

## Discussion Paper

# Why Wait? The Speed of Foreign Market Re-Entry after Initial Entry and Exit

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**Irina Surdu**

Henley Business School, University of Reading

**Kamel Mellahi**

Warwick Business School

**Keith Glaister**

Leeds University Business School

**Giulio Nardella**

Henley Business School, University of Reading

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[dunning@henley.ac.uk](mailto:dunning@henley.ac.uk)

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# Why Wait? The Speed of Foreign Market Re-Entry after Initial Entry and Exit

## **Abstract**

Using a unique dataset comprising of over 1,000 foreign market re-entries by multinational enterprises, we examine the antecedents of speed of foreign market re-entry into previously exited markets. Contrary to previous studies, we find that the length of host market experience accumulated between initial entry and exit does not lead to earlier re-entries for the firms in our sample. The depth of experience accumulated through operating via joint ventures and the nature of the experience determined by the exit process have a positive and significant impact for early re-entrants. We highlight that the effect of knowledge accumulated through experience decreases as firms spend a long time out of the host market, with host institutional quality mediating the relationship between prior experiences and re-entry speed.

## **Keywords**

foreign market re-entry speed, exit, timeout, learning, experience, institutions

## **JEL Classifications**

M1

## **Contacts**

[i.surdu@henley.ac.uk](mailto:i.surdu@henley.ac.uk)

[kamel.mellahi@wbs.ac.uk](mailto:kamel.mellahi@wbs.ac.uk)

[k.w.glaister@leeds.ac.uk](mailto:k.w.glaister@leeds.ac.uk)

[giulio.nardella@henley.ac.uk](mailto:giulio.nardella@henley.ac.uk)

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## Introduction

Although multinational enterprises (MNEs) often re-enter previously exited markets, little is known of the duration of “timeout” before re-entry (Surdu and Mellahi, 2016). In this study, we ask the following: What determines the length of timeout before an MNE re-enters a previously exited foreign market? In examining this question, this study expands the market entry research agenda by looking beyond the current dominant focus on initial foreign market entry decisions (Delios, 2017; Hennart and Slangen, 2015). Given the focus on the re-entry phenomena, we redirect current research efforts towards a more phenomenon-driven perspective (Buckley, Doh and Benischke, 2017; Doh, 2017). The literature has documented well *de novo* foreign market entry decisions, with a recent focus on the speed of entries into foreign markets which has been associated with increased competitiveness (García-García, García Canal and Guillén, 2017; Jiang, Beamish and Makino, 2014; Powell, 2014; Zachary, Gianiodis, Payne and Markman, 2014). Yet, no systematic empirical research has been conducted to examine the speed of foreign market re-entries following initial entry and exit. This study responds to recent calls for papers seeking to gain a better understanding of what drives the speed of foreign entries (e.g. Chetty, Johanson and Martín-Martín, 2014; García-García et al., 2017; Jiang et al., 2014; Tan and Mathews, 2015) by shifting focus specifically on the phenomenon of foreign market re-entry.

Notwithstanding the contribution of previous research to explaining the general characteristics of firms that are expected to enable earlier entries (Casillas and Moreno-Menendez, 2014; Gaba, Pan and Ungson, 2002, Guillén, 2003; Zhou and Guillén, 2015), such studies leave room for conceptual and empirical research. The determinants of initial entry may be different from re-entry as these firms have already operated in the host market for a given period of time and as a result, they already possess some level of host market specific experience accumulated between initial entry and exit. Although the broad effect of knowledge acquired through experience is well documented in the initial foreign market entry literature, most commonly referred to as *experiential knowledge*, relatively little research exists that distinguishes between the different characteristics of experience and their effects on post-entry decisions (c.f. Chan, Makino and Isobe, 2006). Length of experience may be more valuable than depth of experience for some re-entrant firms in the same way in which the experience accumulated through successes is potentially different from that accumulated through mistakes or failures.

We specifically focus on the role of different characteristics of experience, namely the length of host market specific experience, the depth of experience accumulated in the host market and the nature of a re-entrant's prior host market experience. Our operationalisation of experience effects

is premised on the perspective that host market specific knowledge is obtained through experience of operating in that market. Once firms accumulate various experiences, such experiences influence firm strategic decisions (Cohen and Levinthal, 1990), such as re-entry. We hypothesise that, whilst the length of host market specific experience has an uncertainty-reducing effect (Dikova and Witteloostuijn, 2007; Eriksson, Johanson, Majkgard and Sharma, 1997), depth of experience may have an uncertainty enhancing effect. The *length of experience*, i.e. the number of years in which firms have operated in a market, has been associated with greater knowledge of that market and subsequently, could be translated into increased confidence in making (re-)entry decisions. Firms with a greater length of experience may also find it easier to translate the knowledge and experience acquired in the past into learning and gain competitive advantage (Barkema, Shenkar, Vermeulen and Bell, 1997; Sapienza, Autio, George and Zahra, 2006; Xia, Boal and Delios, 2009) as this experience has had time to become more embedded in organisational routines and behaviours. The general consensus is that development of market specific experience over time may lead to confidence that routines can be transferred to new decisions, i.e. *re-entry*.

In turn, *depth of experience*, which comes with increased commitment in the host market (Casillas and Moreno-Menendez, 2014; Eriksson and Chetty, 2003; García-García et al., 2017; Gaba et al., 2002; Jiang et al., 2014) may have an uncertainty-enhancing effect on speed of re-entry. Re-entrants with greater depth of experience of operating in the previously exited market may better understand the challenges of operating there and the difficulties of recovering investment after deciding to exit.

Finally, the speed of re-entry may also be influenced by the *nature of the experiences* previously accumulated in the host market which are manifested largely in the motives for the exit. Whilst some firms are "pushed" out of foreign markets, others decide to voluntarily "jump". By looking at the nature of host market experience, we advocate that firms tend to learn more from their mistakes than they learn from their successes (Cardon, Stevens and Potter, 2011; Gong, Zhang and Xia, 2017).

Using a unique sample of data comprising of 1,020 events of foreign market re-entry, we explain that firms may be expected to use firm level considerations such as past experiences as reference points in the early stages following the market exit, whilst relatively later re-entrants may also rely on external, host market related factors such as institutional cues. Over time, prior knowledge and experiences associated with a given market may lose their usefulness to the organisation and organisational forgetfulness can occur. As organisational forgetfulness occurs, re-entrant firms may give priority in their decision making to other, non-firm related factors such as the possibility of obtaining legitimacy in the local market as they seek to overcome institutional-related

constraints (Uhlenbruck, Rodriguez, Doh and Eden, 2006; Fuentelsaz, Gomez and Polo, 2002; Liou, Chao and Yang, 2016). In this study, we explain what drives re-entry speed at different intervals of time and more specifically, we examine whether the factors that influence some firms to re-enter within two years of exit have the same level of significance with the factors that influence re-entrants to wait five or even ten years to re-enter.

## Theoretical development and hypotheses

### **Length of host market experience and the speed of foreign market re-entry**

From an organisational learning perspective (March, 1991; Levitt and March, 1988), strategic decisions such as foreign market (re-)entry, are often the result of firms acquiring knowledge through experiences accumulated over a period of time (Barkema et al., 1997; Chang and Rosenzweig, 2001; Gao and Pan, 2010; García-García et al., 2017; Luo and Peng, 1999; Xia et al., 2009). Inherent in this assumption, is that some of the knowledge and experience firms require to do well in foreign markets are different from those which they possess from operating at home (Eriksson et al., 1997; Johanson and Vahlne, 1977; Zeng, Shenkar, Lee and Song, 2013). Firms that diversify into foreign markets are expected to face a liability of foreignness compared to local market players already operating in that environment who have operated in the market for longer and who may therefore already possess superior local market and institutional knowledge (Zaheer, 1995). Acquiring market specific knowledge is a time-consuming process that is expected to narrow the gap between the actual knowledge a firm possesses and the desired knowledge it needs to reduce the liability of foreignness (Casillas and Moreno-Menendez, 2014; Gaba et al., 2002, Zhou and Guillén, 2015). Such knowledge becomes embodied in the firm's repertoire of capabilities and feeds into the firm's future strategic decisions.

