Tatoglu, Ekrem; Glaister, Keith W; [f]	JWB	The institutional variables of political constraints and knowledge infrastructure found to have more significant impact on ownership choice than transaction cost variables. EM MNEs prefer higher EO in host countries with better knowledge infrastructure and lower EO in countries with high political constraints. [b]
10	135	2004	Pak, Yong Suhk; Park, Young-Ryeol;	MIR	Japanese MNEs preferred to form IJV with other Japanese partners in host country especially with keiretsu members to lower the risk of collaborating with foreign partners also known as pseudo internationalization. [c]
11	114	1993	Hu, Michael Y; Chen, Haiyang;	JBR	The study found that the firm opt for higher EO when the amount invested in IJV is high, duration of IJV is long, and is located in regions with economic and tax benefits. [c]
12	107	2009	Ragozzino, Roberto; [f]	MIR	The ex post monitoring cost increases when acquiring firm in geographically distant country and thus firms prefer shared ownership. This negative relationship is further strengthened by high cultural distance and political risk in the host country. [b]

Table 3 (Continued)

Rank[a]	GSc cit[a]	Year	Author(s)	Journal	Key findings
Institutional Perspective					
1	762	2000	Delios, A., & Henisz, W. I.	AMJ	Institutional risk from the host country will lower down focal firm's FDI equity ownership, while experiences from previous internationalization, industry and partner membership can mitigate this negative influence. [b]
2	726	1998	Hennart, Jean-Francois; Larimo, Jorma;	JIBS	The cultural distance between home and host countries increases the likelihood of adopting shared-ownership, while power distance and risk avoidance of the home country lower down focal firm's preference on shared-equity venture. [b]
3	451	2012	Cui, Lin; Jiang, Fuming;	JIBS	The paper extends the institutional perspective literature by using political perspective to explicate the heterogeneity in firm's response to external institutional factors. Firms with high state ownership face higher pressure to opt for shared ownership when faced with higher home regulatory, host regulatory and normative pressure. [c]
4	420	2007	Dikova, D., & Van Witteloostuijn, A.	JIBS	The host country's institutional advancement will enhance firm's preference for establishing subsidiary with shared equity ownership. [c]
5	398	1996	Erramilli, M Krishna;	JIBS	The cultural, institutional and economic factors are combined to create a nationality trait that influences foreign subsidiary ownership decisions of MNCs, but this effect weakens as firms grow larger. The firms originating from high power distance and uncertainty avoidance culture opts for majority ownership. [c]
6	339	2004	Xu, Dean; Pan, Yigang; Beamish, Paul W;	MIR	Regulative and normative distance between home and host country is negatively related to MNE's equity ownership in its foreign subsidiary. [c]
7	320	2007	Chan, Christine M; Makino, Shige;	JIBS	MNCs are likely to take a lower ownership in exchange for external legitimacy under a strong pressure to conform requirements of host institution and local industry, while MNCs are likely to take a higher ownership stake in response to strong internal pressure to sustain their internal legitimacy at the corporate level of their institutional environment. [c]
8	183	2010	Cuypers, Ilya RP; Martin, Xavier;	JIBS	MNEs opt for lower EO in a host country when faced with exogenous uncertainty (economic and institutional uncertainties). [b]
9	116	2002	Pan, Yigang;	JIBS	The parent firm with strong export capabilities, high uncertainty avoidance, and from home countries with low cost of borrowing prefer higher EO in an IJV. [c]
10	113	2014	Contractor, Farok J; Lahiri, Somnath; Elango, B; Kundu, Sumit K;	IBR	For MNEs operating in emerging markets, low institutional distance or high uncertainty avoidance is positively related to their minority acquisition over majority or full, while industry relatedness is negatively related to minority acquisition. [b]

[a] Ranking the article based on total Google scholar citations as on Oct 31st, 2019. [b] Papers which adopt the focal theory as part of an over-arching framework. [c] Papers that centre on the focal theory. [d] Delios and Beamish's (1999) article is highly influential in all three theoretical categories. [e] Cho and Padmanabhan's (2005) article is influential in both organizational learning perspective and institutional perspective. [f] Articles from Demirbag *et al.* (2007), Demirbag *et al.* (2009) and Ragozzino (2009) are influential in both transaction cost economics and institutional perspective.

Organizational learning perspective

Scholars have also used the organizational learning perspective (Levitt and March, 1988) to investigate the antecedents of EO in firm's internationalization pursuits (Barkema and Vermeulen, 1998; Johanson and Vahlne, 1990). In international business literature, Uppsala model is one of the salient models grounded in organizational learning perspective - Firms prefer to take greater risks in terms of resource commitment and greater ownership control as their international experience grows (Johanson and Vahlne, 1977). Primarily, studies have looked at the effects of general international experience, country-specific experience, decision-specific (i.e. majority or minority ownership) experience and entry mode specific experience on the determinants of EO choice in their subsequent foreign ventures (Delios and Beamish, 1999; Indro and Richards, 2007; Li and Meyer, 2009; Padmanabhan and Cho, 1999). The experience learned from prior foreign ventures helps the parent firm in developing routines and hence it increases the likelihood for majority ownership in their subsequent foreign entry decisions (Delios and Beamish, 1999; Elango and Chen, 2012; Li and Meyer, 2009; Lo, 2015; Padmanabhan and Cho, 1999). However, for existing foreign subsidiaries with greater internationalization experience and industry-specific experience, they are less reliant on knowledge transfer from foreign parent firm, which makes lower equity ownership of foreign partner more prevalent among these subsidiaries (Lo, 2016). Compared with general international experience and country-specific experience, prior decision-specific experience of parent firm, in terms of experience with majority or minority owned subsidiaries, was found to be more positively relevant to their ownership decisions in subsequent foreign ventures (Padmanabhan and Cho, 1999). Scholars further explored the differential impact of prior decision-specific experience based on timing and found that latest decision-specific experience was more relevant than older experience for the current ownership decision (Cho and Padmanabhan, 2001). As we detail later, to uncover the differential impact of prior decision-specific experience, future researchers could extend the EO literature by extricating the differential impact of the success and failure of prior decision specific experience on EO decisions.

