Determinants of the Performance of Foreign Brands in Taiwan: Theoretical Framework and Evidence

Abstract

The strategy use of MNEs to enter the host country or regional market is an important issue in international business strategy. Under different environment and industry structures, different strategies will result in different competitive performances. In international business literature, foreign market entry strategy is no more a new issue. However, with the opening market of Soviet Union, East Europe and China, facilitating MNEs to enter these new markets to exploit economics of scale becomes the interest of research again.

The introduction of MNE's new products to the local market of host country is not the same as the introduction a new local brand. It is quite difficult for local firms to overcome the comparative advantages of MNEs in resources, technology and brand images. Therefore, how to use response strategies while facing the fierce competition also becomes an important issue for incumbent firms in local markets.

To fulfill this purpose, we survey the related literatures and try to make an integrated framework uncovering the relationship between foreign market entry strategy and performance of MNEs and the effect of local firm's response strategies. Furthermore, we use consumer goods to do the empirical study. Some suggestions were made for local firms about how to enter the foreign market and defend themselves from MNEs more effectively.

Key words: Entry strategy; Incumbent's response; Performance

Determinants of foreign brands' Performance in Taiwan: an empirical study

Introduction

As protectionist barriers crumble in emerging markets around the world, multinational companies are rushing in to find new opportunities for growth. Their arrival is a boon to local customers, who benefit from the wider choices now available. For local companies, however, the influx often appears to be a death sentence. Accustomed to dominant positions in protected markets, they suddenly face foreign rivals wielding a daunting array of advantage: substantial financial resources, advanced technology, superior products, powerful brands, and seasoned marketing and management skills. Often, the survival of local companies in emerging markets is at stake (Dawar & Frost 1999).

Over the past 30 years, Taiwan, "one of the four tigers," has had remarkably rapid and sustained economic growth, and played a critical role in global economies. Because of its market liberalization and privatization policies formally set forth, and the new investment opportunities it provides and also its experiences which may offer lessons for less developed economies, Taiwan has attracted considerable attention from the foreign investors and policy communities, as well as from researchers who have renewed interest in theories of international business. The successful entry and start-up of a business operation in this region therefore becomes a very important issue for contemporary multinational enterprises (MNEs). This is the motivation for me to do this research.

Firms are constantly engaged in either introducing new products or reacting to new entries in their markets. For example, according to its chief executive officer, Hewlett-Packard formulates entry and reaction strategies that focus on rivals such as IBM on an ongoing basis (Bloomberg Business News 1995). New product introduction strategies and incumbents' responses to new entries are of strategic importance to firms in today's increasingly competitive environment (Green, Barclay, and Ryans 1995). Of particular importance are introduction and incumbent response strategies that involve marketing spending variables such as advertising, promotion and sales force, and those strategies with direct implication for use of a firm's financial resources.

In this article, based on previous research in strategic management, international marketing management, and industrial organization, I analyze the determinants of both foreign entrant and incumbent response strategies in advertising expenditure in an integrated framework. First, I conceptually identify the factors that potentially influence the performance of the foreign brands, and then I develop hypotheses regarding the impact of the key factors on them. Second, I formulate the model to test these hypotheses using cross-sectional data composed of 222 foreign brands and their rival incumbents to these entries in the convenient consumer goods industries.

Our results provide important insights into how local companies can fight with MNE and extend these advantages to enter Mainland China, which has the similar cultural background to Taiwan.

This paper is organized as follows. The next section briefly reviews the related literature and develops the testable hypotheses. In Section 3, I describe the data source and the Taiwan convenient consumer goods industry. In Section 4, the econometric model is developed for estimate. In the remaining section, I present the results and discuss the conclusions.

Literature Review and Hypotheses

The purpose of this section is to review the relevant theoretical and empirical research on determinants of foreign brand entry performance in a market where there exist some local incumbent rivals. I begin with a conceptual framework that identifies potential determinants of new entrant's performance and the incumbent's reaction to entry and the associated relationships. I discuss first the determinants of new entrant's performance and then the effect of the incumbent's reactions.