We also argue that, having operated in the host market for a longer period prior to exit could lead to earlier re-entries. Our argument here is twofold. First, we propose that prior experiences accumulated over time can translate into increased confidence in the ability of the firm to operate in the market (March, 1991; Casillas and Moreno-Menendez, 2014). Spending a lengthier period of time in the market means that the firm has accumulated knowledge specific to that market, including knowledge originating from the personal connections of management (Nielsen and Nielsen, 2011), which increases the ability of the firm to evaluate its external environment (Zhou and Guillén, 2015). Previous studies focusing specifically on the relationships between experience, learning and organisational routines, have suggested that MNEs which have been international for longer periods of time perceive themselves as being better at integrating information into their routines and, therefore, more likely to learn (Cohen and Levinthal, 1990;

see also Petersen, Pedersen and Lyles, 2008; Zhou and Guillén, 2015). Prior experience determines routines which play a large role in the future decisions of the firm, particularly as firms may become (over)confident in the usefulness and applicability of those routines (Winter and Szulanski, 2001). What is more, confidence in experience accumulated over time may develop faster than the competence of operating in the market (Levitt and March, 1988). This is particularly the case for re-entrants as the routines established during the initial foray into the market may be perceived as relevant to that market when the firm decides to re-enter. For more experienced re-entrants, it may mean that they may not require significant increase in learning opportunities during the timeout period, for which reason they may reduce the length of the timeout period.

Our second and inter-related argument is that knowledge accumulated from prior experience may be wasted if firms do not re-enter relatively quickly. The longer firms stay out of the market prior to re-entering, the more likely that such valuable prior knowledge and experience, such as knowledge attained from network relationships, understanding of consumer preferences, and generally, host market specific experience, will have dissipated (de Holan, Philips and Lawrence, 2004; Cegarra-Navarro and Moya, 2005; Surdu, Mellahi and Glaister, 2015; Tsang and Zahra, 2008). This is problematic because acquiring knowledge through experience is a costly process and that knowledge may be valuable and difficult to obtain by others such as competitors (Madhok, 1997). Spending a long period of time in a market prior to exiting is also a sign of both firm and personal commitment to that market (Eriksson and Chetty, 2003), which makes it less likely the firm will wait very long before re-entering. Hence, re-entrants which have accumulated substantial length of experience may be keen to re-enter earlier to leverage that experience.

We therefore propose that the length of host market specific experience accumulated before exit will determine how the market is perceived and is therefore used as a reference point when firms decide to re-enter relatively early. Our first hypothesis is as follows:

*Hypothesis 1:* The length of host market experience is positively related to speed of re-entry.

## **Depth of experience and re-entry speed**

How a firm uses prior experiences to decide on the speed of re-entry also depends on the depth of the knowledge and experience accumulated in the host market. The depth of experience increases with the resource commitment that firms undertake in a market through the mode of establishment (see Barkema and Vermeulen, 1998; Eriksson and Chetty, 2003; García-García et al., 2017) which has a strong effect on the strategic options of the firm and the ability to learn about, and successfully adapt to, local markets (Chan and Makino, 2007; Gaba et al., 2002). Depth of experience also refers to the extent to which the firm acquired highly sophisticated knowledge about a given host market and has been found to increase the success rate of further investment into that host market (Eriksson and Chetty, 2003). Firms which commit significant resources to host markets through modes of establishment such as wholly owned subsidiaries are expected to achieve enhanced market presence, greater learning opportunities, better control over their operations and overall, increased capabilities of operating in a foreign market (Eriksson and Chetty, 2003; Isobe, Makino and Montgomery, 2000). A firm that operates through its own subsidiary may accumulate sophisticated knowledge through broad and rich experience. Similarly, in an alliance, as the relationship between partners deepens, firms become locked into adaptations that are required in order to learn about, and serve the host market. Indeed, depth of experience may reduce uncertainty for initial entrants seeking subsequently to expand in the market and further exploit the depth of knowledge they have invested in.

For re-entrants, we propose the opposite effect. For these firms, depth of knowledge may mean that re-entrants have a good understanding of the complexities of operating in the host market and the challenges of divesting their operations once they have decided to exit. High levels of resource investment that are required to attain depth of knowledge about a foreign market, become a barrier when a firm considers redeploying its resources to other markets, because of the considerable monetary losses on exit (Belderbos and Zou, 2009; Luo, 2004). The high cost of exit, associated with high commitment modes, increases the perceived risks of operating in the foreign host market, making managers extra vigilant and encouraging them to take measured steps before re-entering the foreign market. The costs of acquiring deeper knowledge about the market may be irreversible in the short term following exit due to difficulties in selling off the acquired assets or re-deploying them to other markets or activities (Isobe et al., 2000). Given the varying levels of economic risk exposure associated with different levels of depth of experience (Luo, 2004), having operated via a high commitment mode such as a wholly owned subsidiary may therefore prompt a late rather than early re-entry.

In the case of re-entrants, the risks and uncertainties associated with the host market may be reduced somewhat by limiting ownership in the foreign venture (Barkema and Vermeulen, 1998). Further to this point, because early re-entry is associated with a high level of uncertainty, earlier or faster re-entrants would be expected to be those which operated in the market via lower commitment establishment modes such as exports, franchising or licensing (Gaba et al., 2002; Huang and Sternquist, 2007; Isobe et al., 2000). Re-entrants that did not incur the high costs of attaining greater depth of knowledge may have found their host market operations easier to dissolve due to the greater strategic flexibility and lower resource requirements. We argue that managers are more willing to re-enter earlier when during the exit the stakes were low and the losses experienced upon exit were not substantial, as in the case of lower commitment modes. Following this discussion, we expect that MNEs with greater depth of experience will wait longer to re-enter, given that they may have a greater appreciation of the difficulties in setting up operations in those markets.

*Hypothesis 2:* The depth of host market experience is negatively related to speed of re-entry.

### **Nature of prior host market experience: Motives for the exit and re-entry speed**

Managers learn from the mistakes they make (Eriksson et al., 1997). A key tenet of organisational learning is that firms learn when they experience problems, often generated by underperformance. Levitt and March (1988) explained how organisations codify their experiences and utilise them in decision making and advocated that this depends not only on the 'frequency' of those experiences (e.g. how many years a firm spends in a foreign market), but also on how 'proximate' experiences are to the new decisions being made (p. 328). Thus, the inherent proximity of the decision to exit the market to the re-entry decision (Padmanabhan and Rao, 1999) makes the exit experience more readily pertinent to managers deciding whether to re-enter the market early, or whether to wait until they better understand the causes of their failure and develop the necessary capabilities to re-enter. For managers choosing to re-enter a market, negative experiences accumulated from operating in a given host market, which often result in enduring memories and reluctance to experiment, are likely to weigh more heavily than positive experiences obtained from operating in the host market.

Building on the above logic, we explain that the experience associated with market exit will significantly influence the speed of re-entry as follows. Exit can be the result either of the firm voluntarily exiting, or of being forced involuntarily out of the host market by external conditions. Firms are sometimes victims of changing circumstances in their external environment that are

beyond their control, such as regulations against foreign investment in some sectors, and or local stakeholders' hostility, such as boycott towards certain industries or firms. This can lead to what we refer to as 'involuntary' exit (Cardon et al., 2011; Hoskisson, Wright, Filatotchev and Peng, 2013). A negative market exit experience as a result of involuntary exit may deter the firm from returning quickly to the host market (e.g., Crick, 2002; 2004). This is because for such firms, the trauma associated with having been forced to exit the foreign market is likely to influence managers' perceptions of the unattractiveness and undesirability of the market soon after the exit (Coe, Lee and Wood, 2017; Christopherson, 2007). Involuntary market exit can therefore represent a source of re-entry deterrence in the short term. However, such an effect may decline in the long term. Actors that pushed the firm out of the market may be replaced by others that are more approving of the firm, or may change their position towards the firm.