Regarding the empirical modelling, most of the experience constructs are examined in the context of parent firm (e.g., Delios and Beamish, 1999; Elango and Chen, 2012; Li and Meyer, 2009) except one research article which looks at subsidiary-level experience (Lo, 2016). In addition to the direct impact of experience, research has also examined the moderating role of international experience. Specifically, scholars have found that general international experience, host country experience and decision-specific experience can positively moderate the negative relationship between cross-national distance and firm's EO decision, as such experiences mitigate the uncertainties involved in foreign ventures and enhance a firm's confidence on majority ownership in its FDI (Cho and Padmanabhan, 2005; Powell and Lim, 2018; Powell and Rhee, 2013).

Extant literature has also examined the effects of parents' entry mode specific experiences (including prior acquisition and international joint venture (IJV) experiences) on EO decisions and found contrasting results. Prior country-specific acquisition experience reduces uncertainty through accumulation of context-specific knowledge, development of routines and capabilities in acquisition management (Vermeulen and Barkema, 2001), and thus increases the firm's likelihood to opt for majority ownership in their next cross-border acquisition (Elango *et al.*, 2013). Whereas, prior IJV experience equips the firm with prior knowledge of operating IJVs in terms of better screening, selecting and coordinating with joint venture partner, and thus it reduces the need to control ownership in their subsequent foreign entries (especially in subsequent IJVs) (Elango and Chen, 2012). Additionally, research finds that, prior joint venture collaboration(s) enhances the trust between the focal firm and its partner to reduce its monitoring cost on IJV, thus firm prefers to opt for higher

EO in the subsequent IJVs with the same partner (Indro and Richards, 2007). To resolve these contrasting findings, future scholars may examine the indirect impact of country-level determinants such as impact of home and host country regulatory and political environments. Additionally, future researchers may also utilize the concept of context-specific learning (Popli *et al.*, 2016; Basuil and Datta, 2015) when investigating EO decisions.

Transaction cost economics (TCE)

The main tenet of TCE argues that the choice of EO depends on the costs and benefits of sharing the ownership when establishing new foreign venture (Anderson and Gatignon, 1986; Coase, 1937; Williamson, 1981). According to Williamson (1981), bounded rationality and opportunistic behaviour of managers are two basic behavioural assumptions of TCE (Williamson, 1981). Generally, firms prefer to internalize the transaction and have higher control to circumvent against partner's opportunistic behaviour (Anderson and Gatignon, 1986). To explain firm's EO decision from TCE, scholars have focused on three major components – asset specificity, bargaining power and environmental uncertainty (e.g., Ahammad *et al.*, 2017; Indro and Richards, 2007; Luo, 2001; Mjoen and Tallman, 1997).

Asset specificity is high when a firm's investment in specific assets (site, physical, and human assets) is incorporated for a particular transaction (Williamson, 1991). High asset specificity is associated with contracting hazards such as maladaptation or opportunism, which makes an acquirer increase the degree of ownership to safeguard the asset specific investment (Lo, 2015; Zhang *et al.*, 2014). Firms investing high amount of proprietary knowledge (such as technology or advertising) would prefer higher EO to preserve their asset specific investment and maximize value creation (Chen, 2008; Luo, 2001; Padmanabhan and Cho, 1996; Pan, 1996). When the target firm involves high technological intensity, the acquirer might prefer to share the equity to co-develop capabilities and to share tacit knowledge through equity collaboration (Zhao and Zhu, 1998). Yet, some studies have exhibited nonsignificant impact of asset specificity on a firm's preference for taking higher ownership stake, but the findings remain inconclusive (Chen *et al*, 2002; Demirbag *et al.*, 2007; Delios and Beamish, 1999; Hennart, 1991). Apart from asset-specific investment, foreign firms also require complimentary assets, including tangible (land, labour, machinery etc.) and intangible (e.g., host market knowledge, local market network) resources, from the local firms in the host country (Williamson, 1981). For foreign firms suffering from information asymmetry in a host country, a common EO strategy is shared ownership with local firms so as to accumulate host country specific complementary resources (Delios and Beamish, 1999; Luo, 2001; Zhang et al, 2014). Meanwhile, technological and advertising intensity may not be relevant to motivation of FDI in developing countries, and future researchers need to examine the effect of motives of internationalization on this relationship (Delios and Beamish, 1999).

In addition to asset specificity and asset complementarity, bargaining power is another important dimension of TCE to explain firm's EO decision. Extant TCE literature found that the bargaining power of parent firm (or partner in IJV literature) is positively related to full ownership on FDI (Mjoen and Tallman, 1997; Pan 1996). In the context of the IJV, relative resources contributed by the foreign partner, IJV investment amount and IJV duration can enhance the bargaining power of the IJV's foreign partner, while the number of local partners would weaken the foreign partner's bargaining power in an IJV (Blodgett, 1991; Hu and Chen, 1993; Lee *et al.* 1998; Pan, 1996; Tsang, 2005). As the bargaining power increases, the foreign partner is able to minimize the transaction cost (Pan, 1996; Tsang, 2005), and then prefers majority ownership in its IJV (Chadee and Qiu, 2001; Chen *et al.*, 2002; Zhao and Zhu, 1998). However, risk-averse foreign partners aim to reduce their risk exposure and opt for lower equity ownership when greater capital investment is required in the focal IJV (Pan, 1996; Shan, 1991). Country-level factors, including the location of IJV and role of the host country government are also relevant to foreign partner's bargaining power. FDI restrictions from host government can enhance the bargaining power of the local partner, and then weaken the foreign partner's EO commitment in an IJV (Blodgett, 2001; Padmanabhan and Cho, 1996). For IJV in a developed area or special economic zone where the location has infrastructure to support the business, lowers down the importance of local partner in the IJV and then reduces the foreign partner's needs to share equity ownership (Chadee and Qiu, 2001; Chen *et al.*, 2002; Zhao and Zhu, 1998). However, due to the multiple ways of categorizing the regions, there are mixed findings in terms of impact of IJV's location on EO decisions (Shan, 1991; Tsang, 2005). This necessitates to use more disaggregated and comprehensive data of location to capture intra-country variations for foreign investment (Beugelsdijk and Mudambi, 2014).