Drawing from industrial organization economics, the resource-based view, and international marketing, I develop an integrated framework to show why the global giant MNEs win or lose the battle with local firms in the emerging market. That is (1) the competitive environment facing the entry, (2) the capabilities or resources of the entrants (3) and entry strategies used by the entrants.

For each of the above sections, the hypotheses are presented first and the control variables next.

Product Category Concentration

The industrial organization literature suggests that when entry barriers limit the number of the firms in a particular product sector, those that have entered earlier often have a greater degree of monopolistic power (Hay and Morris, 1986; Lambkin, 1992; Parry and Bass, 1990). It is generally predicted that the smaller the number of the firms, the lower the level of competition intensity (Caves and Porter, 1997). This is because where there is a small number of competitors, with only one or a few of them are dominant, the competition is likely to be orderly, and the market leaders set the industry standards for the smaller firms to follow. Each firm in this scenario enjoys a bigger slice of a pie in this concentrated industry. In contrast, in an industry where there are numerous competitors, and none of them can exercise regulatory or leading roles (i.e., a fragmented industry), competition is more intense, and each firm ends up with a small slice of the pie. Several empirical studies, thereafter, particularly paid more attention to the relationship between firm sizes, market share, industry concentration and firm profits (e.g., Hall & Weiss, 1967; Gale, 1972; Shepherd, 1972).

H1: MNEs in a concentrated product category have higher market share than those in fragmented product sectors.

Firm Size and Experience

Two aspects of firm capabilities related to the performance of a new entrant are firm size and the firm's prior experience with the host market.

Woodruff (1976) suggests that large firms have advantages beyond their greater resources because of their superior "reputation" and image with consumers. Larger firms are also more likely to have better vertical coordination activities with potential customers (Robertson and Gatignon 1986). According to the resource-based view, large firms have more resources to invest in innovation (Cohen, 1996), pursue more aggressive expansion strategies (Buckley and Pearce, 1979), and perform better

(Smith, Guthrie and Chen, 1989). Large firms benefit from economics of scale, scope, and learning (Dubois, Toyne and Oliff, 1993; Kobrin, 1991). In short, large firms tend to perform better holding other factors constant (Rao and Rutenberg, 1979). So we can have the hypothesis as follows:
H2: Firm size is positively related to market share.

Ansoff(1965) emphasizes the impact of prior experience in technology and marketing on the success of new entries. Prior experience of MNEs is just like intangible assets, which are specific to host market. Intangible asset advantages are a means by which a multinational firm can achieve a strong position in a host country despite its less local knowledge disadvantages compared to local firms (Hymer, 1976). Although multinational firms are disadvantaged compared to local firms in their understanding of host market cultural, political, and economic institutions, this disadvantage can be overcome by gaining capabilities applicable to the host country (Chang, 1995). A firm's host country experience contributes to the development of new knowledge and capabilities, and this development influences a firm's strategy and performance (Barkema et al., 1996; Pennings, Barkema, & Douma, 1994). The host country experience generates general knowledge and capabilities applicable to the local environment. Multinational firms that have accumulated host country experience reduce the scope of their competitive disadvantage and face fewer operational difficulties in the local market. Hence, we expect host country experience to improve MNE’s performance:

Hypothesis 3: The greater a multinational firm's experience in the host country of a foreign subsidiary, the higher the likelihood of the subsidiary's survival.

Mode of Foreign Entry

In this study, we focus in three modes of entry, namely, contractual joint ventures, equity joint ventures and wholly foreign owned operations. Contractual joint ventures are non-equity types of partnership between a foreign firm and a local firm. The parties are bound by contracts rather than equity-base investments. Licensing is an example of this type of arrangement.

Prior empirical studies have not produced consistent findings regarding the relationship between entry modes and profitability (Woodcock, Beamish and Makino, 1994). This may suggest that the relationship is not a strong one, or it may mean that the relationship may be multi-facet and hinge on many context-dependent factors. With this in mind, we begin our conceptual discussion.

