



Problem-Solving Dissension and International Entry Mode Performance

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Review

Problem-Solving Dissension and International Entry Mode Performance

Abstract

Purpose

This paper examines international decision-making, information processing and related performance implications. We explore the relationship between international decision-making and problem-solving dissensions related to entry mode decisions. In addition, we investigate the effects of dissension on entry mode performance, and the moderating effect of the foreign direct investment (FDI) vs. non-FDI decision as it relates to dissension-mode performance. Despite their significance from an information processing perspective, these issues have not been sufficiently explored in international entry mode research.

Design/methodology/approach

This research presents data collected from 233 privately owned internationalized Chinese firms. The analysis in this investigation includes hierarchical ordinary least squares (OLS) regression.

Findings

The findings suggest an inverse U-shaped relationship between dissension and entry mode performance, as opposed to a linear one, and a moderating effect of FDI vs.

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3 non-FDI decisions on this curvilinear dissension–performance association. These
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5 findings support and refine the rationale of the information processing perspective.
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10 11 *Originality/value*

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13 These findings add realistic elements to the alleged “rational” international
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15 decision-making doctrine assumed in previous entry mode literature. Our findings
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17 show the importance of the heterogeneity of information processing in entry mode
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19 strategic decision-making processes (SDMPs), and its effects on specific decision
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21 types. We believe that this is the first empirical study to use an information processing
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23 perspective to examine the effects of SDMPs on entry mode performance.
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31 **Keywords:** Problem-solving dissension, international entry mode performance,
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33 information processing perspective, strategic decision-making process, Chinese
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35 private firms
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41 **Paper type:** Research paper
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46 **Introduction**

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48 Compared to the great deal of attention paid to the determinants of entry mode
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50 choice in international marketing research (Efrat and Shoham, 2013; Ekeledo and
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52 Sivakumar, 2004; Forlani et al., 2008; Pinho, 2007), relatively little attention has been
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54 paid to entry mode *performance*. Generally, studies on entry mode performance rely
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4 on research that deals with strategy content and emphasizes the alignment of this
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6 critical form of governance choice with institutional and transaction cost conditions to
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8 attain superior mode performance in foreign markets (Brouthers and Hennart, 2007;
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10 Hennart and Slangen, 2015). This solution, however, ignores the performance
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12 implications of the *process* by which an entry mode decision is made. Indeed, process
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14 research (like content research) has played an important role in explaining decision
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16 outcomes in the strategic decision-making literature (Elbanna, 2006). Consequently,
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18 the need to shed light on the entry mode decision-making process and its
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20 organizational consequences has become more urgent (Brouthers and Hennart, 2007;
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22 Canabal and White, 2008; Hennart and Slangen, 2015).

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29 Most of the strategic decision-making process (SDMP) literature focuses on the
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31 way in which managers interact to process and act upon information related to
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33 decisions (Clark and Maggitti, 2012; Parayitam and Dooley, 2009). Information
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35 processing refers to the collection, interpretation and synthesis of information with
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37 regard to organizational decisions (Galbraith, 1974; Tushman and Nadler, 1978).
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39 Based on the information processed, strategic decision-makers “formulate the
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41 organization’s interpretation” (Daft and Weick, 1984, p. 285; see also Wood and
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43 Williams, 2014). According to the information processing perspective (Galbraith,
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45 1974), the more complex the decision, the greater the need for decision-makers to
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47 process information to achieve a given level of performance (Parayitam and Dooley,
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49 2009). As the main framework in SDMP research, this theoretical perspective has
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51 hitherto been used to explain the consequences of strategic decision-making
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4 (Atuahene-Gima and Li, 2004; Citroen, 2011; Dooley and Fryxell, 1999; Souitaris
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6 and Maestro, 2010), but it has yet to explain the consequences of decision-making in
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8 an international context.
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11 The international market entry mode decision concerns the nature of activities in
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13 foreign markets, and is one of the most critical strategic decisions in the cross-border
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15 context. As firms face more uncertainties when making an international decision
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17 compared to their domestic one (Brouthers, 1995), they have a substantially greater
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19 need for high-level information processing in international decision-making
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21 (Herrmann and Datta, 2002; Kumar and Subramaniam, 1997). The information
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23 processing perspective is useful in understanding *how* managers utilize information to
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25 achieve effective mode decision-making, which complements the research on *what*
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27 decision-makers should consider in mode decision-making.
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34 Our review of the literature has identified only two empirical studies (Ji and
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36 Dimitratos, 2013; McNaughton, 2001) that examine the effect of SDMP
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38 characteristics on mode performance. Although the elements of information
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40 processing have been substantially addressed, these studies do not employ the
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42 information processing perspective, relying instead on behavior theory (Simon, 1955).
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44 These studies examine only SDMP characteristics that follow the analytical
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46 convention in strategic decision-making, such as decision rationality, hierarchical
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48 centralization and formalization.
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54 Drawing on the information processing perspective, the present study seeks to
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56 further advance the SDMP approach in order to understand mode performance. We
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4 focus on a major SDMP characteristic, namely problem-solving dissension
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6 (henceforth referred to as “dissension”), which refers to the degree of differences on
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8 objectives, methods and solutions to problems between decision-makers in a given
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10 SDMP (Clark and Maggitti, 2012; Papadakis et al., 1998). We select this construct for
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12 its theoretical and practical significance. First, the notion of dissension is critical to
13
14 understanding managerial information processing behavior under uncertainty, in
15
16 which the objectives, means and effects of mode decision are not given. Dissension
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18 departs from the decision-making logic that underpins hierarchical and
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20 procedure-based SDMPs, which are more applicable in a stable context (Sarasvathy,
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22 2001).