Environmental uncertainty increases the transaction cost for the firm (Williamson, 1991). Regarding to firm's EO decision, industrial volatility and country-level uncertainty are two major sources of firm's environmental uncertainty (Luo, 2001). Research has found that FDI concentration in an industry would weaken information asymmetry in the host country, and make foreign firms opt for majority ownership (Demirbag *et al.*, 2007). Because of information asymmetry and proprietary assets, foreign firms face valuation uncertainty high-technology or service industries and choose to share the equity (Chadee and Qiu, 2001; Lo, 2015). Also, high-technology firms prefer shared ownership to co-develop capabilities with partner when investing in technological products (Folta, 1998). For FDI in an unrelated industry, firms usually lack product-specific knowledge and prefer to share ownership with local partner(s) to mitigate industrial uncertainty in the host country (Demirbag *et al.*, 2009, Folta, 1998; Hennart, 1991; Padmanabhan and Cho, 1996). In addition to industry volatility, a substantial body of EO literature also used TCE to examine the relationship between country-level uncertainty and EO decisions (e.g., Ahammad *et al.*, 2017; Demirbag *et al.*, 2007;

Padmanabhan and Cho, 1996). Country-level uncertainty arising due to home and host country differences is associated with information asymmetry and high monitoring costs overseas, which leads to foreign firm's choice of shared ownership in its FDI (Chikhouhni *et al.*, 2017; Elango and Chen, 2012; Lo, 2016; Ragozzino, 2009). Scholars argue that environmental uncertainty in the host country may incur high transaction costs for FDI, which makes foreign firms avoid high resource commitment in the host country (Lo, 2015; Tsang, 2005). However, Richards and Yang (2007) were not able to find any significant impact of environmental uncertainty in the host country on EO decisions and urged future researchers to explicate variance in local environmental uncertainty within countries. Moreover, researchers have also investigated the indirect impact of political factors, and found that firms with home government ownership and the legislative connections in the host country would have high risk tolerance and prefer high EO despite of high environmental uncertainty (Pan *et al.*, 2014). For the environmental uncertainty arising from cross-country differences, empirical studies have found mixed results on its effect on firm's EO decision. For instance, the findings on the effect of linguistic distance on EO is found to be ambiguous: negative (Dow *et al.*, 2016), positive (Demirbag *et al.*, 2007), and non-significant (Demirbag *et al.*, 2009). To solve the empirical inconsistencies, Malhotra and Gaur (2014) relaxed the assumption of linear relationship between cross-country distance and EO and suggested a non-linear U-shape relationship between geographic distance and EO decision. As we detail later in the section of future research directions, such inconsistencies in results on the effect of environmental uncertainty could be originating from two primary reasons and in that respect, we suggest future researchers to relax the assumption(s) of linear relationship between environmental uncertainty and EO decisions and researchers should incorporate more refined and granular measures of individual country environmental dimensions.

Institutional perspective

Institutional perspective suggests that institutions are the formal and informal rules operating in a society, which provides the structure for economic exchange and affects the cost of doing business (North, 1990). Through the lens of institutional perspective, extant literature of EO decision has evolved into two streams: the first investigating the impact of institutional quality in host or home country (e.g. Ahammad *et al.*, 2018; Delios and Beamish, 1999; Dikova and Van Witteloostuijn, 2007) , and the second focusing on the role of cross-national distances reflecting dissimilarities between home and host countries' formal and informal institutions (e.g. Ando, 2012; Demirbag *et al.*, 2007; Elango *et al.*, 2013).

The first stream of research focused on institutional quality, i.e. a country with weak institutional environment embodies investment hazards due to poor contracting rights and intellectual property rights, and thus foreign firms prefer to opt for lower ownership to circumvent the risk of asset appropriation (Ahammad *et al.*, 2018; Delios and Beamish, 1999, Elango and Chen, 2012). When facing exogenous uncertainty due to host country's economic and political risks, firms prefer to lower their resource commitments by opting shared ownership (Ahammad *et al.*, 2017; Chari and Chang, 2009, Piaskowska *et al.*, 2014). However, firms will opt for higher EO with the progress of economic liberalization since institutional uncertainty decreases with the establishment of market institutions (Zhang and Beamish, 2019). Consistent with this logic, scholar also found that corruption in the host country negatively affects the ownership stake of foreign ventures (Demirbag *et al.*, 2007; Di Guardo *et al.*, 2016), and foreign firms would prefer higher EO in countries with effective governance mechanisms where corruption would be less (Lahiri, 2017). In addition, foreign investors also face certain regulatory barriers in host countries, such as prior government approval (Blodgett, 1991; Padmanabhan and Cho, 1996), employment contract rigidity (Chari and Chang, 2009), and local partner state ownership (Pan, 1996), which affect equity ownership stake. Apart from the host country's institutional quality, home country governmental support could also facilitate the firm to take majority ownership (Pinto *et al.*, 2017). For instance, lower rate of capital and stronger export capabilities of the home country increases the firms' risk-taking propensity due to stronger financial position and higher bargaining power, and thus facilitates them to opt for higher EO (Pan, 2002). Moreover, the acquirer's country of origin plays a vital role in foreign investment decision. Firms from emerging economies face both liabilities of origin or emergingness (Madhok & Keyhani, 2012) and liability of foreignness (Chen, Li, and Fan, 2018), and thus prefer to acquire lower equity stake as compared to advanced market firms (De Beule *et al.*, 2014). To extend the research on the impact of institutional quality, as we detail later, scholars are suggested to pay more attention to other informal institutional characteristics (e.g., cultural attractiveness, cultural diversity) of the host country.