There are two streams of explanations for the impact of entry mode on performance. One is the cost argument (Contractor, 1990; Hennart, 1991; Kim and Hwang, 1992;Madhok, 1997). Contractor and Lorange (1988) provide a framework to analyze the various costs and benefits in choosing between wholly owned operations and contractual arrangements. The basic premise is that the higher the resource requirements of one particular mode of entry, the harder it is for a firm to recoup its investment and to make a profit (Teece, 1982). It is suggested that the costs of setting up and running a wholly owned operation may be lower than an equity joint venture (Woodcock, Beamish and Makino, 1994). This is because firms often simply duplicate what they have done successfully in other overseas markets. Thus, they incur minimal new resource-base costs. Equity joint ventures, however, entail costs related to searching for appropriate local partners and integrating the assets pooled together by the venture partners (Madhok, 1997) In addition, some resources are consumed in coordinating the interests, goals, and management between the partners. Admittedly, many costs, both ex ante and ex post, are context-dependent, and it is hard to generalize across the board without going into specific cases (see, Contractor and Lorange, 1988). The main premise of the cost argument is that the total combined costs are often higher for joint ventures than for wholly owned operations, holding other things constant (Caves and Mehra, 1986). As such, Wholly owned operations could be more profitable than equity joint ventures in overseas markets (Li and Guisinger, 1991).

Following the same logic, one expects that due to its relatively short-term nature, it is harder to forge and maintain a contractual relationship. The costs of switching from one firm to another are added to the costs of doing business. Once a new contractual partnership is set up, the costs of maintaining it can be substantial, particularly due to the lack of control. Thus, it is possible that a wholly owned operation is the least costly mode of operation, followed by an equity joint venture and a contractual joint venture.

The second explanation stems from the need for managerial control. Wholly owned operations allow foreign firms complete responsibility and control from inception to demise. Foreign firms have few reservations about proprietary assets using wholly owned operations abroad (Davidson and McFetridge, 1984). Most importantly, foreign firms avoid the conflicts of interests and objectives that occur in the case of partnership with local firms (Tse, Pan and Au, 1997). They can pursue their own goals and objectives wholeheartedly. As a result, it is often believed that this efficiency allows wholly owned operations higher profitability than equity joint ventures (Woodcock, Beamish and Makino, 1994). Of course, Wholly owned subsidiaries are more profitable when substantial local knowledge is not required. Otherwise, they may perform sub-optimally compared to other modes (Vanhonacker, 1997).

The impact of entry mode on market share performance is less well established. As such, our discussions are more valuable. As stated earlier, foreign firms choosing the full ownership mode can pursue their own strategies, while partnerships have to incorporate the needs of local parties. It becomes relevant to know if market share is a top strategy for foreign firm in a given market. In the case of Taiwan, the most important objective for most foreign firms in Taiwan is to penetrate the local market quickly, and to gain market share aggressively. If they choose wholly owned operations, they will be more willing to introduce their best products to the local market, make quick decisions and act forcefully (Madhok, 1997). They can even sacrifice short-term profits in order to gain a bigger market share in the local market.

The downside of not having a local partner may be severe in penetrating some product sectors. In the case of equity joint ventures, the advantage of having a local partner to push the sales locally is self-evident. However, the successful implementation of market share strategy hinges on the condition that both foreign and local partners want to achieve such a goal. In short, we point out that wholly owned operations and equity joint ventures allow foreign firms a viable means to penetrate the local market effectively. Given that each mode has its own upside and downside, it is not clear which mode will be more effective in achieving large market shares.

What seem clearer is that foreign firms entering through contractual joint ventures are at a disadvantage. They do not have direct control over sales operations in the local market. For instance, Adidas may sign an exclusive distribution contract with a local business in a given foreign market. How to penetrate the local market is then up to the local business. In some countries, the local firms sell Adidas shoes as a fashionable product, which contradicts Adidas's global positioning strategy on performance. Cases such as this suggest that foreign firms do not have effective control over promotion of their products in the overseas market. Disagreement may also occur whether the local contractor has devoted adequate resources to support product sales. In short, the overall effectiveness of the market penetration strategy can be compromised without an adequate level of control. Thus, we expect that foreign firms entering an overseas market via contractual joint ventures are likely to have a weaker market share position than those entering via wholly owned or equity joint ventures.