A form of 'voluntary' exit is when exit is due to poor performance in the host market. This may mean that the firm did not have the appropriate strategy to operate effectively in the host market compared to its competitors (Benito and Welch, 1997; Benito, 2005; Mellahi, 2003; see also Coe, Lee and Wood, 2017; Christopherson, 2007). Given the nature of this experience, the firm often requires a timeout period to regroup and develop a new strategy to perform successfully in the foreign market the second time around. Such firms will seek to re-enter early for at least three reasons. First, they seek to re-enter as soon as they put a new strategy in place to take advantage of opportunities in the foreign market (Calof and Beamish, 1995). Danone's multiple exits from China's dairy and confectionary markets were regularly followed by a rebranding and customisation of the product offering, and more appropriate selection of local partners, which resulted in earlier re-entries for the company (Melewar, Badal and Small, 2006). Second, relatedly firms are expected to re-enter early to sustain the momentum gained prior to exit and ensure that planned changes in re-entry strategy remain relevant to the host market conditions. Third, when the exit is associated with managerial capabilities and decision-making processes, managers may also be subject to more scrutiny from investors and thus incentivised to unpack the causes for their failed operations and address them. Managers do not wish to be associated with failure and blamed for market exit, and therefore they would seek to re-enter earlier. In other words, we expect that firms which have underperformed in the market, rather than admitting to a failed course of action, may opt for reinforcing their commitment to the market through early re-entry, in order to prove that the initial decision to enter that host market was not a mistake and to illustrate that the firm was not weakened by this decision.

**Hypothesis 3:** *Voluntary exit (i.e. exit due to poor performance) is positively related to speed of re-entry.*

### **Mediating role of host institutional quality**

Operating effectively in markets characterised by underdeveloped institutional environments requires the firm to possess market and non-market capabilities to deal with institutional ambiguities (Delios and Henisz, 2003; Liou et al., 2016; Meyer, Estrin, Bhaumik and Peng, 2009; Uhlenbruck et al., 2006). Development of such capabilities, particularly non-market capabilities, requires time and expertise. Obtaining institutional legitimacy and credibility from key actors in institutionally weak markets is not easy after exit. Institutional change has been regarded as a process that requires significant resource investment particularly because key legitimising actors, such as local governments, may have incentives to preserve old institutions and established rules of the game (Doh, Rodrigues, Saka-Helmhout and Makhija, 2017; Hernandez and Nieto, 2015). We posit that re-entry is likely to be delayed when re-entrants perceive a host market as risky and uncertain because they lack the information and ability to pre-empt the threats and opportunities that exist within its host economic, political and social environments (Tan, Hung and Liu, 2007; Hsu, Chen and D'Arcy, 2017). Also, the prevalence of institutional voids in the laws, regulations and nonmarket configurations of host markets can result in higher costs and greater risks (Chan and Makino, 2007; Doh et al., 2017; Delios and Henisz, 2003; Hernandez and Nieto, 2015; Hsu et al., 2017; Xia et al., 2009), adding to the perceived risks of returning to a previously exited host market. In contrast, in markets characterised by high quality institutions, re-entrant firms may wish to take advantage of current opportunities and not wait long to re-enter, since those markets may also appear attractive to other potential entrants and or re-entrants.

High quality institutions may reduce the need to acquire knowledge through experience when (re-)entering a foreign market (Casillas and Moreno-Menendez, 2014; Chang and Rosenzweig, 2001; Xia et al., 2009) just as the prevalence of low quality institutions leads to increased host market uncertainty and unfamiliarity (Hernandez and Nieto, 2015; Hoskisson et al., 2013). In this study, we investigate whether incorporating the effect of host institutional quality affects the relationship between different characteristics of experience and the speed of foreign market re-entries. For instance, the nature of the host-market experience, associated with the motives for exit, may be more relevant for early rather than very late re-entrants, as for the latter the market exit experience may potentially be disregarded or even forgotten. Thus, we suggest that, in the early stages following exit, firm decisions may take into account the different types of market specific experiences inherited from the initial market foray, which includes the exit experience. After a longer period of time out, re-entrant firms may rely more significantly on decisional cues, such as the information they associate with the external, host market environment.

We therefore propose that the quality of institutions in the host country at the time of market exit is highly relevant to, and will influence re-entrants, thereby, affecting their re-entry speed, and that the effect of host institutional quality on the relationship between experience and re-entry speed will increase in importance over time. This discussion leads to the following hypotheses:

*Hypothesis 4:* A higher level of host institutional development is positively related to speed of re-entry, irrespective of prior types of experiences.

*Hypothesis 5:* The effect of host institutional quality on speed of re-entry will increase over time.

## Empirical setting and data

We developed a database of foreign market re-entry events undertaken by firms operating in both manufacturing and service sectors during 1980-2016. We collected the data from reports in business information and research databases Factiva (Dow Jones) and LexisNexis (Reed Elsevier). These reports contain information regarding events of foreign market re-entry compiled from interviews with key managers and CEOs conducted by journalists and industry analysts both at the time of market exit and at the time of re-entry. The information included in the Factiva and LexisNexis databases is compiled from publicly available and licensed sources such as *Wall Street Journal*, *Reuters*, *The New York Times*, *Huffington Post*, *Bloomberg*, and *Nikkei* which have been used in the past to examine the international business decisions of firms (notably, Li, Eden, Hitt and Ireland, 2008). The data available in these reports consists of information about the motivations of a firm to exit the host market, the years in which the firm initially entered, exited and re-entered, as well as the mode in which the firm was operating in the host market prior to exiting that market. The data collection process was as follows. First, we identified the foreign market re-entry event by using keyword searches in Factiva and subsequently Lexis Nexis in order to select the business news articles that presented information on re-entry and re-entrants. The list of keywords consisted of references to a firm re-entering a foreign market (we made no exclusions based on home country origin and host country destination or industry), such as - but not limited to - 're-entry' / 're-enter' / 'return to' / 'back in' AND 'market'. Following these searches, a total of over 200,000 business news articles were accessed. Second, each article was scanned to eliminate duplicates given that Factiva and Lexis Nexis collected data from similar sources. Third, we identified and selected the events which were in line with the boundaries of re-entry as examined in this study. To be included, a firm needed to (a) have entered a foreign market, exited and then re-entered the same market following a timeout period; (b) have exited the market fully since

firms also go through periods of increasing and decreasing their international commitment in a market (Vissak and Francioni, 2013); (c) have exited foreign operations whilst maintaining a domestic presence prior to re-entry (entrepreneurs - who may sell a company and re-enter with a different firm - may be an interesting group of re-entrants and should be studied separately); (d) not be a project based firm (e.g., construction sector) which regularly exit and re-enter markets as part of their business model (Vissak and Francioni, 2013); (e) not be domestic market exit, more specifically exit from an industry sector, followed by re-entry into that sector; (f) not refer to product market exits and re-entries. Additionally, we only included in our sample re-entrants which have been out of the market for a period of at least one year in order to also avoid cases of partial market exit. The final observation period includes a total of 1,020 events undertaken in 101 host countries. Key characteristics of the sample are provided in Table I.