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29 Unlike procedural rationality and hierarchical centralization, which emphasize
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31 analytical comprehensiveness and power distribution, respectively (Ji and Dimitratos,
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33 2013), dissension represents a conceptually distinct SDMP dimension (see Clark and
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35 Maggitti, 2012; Papadakis et al., 1998) that draws from a different view of strategic
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37 decision-making in terms of “muddling through” (Lindblom, 1959). In contrast with
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39 the analytical convention, executives often have to muddle through when they are
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41 provided with unclear goals, have unambiguous means, and lack complete
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43 information in strategic decision-making (Elbanna, 2006); although this applies to
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45 entry mode decision-making as well (Kumar and Subramaniam, 1997), past mode
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47 studies do not assess the performance implications of dissension.
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54 Among international entry modes, the foreign direct investment (FDI) vs.
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56 non-FDI classification follows Coase’s (1937) distinction between hierarchy and
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4 market, which plays a critical role in mode decision-making and has considerable
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6 implications for information processing (Pan and Tse, 2000; Herrmann and Datta,
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8 2002). FDI modes refer to wholly owned foreign subsidiaries and joint ventures,
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10 while non-FDI modes include exporting, licensing, and franchising. According to Pan
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12 and Tse (2000), choosing between FDI vs. non-FDI is the main task for
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14 decision-makers in the initial stages of entry mode decision-making, and affects the
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16 choice of mode in subsequent stages. Compared to the non-FDI choice, FDI is a more
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18 complex form involving more uncertainties (Pan and Tse, 2000), and requiring
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20 higher-level information processing in order to be effective (Herrmann and Datta,
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22 2002).
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29 Based on the information processing perspective and SDMP literature, this study
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31 explores two research questions: (1) how does dissension affect mode performance,
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33 and (2) what is the role of FDI vs. non-FDI decision-making in the dissension-mode
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35 performance association. Based on a sample of 233 internationalized Chinese firms,
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37 the findings suggest a curvilinear relationship between dissension and mode
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39 performance, and a moderation of the FDI vs. non-FDI decision in this association.
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44 This study makes important contributions to the research on mode performance.
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46 First, it moves beyond the process approach to explore mode performance (Ji and
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48 Dimitratos, 2013; McNaughton, 2001). We believe that it is the first study to employ
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50 the information processing perspective to assess the impact of a mode
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52 decision-making process on mode performance, excluding process studies on mode
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54 performance that have used behavior theory (Ji and Dimitratos, 2013). The
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4 significance of the relationship between foreign market information and international
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6 entry has long been recognized (Johanson and Vahlne, 1990), but little is known about
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8 how decision-makers interact to process such information, or the associated
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10 performance implications on mode decision-making; this study advances our
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12 understanding in this area, and accentuates the connection between mode decision
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14 types and the ways in which information is processed.
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19 Second, extant studies (Ji and Dimitratos, 2013; McNaughton, 2001) have
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21 examined SDMP characteristics in terms of decision rationality, hierarchical
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23 centralization, and formalization derived from the traditional analytical paradigm
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25 (Papadakis et al., 1998), while the current study highlights the role of cognitive
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27 dissent based on the view of “muddling through” when the objective, means, and
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29 solutions are not clear (Lindblom, 1959). Higher-order relations and interactions
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31 confirm the complexity of the influences of SDMPs (Rajagopalan et al., 1993), and
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33 provide a more complete picture of the association between SDMPs and mode
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35 performance (Ji and Dimitratos, 2013; McNaughton, 2001).
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42 Third, this study suggests means by which to achieve superior mode performance
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44 through an appropriate arrangement of cognitive dissension in international
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46 decision-making. Along with what decision-makers should consider when making
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48 mode decisions (Brouthers, 2002; Brouthers et al., 2003; Brouthers et al., 2008;
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50 Papyrina, 2007), our findings suggest that effective information processing in
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52 international market entry may also provide a competitive advantage for firms (Child
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54 and Hsieh, 2014).
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4 This paper is structured as follows. In the second section, the paper reviews the
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6 literature on entry mode performance and information processing research, and
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8 advances its two hypotheses. Following this, the methodological aspects are discussed.
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10 In the penultimate section, the results of the statistical analysis and discussion of
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12 findings are presented. The final section analyzes the implications, explores the
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14 limitations, and offers suggestions for further research.
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21 **Theoretical background and research hypotheses**

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23 Strategic decision-making research is often classified in terms of content
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25 research and process research (Elbanna, 2006). Content research deals with strategy
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27 content, such as international expansion, mergers and acquisitions, and diversification.
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29 In contrast, process research concerns the process by which strategic decisions are
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31 made and implemented (Elbanna, 2006; Rajagopalan et al., 1993).
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40 *International entry mode performance*

41 Entry mode performance captures the return aspects of mode decision-making
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43 (Brouthers and Hennart, 2007). Emphasizing economic efficiency, prior studies have
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45 primarily used financial and market measures as a proxy of entry mode performance
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47 (e.g., Brouthers et al., 2003; Brouthers and Nakos, 2004). This investigation
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49 essentially disregards the endogeneity of mode choice, meaning that managers are the
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51 entry mode decision-making agents (Shaver, 1998). Given the heterogeneity of goals
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53 and objectives in relation to mode decisions between firms, a strategic
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4 decision-making perspective on mode performance can focus on the extent to which
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6 managers are satisfied with the progress toward pre-set goals and objectives linked to
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8 entry modes in foreign markets (Dean and Sharfman, 1996), which incorporate
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10 broader considerations in mode decision outcomes.
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14 Extant content research on mode performance relies on transaction cost analysis
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16 (TCA) and its combination with other perspectives such as the institutional or real
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18 options perspectives (Brouthers, 2013). Early studies on mode performance
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20 concentrate on whether a particular mode type produces an outcome that is superior to
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22 other mode types. The evidence (e.g., Anand and Delios, 1997; Pan et al., 1999;
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24 Woodcock et al., 1994) provides mixed results, suggesting that the mode type itself,
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26 independent of the decision context, cannot explain mode performance sufficiently.
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28 The vast majority of later studies (with the exception of Kim and Gray (2008))
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30 support the view that modes that follow a TCA solution perform better than modes
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32 that do not (Brouthers, 2002; Brouthers et al., 2003; Brouthers et al., 2008; Papyrina,
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34 2007). Brouthers (2013) indicates that an evaluation of mode performance should
35
36 include refined and relevant institutional and resource factors in the transaction cost
37
38 framework. While the logic regarding the minimization of transaction costs still
39
40 prevails, some researchers (Dikova and Sahib, 2013; Herrmann and Datta, 2002;
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42 Kumar and Subramaniam, 1997) posit that mode decision-making and associated
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44 organizational outcomes are constrained by decision-makers' experiences and
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46 cognitive limitations.
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56 Content research provides valuable insights regarding which elements should be
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4 included in effective mode decision-making; however, it ignores the effects of SDMPs
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6 on information processing, and thus sheds little light on whether or why some
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8 processes lead to better entry mode decisions than others (Brouthers and Hennart,
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10 2007; Hennart and Slangen, 2015). Only two empirical studies (Ji and Dimitratos,
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12 2013; McNaughton, 2001) address this issue; both studies state that entry mode
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14 decision-making processes are not necessarily fully rational. Ji and Dimitratos (2013)
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16 find that a process characterized by analytical comprehensiveness and centralization
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18 influences mode performance, while McNaughton (2001) observes that formalization
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20 in the market channel decision process does not improve channel performance
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22 (among small Canadian software firms). As this area of research is still in its infancy,
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24 Hennart and his colleagues (Brouthers and Hennart, 2007; Hennart and Slangen, 2015)
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26 ask that additional studies from various theoretical perspectives should be undertaken.
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36 *Information processing perspective*