H4: Wholly foreign owned operations and equity joint ventures have higher market shares than contractual joint ventures in Taiwan.

Local firm's Response: Advertising Expenditure

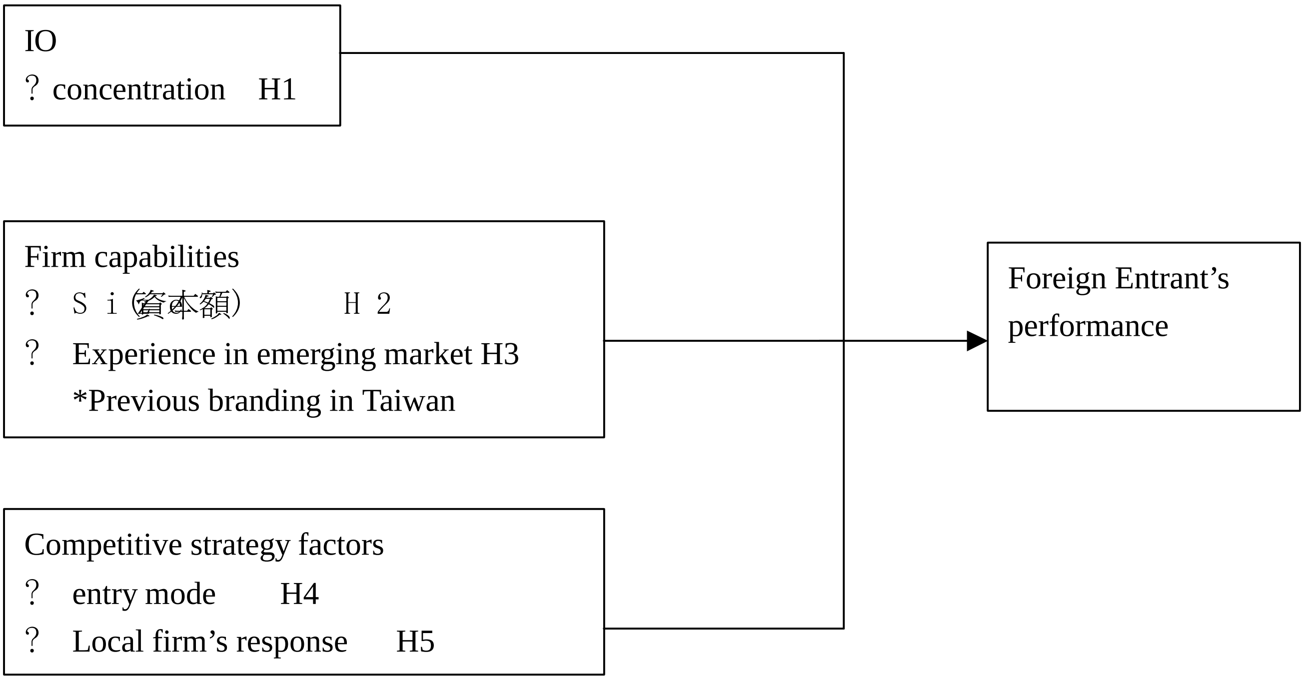
Since the unit of our analysis is about brand, then the advertising cannot be ignored Advertising is believed to be an important tool through which incumbent can limit or deter entry. Bain (1956) originally claimed that large advertising expenditure could act as a barrier to entry. Some empirical work (Kessides, 1986; Robert and Samuelson, 1988) suggests that advertising actually increases the size of the market and does not result in market share losses. Bunch and Smiley (1992) find that incumbent firms often use advertising as a way to build consumer loyalty in order to deter entry. Sutton (1991) offers both theoretical and empirical support that incumbent firms making large sunk investments in advertising can alter the market structure. These advertising investments have two effects. First, they raise the fixed cost of operation in the industry. Second, if advertising urges consumers to try a product, then these investments allow firms to credibly expand output. These two effects increase the range if increasing returns to scale in the industry thus placing a lower bound on the concentration in the industry as the market grows. While his arguments are not explicitly about entry deterrence, these sunk investments in advertising do have the effect of increasing the market share of the leading firms at the expense of smaller firms. The theoretical literature also suggests that incumbent firms can make large sunk investments in advertising to deter entry. These investments may make it possible for consumers to try a product and thus raise the fixed cost to enter the market. The higher fixed cost will make entry unprofitable for some firms and force others to scale back their investments relegating them to a smaller market share. Here is our hypothesis:

H5: There exists a negative relationship between incumbent firms' advertising expenditures and entrant's market share in an emerging market.

Control Variables

Taiwan is an attractive market with multinational corporations. Different countries of origins

create
Different images on consumers, which will in turn affects the performance of their products. To control the potential effects of a foreign entrant's country of origin on its performance in Taiwan, we further classify the sample set into 2 subgroups of different countries of origin: the western countries and eastern countries.
Our conceptual framework is presented in Figure 1,



Methods

Sample Selection and Data Sources

The sample for this study was drawn from convenient consumer goods industry in Taiwan. Porter (1976) characterized the convenient consumer goods industry as an industry whose products are frequently purchased by consumers in convenience outlets. Ready-to-eat breakfast cereal, liquor, beer, soft drinks, soap, detergent, and cigarettes are the well-known examples. The website, isurvey.com, which annually publishes a list of brand ranking on the base of market share, is the source of our target sample. The isurvey.com is an advertising company with a history of over forty years, which provides the Chinese consumers research and consumption market analysis information. This website integrates the database of consumer survey databank around the island, offering complete and detailed information with unlimited Internet resources. However, the complete data required for our analysis are not available from all firms. The final sample, consisting of 222 observations, includes data from 50 firms. Sample statistics are shown in Table 1. Part of the data is from telephone interviews and questionnaires.

I have chosen the convenient consumer goods industry because branding and advertising are important factors of how consumers choose new products; it is characterized by persistent market share dominance, and new product introductions play an important role, too. In this industry, with mature technology, incumbents will have better chance to beat foreign rivals because of less interference and protection from the government.

Model Specification and Variable Definition

In order to test the hypotheses I need to develop an econometric model for entrant's performance. Our general model of market share is as follows:

Entrant's market shares = f (concentration, firm size, prior experience branding in Taiwan, entry mode, and incumbent firms' advertising expenditures). Multiple linear regressions are used to estimate the effects of the different factors on market shares by using the SPSS software. Before we perform the regression, we check the level of correlation between the independent variables to detect any serious multi-co linearity problems. As Table 1 shows, the Pearson correlation is much lower. There are not any serious co linearity problems.

Dependent Variables

We use the mind share as a proxy of the market share, since there is highly correlation between these two indicators. The mind share data are from issurvey.com. They randomly collected data are from the questionnaires to the consumers around the island every year. Market share is a superior indicator of the long-run performance of the brand, especially when the product is mature. In addition, market share is a particularly appropriate measure of performance when competition is not priced-based.

Independent Variables

Product Category Concentration

We use the Herfindahl index to measure industry concentration (Hay and Morris, 1986, p. 104), which approaches o if an industry is highly fragmented and 1 if it is highly concentrated.

The H-index is defined as follows:

$$\text{H-index}_j = \sum_{i}^{n} [(marshare_{ij})/(marshare_{.j})]^2$$

Where H-index$_j$ is the H-index of the product category j, *marshar*e is the market share of firm i in the category j, and the *marshare$_j$ is the total* market share of category j.

Firm Size

Though several measures including annual sales, profits, number of employees and assets, have been used to operationalize this construct, we use magnitude of investment in Taiwan because it gives the best indication of a firm's resources and capabilities.