--- TABLE I ---

## Data analysis: Cox proportional hazards model

Our dependent variable is the waiting time (TIMEOUT) between two well-observed events namely the event of exit and the event of re-entry (Welch and Welch, 2009). Our hypotheses are tested using the Proportional Hazards Model analysis developed by Cox (1972). Cox's proportional hazards model is amongst the most commonly used regression analysis models to investigate what is generally referred to as survival data. In this case, based on the hazard function, the rate of occurrence of the re-entry event at duration  $t$  equals the density of events at  $t$  divided by the probability of the focal event occurring at a pre-determined point in time, i.e. firms re-entering the market within two years (five years) (ten years) after exiting that market.

Unlike other survival models, in a proportional hazards model, the unique effect of a unit increase in a covariate is multiplicative with regards to the hazard rate that the event has occurred at a time  $t$ . For instance, having a great stock of host market experience may mean that the firm does not have to wait longer than one or two years to re-enter in the same way in which incurring significant losses upon exit may translate into firms re-entering five years after exiting, a period of time that may be necessary for firms to recoup their losses prior to returning to the market. Covariates can be both continuous (length of experience, host institutional quality) or binary (depth of experience, nature of experience). In the case of a continuous variable, the exact effect of the

covariate depends on the type of  $\lambda_0(t)$ , which is the baseline hazard function. Fuentelsaz et al. (2002: 252) summarise the proportional hazards model well by noting that the main assumption of the model is that 'the hazard functions of all individuals are a multiple of an unspecified baseline hazard function. Therefore, the baseline hazard function is an arbitrary and non-negative function in time'. In other words, in this study - much like in all additive models - we expect that the effect of the covariates  $X_{1...12}$  is the same at all times  $t$  with each unit increase in the covariate resulting in proportional scaling of the hazard. The final model takes the following form:

$$\begin{aligned} \lambda(t, X_i) = & \lambda_0(t) + \beta_1(\text{EXPERIENCE\_LENGTH}) + \beta_2(\text{EXPERIENCE\_DEPTH}) \\ & + \beta_3(\text{EXPERIENCE\_NATURE}) + \beta_4(\text{INST\_DEV1}) + \beta_5(\text{INST\_DEV2}) \\ & + \beta_6(\text{LNSIZE}) + \beta_7(\text{AGE}) + \beta_8(\text{NCOUNTRY\_INT}) + \beta_9(\text{NCOUNTRY\_HOST}) \\ & + \beta_{10}(\text{NYEARS}) + \beta_{11}(\text{REG}) + \beta_{12}(\text{PRIOR\_PRESENCE}) \end{aligned}$$

where  $X_i = \{X_{i1}...X_{i12}\}$  are the realised values of the covariates for the  $i$ th subject at a given time  $t$ .

We also recognised that the proportional hazards model has seen a number of extensions since the original Cox design (1972). Notable amongst those extensions has been the idea of considering specific time scales or intervals in which certain events have occurred (Andersen and Gill, 1982). Our observation is that the majority of previous studies on the timing/speed of initial market entry tend to examine the order of entry into foreign markets by looking at whether firms define themselves as 'first movers', 'early followers' or 'late followers' (c.f. Isobe et al., 2000). Given the potential biases arising from this method, scholars are increasingly recommending the use of actual time periods of entry (see Gaba et al., 2002, p. 41). Hence, we may be able to explain better what constitutes an 'early' or 'fast' re-entrant as opposed to a 'later' re-entrant. In this way, we are able to provide a more nuanced explanation concerning what drives the speed of re-entry at different intervals of time and whether the factors determining re-entry within one or two years of exit have the same level of significance with the factors determining later re-entry, for instance, waiting more than 10 years prior to re-entering. The timeout period between exit and subsequent re-entry varies between one year and 20 years, thus allowing us to investigate the covariates associated with entry at different points in time. In doing so, we used statistical software packages to divide the timeout period into specific time-frames, consisting of firms re-entering "*within 2 years*"; firms re-entering "*within 5 years*" and firms re-entering "*within 10 years*". We used Factiva and LexisNexis to identify when re-entrants had exited and re-entered the market to calculate the timeout period accordingly. TIMEOUT was then computed into three dichotomous variables, whereby in each observation the censored subject is taken into account as one whose event is '0'. Hence, we measured whether the firm re-entered within 2 years or waited longer (1;0); within 5

years or longer (1;0) and within 10 years or longer (1;0). Given this established method of coding the data, each time-frame is compared to the remainder of the sample.

It is also worth noting that survival models were developed for data with a continuous character, however, such data is generally not available in management and international business studies, which includes studies on the speed of foreign market entry decisions (Fuentelsaz et al., 2002; Isobe et al., 2000). In this study, we have annual observations regarding the external, host market-related covariates by examining their value at the time of exit, primarily because we assume that the assessment of risk and costs that managers make at the time of exit will influence how quickly they re-enter. It should also be noted that since we have grouped the timeout period as intervals, the regression model is time-dependent but remains fixed within specific time intervals as estimation takes place through the maximum likelihood technique (Blossfeld and Rohwer, 1995). A summary of the measures of the independent and control variables is given in Table II.

--- TABLE II ---

### **Robustness of results**

Our first robustness test considers the possibility that events occurring in the host market may drive the decision of when to exit the market, thus also influencing the time it takes for the firm to re-enter. We therefore stratified the data according to whether firms exited the host market before or in the 1980s, in the 1990s, or whether they exited in the 2000s, in order to determine whether the effects of the covariates on the duration of timeout change. Our results regarding the effects of host market experience types and institutional quality still hold. Also with regards to annual controls, we tested different year dummies to control for any variation that may result from the 2008 (2007, 2008, 2009) recession in Western countries and the 1997 (1996, 1997, 1998) financial crisis in Asian countries, i.e. whether there was a concentration of market exit events around those periods which may prompt re-entries merely as a result of increased stability in the economic system. However, these robustness checks did not result in any observable changes for the results of our regression models.

Our second robustness test evaluates the possibility that firms decide to reduce the timeout period in markets that are perceived as more attractive (Hsieh and Vermeulen, 2014). This may be the case with entering markets characterised by more uncertainty as well as high attractiveness due to their potential for future growth such as India, China, and more recently Russia and Brazil. We measure the effect of host market size, measured as GDP per capita based on purchasing power parity (PPP) to allow for a comparison of values over time and locations (World Bank indicators) and host market attractiveness, i.e. net inflows of FDI to the host market (World Bank

indicators). Whilst adding host market attractiveness did not lead to any change in the values of our parameters, the variable host market size suffers from a high degree of multicollinearity with the institutional variable represented by covariate  $X_{i4}$ . The correlation between host market size and host institutional quality can lead to a misleading result since we have examples of markets such as China, India and other developing nations which, although considered institutionally underdeveloped and characterised by low economic freedom, these markets are at the same time characterised by high growth rates and demand potential.

Our third robustness test considers the possibility that re-entries into a particular country may be consolidated into a short period of time, resulting from either a political decision to open for investment or other host market related factors we may have missed in our analysis. We evaluated our data according to the host regions firms re-entered (given that there are 101 host countries in total, it would have been less useful to stratify the data per country) and found that the timeout in each host region tended to have a range between 1 to 20 years, with mean values between 5-7 years and similar standard deviation values (between 4.64 and 6.15). Hence, there is no evidence that the effects of the covariates on the duration of the timeout period were biased by a given host region re-entered.

Our fourth robustness test evaluates our results concerning market exit motivation effects using an alternative coding. We invited two colleagues individually to code the motives for exit as reported by firms and industry analysts in our data sources to reduce potential bias that may arise from codifying qualitative data into dichotomous variables. The coding processes revealed similar results and confirmed our operationalisation of the market exit variables.

Our final robustness test refers to industry controls. We stratified the sample of re-entrants to control for the top four industries as the most representative in our sample (automotive, financial services, retail and consumer electronics). Although we found some positive and significant effects of re-entrants operating in the automotive and retail sectors on early re-entries, these effects were reduced to marginal or insignificant effects once we added our main covariates to the regression model.