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39 Managers must engage in information processing activities, and deal with
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41 decision-related uncertainty, in order to achieve organizational goals (Clark and
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43 Maggitti, 2012; Turner and Makhija, 2012). Uncertainty limits managers' ability to
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45 plan decision-making activities prior to executing them (Luo et al., 2012). Decisions
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47 with high degrees of uncertainty usually involve a large number of decision
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49 components, as well as a high level of coordinative intricacy and dynamism
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51 (Crawford and Lepine, 2013; Weigelt and Miller, 2013).
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56 According to the information processing perspective, the need for increased
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4 information processing grows in order to achieve a given level of performance. This
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6 occurs since uncertainty escalates the need for an increased level and quality of
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8 information (Luo et al., 2012; Tushman and Nadler, 1978). Alternatively, managers
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10 could simplify the decision task and create more self-control components for the
11
12 decision, thus reducing the amount of information processing needed (Galbraith, 1974;
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14 Tushman and Nadler, 1978). This “subtraction” logic shares some commonalities with
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16 the effectuation literature (Gabrielsson and Gabrielsson, 2013; Sarasvathy, 2001),
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18 which contends that, due to high uncertainty, decision-makers may abandon their
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20 intention to maximize potential returns and instead emphasize control, flexibility and
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22 the investigation of future contingencies.
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29 The information processing perspective represents a major theoretical framework
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31 in the area of SDMP research, which views SDMP as the way in which one exchanges,
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33 processes and interprets decision information (Dooley and Fryxell, 1999). Dissension,
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35 as a unique SDMP dimension, emphasizes managerial interpretative dynamism over
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37 decision information in the decision-making process. In SDMPs, dissent arises when
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39 decision-makers express different opinions about facts and information, the proper
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41 course to follow, or the solution to a problem (Dooley and Fryxell, 1999; Parayitam
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43 and Dooley, 2009). As top executives make choices based on the information
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45 processed, diverse interpretations of the decision situation in SDMPs can have
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47 significant and complex implications on the decision outcome.
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56 *Dissension in information processing research*
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4 On the one hand, dissension in strategic decision-making could promote
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6 heterogeneous interpretations, critical evaluation, and effective learning (Clark and
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8 Maggitti, 2012; Dooley and Fryxell, 1999). On the other hand, it could introduce
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10 difficulties regarding the integration of diverse opinions and lead to affective
11
12 confrontation (Ensley and Pearce, 2001; Olson et al., 2007). It may be that dissension
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14 produces both effects simultaneously (Papadakis, 1998; Wong and Tjosvold, 2010).
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16 Eisenhardt and Zbaracki (1992, p. 34) argue that “one step to enhance the realism of
17
18 conflict (dissension) is to explore the benefits and costs of conflict”.