Experience

Prior entry experience indirectly leads to higher performance through established relationships (e.g., brand loyalty, access to capital, access to distribution channels), established skills (e.g., R&D, marketing skills; Hines 1957; McDougall 1987; Yip 1982), learning as a result of previous entries, and/or experience with the same customers (Von Hippel, 1977). Thus, we use the number of years a firm has been in business as a proxy; the more years the firm in business, the more products the firm is likely to have launched and the more experience it is deemed to have.

Mode of Foreign entry

There are three major modes of entry in Taiwan: wholly foreign owned subsidiaries, equity joint ventures, and contractual joint ventures. In our analysis, we use equity-base vs. non-equity base.

Local Firm's Response: Advertising Expenditure

Incumbent firms often use advertising as a way to build consumer loyalty in order to deter entrants. We use the advertising expenditure difference between local brands and foreign brands to measure the local firm's responses. 1 means foreign brands adopt aggressive advertising strategy and o means they adopt milder advertising strategy.

Control Variable. We classify the sample set into 2 subgroups of different countries of origin: the western countries and eastern countries by using the dummy variable: 1 if the foreign brand is a western one and 0 if it is eastern.

Results

We report the analysis on market share in three multivariate models in Table 2.

Table 2
Market Share Determinants

Dependent Variable	Foreign Brand's Market Share		
Independent Variables	Model I	Model II	Model III
Intercept	5.276(1.017)***	3.67(.959)***	-3.85(4.72)
Mode of Foreign entry	1.317(1.15)	.505(1.086)	.192(1.62)*
Local Firm's Response: Advertising Expenditure		-6.051(.901)***	-5.65(.922)***
Firm Size			.305(.254)**
Experience			2.257(1.091)**
Product Category Concentration			1.583(4.752)*
Control Variable.			1.059(1.05)
R^2	0.17	.419	.481

Note: The dependent variable is the percentage of the market share of foreign brand in 20 product sectors in Taiwan in 2000. N=222. The numbers in brackets are standard error of estimates. **=P<0.05; *=P<0.1

Product Category Concentration

As expected, product category concentration has a positive impact on market share. In other words, foreign firms in product category with high level of concentration have higher market shares, while those in category with high level of fragmentation have lower market shares.

Firm Size and Experience

The firm's size is usually used as a proxy of the firm's resources endowment. Thus the firm with larger size means it owns much more resources to compete with his rivals and will get more market shares. As shown in Table 2, we found that firms with lager size have more market shares than those with smaller size. With respect to the experience of parent firm, we found the firms with experiences of previous branding in Taiwan have more market shares than those without any experiences.

Mode of Foreign entry

As hypothesized, the equity-base foreign owned firms have higher market shares than non-equity ventures. H is supported. It is possible that most foreign brands in the equity-base mode had invested more resources in order to establish beachheads in Taiwan. The more resources invested the more control they got; and thus will result in better performance. However the effect is not significant, probably because they have entered the market for a long time and have developed a long cooperative association even though they are in the contract-base mode, which bears the similar outcome to the equity-base.

Local Firm's Response: Advertising Expenditure

Incumbent firms often use advertising as a way to build consumer loyalty in order to deter entrants. The result shown in Table 2 also tells the same story. We find the local firm's responses have negative effects on the foreign firm's market share. This tells us not to surrender without any fighting.

Consumer's react very sensitively to the advertisment, and the study strongly supports this point of view.

Control Variable.

Brands originating from a particular country seem to create intangible assets or liabilities that are shared by those brands originating from the same country. With respect to the country image of origin, we did not find significant differences between western countries and eastern ones.

Conclusion

This study is the first one that puts focus on how incumbents react to foreign envasion after entering WTO, offering empirical data to verify the interaction phenomena. The researcher set up a sound database of foreign entrants in Taiwan for further studies. Second, based on the empirical data the resistance from the incumbents does lead to certain negative influence on foreign entrants.

Therefore, the incumbents should take good advantage of marketing strategies of advertising to create the differentiation. Third, if the incumbents, even though faced with foreign entrants holding more advanced technology and resources, can make good use of differentiation strategies to prevent the pricing battle, they can still beat the foreign entrants.