The second stream in institutional perspective examines the impact of gravity factors or cross-national distances in the formal (e.g., regulatory, political, administrative) as well as informal (e.g., cultural, language, religions) institutions between home and host countries, which suggests various levels of uncertainty affecting firms' EO decisions (Contractor *et al.*, 2014; Elango and Chen, 2012). Firms venturing into an unfamiliar institutional environment would face greater uncertainty leading to higher search and integration costs. To mitigate these concerns from distant institution(s), firms prefer to have a shared ownership with local partner in the host country (Cuypers and Martin, 2010; Liou *et al.*, 2017a). Building on these conceptual underpinnings, most of the existing research has found a negative impact of institutional distance on the level of equity ownership in foreign ventures (e.g., Ando, 2012; Contractor *et al.*, 2014; De Beule *et al.*, 2014). However, when entering emerging markets, firms need to have greater control of its foreign subsidiary's operation to overcome institutional voids in host country (Lahiri *et al.*, 2014; Yang, 2015), and thus prefer to take majority ownership for their FDIs (Contractor *et al.*, 2014; Ellis *et al.*, 2018). Regarding the research on informal institutional distance, the impact of cultural distance on EO decision is ambiguous. On one side, some studies argue that firms facing greater cultural distance would try to reduce their EO commitment in an unfamiliar environment (Piaskowska and Trojanowski, 2014; Rajan and Pangarkar, 2000). On the other side, scholars found that firms prefer higher EO to enter a culturally distant country, because higher cultural differences between home and host countries would create communication barriers in sharing headquarter's routines and competencies with the foreign venture and restrict firm's synergistic gains from its international joint venture (Padmanabhan and Cho, 1996). However, in a meta-analysis conducted by Tihanyi *et al.* (2005), the cultural distance was found to have no significant effect on EO decision. Because of these inconsistent findings on the impact of cultural distance, scholars have criticized the aggregate usage of cultural distance construct (Shenkar, 2001, Tung and Verbeke, 2010, Zaheer *et al.*, 2012) and suggested researchers to examine the standalone impact of various cultural attributes (such as *power distance, uncertainty avoidance,* and *long-term orientation)* on EO decisions. For instance, firms scoring high on power distance and uncertainty avoidance attributes prefer majority ownership in foreign subsidiaries (Erramilli, 1996; Richards and Yang, 2007). Besides, scholars have also found inconclusive findings for other sources of formal and informal institutional distance such as lingusitic distance (Cuypers *et al.*, 2015; Demirbag *et al.*, 2007; Demirbag *et al.*, 2009) and normative distance (Ilhan-Nas *et al.*, 2018; Xu *et al.*, 2004).

To overcome these inconclusive findings on the impact of (formal or informal) institutional distance, research has examined its boundary conditions by intertwining arguments from other theoretical lens such as organizational learning perspective and TCE. For instance, building on organizational learning perspective, scholars have argued that higher international and host-country specific experience helps in mitigating the negative impact of institutional distance on EO (Ando, 2012; Cho and Padmanabhan, 2005). Also, TCE scholars argue that venturing into related industries reduces the cost of search and monitoring and thus alleviates the negative impact of institutional distance on EO (Contractor *et al.*, 2014; Malhotra *et al.*, 2011; Malhotra and Gaur, 2014). Moreover, studies find that the relationship between institutional distance and EO decisions can be moderated by firm's FDI motivation and location choice (Chikhouhni *et al.*, 2017; Powell and Lim, 2018). Because of co-existence of risk aversion (Piaskowska and Trojanowski, 2014) and communication barriers (Padmanabhan and Cho, 1996) in a culturally distant host country, the impact of cultural distance (as a type of informal institutional distance) is far from conclusive. Future researchers, as we detail later, can investigate whether the effect of cultural distance on EO decisions is contingent on other informal institutional factors (e.g., normative pillar, and cognitive pillar) in home or host country. Similarly, we also suggest that the influence of formal institutional distance may be contingent on legitimacy and political stability of the host country.

Insights from other theories

Apart from the three major theoretical lenses, authors have also built upon other theoretical lenses. For example, arguments from real options theory and hostage theory complement TCE logic, such that firms opt for shared ownership as an instrument to create hostage effect which facilitates the ex-ante screening of target firms and curbs the chances of ex-post opportunism (Ahammad *et al.*, 2017; Chen and Hennart, 2004; Cuypers and Martin, 2010). Meanwhile, scholars invoke arguments from OLI framework (Dunning,1988) to supplement TCE findings that firms with high ownership advantages would opt for higher EO (Erramilli, 1997; Talay and Cavusgil, 2009). By adopting comparative ownership advantage framework (Sun *et al.*, 2012), authors have found that Indian MNEs with comparative advantage in service sector prefer full ownership in knowledge-intensive cross-border acquisitions as compared to Chinese MNEs (Scalera, 2018). Supporting the springboard perspective (Luo and Tung, 2007), Demirbag *et al.* (2009) found that emerging MNEs are not path dependent and thus opt for higher EO when venturing in foreign markets. Extant studies also used anchoring and adjustment model to examine how prior EO level of other foreign acquirers acts as a reference for the EO decisions of focal acquirer in the same host country (Malhotra *et al.*, 2016; Yang and Hyland, 2012).