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24 Positive effects of dissension may occur in the entry mode decision-making
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26 process for three reasons. First, dissension is a result of the diverse perceptual filters
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28 present in the decision-making process; because these filters are subjective, they allow
29
30 for a variety of interpretations over decision information (Kellermanns et al., 2008).
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32 Decision-makers could consider multiple perspectives, specialized knowledge, and
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34 values when evaluating risk, commitment, control and returns (Dooley and Fryxell,
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36 1999).
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41 Second, when dissension arises from entry mode SDMPs, it invites
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43 decision-makers to scrutinize the feasibility of a proposed decision and alternatives in
44
45 solving entry problems (Miller et al., 1998; Olson et al., 2007). Decision-makers
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47 would be likely to seek and analyze additional information, which would aid the
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49 decision-making process (Minichilli et al., 2009).
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54 Third, the exchange of information between the decision-makers responsible for
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56 the different functions of a firm will intensify when disagreements occur. Dissension
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4 provides a strong incentive to collect and share information related to different
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6 viewpoints (Buyl et al., 2011; Xie et al., 1998). To conclude, the positive effects of
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8 dissension may facilitate the way in which managers process diverse information to
9
10 arrive at an appropriate entry mode that improves mode performance.
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14 Negative effects of dissension in entry mode decision-making are also likely to
15
16 occur for three reasons. First, successful entry mode decision-making should be based
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18 on the trade-offs between risks and returns (Brouthers, 2002). Strong dissension
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20 happens frequently when decision-makers stick to local rather than global interpretive
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22 schemes or beliefs (Miller et al., 1998; Xie et al., 1998). This makes it difficult and
23
24 costly to integrate divergent views.
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29 Second, cognitive differences regarding decision objectives, methods and
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31 solutions are task-related; however, dissension regarding tasks can easily transform
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33 into personal affective conflicts (Ensley and Pearce, 2001). This is because “members
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35 whose ideas are disputed may feel that others in the group do not respect their
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37 judgment” (Pelled et al., 1999, p. 7). Such negative feelings could hinder effective
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39 communication (Miller et al., 1998; Olson et al., 2007) and divert the attention of
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41 decision-makers from subsequent interpretation of the situation (Kellermanns et al.,
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43 2008).
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49 Third, the decisions associated with internationalization are likely to pertain to
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51 the personal or departmental stakes of each decision-maker. Strong dissension may
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53 partially reflect competing interests (Gnizy and Shoham, 2014). In such a situation,
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55 some decision-makers are likely to withhold or distort information to reach their final
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4 entry mode choice. To sum up, the detrimental effects of dissension will probably
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6 hinder managers' ability to process information effectively, which may increase their
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8 chances of selecting an inferior mode, and result in poor entry mode performance.
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11 As dissension has been shown to have both positive and negative impacts on
12
13 strategic decision-making outcomes, we suggest that a curvilinear relationship might
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15 exist between the level of dissension and entry mode performance. Under the
16
17 condition of too little dissension, multi-faceted external, internal, and transaction cost
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19 conditions associated with entry mode may be overlooked, foregoing an opportunity
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21 to develop a deeper understanding of the foreign market entry situation and its
22
23 relationship to entry objectives (Parayitam and Dooley, 2009). Invalid assumptions
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25 could be accepted without challenges in mode decision-making. In addition, Janis
26
27 (1972) observes that group-thinking usually arises in the decision-making process.
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29 This pure pursuit of consensus or conformity in entry mode decision-making may
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31 distract managers from an objective evaluation of alternative viewpoints, and oppress
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33 their appreciation for innovative ideas (Barkema and Shvyrkov, 2007). Further
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35 evidence shows that conflict avoidance undermines decision quality as, frequently,
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37 only positive spin is presented by managers in organizational decision-making
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39 (Emmons, 2007). In sum, too little dissension fails to provide a critical evaluation,
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41 which increases the chance of selecting an inappropriate mode, and leads to inferior
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43 mode performance.
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54 Under the condition of too much dissension, entry mode decision-makers may be
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56 unable to move into the next stage of effective information processing if they are still
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3 involved in disagreements and continuing discussions (Wong and Tjosvold, 2010).
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5 Integrating highly divergent views, and thereby formulating an overall interpretation
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7 of the entry decision, is difficult. Substantial evidence in SDMP research suggests that
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9 strong dissension is usually associated with communication failure (Miller et al., 1998;
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11 Olson et al., 2007) and a low level of commitment (Wong and Tjosvold, 2010). In
12
13 sum, too much dissension makes it difficult to integrate diverse views in mode
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15 SDMPs, which, in turn, is likely to decrease information processing speed, deter
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17 information exchange and cause decision quality to deteriorate.
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24 Under the condition of moderate dissension, both the diversity and unity needed
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26 for the collective understanding of an entry situation can be satisfied. Organizational
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28 learning studies (Fiol, 1994; Gnizy et al., 2014) have supported the view that
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30 successful decision-making requires decision-makers to develop a collective
31
32 understanding and incorporate the novel and different aspects relating to a balanced
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34 SDMP (Fiol, 1994). This requirement is difficult to meet when too much or too little
35
36 dissension is present. By comparison, moderate-level dissent in entry mode
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38 decision-making incorporates sufficient cognitive heterogeneity, and allows for the
39
40 integration of different views, which could address both the quality and pace of
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42 information processing in mode decision-making, and may contribute to superior
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44 mode performance. According to the arguments above, we posit that:
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51 Hypothesis 1. *In entry mode decision-making, there will be a curvilinear effect of*
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53 *dissension on entry mode performance, such that moderate levels of dissension will be*
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55 *associated with high levels of mode performance, while both low and high levels of*
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4 *dissension will be associated with low levels of mode performance.*
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9 *Moderating hypothesis*

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11 The information processing perspective suggests that, to be effective, complex
12 decision-making requires a larger and more diverse amount of information processing
13 than simple decision-making does (Galbraith, 1974). This contingency stance
14 embraces the balance between the nature of the task and the information processing it
15 requires (Luo et al., 2012).
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24 Mode type is a key strategic decision for international marketers, and the choice
25 between FDI vs. non-FDI modes is fundamental to mode decision (Pan and Tse, 2000).
26 FDI modes represent complex engagement forms and involve great uncertainties
27 (Dimitratos et al., 2014; Johanson and Vahlne, 1990). FDI decisions require
28 managerial consideration of not only strategic issues, including foreign market size
29 and potential, knowledge transfer, size of investment, potential lock-in effects and
30 management expatriation, but also local operational arrangements, since firms will
31 partially or fully engage in foreign value-added activities (Pan and Tse, 2000). In
32 addition, when employing FDI modes, decision-makers must consider coordination
33 activities and processes, as well as control mechanisms, which define the role of the
34 relevant subsidiary in the overall supply chain of the firm (Birkinshaw and Morrison,
35 1995; Filatotchev et al., 2007).
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54 FDI requires diverse processing and large chunks of information (Luo et al.,
55 2012; Parayitam and Dooley, 2009) to attain high levels of performance. As discussed
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4 above, when the level of dissension is very high or very low, it may not lead to
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6 effective interpretation in a decision situation. If the entry information linked to FDI
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8 modes cannot be synthesized by efficacious information processing between
9
10 decision-makers, the entry mode decision will not be well understood (Amason and
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12 Schweiger, 1994). This is likely to result in an inappropriate entry choice and inferior
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14 mode performance. In the same vein, moderate-level dissension may correspond with
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16 superior FDI mode performance because of the link between decision complexity and
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18 effective information processing.
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24 Non-FDI modes are primarily transaction-based entries with predictable results
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26 that are relatively easy to manage (Johanson and Vahlne, 1990). Since non-FDI modes
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28 require lower levels of information processing, an increase in dissension from low to
29
30 moderate may not promote mode performance, as it surpasses the desired level (Luo
31
32 et al., 2012). Furthermore, discord arising from non-FDI mode decision-making is
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34 likely to be interruptive, counterproductive and time-consuming, because it hinders
35
36 efficient processing and causes delays (Xie et al., 1998). In terms of understanding
37
38 and efficiency, simpler decisions tend to suffer from many heterogeneous opinions. A
39
40 number of unintended consequences regarding frictions between decision-makers, and
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42 an increase in opportunity costs, are likely to occur, leading to deterioration in mode
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44 performance.
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51 Therefore, the dissension-mode performance relationship varies between FDI
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53 and non-FDI decisions because, in order to be effective, these two mode types require
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55 different magnitudes of information processing. For FDI decisions, moderate levels of
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dissension that correspond to the effective interpretation of decision situations satisfy the associated high demand for information processing, and generate superior mode performance. For non-FDI decisions, which are simpler, low-level dissension may meet the information processing requirements, and lead to high-level mode performance. By comparison, high levels of dissension are likely to exceed the desired level for information processing, and moderate levels of dissension may sacrifice efficiency; in both cases, mode performance can be reduced. Therefore, we hypothesize that:

Hypothesis 2. *An FDI (vs. non-FDI) mode choice will moderate the curvilinear relationship between dissension and entry mode performance: For FDI mode decisions, the entry mode performance will be highest when the levels of dissension are moderate; for non-FDI mode decisions, the entry mode performance will be highest at low levels of dissension.*

Data and method

Unit of analysis

As the unit of analysis, we focus on the most important international entry mode decision for privately owned internationalized Chinese manufacturing firms. Informants were asked to determine their most important international entries through an overall assessment, including: the importance of this entry to firm development, the magnitude of the consequences of the entry on firm operations, and the seriousness of delaying the entry in terms of firm growth (Elbanna and Child, 2007).

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4 The most important entry was sought in order to attach strategic weight to this
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6 international mode decision (cf. Hambrick and Mason, 1984). Privately owned
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8 Chinese firms were chosen because their decision-making and behaviors associated
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10 with internationalization have been examined rather infrequently, and could be
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12 different from their state-owned counterparts, since the Chinese government
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14 frequently intervenes in the international decision-making of state-owned firms (Liu
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16 et al., 2008).
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20 21 22 23 24 *Sample and data collection*

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26 A questionnaire was mailed to members of the China Council for Promotion of
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28 International Trade (CCPIT), located in the Yangtze Delta (Shanghai and Zhejiang
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30 province) and the capital of China (Beijing). CCPIT, a non-governmental organization,
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32 represents 70,000 internationalized Chinese firms. The selected regions are among the
33
34 most active areas for Chinese international business activities, which account for
35
36 nearly 25% of total provincial outward FDI stock, 30% of outward investors
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38 (MOFCOM, 2013a) and 23% of the value of exports from China (MOFCOM, 2013b).
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40 The questions in this survey were derived from previously developed scales, which
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42 were refined and finalized based on the suggestions of four academics and 11 Chinese
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44 managers. Following prior studies conducted in China (e.g., Davies and Walters, 2004;
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46 Luo, 2001), an independent contractor who had a close connection with CCPIT was
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48 employed to facilitate the accessibility to respondents, and improve response rates in
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50 emerging markets. After screening out state-owned firms and trade and service
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companies, a final pool of 2,513 privately owned manufacturing firms was generated.

The questionnaire was sent to 550 firms that were randomly selected from the sample frame. This number was chosen for its statistical significance, as well as cost considerations. A second mailing was dispatched to those firms that did not reply four weeks after the first mailing. Between the two mailings, reminder phone calls were also placed. We employed a key informant method to target the firm owner, CEO or top-level manager responsible for international operations. Ultimately, we received 267 questionnaires (response rate of 49%), out of which 233 replies were identified to be useable. This high response rate was attributed to the careful preparation and execution of the survey, and the strong social capital of the contractor.

We first assessed the representativeness of our sample through a *t*-test of key firm characteristics, including number of employees and years of operation ($p = 0.84$; $p = 0.91$, respectively) between the final sample used and the pool of the sample frame. There were no significant differences in these characteristics between the two groups of firms. In addition, the potential geographic effect and non-response bias were assessed through a *t*-test of firm revenues, years of international operations between the Yangtze Delta and Beijing ($p = 0.75$; $p = 0.64$, respectively), and early and late responses ($p = 0.79$; $p = 0.30$, respectively) corresponding to the first and second mailings (Armstrong and Overton, 1977). The results suggest that the location effect and non-response bias are negligible.

Over 80% of foreign market entries occurred following China's World Trade Organization (WTO) entry, which is considered to highlight a new stage for the

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4 internationalization of private Chinese firms (Voss et al., 2008). This concentration
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6 reduces the potential effect of decision-making time on decision outcomes. The
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8 retrospective bias regarding time difference between decision-making and reporting
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10 can be a potential threat to the validity of a cross-sectional SDMP study (Huber and
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12 Power, 1985; Miller et al., 1997); in this study, the time difference for the majority of
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14 our sample (58%) is between one and two years. This is sufficient time for the effect
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16 of the entry mode decision to emerge, and does not create any serious retrospective
17
18 difficulty (cf. Dean and Sharfman, 1996). In addition, we incorporated a control
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20 variable to capture the potential time-lag effect between mode decision-making and
21
22 reporting of mode performance (Miller et al., 1997).
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32 *Operationalization of variables*