The standard deviations and pairwise correlations for all the variables are reported in Table III.

--- TABLE III ---

## Results

In our analysis, we sequentially added the variables associated with each set of constructs. Tables IV-VI show the results of applying Cox's proportional hazards model over the observations of foreign market re-entry events. As was discussed in the previous section, TIMEOUT has been divided into time frames with each taking the value of '1' for the specific time frame in which the firm has re-entered and '0' otherwise. The estimated coefficients should be interpreted as representing the increase (or decrease) in the log of the instantaneous re-entry rate with each additional unit of the covariate, e.g. a positive coefficient in Table IV signifies an increase in the entry rate in the first two years of market exit which translates into a 'very early' re-entry, whilst the converse is true for negative coefficients. Our results highlight the differing effects of types of experience at different points during the timeout.

We sequentially added the variables associated with each experience construct. Models 1, 6 and 11 in each table present the baseline estimation which includes size, age, general experience measures (number of years internationally, number of years in the host region, number of countries internationally and number of countries in the host region), regionalisation effects and prior presence in the market. The effects of length of experience are tested in Models 2, 7 and 12, whereas the effects of depth of experience (nature of experience) are tested in Models 3, 8 and 13 (Models 4, 9 and 14). The mediating effects of institutional quality are added to the final models (i.e. Models 5, 10 and 15). Covariates tend to significantly change in size and importance according to the different time frames observed, confirming our decision to divide TIMEOUT.

Most scholars associate a large firm size with foreign entrants possessing comparatively more financial and other resources that enable them to make riskier (re-)entry decisions (Gao and Pan, 2010; Fuentelsaz et al., 2002). Generally, our results show that SIZE has a negative effect on the speed of re-entry, it may be that larger firms remain focused on international growth by entering other foreign markets and may be less dependent on a small number of markets thus postponing the re-entry decision into a market that may be viewed as more uncertain. We also found that older firms (AGE) re-enter within 10 years after exit compared to waiting longer. Similarly, firms with prior presence in the market (PRIOR\_PRESENCE) tend to re-enter earlier but the effect is reduced when adding the effect of the nature of experience. Unlike previous studies (Fuentelsaz et al., 2002) we found no evidence here suggesting that firms overestimate the similarities between neighbouring countries (O'Grady and Lane, 1996) by re-entering earlier. Further, NCOUNTRY\_HOST has a negative and (marginally) significant for re-entry within 10 years. Perhaps firms which are already present in a large number of markets in the host region may not necessarily experience the urgency of re-entering the previously exited market. NYEARS is also

negatively related to early re-entries but only in the base model; the effect of number of years since the firm has started to internationalise fades with the addition of the covariates.

Our key findings are as follows. Contrary to what has been found in previous studies (e.g., Casillas and Moreno-Menendez, 2014; Delios and Henisz, 2003; Gao and Pan, 2010), EXPERIENCE\_LENGTH does not have a direct and positive effect on the speed of re-entry in any of the TIMEOUT time frames studied. In fact, we found evidence to suggest that the time it takes to re-enter a foreign market increases for firms with greater length of host market specific experience. Overall, we did not find support for Hypothesis 1 in this study.

The covariate reflecting depth of experience shows a significant effect on re-entry speed. We found that firms which were previously operating via non-equity modes EXPORTS and NONEQ\_ALLIANCES as well as firms which operated through WOSs prior to exit take longer to re-enter compared to firms previously operating via JV, which is in line with what we proposed in Hypothesis 2. Firms which previously operated via franchises or licenses have possibly not acquired the necessary know-how to operate in the market and or attract a large enough customer base and thus choose to return when the market is more favourable and when there is demand for their products. Firms previously operating WOSs take longer (i.e. more than 10 years) to re-enter compared to exporters (see Model 14 in Table VI). What is interesting, however, is that adding the effect of depth of experience reduces the negative effect of EXPERIENCE\_LENGTH in all time frames studied. Furthermore, we find that the size of the coefficients measuring depth of experience is highest when looking at re-entry within 5 years or longer (Model 8) and decreases for re-entries within 10 years after exit (Model 13).

As proposed in Hypothesis 3, exit due to poor performance leads to earlier re-entries compared to involuntary exit. POORMODE\_PERFORMANCE has a strong positive effect on re-entry speed but only for 'very early' re-entrants in that firms which have exited the market due to poor performance with the mode in which they were operating at the time, tend to re-enter within 2 years of exit rather than waiting longer (the effect decreases over time). POORMKT\_PERFORMANCE also positively affects re-entry speed and the effect is also strongest for very early re-entrants, i.e. re-entry within 2 years. One explanation for the positive effects of POORMKT\_PERFORMANCE in particular is that for firms which have exited due to an increase in operation costs and competition or a misfit of product or pricing strategies, re-entry involves changes in product, positioning, distribution and or pricing strategies. These changes may be implemented when the re-entry experience is fresh in the minds of the decision makers whereas the exact time it takes to make such changes may vary between re-entrants. In addition to a direct effect on re-entry speed, the nature of the exit process mediates the effects of experience length

and depth of experience on speed of re-entry, in that it reduces their effect on the outcome variable. This confirms our hypothesis (H3) that the exit experience supersedes other experiences. Both the covariates measuring institutional quality (INST\_DEV1 and INST\_DEV2) showed positive and highly significant coefficients, implying an overall positive effect on the speed of re-entry, as proposed in Hypothesis 4. It seems that re-entrants are stimulated to wait less time to re-enter when dealing with a qualitative host institutional environment optimal for exploitation and acquisition of valuable resources. INST\_DEV2 which is associated with the size of the government has a positive impact on re-entry within 10 years. Within a short term of exiting the market, weakness in other areas such as property rights, trade openness and sensible regulation may be more immediately important, whilst aspects such as the size of government take longer to change and may not be relevant in the early stages following exit. The effects of POORMKT\_PERFORMANCE on re-entry speed are reduced when institutional variables are added suggesting that, irrespective of the re-entrant's experience in the market, an increase in the degree of institutional quality leads to earlier re-entries (in turn, the positive effect of POORMODE\_PERFORMANCE on re-entry speed holds). Institutional variables are both highly significant in the final model (i.e. Model 15) highlighting that the mediating effect of host institutional quality increases over time, which also confirms Hypothesis 5.

--- TABLES IV-VI ---

## Discussion and future research directions

The international business and strategic management literature reflects the paucity of studies dedicated to examining foreign market *re-entry* decisions. We make a contribution to this literature by providing new evidence of foreign market re-entry and re-entrants by focusing on explaining the timing of re-entry to previously exited foreign markets. We proposed that the ability to re-enter is a function of various characteristics of a firm's experience profiles associated with a given host market, such as the length of experience (time spent in the market), the depth of experience (degree of resource commitment undertaken) and nature of the experience (motives for the exit). We also recognised a potential mediating effect of external, host market institutional related factors on the relationship between experience and re-entry speed. We find that 1) different characteristics of experience have different effects on re-entry speed as well as on one another, and 2) the relative importance of prior experience and host institutional quality effects re-entry speed changes over time.

The findings have several implications in regard to the question posed at the start of this study, namely *what drives some re-entrants to re-enter earlier than others?* Most importantly perhaps, in our study of re-entrants, learning from past experience does not have a positive effect on the

speed of re-entry as previously suggested for *de novo* entries (e.g. Fuentelsaz et al., 2002; Gaba et al., 2002; Isobe et al., 2000; Luo and Peng, 1999). More experienced re-entrants are not necessarily faster re-entrants and in fact, tend to be later re-entrants. Our explanation for the consistently negative effect of EXPERIENCE\_LENGTH on re-entry speed is that firms may need time to distill the lessons learned from operating in the host market, particularly as they simultaneously manage the potentially traumatic and costly market exit experience. Extant literature has not considered that experience takes time to become part of organisational learning and, as such, not all experiences may become embedded in organisational routines and positively influence organisational behaviour in the short term.