By adopting upper echelon theory (Hambrick and Mason, 1984), researchers examined that long-tenured and overconfident CEOs prefer higher EO due to their substantial experience and confidence on their own abilities and knowledge (Lai *et al.*, 2017; Xie, 2014). Meanwhile, CEO overconfidence and CEO tenure can reinforce the reliance of CEO on prior CBA experience for ownership decisions (Dutta *et al.*, 2016). Borrowing insights from the structuration theory (Gidden, 1979), researchers have examined that organizational slack helps the firm to break from the extant pattern of working and thus will reduce the reliance on prior CBA experience for EO decision (Dutta *et al.*, 2016). Through organizational ecological perspective (Hannan and Freeman, 1977), scholars found curvilinear relationship between firm age and EO decision (Xie, 2017).

Furthermore, using socioemotional wealth perspective (Gómez-Mejía *et al.*, 2007), scholars found that family-owned firms opt for higher EO to preserve foreign subsidiary's socioemotional wealth through operational control over the subsidiary (Yamanoi, 2018). Family owned firms are conservative in nature and opts less EO in their foreign ventures (Filatotchev *et al.*, 2007). However, when facing high institutional dissimilarity, family-owned firms would increase their EO in foreign affiliates to overcome the uncertainty (Ilhan-Nas *et al.*, 2018b).

Future research: Building on existing theories of EO decision

Reflecting on what has been outlined above, it is time to appreciate scholars who are generating new knowledge by analysing and extending existing theories in a systematic way (Aguinis, Cascio and Ramani, 2017). Based on an advanced understanding of three theoretical perspectives for firms' EO decision in internationalization, e.g., organizational learning perspective, transaction cost economics, and institutional perspective, future research may tease out gaps and challenges from each theory and then disclose new insights to guide theoretical development in future. In following subsections, we will emphasize new directions for EO research aiming at deepening our knowledge of established EO related theories.

Extending the Organizational learning paradigm

When adopting organizational learning perspective (Levitt and March, 1988), scholars largely focus on the effect of general international experience or country-specific experience on firm's EO decision (Indro and Richards, 2007; Li and Meyer, 2009; Padmanabhan and Cho, 1999). However, general international experience may contain various sources of organizational learning, which makes its impact on EO ambiguous. For instance, Padmanabhan and Cho (1999) failed to find empirical support on the effect of general international business experience on EO decision. To further explore the influence of international experience, we suggest including more exhaustive consideration of various sources of organizational learning on EO (Powell and Rhee, 2013). As an experiential source, early experience on internationalization may not be homogeneous. Initial investment experience with shared ownership could help firm to overcome internal uncertainty on partnership (Powell and Lim, 2018), while number and diversity of partners in previous IJVs are relevant for firm's next EO decision (Elango and Chen, 2012). Following this line, future researchers can examine whether firms face inertial pressures on subsequent EO decisions consistent with their initial internationalization experience. Also, scholars may explore whether firms prefer to collaborate with the same partner(s) in initial investment for subsequent entries in the same or different foreign countries.

Another important experiential source could be firm's successful or failed decision-specific experience in prior investment (Cho and Padmanabhan, 2001). Literature emphasizes the role of decision-specific experience on EO decisions (Cho and Padmanabhan, 2005; Padmanabhan and Cho, 1999), as the similarity between current and prior decisions increases the relevance of the experience. For instance, experience with a particular entry mode creates a self-reinforcing effect to induce managers to use that mode again (Benito, Petersen, and Welch, 2009). Accordingly, we suggest that future studies can test whether the success of the prior majority-owned joint venture or majority stake CBA motivates the focal firm to choose majority ownership in their subsequent internationalization pursuits (Baack, Dow, Parente, and Bacon, 2015).

Except experiential sources, the impact of international experience on firm's EO decision is contingent on the context of organizational learning. To investigate various contextual differences, scholars can examine the multiple interactions of contextual variables, such as firm's home country regulatory effect as a contingency for the effects of host institution on EO decision. The influence of experience on EO is also contingent on decision-related context (Cho and Padmanabhan, 2001). For instance, prevalence of internet technologies might have enlarged firm's scope of knowledge sources but made information overload for decision-making, which affects the value of a firm's prior decision specific experience in new decision environment. Future research could explore whether and how changes in decision context would influence the organizational learning of prior decision specific experience by focusing on particular aspects of decision context and prior decision experience (Cho and Padmanabhan, 2001).

Because of country and industry differences, multinational enterprises may differ in their needs to interact with host regulatory environment, which affects EO decision differently (Powell and Rhee, 2013). To enhance generalizability of findings, future research should include the experiences of multinational enterprises from various countries to look at the impact of variety of cultural experiences on EO decisions (Cho and Padmanabhan, 2005; Padmanabhan and Cho, 1999; Wilkinson *et al.*, 2008). Moreover, advances on generalizability can be made by looking at multi-country sample for understanding the difference between developed acquirer's and emerging market acquirer's EO decision in the process of organizational learning, and by using the longitudinal data to measure change in foreign subsidiary control and corresponding learning over time (Wilkinson *et al.*, 2008).

Extending three pillars of the Transaction cost economics for EO research

Asset specificity, bargaining power and environmental uncertainty are identified as three major components of TCE affecting the transaction uncertainty and governance structure of firm's EO decision (e.g., Ahammad *et al.*, 2017; Indro and Richards, 2007; Luo, 2001; Mjoen and Tallman, 1997). Regarding the influence of these three TCE components, scholars have failed to find consistent results on EO research (e.g., Demirbag *et al.*, 2007; Pak and Park, 2004), which creates opportunities for future research.