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34 *Dependent variable.* We used a five-item seven-point Likert scale (Cronbach's
35
36 alpha = 0.79; composite reliability = 0.83) to measure entry mode performance.
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38 Respondents were asked to assess the degree of satisfaction (1 = very dissatisfied, 7 =
39
40 very satisfied) regarding the international entry mode used in relation to: the overall
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42 objectives of the entry mode decision; the linkages achieved with local partners; the
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44 enhancement of the firm's competitive position; the success in learning critical skills
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46 or capabilities; and the overall decision-making effectiveness. The measures capture
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48 the decision-making level mode performance, with levels based on Kale et al. (2002)
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50 and Walter et al. (2008).
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56 We used subjective rather than objective measures for entry mode performance
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4 for three reasons. First, there are no well-documented measures regarding valid
5
6 objective measurements for decision-level performance (Dean and Sharfman, 1996).
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9 Second, subjective performance measures work well in both SDMP and international
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11 entry mode studies (Brouthers et al., 2003; Priem et al., 1995). Third, private Chinese
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13 firms are unlikely to report financial indicators during interviews in a pilot study
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15 before the actual survey.
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19 *Independent variable.* Problem-solving dissension was measured using a
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21 three-item seven-point Likert scale (Cronbach's alpha = 0.76; composite reliability =
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23 0.76) drawn from Papadakis et al. (1998) and Pelled et al. (1999). Respondents were
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25 asked to assess the extent of dissension (1 = not at all, 7 = very much) on: the
26
27 objectives sought by the entry mode decision; the proper methodology to follow; and
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29 the proper solution to the problem.
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34 *Moderator.* We measured the moderator (FDI vs. non-FDI decisions) using a
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36 dichotomous scale. Based on the replies of informants regarding the entry mode that
37
38 they used, we coded joint ventures and wholly owned subsidiaries into FDI as "1",
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40 and exporting, licensing and franchising contracts into non-FDI as "0".
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45 *Controls.* We employed 19 control variables. First, we used two variables, firm
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47 size and firm turnover in the last year before the entry, that capture the potential
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49 impact of resource sufficiency on performance (Walter et al., 2008). Firm size was
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51 measured by the natural logarithm of the number of employees. With regard to firm
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53 turnover in the last year before entry, respondents were asked to choose a turnover
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55 range within the revenue classification provided. According to the Chinese
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4 government's classification of revenue between micro-, small-, medium-, and
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6 large-sized manufacturing businesses, firm turnover was coded "1" when it was under
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8 RMB ¥ 5 million, "2" when it was between RMB ¥ 5 million and RMB ¥ 30 million,
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10 "3" when it was between RMB ¥ 30 million and RMB ¥ 300 million, and "4" when it
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12 was RMB ¥ 300 million and over.
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16 Second, based on replies to the question on the "primary industry in which the
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18 firm operates", we were able to categorize firms into four groups: electronics,
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20 chemicals, textiles, and others; the first three accounted for over 92% of the firms
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22 investigated. Three dummy variables were then employed to control for the potential
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24 impact of industry differences on mode decision-making (Brouthers and Brouthers,
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26 2003).
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31 Third, we provided five choices of motives for this international entry, including
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33 market-seekers, strategic asset-seekers, natural resource-seekers,
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35 competitor/customer-followers, and other motives; the first four constitute the main
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37 motives for Chinese firms to enter foreign markets (Lu et al., 2010) and play an
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39 important role in the mode choice of Chinese firms (Shi et al., 2001). Four dummy
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41 variables were then used to measure these four motives.
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46 Fourth, we included two demographic variables for decision-makers, age and
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48 international experience, as they partially reflect the information processing capacity
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50 of decision-makers for mode decision-making (Herrmann and Datta, 2002).
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52 Following Ralston et al. (1999), the age of the decision-maker was measured through
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54 a categorical variable coded "1" when managers were 40 or younger, "2" when they
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4 were between 41 and 51, and “3” when they were 52 or older. The international
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6 experience of the decision-maker was measured by the total number of years spent on
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8 assignments abroad, study abroad and work in a foreign unit.
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11 Fifth, environmental aspects in the host country, in terms of stability and
12
13 munificence, are important location advantages in Dunning’s framework (Dunning,
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15 1988), and are likely to be critical for mode choice and performance (Brouthers et al.,
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17 1999). In this study, environmental uncertainty (Cronbach’s alpha = 0.83; composite
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19 reliability = 0.83) was measured through three seven-point Likert items drawn from
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21 Brouthers et al. (2003); it addressed the extent (1 = not at all, 7 = very much) of the
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23 general uncertainty of the political, social, and economic conditions of the host
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25 country, risk of converting and repatriating the income of the firm, and risk due to
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27 possible host government actions such as expropriation. Environmental munificence
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29 (Cronbach’s alpha = 0.71; composite reliability = 0.73) was developed by Khandwalla
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31 (1977) and measured by a scale of three seven-point Likert items addressing the ease
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33 of survival (1 = not at all, 7 = very much) in the foreign market, richness of
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35 opportunities in the environment, and dominance by the firm in the foreign
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37 environment.
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46 Sixth, psychic distance refers to perceived social, economic and legal differences
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48 between the home and the foreign country entered, and is an important predictor of
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50 entry performance (Evans and Mavondo, 2002). Drawn from Klein and Roth (1990),
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52 psychic distance was measured by five seven-point Likert items (Cronbach’s alpha =
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54 0.75; composite reliability = 0.75). Respondents were asked to assess the extent (1 =
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4 not at all, 7 = very much) of dissimilarities between the two countries in terms of:
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6 language; established business practices; economic environment; communication
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8 infrastructure; and the legal system at the time of international entry.
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11 Seventh, local experience and linkages in the host country provide entrants with
12
13 firm-specific advantages and important information channels (Shi et al., 2001; Chen
14
15 et al., 2004). Local experience in the host country was measured by a two-item
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17 seven-point scale (Cronbach's alpha = 0.70; composite reliability = 0.70) developed
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19 by Shi et al. (2001) to measure the extent (1 = not at all, 7 = very much) of the firm's
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21 familiarity with the foreign country, and its operational know-how in that country
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23 before international entry. Drawn from Chen et al. (2004) and Zhao and Hsu (2007),
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25 local linkages were measured by a four-item seven-point Likert scale (Cronbach's
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27 alpha = 0.72; composite reliability = 0.75) that assessed the significance relative to
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29 decision-making (1 = not significant, 7 = very significant) of four of the
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31 international entrants' connection types, including firms from previous business
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33 relationships, the overseas ethnic (Chinese) community, local government, and
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35 pioneering ethnic (Chinese) firms from the same industry.
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44 Eighth, we found SDMP characteristics to be important to mode performance (Ji
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46 and Dimitratos, 2013), controlling for the effects of two key SDMP variables:
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48 decision rationality and hierarchical centralization. Decision rationality was measured
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50 by a five-item seven-point Likert scale (Cronbach's alpha = 0.77; composite
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52 reliability = 0.81) drawn from Dean and Sharfman (1996). Respondents were asked to
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54 assess the extent (1 = not at all, 7 = very much) of relevant information gathering,
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4 analysis of relevant information, use of analytic techniques, focus of attention on
5
6 crucial information, and overall evaluation of analytic intensiveness regarding the
7
8 entry mode decision-making process. Hierarchical centralization was measured by a
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10 five-item seven-point Likert scale (Cronbach's alpha = 0.74; composite reliability =
11
12 0.75) drawn from Wally and Baum (1994). Informants were asked to assess the extent
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14 (1 = not at all, 7 = very much) of delegation in this decision, necessity of
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16 consensus-seeking among group members, necessity of justification for decentralized
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18 decision-making, inability to control the decision-making progress, and hierarchical
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20 levels in mode decision-making.
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26 Ninth, to control for the time-lag effect on entry performance (Miller et al., 1997),
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28 we employed a variable from the time of the entry decision, which was measured by
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30 the number of years elapsed between the decision-making and the reporting of mode
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32 performance.
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36 *Test-retest reliability (stability).* To examine whether the replies ran steadily over
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38 time, we compared our data with the answers from follow-up phone calls to 210 (90%
39
40 of) respondent firms concerning their entry mode choices, number of employees, and
41
42 years of business operations. There was high consistency between early questionnaire
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44 and late phone call answers ($\phi = 0.98$ for entry modes, Pearson $r = 0.89$ for number
45
46 of employees, and Pearson $r = 0.93$ for years of operations).
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51 *Internal consistency.* A satisfactory degree of internal consistency was met, as all
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53 values of the Cronbach's alpha and composite reliability were higher than 0.7 (Fornell
54
55 and Larcker, 1981).
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4 *Construct validity.* Convergent and discriminant validities were examined through
5
6 a confirmatory factor analysis of all multi-item constructs (Anderson and Gerbing,
7
8 1988). The results show that the overall measurement model fit the data fairly well
9
10 ($\chi^2/df = 1.67$; goodness of fit index = 0.90; comparative fit index = 0.94; root mean
11
12 square error of approximation = 0.05; normed fit index = 0.90; non-normed fit index
13
14 = 0.92). The loadings of all items were significant in their associated latent constructs,
15
16 with the lowest t-value being 7.55, which confirmed the satisfactory convergent
17
18 validity of the constructs in the model. Discriminant validity was also deemed to be
19
20 present because none of the confidence intervals (\pm two standard errors) around the
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22 correlation estimate (*phi* value) between the pairwise constructs included 1 (Anderson
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24 and Gerbing, 1988).
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31 *Common method bias.* We took several measures to detect and control for the
32
33 potential threat of common method variance. First, following Podsakoff et al. (2003),
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35 we deliberately controlled for this undesired effect in the instrument design and data
36
37 collection stages through a separation of the independent and dependent variables into
38
39 different sections and pages of the questionnaire, a reversal of some item anchors, and
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41 an assurance of anonymity and confidentiality to informants.
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46 Second, a correlational marker technique was utilized to examine this possible
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48 bias (Lindell and Whitney, 2001). We introduced a marker variable entitled
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50 “manufacturing advantages”, which shared the same Likert scale, and was
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52 theoretically unrelated to the constructs of interest. The pairwise correlations of the
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54 constructs studied were compared, with their counterparts in the partial correlation
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4 matrix, partialling out the marker. We found that there was no significant difference
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6 between the respective correlation matrices, and the significance level of coefficients
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8 was unchanged (cf. Gabrielsson et al., 2012).
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10
11 Third, we employed a confirmatory factor analysis approach, suggested by
12
13 Podsakoff et al. (2003, p. 894), by controlling for the effects of a single unmeasured
14
15 latent method factor. A method factor with all of the measures of multi-item constructs
16
17 as indicators was added to the measurement model-oblique, and was then compared
18
19 with the measurement model. The model fit ($\chi^2/df = 1.56$; comparative fit index =
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21 0.95; normed fit index = 0.90; non-normed fit index = 0.94) showed that the method
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23 factor improved the measurement model fit, but the difference between the two
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25 models was not substantial (increase in $\rho = 0.01$) (Walter et al., 2008). Collectively,
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27 our evidence suggests that common method variance did not affect the findings of the
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29 study.
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39 **Analysis, findings and discussion**