There are limitations to this study. First, this database does not allow us to investigate the impact of strategy-related factors. Second, the study can only make a cross-sectional observation due to the limitation of time. Further investigations should be made concerning longitude basis. The study goes in the right direction but needs more detailed data for further analysis. With long-term observations of 3-5 years, we can improve the weaknesses of this study. In the future, through thorough deep interviews, the researcher expects to construct a complete database, especially the confidential data like logistics, HRM and other strategy-related strategies, which are generally not available in public, to offer more useful suggestions for the academic and practical.

Reference

Ansoff, H. Igor (1965), “Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion,” New York: McGraw-Hill, Book Company.

Bain, J.S., 1956. Barriers to New Competition. Harvard University, Cambridge, MA.

Barkema, Harry G; Bell, John H J; Pennings, Johannes M. (1996), “Foreign entry, cultural barriers, and learning,” Strategic Management Journal 17(2): 151-66

Bloomberg Business News (1995), “Company Spotlight: Hewlett-Packard Soars on ‘paranoia’,” (May 15), 1-3.

Buckley, Peter J. & Richard D. Pearce (1979), “Overseas Production and Exporting by the World’s Largest Enterprises: A study in sourcing policy. Journal o f International Business Studies (1): 9-20.

Bunch, D., Smiley, R., 1992. Who deters entry? Evidence on the use of strategic entry deterrents. Review of economics and Statistics 79, 509-521.

Caves, Richard E. & Michael E. Porter. (1977), “From entry barriers to mobility barriers: Conjectural decisions and contrived deterrence to new competition,” Quarterly Journal of Economics, 91(2): 241-62.

Caves, Richard E. & S. K. Mehra. (1986), “ Entry of Foreign Multinationals into U.S. Manufacturing Industries. In Michael E. Porter , Editor, Competition in Global Industries. Boston, MA: Harvard University Press.

Chang, Sea Jin. (1995), “International Expansion Strategy of Japanese Firms: Capability building through sequential entry," Academy of management Journal, 39(2): 383-407.

Cohen, Wesley M. (1996), " Firm Size and the Nature of Innovation with in industries: The case of Process and Product R&D. Review of Economics & statistics, 78(2): 232-43.

Contractor. Farok J. (1990), "Contractual and Cooperative Forms of International Business: Toward a Unified Theory of Modal Choice," Management International review. 30(1): 31-54.

________ & Peter Lorange. (1988), " Competition vs. Cooperation: A Benefit/Cost Framework for Choosing between Fully-Owned Investments and Cooperative Relationships," management International. 28(Special Issue): 5-18.

Davidson, William H. & Donald G. McFetridge. (1984), "International Technology Transactions and the Theory of the Firm," Journal of Industrial Economics, 32(30: 253-64.

DuBois, Frank L., Brian Toyne & Michael D. Oliff. (1993), " International Manufacturing Strategies of U.S. Multinationals: A Conceptual framework based on a four-industry study." Journal of International Business Studies, 24(3): 307-33.

Gale, B.T., 1972, 'Market Share and Rate of Return', Review of Economics and Statistics, 54: 412-423.

Green, D. H., D. W. Barcaly, and A.B. Rayns (1995), "Entry Strategy and Long-Term Performance: Conceptualization and Empirical Examination," Journal of Marketing, 59 (October), 1-16.

Hay, Donald A. & Derek J. Morris. 1986. Industrial economics: Theory and evidence. Oxford: Oxford University Press.

Hall, M. & Weiss, L., 1967, 'Firm Size and Profitability', Review of Economics and Statistics, 49(August): 319-31.

Hennart, Jean-Francois. (1991), "The Transactional Costs Theory of Joints of Ventures: AN Empirical Study of Japanese Subsidiaries in the United States," Management Science. 37: 483-97.

Hines, Howard H. (1957), "Effectiveness of 'Entry' by Already Established Firms," The Quartly Journal of Economics, 71 (1) 132-150.