For EO research with asset specificity, scholars have found inconclusive or even contradictory results about the impact of advertising or R&D intensity on EO decisions (e.g., Demirbag *et al.*, 2007; Folta, 1998; Richards and Yang, 2007). While asset specificity (including patents and brand equity) is a determinant of firm's EO decision, its importance is contingent on firm's motive of investment in internationalization (Hennart, 1991; Pan *et al.*, 2014). For instance, if exploitation of goodwill or marketing prowess is not the main reason of firm's internationalization, the parent's marketing intensity may have no substantial impact on EO decision. Also, firm's motive of investment will influence its nature of technology being transferred (old vs new) (Hu and Chen, 1993), and the transfer of old technology to foreign subsidiary makes asset specificity a less important concern for EO decision. Following this line of logic, future researchers can look at the moderating effect of motive of investment (e.g., strategic asset seeking, and market seeking) and motive of internationalization (e.g., exploratory or exploitative motives) on the impact of asset specificity (Popli and Lemos, 2018). Future research can also investigate the influences of other aspects of internationalization, such as integration and coordination processes, which involves various levels of knowledge transfer of core competencies to determine the importance of firm's asset specificity. Empirically, future researchers are expected to incorporate more fine-grained measure of different types of R&D or advertising intensity (e.g., R&D intensity for technology exploitation, R&D intensity for technology exploration, advertising intensity for brand exploitation overseas, or advertising intensity for brand equity building) when exploring the effects of asset specificity on EO decision.

In addition to asset specificity, the impact of bargaining power on EO decision is far from conclusive too (e.g., Pak and Park, 2004; Zhao and Zhu, 1998). Large MNEs prefer majority equity overseas through utilizing its market advantage as bargaining power, while local partner with higher local market knowledge would prefer to opt for higher EO in the international joint venture (Demirbag *et al.*, 2007). Contrary to the common behaviour of large MNEs, Pak and Park (2004) found that large Japanese MNEs prefer to form joint venture with other Japanese colleagues when expanding overseas. A potential explanation is that similar partners prefer joint ventures against minority investments over acquisition because of low communication costs for trust building (Folta, 1998). The trust established between the MNE and the local partner might persuade the MNE to take less equity in their future collaborations (Richards and Yang, 2007). Future researchers should explicate the difference of IJV formation between similar partners and dissimilar partners based on the nationality of the partner firms. Zhao and Zhu (1998) investigated negative effect of technological advantage on firm's EO decision, which contradicts the traditional assertions of bargaining power approach. Except technological advantage, firm's relative resource contribution in IJV, in terms of product technology, local market knowledge, and government suasion to a local partner, can substantially influence firm's EO decision (Blodgett, 1991). Thus, future research can investigate the impact of partner's relative and additional resource contributions and look at a more realistic picture where the partner is contributing on more than one type of resource at a time. Besides, the effects of bargaining power on EO decision can be moderated by other contextual factors, including speed of internationalization. Given firm's speed of internationalization is positively related to its resource commitment overseas (Lee *et al.*, 1998), future researchers may explore its impact on the relationship between relative resource contribution and firm's EO decision. Moreover, since EO negotiations are conducted by top managers, research designs need to be developed to explicitly test the micro-level mechanisms of dynamics of bargaining such as influence of top managers' cognitive complexity (Dow *et al.*, 2016; Foss and Pederson, 2019). Future researchers can investigate whether managers from more diverse nations have higher level of cognitive complexity and are more responsive to the difficulties related to such diversity, and thus influence the focal firm's EO decision.

While environmental uncertainty can increase the firm's transaction cost (Williamson, 1991), its impact on EO decision is ambiguous as the other two dimensions of TCE (Tsang *et al.*, 2005). Some of the plausible reasons of such inconclusive findings could be: Lack of research focused on exploring the boundary conditions, and less focus on exploring non-linear relationships. First, there is lack of empirical research examining the role of boundary conditions affecting the environmental uncertainty and EO relationship. Future researchers can examine various boundary conditions such as the impact of the level of competition in the industry, risk-bearing capabilities of the foreign investors and parent's situation relative to its competitors. For instance, the effect of environmental uncertainty in the host country seems to be more pronounced for first movers than for later movers, which will have different meanings to firm's EO decision. Empirically, scholars may extend the generalizability of the role of these boundary conditions by looking at non-manufacturing sector firms. Future research should also consider the variance in local environmental uncertainty within countries in addition to the variance between countries. Second, the scholars might have to relax the assumption of linear relationship between environmental uncertainty and EO. For example, Malhotra and Gaur (2014) have examined non-linear U-shape relationship between environmental uncertainty arising out of spatial separation and EO decision. Following this logic, future researchers can explore other non-linear relationship between environmental uncertainty and EO decision (e.g., inverted U-shape, S-shape), and may further compare the relative impacts of environmental uncertainty and other TCE factors on EO decision.

Extending the Institutional perspective on EO research

As discussed in previous section, studies in this stream of literature has examined the formal and informal institutional influences in two main streams: impact of institutional quality in host or home country (e.g. Ahammad *et al.*, 2018; Delios and Beamish, 1999; Dikova and Van Witteloostuijn, 2007), and the role of cross-national difference between home and host institutions (e.g. Ando, 2012; Demirbag *et al.*, 2007; Elango *et al.*, 2013). Despite valuable contributions from studies examining country-level institutional antecedents of EO decisions, inconsistencies remain.

Regarding the first stream of institutional quality in home or host country, existing literature largely focuses on formal institutions. To extend this line of research, future researchers should pay more attention to informal institutional characteristics on the focal country and their corresponding impacts on firm's EO decision. For instance, scholars can employ the cultural attractiveness of the host country (Li, *et al.*, 2017). This approach centres on the fact that how much affinity or positive perception a focal firm have towards the culture of the host country and how it can impact the EO decision. Related to this, future scholars can also look at the impact of the cultural diversity of a firm's home and/or host country in EO choices (Hutzschenreuter and Voll, 2008; Tihanyi *et al.*, 2005). Besides, foreign firms also face formal institutional pressures such as political interventions by the host country government particularly in case of cross-border acquisitions (Bertrand *et al.*, 2012; Dinc and Erel, 2013). These protectionist measures by the host government weaken the attractiveness of the target firm for the foreign acquirers (Bertrand, Betschinger, and Settles, 2016). Greater political affinity (i.e., alignment of national interest) between the host and home countries, would lead to less political intervention (Gartzke, 1998). Hence, future studies can test the impact of political affinity on firm's EO decision.