Our results suggesting that experience accumulated over time may not result in learning that can be exploited in the short term by re-entrants are worthy of further empirical investigation. This paper builds on the logic that one should investigate learning not only as a linear, sequential process - whereby the firm accumulates experience over time which is then translated into increased confidence in the capability to perform in the market and thus, early re-entries. In turn, we may benefit from also examining the factors that influence the value derived from applying the experience accumulated in the past to new situations, and the possibility of organisational forgetfulness or unlearning. Experience accumulated over time may be set aside, disregarded and perhaps even forgotten as firms make re-entry timing decisions based on the depth and nature of prior experiences as well as from cues arising from their external, host market institutions. This means that having a greater length of experience may be more useful when firms encounter low levels of uncertainty and ambiguity that disrupt the learning process, as in this case past experience may be more easily translated into behaviours and routines (Anand, Mulotte and Ren, 2014). This is not the case for a re-entrant whose decision to exit the market disrupts the linear relationship between time spent in the market and speed of re-entry. In fact, it may be that the development of new learning that is required to re-enter occurs best under conditions where there are little or no existing organisational routines to unlearn (Autio, Sapienza and Almeida., 2000; Cohen and Levinthal, 1990). This explains why adding the effects of depth of market specific experience and nature of the experience reduce the effect of length of experience on re-entry speed.

We also found that firms that were previously operating in the host market via contractual modes, such as exports, franchising or licensing, potentially lack the depth of knowledge necessary to re-enter the market relatively early nor have they necessarily planned a late re-entry. It may also be that the re-entry speed of these firms is more related to managerial opportunism than factors such as experience and the lessons learned from experience. Further, these firms are non-equity

investors which means that institutional incentives do not necessarily represent a point of attraction for them. There may also be fewer incentives for these firms to quickly recover the losses incurred upon exit which, in the case of firms operating via non-equity modes would be smaller. In turn, sharing equity and ownership with a partner may have reduced the costs of attaining deeper market knowledge (Gaba et al., 2002), whilst at the same time equipping the firm with a sufficient understanding of the market for the firm subsequently either to choose to terminate the investment, or to further invest in the market for greater control of its operations. One explanation for this is that firms operating through joint ventures may find it easier to discover the gap that exists between extant and new knowledge and act towards reducing this gap and deepening their knowledge through early re-entry. Whilst joint equity re-entries increase the likelihood of early re-entries, WOSs tend to be harder to implement and costlier to dissolve. Particularly if the re-entrant is to then also re-enter the market via its own subsidiaries, it may take significantly longer to set up greenfield ventures upon re-entry. Where acquisitions are concerned, they foster faster re-entry, however, such high commitment modes are not only costlier (Luo, 2004) they are also contingent on the availability of appropriate targets (Zeng et al., 2013).

By considering the nature of the prior experience of the re-entrant in the previously exited markets, our overall contention is that re-entrants tend to rely more on paradigms of interpretation of the market exit process, particularly soon after exiting the market. Based on our findings, we argue that as firms attempt to alter their strategies in order to adapt to the market there is a strong incentive to return earlier to that market. Alternatively, the changes in strategy that may have been planned may no longer be timely and effective. Results highlight the importance of including market exit related variables when studying re-entry, as the two decisions are intrinsically linked. Re-entrants can be expected to make strategic decisions, such as *when* to re-enter, based on negative or traumatic experiences, such as that associated with exit, rather than such decisions being based on experience from operating in a foreign market accumulated over time. For re-entrants, poor performance in the host market appears to be an incentive to reinforce their commitment to the market through early re-entry. Rather than admitting to failure, re-entry aims to show that the initial decision to enter the host market was not a mistake and to reinforce the view that the firm was not weakened by this decision.

Also interesting is that the effect of nature of experience decreases over time as we add the mediating role of institutional quality on re-entry speed. Our findings show that re-entrant firms evaluate the quality of host institutions, in that favourable conditions in the host institutional environment are generally associated with earlier re-entries (Xia et al., 2009). Firms may forget or renounce their prior experiences in the market, or the organisational decision makers associated

with those experiences may have left, making external, institutional cues very important after a longer period of timeout. Institutional quality also reduces the impact of exit due to poor market performance on re-entry speed, indicating that firms which have exited markets characterised by high quality institutions may still re-enter relatively early even when exit can be attributed to poor performance.

This makes the locational features of re-entered markets very important for firms considering re-entry, particularly after a lengthy time-out period. Our results emphasise the importance of where firms locate foreign activities, as extant conceptualisations which view institutions principally as carriers of risks and uncertainties to be avoided or dealt with (Peng, 2003), may be too reductionist. This indicates a fruitful avenue for research that examines how and when institutions are perceived as opportunities to be exploited, via, for instance, early re-entry into a previously abandoned market.

### **Limitations and future research**

As with any study, ours is subject to the usual caveats and limitations. We focus on examining the factors determining re-entrants' timing decisions, yet the question of which re-entry timing strategy (i.e. 'early' versus 'later' re-entry), is most efficient and or profitable has not been addressed here, but has the potential for future research. Concerning the relationship between organisational learning from prior experience and re-entry timing, we do not have information on how much of this experience is transferable, what has been forgotten or disregarded, or whether firms rely on new knowledge to become early re-entrants. Also, our measures of experience do not cover all sources of experience, such as networks or business (institutional) partners. Qualitative data is required to understand how (if at all) managers recall the exit experience and how much of that experience is embedded within the organisation or lies with the individual decision makers involved, or is lost when key decision makers are replaced following the exit. In future research, scholars may therefore choose to opt for qualitative research designs to examine what determines re-entry into a foreign market since quantitative studies cannot always provide a nuanced understanding of organisational decision-making.

Our sample is skewed towards relatively larger and older firms whose re-entry decisions are of interest to publishers and media. Smaller firms, international new ventures and or family firms (which are potentially newer to the foreign entry and implicitly re-entry arena) may vary more in the learning and experience resources they possess. They may also be characterised by more strategic flexibility, to enter, exit and re-enter. These firms differ from the typical large and hierarchical multinationals with regards to how and where learning is stored within the

organisation and over time, potentially even transformed into organisational routines. The knowledge and experience accumulated by smaller multinationals is tacit and thus cannot be explicitly codified (Nonaka, 1994) in which case it becomes embedded in individual decision makers (Acedo and Jones, 2007; Hsu, Chen and Cheng, 2013). Future research that examines the re-entry strategies of smaller firms should provide interesting insights.

From a managerial perspective, there may be companies which perhaps do not want, or have not planned, to re-enter, but may be forced to do so by determinants such as home market saturation, competitive pressures, as well as demands for growth and expansion. As such, there may be significant hurdles to being late to the market, particularly if competitors have already established operations in those markets (as suggested by the example of Marks and Spencer who are yet to achieve success internationally). Organisational forgetfulness may occur when firms have spent a long time out of the market, in which case there may be significant consequences of not having learned, or not being able to transform prior knowledge and experience into organisational learning and routines, and subsequently leverage the lessons learned when making foreign market re-entry decisions. There may be merit in understanding how long firms should wait before re-entering a previously exited market, particularly in competitive industries where opportunities may be lost and changes in competition (in developed markets) and institutions (in emerging markets) may make previous experiences less useful and applicable. Firms either react and interpret market exit by changing their strategies and adapting to the market to avoid underperforming, or perhaps simply re-enter the market due to the limited options these firms have to grow through internationalisation. In the latter case, re-entry would occur without the re-entrant firm having learned significantly from their initial foray into the market. We conclude that the decision of how long firms wait between exit and re-entry is likely to matter for practitioners. Although our study contributes to understanding foreign market re-entry and re-entrants, there remains a need for more research to understand post de novo entry decisions such as foreign market re-entry. Key questions about the foreign market re-entry strategies of firms and how they are linked to learning are yet to be answered, which provides opportunities for researchers interested in this topic.