Hymer, S. H. 1976/1960. International operations of national firms-A study of direct foreign investment. Cambridge, MA: MIT Press.

Kessides, I., 1986. Advertising, Sunk Costs, and barriers to entry. Review of Economics and Statistics 67. 84-95.

Kim, W. Chan & Peter Hwang. (1992),"Global Strategy and Multinationals' Entry Mode Choice," Journal of International Business Studies. 23(1): 29-53.

Kobrin, Stephen J. (1991), "An Empirical Analysis of the Determinants of Global Integration," Strategic Management Journal, 12:17-31.

Li, J. & Guisinger S. (1991), "How Well Do Foreign Firms Compete in the United States?" *Business Horizons. 34(6): 49-53.*

Lambkin, Mary. (1992), "Pioneering New Markets: A Comparison of Market Share Winners and Losers," *International Journal of Research in Marketing*; Amsterdam; Mar

Madhok, Anoop. (1997), "Cost, Value and Foreign Market Entry Mode: the Transaction and the Firm," Strategic Management Journal, 18(1): 39-61.

McDougall, Patricia P. (1987), "An analysis of Strategy, Entry Barriers, and Origin as Factors Explaining New Venture Performance," doctoral dissertation, college of business administration, University of south Carolina.

Niraj Dawar and Tony Frost (1999), "Competing with the Giants", Harvard Business Review, pp119-129.

Rao, Ram C. and David P. Ruterberg (1979), "Preempting an Alert Rival: Strategic Timing of the First Plant by Analysis of Sophisticated Rivalry," The Bell Journal of Economics, 10 (Autumn), 412-428.

Robert, M.J., Samuelson, L., 1988. An empirical analysis of dynamic non-price competition in an oligopolistic industry. Rand Journal of Economics 19, 200-220

Parry, mark & Frank M. Bass. (1990), "When to lead or follow? It depends". Marketing Letters, 1:187-98.

Shepherd, W. G., 1972, 'Structure and Behavior in British Industries, with U.S. Comparison', *The Journal of Industrial Economics*; Oxford; NOV 72.

Smith, Ken G., james P. Guthrie & Ming-Jer Chen. (1989), "Strategy, Size and Performance," Organization Studies, 10(1): 63-81.

Sutton, J., (1991), "Sunk Costs and Market Structure." MIT Press, Cambridge, MA.

Teece, David J. (1982), "Toward an Economic Theory of Multiproduct Firm," Journal of Economic Behavior and Organization. 3: 39-63.

Tse, David K., Yigang Pan & Kevin Y. Au. (1997), "How MNCs Choose Entry Modes and Form Alliances: The China Experience," Journal of International Business Studies, 28(4): 779-805.

Vanhonacker, Wilried. (1997), "Entering China: An Unconventional Approach," Harvard Business Review, 75(2): 130-40.

Von Hippel, Eric (1977), "Successful and Failing Internal Corporate Ventures: An Empirical Analysis," Industrial Marketing Management.

Woodcock, C. Patrick, Paul W. Beamish & Shige Makino. (1994), "Ownership-Based Entry Mode Strategies and International Performance," Journal of International Business Studies, 25(2): 253-73.

Woodruff, R.B. (1976), "A systematic Approach to Market Opportunity Analysis," Business Horizons, 19 (August), 55-65.

Yip, George S. (1982), Barriers to Entry: A Corporate Strategy Perspective. Toronto, Otario: Lexington Books.

Appendix basic statistics and correlations of variables

Variables	Mean	Std Dev	1	2	3	4	5	6	7
1.Market share	6.30	7.12	-						
2.HH	.34	.47	.011	-					
3.Log(Asset)	19.20	1.1919	.175	-.093	-				
4.Mode	.77	.42	.077	-.305	.209	-			
5.experience	21.10	11.99	.264	-.015	.439	.082	-		
6.advertising	.5	.5	.048	-.078	.126	.250	.048	-	
7.country of origin	.77	.42	.016	-.074	.015	.174	-.208	.054	-