The second stream in institutional perspective investigates the influence of institutional difference/distance between home and host countries on firm's EO decision (Contractor *et al.*, 2014; Elango and Chen, 2012). With regards to formal institutional distance, its influence on EO decision may be contingent on legitimacy and political stability of the host country. Formal institutional distance would create high uncertainty with increased coordination costs, and political instability or low legitimacy in the host country may enlarge institutional costs. Future research can examine how the process of legitimacy in the host country and legitimating actors with different level of political instability influence the relationship between formal institutional distance and firm's EO decision. Meanwhile, the effect of formal institutional distance on EO decision may be moderated by industry relatedness (Contractor *et al.*, 2014), given the fact that needs of institutional supports are heterogeneous in different industrial structures. Future researchers can further explore whether entering emerging economies dilutes the impact of industry relatedness on the relationship between institutional distance and EO decision. When a host country's institution is less developed than a firm's home institution, managers deciding EO level in a foreign subsidiary are likely to place more weights on the negative institutional differences they perceived, rather than attentions they would put on the perceived positive differences from a more institutionally advanced country (Trąpczyński *et al.*, 2019). Future researchers can extend this line of logic and examine the differential impact of positive and negative institutional distance on firm's EO decision.

For informal institutional distance (e.g., cultural distance), because of coexistence of risk aversion (Piaskowska and Trojanowski, 2014) and communication barriers (Padmanabhan and Cho, 1996) in a culturally distant host country, EO scholars have argued both negative and positive effects of cultural distance on firm's EO decision. Interestingly, Xu *et al.* (2004) found no impact of cultural distance on EO decision in a Japanese sample. To further extend this line of research, future studies are suggested to examine whether the effect of cultural distance is contingent on other informal institutional factors (e.g., normative pillar, and cognitive pillar) in home or host country which influence the relative importance of risk aversion or communication barrier in firm's EO decision. Besides, cultural heterogeneity may exist within a country (Ellis *et al.*, 2018), which makes country-level measure insufficient to explore cultural distance. Thus, scholars are suggested to examine the effect of cultural distance based on within-country cultural heterogeneity from both home and host countries in future.

As another type of informal institutional difference, historical ties (either positive or negative ties) or inter-country military conflicts between home and host countries also play an important role to affect firm's EO decision (Kedia and Bilgili, 2015; Li, Arikan, Shenkar, and Arikan, 2019). Inter-country military conflicts may leave a lasting impression on a large cross-section of the population, which build animosity, hatred, and prejudice toward the antagonistic country (Bar-Tal, 2000; Guiso *et al.*, 2009). Since citizens use nationality as an important sense-making vehicle for intergroup identification (Salk & Shenkar, 2001), top managers from one firm tend to identify themselves with their home country. When the foreign subsidiary is located in an antagonistic country with frequent military conflicts against the parent's home country, the negative sentiments toward the conflicting countries will be projected toward employees and top managers from both countries. Particularly when the military conflicts between home and host countries have frequently occurred in the past, employees' behaviours are likely uncooperative in the foreign subsidiary of the host country (Bar-Tal, 2000; Li, Isidor, Dau, & Kabst, 2018). Hence, an interesting area for future research is exploring whether the nature of such historical ties exerts differential influences on firm's EO decision of foreign targets.

Future research: Exploring new frontiers

As such, the existing stream of research has primarily focused on economic and sociological foundations of strategic management and organization theory. However, much remains to be examined through the lens of upper echelon theory, social capital of the top-management, governance structures of the firm and so forth. In this section, we propose new research avenues which could help to explore new frontiers on EO research and provide a set of promising research questions.

Research Avenue 1: The Role of CEO

As per the upper echelon theory, psychological and demographic factors of the top-management team affect strategic choices (Hambrick, 2007; Hambrick and Mason, 1984). Though a recent stream of literature has explored the role of CEO overconfidence and CEO tenure (Lai *et al.*, 2017; Xie, 2014) on EO decisions, we call for more studies focussing on the psychological attributes of decision makers. Hambrick, (2007, p.337) notes that "the psychological and social processes by which executive profiles are converted into strategic choices remain largely a mystery - the proverbial black box." What remains to be better understood is the role of micro-determinants such as personality, motivational traits and professional experience in EO decisions (Foss and Pederson, 2019). Extraversion of CEO may also affect the EO decisions of the firm. An extraverted CEO has more self-confidence and greater desire for social attention (Wilt and Revelle, 2009). Such CEOs are found to engage in more merger and acquisitions and also to conduct larger deals than less extraverted CEOs (Malhotra, Reus, Zhu, and Roelofsen, 2018). Hence, future researchers could argue that an extraverted CEO may choose a higher EO in order to achieve greater control. Extant literature argues that narcissistic CEOs also have higher self-confidence, a stronger urge to gain power and control (Resick, Whitman, Weingarden, and Hiller, 2009), and pursue risky projects (Oesterle, Elosge, and Elosge, 2016). Accordingly, we suggest that the impact of self-concept attributes such as CEO narcissism on EO decision would be an interesting area to explore. In addition, we submit that the impact of psychological factors of CEOs would be more salient in their strategic decision making if they have relatively higher discretion. CEO duality, i.e., when the same person acts as a CEO and chairman of the firm, is used as a measure of CEO power (Boyd, 1995). CEOs with the dual role may have higher power to exercise their personal preference due to weaker board vigilance, and it affects the impact of CEO hubris on acquisition premium decision (Hayward and Hambrick, 1997). Thus, future studies can possibly investigate the impact of CEO duality on EO choices.