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**Table I.** Sample description of foreign market re-entry events ( $N=1,020$ )

	No. of re-entry events	%
<i>Panel A: Time period distribution</i>		
1980s	32	3.1
1990s	173	17.0
2000-2010	350	34.3
2011-2015	465	45.6
<i>Panel B: Host market re-entered (top 5)</i>		
India	147	14.4
China	76	7.5
South Africa	74	7.3
US	67	6.6
UK	52	5.1
<i>Panel C: Home market of re-entrant (top 5)</i>		
US	312	30.6
UK	120	5.9
Japan	87	8.5
Italy	56	5.5
Germany	49	4.8
<i>Panel D: Major industries</i>		
Automotive	209	20.5
Financial services	171	16.8
Retail	113	11.1
Consumer electronics	85	8.3
<i>Home - Host Location</i>		
EU - EU	130 out of 413 EU firm re-entrants	12.7
N AM - N AM	6 out of 335 North American firm re-entrants	0.59
S AM - S AM	2 out of 8 South American re-entrants	0.10
ASIA - ASIA	137 out of 223 Asian firm re-entrants	13.4
Australia and NZ - Australia and NZ	4 out of 19 Australian and NZ firm re-entrants	0.39
Africa - Africa	10 out of 22 African firm re-entrants	0.98

**Table II.** Summary of the measures of the independent and control variables

<b>Variables: Independent variables</b>	<b>Measures</b>
<b>EXPERIENCE_LENGTH</b>	Number of years the firm operated in that specific host market between initial entry and exit.
<b>EXPERIENCE_NATURE</b> <i>Exit due to poor performance in the market (POORMKT_PERFORMANCE)</i>  <i>Exit due to poor performance with operation mode (POORMODE_PERFORMANCE)</i>  <i>Involuntary exit (INVOLUNTARY_EXIT)</i>	We used Factiva and LexisNexis to identify why re-entrants had exited the market and used previous classifications of exit motivations to codify the qualitative data into dichotomous variables. Previous typologies unpack exit motives into two broad categories i.e. <i>voluntary</i> and <i>involuntary</i> exits (Benito and Welch, 1997; Benito, 2005; Mellahi, 2003; Nummela et al., 2016). Involuntary exits occur when home/host environment institutions (e.g., governments) pressure firms to forfeit their operations. Voluntary exits are classified as follows; 'poor market performance' (e.g., outperformed by local market competitors) and 'poor performance with entry mode' (e.g., not sufficient reach to target key customers or not enough control over host operations). Three dummy variables were therefore created; the study tested for the effect on foreign market re-entry speed of firms exiting voluntarily compared to those which were forced out of the market (as a re-entrant cannot simultaneously exit due to 'voluntary' and 'involuntary' motives)
<b>EXPERIENCE_DEPTH</b> <i>Prior mode = exports (EXPORTS)</i> <i>Prior mode = licensing, franchising, non-equity alliances (NONEQ_ALLIANCES)</i> <i>Prior mode = joint venture (JV)</i> <i>Prior mode = wholly owned subsidiary (WOS)</i>	Since the mode in which the firm was operating prior to exit was seldom mentioned in the initial article/source on re-entry, we carried out further searches in Factiva and LexisNexis to identify each specific re-entry event. Following these searches, the exit mode variable was coded in the database into four dummy variables namely: EXPORTS, NONEQ_ALLIANCES, JV and WOS. Each variable representing a mode of operation in which the firm was operating prior to exit takes turns as an independent variable in the regression to allow for comparisons.
<b>HOST INSTITUTIONAL QUALITY</b> <i>INST_DEV (1): Legal system and intellectual property rights, sound money, freedom to trade internationally, regulation</i>	Data was collected from the Economic Freedom of the World Index viewed as a quality measure of a country's institutional and policy environments (Hernandez and Nieto, 2015). A composite index based on five main areas: 1) size of government, 2) legal system and intellectual property rights (IPR), 3) sound money, 4) freedom to trade internationally, and 5) regulation. Countries are ranked across a spectrum from most free (minimal state intervention - '10') to least free (dominant state intervention - '0'). Factor analysis resulted in two measures of institutional quality whereby size of government loaded onto one factor and the other four measures of institutional development loaded onto another. For all five categories, host institutional quality is measured at the time $t-1$ , with a one-year lag prior to exit.

**Table II.** Summary of the measures of the independent and control variables (*continued*)

<b>Variables: Independent variables</b>	<b>Measures</b>
<b>HOST INSTITUTIONAL QUALITY</b> <i>INST_DEV (2): Size of government</i>	Size of the government (INST_DEV2) reflects whether the country relies on personal choice and markets rather than government budgets and political choices. High income countries may score high for the other factors and low for size of the government whilst the opposite is valid for low income countries. <sup>1</sup>
<b>Variables: Control variables</b>	<b>Measures</b>
<i>Firm size (LNSIZE)</i>	Total assets, with a logarithm transformation at <i>t-1</i> exit (Delios and Henisz, 2003).
<i>Firm age (AGE)</i>	No. of years from foundation until <i>t-1</i> exit (Guillen, 2002)
<i>Number of countries international (NCOUNTRY_INT)</i>	Total no. of international countries since inception, calculated at <i>t-1</i> exit (Luo and Peng, 1999; Brouthers et al., 2008).
<i>Number of countries in the host region (NCOUNTRY_HOST)</i>	Total no. of countries in the host region calculated at <i>t-1</i> exit (Brouthers et al., 2008).
<i>NYEARS</i> <i>Number of years international</i> <i>Number of years in the host region</i>	General experience intensity (total no. of years of internationalisation) and host experience intensity (total no. of years in the host region) calculated at <i>t-1</i> exit. Similar to previous studies, factor analysis confirmed that the two measures of experience intensity loaded onto a single factor (Cronbach's alpha = .82) (see also Brouthers et al., 2008).
<i>Regionalisation (REG)</i>	Variable which takes the value of '1' when the home and host countries are within the same region. The regions are as follows; European Union, North America, Latin America, Australia and NZ and Africa (see <b>Table I</b> ).
<i>Already present in the market (PRIOR_PRESENCE)</i>	Variable which takes the value of '1' when the re-entrant was already present in the market through a different division or in a different market sector.

<sup>1</sup> This study makes two clarifications regarding our measurement of institutional development. First, we compiled information to measure institutional development from other databases such as the World Bank that have also been used in previous research to measure institutional development (e.g. Meyer et al., 2009; Xia et al., 2009) and we did not find significant differences. In fact, the databases used to measure the quality of institutions are highly correlated; e.g. 'freedom to trade internationally' is correlated with 'regulatory quality' ( $r=0.71$ ) and 'property rights' ( $r=0.75$ ). Second, we recognise that institutional measures have received some criticism primarily for how components should be aggregated and whether the same weighting should be given to all factors. Gwartney and Lawson (2003) clarified this point in that when the components of the index are highly correlated (ranging from 0.59 to 0.93) the ratings and rankings of institutional development are not highly sensitive to variations in the weights assigned to the components. The exception is area 1, 'size of government' which as we also found in the factor analysis is not highly correlated with the other area components and hence, we treat it as a separate variable.