40 *Characteristics of informants and responding firms*

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42 In this research, 40.4% of key informants were CEOs or managing directors, and
43
44 the remainder were mainly sales or production directors/managers. Most of them
45
46 (67.4%) were under 41 years of age and, on average, had been working with the
47
48 current firm for 5.2 years. These firms were relatively small, with an average of 328
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50 employees. In line with the findings of Ramasamy et al. (2012), over 50% of
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52 responding Chinese firms indicated that their international expansions were motivated
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4 by opportunities in foreign markets. The focal entry mode decisions included 63 FDI
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6 and 170 non-FDI choices, suggesting that most of the firms were still at an early stage
7
8 of internationalization.
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10 11 12 13 14 *Statistical analysis*

15
16 This study employed hierarchical ordinary least squares OLS regression to carry
17
18 out the analyses and test the hypotheses. In order to control for the collinearity
19
20 between variables and their interactions in the equation (Aiken and West, 1991), all
21
22 variables except the categorical variables were standardized prior to the analyses.
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28 29 *Findings and discussion*

30
31 *Findings.* Descriptive statistics and the correlation matrix for the variables of
32
33 interest are presented in Table 1. In the matrix, no correlation coefficient is higher
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35 than 0.49, and the indicator of variance inflation factors is close to 1. It appears that
36
37 the collinearity effect of the regression variables is not substantial (cf. Neter et al.,
38
39 1996).
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44 *Insert Table 1 here*