Relatedly, the functional experience of CEOs exerts an influence on their cognitive framework and affects strategic decision making (Finkelstein, Hambrick, and Cannella, 2009; Hitt and Tyler, 1991). The international experience of CEO expedites firm's international diversification due to their ability to deal with ambiguity and uncertainty through external ties with foreign entities (Herrmann and Datta, 2005). Thus, the role of accumulated international experience of CEO can be investigated in the context of EO in foreign entry decisions. In a similar vein, as compared to younger CEOs, older CEOs tend to avoid investment in high-risk projects with uncertain outcomes, and are less likely to undertake acquisitions (Serfling, 2014; Yim, 2013). Thus, an older CEO may try to reduce firm's resource commitment in foreign entry decisions by taking a lower EO. Apart from age, CEO gender also affects the corporate risk-taking (Strøm, Espallier, and Mersland, 2014). Female CEOs are found to be more risk-averse than their male counterparts and thus affects capital resource allocation decisions (Faccio, Marchica, and Mura, 2016). Thus, future researchers can further explore the impact of female CEOs on EO decisions.

Apart from demographic factors, the socio-economic background of CEOs may also impact EO decisions. Using organizational imprinting theory, scholars have argued that the social class origin of an individual leaves an imprint on his/her subsequent behavior and helps in explicating the variations in his/her decision making (Côté, 2011; Marquis and Tilcsik, 2013). The upbringing of individuals in an upper social class gives them a higher sense of security and control, and thus they are more optimistic about future prospects (Kish-Gephart and Campbell, 2015; Kraus *et al.*, 2012). Hence, future researchers could explore the differential impact of CEO’s social class on the EO choices. CEO birth order also seems to affect strategic decision making (Campbell, Jeong, and Graffin, 2018). Drawing on evolutionary theory, authors have argued that an individual’s birth order is related to its tendency to take risky decisions (Sulloway and Zweigenhaft, 2010). Firstborn children are less likely to take risky decisions since they receive more parental attention and resources. Whereas, younger children might tend to take risky decisions to get attention from their parents (Hertwig, Davis, and Sulloway, 2002). Future research could explore this lens, such that the latter a CEO’s birth order, the more risk tolerant they are and might prefer to take majority ownership while venturing abroad.

Research Avenue 2: Social capital of TMT

Firms are embedded in social and economic relations with other actors which provide them access to information and resources (Granovetter, 1983; Gulati, Nohria, and Zaheer, 2000). Managers develop social capital through their network membership which facilitates them to invest in riskier projects (Ferris, Javakhadze, and Rajkovic, 2017). Relational dimension of social capital (Nahapiet and Ghoshal, 1998) is based on trust generated through repetitive interactions with different individuals, which can facilitate the focal firm to gather foreign market knowledge (Tsai and Ghoshal, 1998; Yli-renko, Autio, and Tontti, 2002). Attesting the role of ties, Musteen *et al.* (2010) found that international network ties of the managers expedite firm's speed of internationalization. Moreover, transnational interlocks (i.e., board interlocks of firms crossing national borders) also facilitate communication and augment trust-based relationships across firms, and thus reduce information asymmetry (González, 2018). Thus, future researchers can explore the role of transnational interlocks and international network ties of managers having experience of the host economy (Tuschke, Sanders, and Hernandez, 2014) on firm's EO choice.

In addition to literature on the positive side of social capital, there is another stream of growing literature exploring the negative impact of social capital on firm performance (Godesiabois, 2008) and strategic decisions (Chetty and Agndal, 2007). Cognitive dimension of social capital facilitates interaction among members of different firms when they have similar mindsets, goals and cognitive framework (Nahapiet and Ghoshal, 1998). Both relational and cognitive dimension of social capital might also lead to groupthink in a firm which hampers the strategic decision making (Pillai, Hodgkinson, Kalyanaram, and Nair, 2017). Groupthink due to homogeneity in mindsets of the group members leads to an incomplete assessment of alternatives available to the firm, inadequate evaluation of the risk and returns associated with various alternatives (Ishii and Xuan, 2014). Thus, it provides an interesting research question to explore the impact of groupthink on firm's EO level.

Research Avenue 3: Exploring the impact of temporal aspects of internationalization

Currently, studies examining EO decisions consider internationalization as a linear process, and eschew the temporal aspects of a firm's internationalization pursuits (Casillas and Acedo, 2013). Speed of internationalization is an important strategic decision, as it affects the speed of change in the commitment of resources for firm's foreign activities (Chetty, Johanson, and Martín, 2014). Because of limited financial and managerial resources in an MNE, internationalization at a higher speed would affect MNE's resource commitment for each FDI (Johanson and Vahlne, 1977). Thus, the speed of internationalization might impact not only the mode of entry choice but also the EO decision. Similarly, speed may moderate the firm's entry into the unrelated business segments and new geographies with higher level of information asymmetry, which could potentially affect its EO decisions. Thus, we encourage future scholars to adopt an enumerative view of the internationalization process and explore the impact of temporal aspects of internationalization on EO decisions.

5. Conclusion

In this study, we intend to go well beyond collecting, summarizing, and reflecting on past achievements in the EO literature. We review 104 articles and synthesize the existing body of knowledge on EO decisions according to three primary theoretical lenses — Organizational learning, transaction cost economics, and institutional perspective. We also provide an integrative and summarizing framework demonstrating the various levels of antecedents of EO decisions. While reviewing, we draw gaps from contrasting results in existing work and provide guidance to build upon the existing scholarship. Moreover, we also suggest various interesting and promising directions for extending existing theories and also integrating new theories for future research in the coming years. We see these proposals as being quite important to the broader EO research agenda. While we are totally aware that reviews of such complex organizational decisions would never be exhaustive, we hope that our study identifies several thought-provoking avenues for future research which inspire new scholarship on antecedents of EO decision.

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