**Table III.** Descriptive statistics and correlation coefficients for re-entry timing (\*\*p<0.001; \*\*p<0.01; \*p<0.05; +0.10)

Variables	Std. Dev.	Mean	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
(1) NEXPERIENCE	21.49	18.13	975	1																			
(2) EXPORTS	0.48	0.37	937	-.01	1																		
(3) NONEQ_ALLIANCES	0.36	0.16	937	-.08*	.10**	1																	
(4) JV	0.38	0.18	937	-.06*	.07*	.28**	1																
(5) WOS	0.45	0.28	937	.12**	-.19**	-.20**	.09**	1															
(6) POORMKT_PERFORMANCE	0.48	0.62	975	-.16**	-.29**	-.20**	-.34**	.03	1														
(7) POORMODE_PERFORMANCE	0.40	0.20	975	-.12**	.32**	-.27**	-.36**	-.08*	.06	1													
(8) INST_DEV_Size of government	1.35	5.97	877	-.04	.03	.07*	.02	-.01	.05	.02	1												
(9) INST_DEV_Legal system and IPR	1.80	6.11	877	-.07*	.28**	-.00	.10**	.03	.04	-.04	-.01	1											
(10) INST_DEV_Sound money	2.00	7.67	877	-.00	.17**	.01	.09**	.03	.06*	-.04	.01	.60**	1										
(11) INST_DEV_Freedom to trade	1.95	6.73	877	-.06	.25**	.03	.14**	-.00	.10**	-.04	.14**	.76**	.65**	1									
(12) INST_DEV_Regulation	1.47	6.41	877	-.04	.23**	.06	.09**	.03	.07*	-.01	.21**	.66**	.59**	.67**	1								
(13) LNSIZE	1.32	3.40	949	.21**	-.09**	-.01	-.01	.01	-.16**	.04	-.02	-.12**	-.09**	-.11**	-.15**	1							
(14) AGE	51.82	68.48	974	.38**	-.09**	-.02	.05	-.08*	-.10**	.05	-.01	-.16**	-.17**	-.16**	-.15**	.32**	1						
(15) NEXPERIENCE_GEN_DIV	47.62	59.25	869	.05**	.00	-.02	-.03	.16**	-.05*	-.03	.03	-.15**	-.13**	-.17**	-.12**	.36**	.11**	1					
(16) NEXPERIENCE_HOST_DIV	7.80	10.14	875	.04	.03	.01	-.04	.05	-.00	.00	-.05	-.10**	-.06	-.12**	-.12**	.26**	.06	.34**	1				
(17) NEXPERIENCE_GEN_INT	35.56	44.96	965	.47**	-.07*	-.05	-.03	.06*	-.19**	-.03	.02	.18**	-.14**	-.19**	-.15**	.37**	.49**	.33**	.21**	1			
(18) NEXPERIENCE_HOST_INT	30.16	32.66	958	.43**	-.05	-.06	.00	.02	-.14**	-.01	-.01	-.11**	-.06	-.13**	-.09**	.32**	.47**	.26**	.21**	.78**	1		
(19) REG	0.47	0.33	975	.01	.79	-.05	.05	-.05	-.01	-.01	-.11**	.07*	.06	.06*	.01	-.10**	-.13**	-.24**	.03	-.22**	-.10**	1	
(20) PRIOR_PRESENCE	0.41	0.22	975	.10**	.11**	-.03	.05	.10**	-.09**	.00	.04	.13**	.06*	.09**	.08**	.26**	.11**	.27**	.12**	.19**	.19**	-.05	1

**Table IV:** COX proportional hazard of re-entry within 2 years (\*\*p<0.001 \*\*p<0.01; \*p<0.05; †0.10)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
EXPERIENCE_LENGTH		-0.010*	-0.008†	-0.004	0.362
EXPORTS vs. JV			-0.389*	-0.157	-0.230
NONEQ_ALLIANCES vs. JV			-0.546**	-0.438*	-0.483*
WOS vs. JV			-0.550**	-0.179	-0.216
EXPORTS vs. WOS			0.161	0.022	-0.014
NONEQ_ALLIANCES vs. WOS			0.004	-0.259	-0.297
POORMKT_PERFORMANCE				0.727***	0.349
POORMODE_PERFORMANCE				0.677***	0.673***
INST_DEV (1)					0.247**
INST_DEV (2)					0.125†
LNSIZE	-0.007	-0.003	-0.005	0.015	0.022
AGE	0.001	0.001	0.001	0.001	0.001
NCOUNTRY_INT	0.001	0.001	0.000	0.001	0.001
NCOUNTRY_HOST	-0.004	0.005	-0.006	-0.008	-0.005
NYEARS	-0.179	-0.085	-0.088	-0.103	0.083
REG	0.055	0.056	0.066	0.120	0.156
PRIOR_PRESENCE	0.119	0.111	0.053	-0.026	-0.119
N	849	848	814	814	749
-2 Log Likelihood	2772.476	2767.749	2714.179	2676.073	2599.869
Chi-Square	5.616	9.165	19.220*	59.601***	47.728***

**Table V:** COX proportional hazard of re-entry within 5 years (\*\*p<0.001 \*\*p<0.01; \*p<0.05; †0.10)

Variables	Model 6	Model 7	Model 8	Model 9	Model 10
EXPERIENCE_LENGTH		-0.009**	-0.008*	-0.005	-0.006†
EXPORTS vs. JV			-0.410**	-0.298*	-0.318*
NONEQ_ALLIANCES vs. JV			-0.434**	-0.382**	-0.463**
WOS vs. JV			-0.596***	-0.426**	-0.405**
EXPORTS vs. WOS			0.186	0.128	0.087
NONEQ_ALLIANCES vs. WOS			0.163	0.045	-0.058
POORMKT_PERFORMANCE				0.560***	0.176
POORMODE_PERFORMANCE				0.281*	0.317**
INST_DEV (1)					0.305***
INST_DEV (2)					0.074
LNSIZE	-0.111**	-0.106**	-0.106**	-0.083*	-0.070†
AGE	0.001	0.001	0.001	0.001	0.001
NCOUNTRY_INT	-0.001	-0.001	-0.001	0.001	0.001
NCOUNTRY_HOST	-0.005	-0.006	-0.007	-0.009	-0.004
NYEARS	-0.160*	-0.074	-0.065	-0.072	-0.038
REG	0.147	0.143	0.129	0.128	0.169
PRIOR_PRESENCE	0.323**	0.314**	0.268*	0.169	0.037
N	849	848	814	814	749
-2 Log Likelihood	5458.855	5450.866	5293.470	5264.527	5042.828
Chi-Square	33.196***	38.649***	53.854***	80.421***	75.280***

**Table VI:** COX proportional hazard of re-entry within 10 years (\*\*p<0.01; \*p<0.05; †0.10)

Variables	Model 11	Model 12	Model 13	Model 14	Model 15
EXPERIENCE_LENGTH		-0.008**	-0.007**	-0.004	-0.004
EXPORTS vs. JV			-0.329**	-0.227*	-0.253*
NONEQ_ALLIANCES vs. JV			-0.418**	-0.398**	-0.506***
WOS vs. JV			-0.576***	-0.424***	-0.372**
EXPORTS vs. WOS			0.247*	0.197†	0.119
NONEQ_ALLIANCES vs. WOS			0.159	0.026	-0.135
POORMKT_PERFORMANCE				0.606***	0.211†
POORMODE_PERFORMANCE				0.189†	0.206*
INST_DEV (1)					0.260***
INST_DEV (2)					0.152***
LNSIZE	-0.129***	-0.124***	-0.119***	-0.092**	-0.086**
AGE	0.002†	0.002*	0.002	0.001	0.002†
NCOUNTRY_INT	0.001	0.001	0.001	0.001	0.001
NCOUNTRY_HOST	-0.010†	-0.011†	-0.011†	-0.012†	-0.006
NYEARS	-0.134**	-0.054	-0.042	-0.052	-0.023
REG	0.078	0.071	0.063	0.050	0.119
PRIOR_PRESENCE	0.269**	0.265**	0.217*	0.096	-0.045
N	849	848	814	814	749
-2 Log Likelihood	7910.926	7899.833	7552.931	7509.966	7142.750
Chi-Square	39.577***	46.969***	63.725***	103.570***	93.663***