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46 In Table 2, we display the results of the hierarchical OLS regressions. To test
47
48 the hypothesized curvilinear effect of dissension and the moderating effect of FDI vs.
49
50 non-FDI decisions on this curvilinear association, we followed the procedures
51
52 suggested by Janssen (2001). In total, six regression models between Model A and
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54 Model F were run. In base Model A, the effects of all the control variables on mode
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4 performance were examined. The addition of the variable of dissension and the
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6 squared dissension term into the base model constituted Model B and Model C,
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8 respectively. The moderator, namely FDI vs. non-FDI decision, and its linear
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10 interaction with dissension, were subsequently entered into the equation to form
11
12 Model D and Model E, respectively. In the final model, Model F, the interaction term
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14 between the squared dissension and the moderator was included to test the
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16 hypothesis that the curvilinear association between dissension and mode
17
18 performance is moderated by FDI rather than non-FDI decision.
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24 The F-statistics that reflect the overall model fit are highly significant for all six
25
26 regression models, confirming the overall robustness of all models. Compared with
27
28 the base Model A, the overall model fit of Model B did not significantly improve after
29
30 the inclusion of the dissension variable. By comparison, the addition of the squared
31
32 dissension term led to a significant increase of R^2 for Model C ($p < 0.05$). In addition,
33
34 the inclusion of the moderator, namely FDI vs. non-FDI in Model D, did not generate
35
36 a significant change of R^2 . Compared with Model E, an inclusion of the higher-order
37
38 interaction contributed to an increase of R^2 for Model F ($p < 0.05$).
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44 *Insert Table 2 here*

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46 With regard to the main effects of the independent variable, the regression results
47
48 in Models B and C show that dissension itself has no direct or significant impact on
49
50 mode performance, while its quadratic form is significantly and negatively ($b = -0.10$;
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52 $p < 0.05$) related to mode performance. These results support Hypothesis 1 and
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54 suggest an inverse U-shaped relationship between dissension and entry mode
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4 performance. To facilitate interpretation, we converted the solution with the
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6 coefficients presented in Table 2, based on standardized data, into the original scales
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8 and computed the derivative of mode performance with respect to dissension. The
9
10 optimal level of dissension is about 4.35, indicating that when the level of dissension
11
12 is lower than optimal, an increase in the level of dissension is positively associated
13
14 with a higher level of entry mode performance. As the level of dissension increases
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16 beyond the optimal level, however, an increase in the level of dissension reduces entry
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18 mode performance. Figure 1 illustrates this relationship.
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24 *Insert Figure 1 here*

25
26 In relation to the interaction between the squared dissension variable and FDI/
27
28 non-FDI decision, the interaction in Model F is negatively and significantly ($p < 0.05$)
29
30 associated with entry mode performance, which confirms the moderating effect of
31
32 FDI vs. non-FDI decision proposed by Hypothesis 2. In order to further interpret this
33
34 significant interaction, the interaction was plotted (cf. Aiken and West, 1991). As
35
36 shown in Figure 2, for FDI decisions, mode performance is highest when dissension is
37
38 at moderate levels, while for non-FDI decisions, mode performance is highest when
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40 dissension is at the lowest levels. This evidence lends support to Hypothesis 2.
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46 *Insert Figure 2 here*

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48 With respect to the control variables, we found that only local linkages ($p < 0.01$)
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50 and decision rationality ($p < 0.01$) had significant and positive impacts on mode
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52 performance in a consistent pattern in the regression models, while hierarchical
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54 centralization was negative and significant, or was of marginal significance related to
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4 mode performance across models.

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6 *Discussion.* Our findings suggest that dissension, which reflects a diverse
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8 interpretation of the entry situation, exerts a complex influence on entry mode
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10 performance. The dissension–performance association is apparently quite
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12 idiosyncratic, which is a finding that generally lends support to the information
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14 processing perspective (cf. Atuahene-Gima and Li, 2004).
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19 As to the main effect, the results attest to the significance and complexity of the
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21 managerial interpretative dynamism in international entry mode decision-making. The
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23 identified inverse U-shaped dissension–performance association suggests that
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25 dissension improves or hinders information processing in entry mode SDMPs
26
27 depending on its intensity. This finding sheds light on the association between SDMP
28
29 and mode performance, and reconciles extant contradictory results found in domestic
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31 contexts (Amason, 1996; Olson et al., 2007; Papadakis, 1998; West and Schwenk,
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33 1996). It appears that the overall positive, insignificant and negative effects are all
34
35 possible and conditional on the level of dissension, particularly in international
36
37 decision-making contexts. The curvilinear effect of dissension on the current research
38
39 is seemingly identified in the entry mode decision-making process for the first time, in
40
41 contrast to the linear relations observed in prior mode SDMP studies (Ji and
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43 Dimitratos, 2013). Apparently, this is also the first time this effect has been
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45 established in international decision-making studies, thereby substantially extending
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47 prior literature (Aharoni et al., 2011; Papyrina, 2007).
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56 Concerning the interaction effect, the evidence largely confirms that the
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dissension effects are different when the decision task varies, which is the key tenet of the information processing view. For non-FDI modes, in which the decision situation is relatively easy to understand, increased dissension exaggerates the negative effects of dissension and leads to a decrease in mode performance. By comparison, FDI decisions that involve considerably higher uncertainty and complexity demand a larger amount, and heterogeneity, of information processing (Luo et al., 2012; Parayitam and Dooley, 2009). Without achieving this information balance, the FDI decision situation will not be effectively understood. To effectively deal with FDI decisions, dissension at moderate levels facilitates collective understanding and diversity in decision-making (Fiol, 1994), which is conducive to superior mode performance.

Conclusions

Implications for theory

With regard to theoretical implications, this study contributes to the entry mode research in international marketing, since the current research substantially enriches and extends the entry mode performance research agenda (Brouthers, 2013). It is, to the best of our knowledge, the first empirical study to use an information processing perspective to examine the effect of SDMP on mode performance, which substantially complements the content research on mode performance. Previously, entry mode performance has been studied primarily through research that stresses the effects of strategy content in terms of transaction cost determinants, as well as institutional and

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4 internal resource factors on mode performance (Brouthers and Hennart, 2007;
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6 Papyrina, 2007). In this literature, managerial dissension related to the diverse
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8 interpretation of the decision situation in SDMPs is disregarded because uniform and
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10 rational criteria replace human agency in decision-making.
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14 In line with organizational behavioral considerations (Simon, 1955), this study
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16 advances the SDMP view of mode performance (Ji and Dimitratos, 2013;
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18 McNaughton, 2001). Our investigation of mode performance supports the
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20 contingency perspective from an information processing view. We found that the
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22 overall effect of managerial dissension on mode performance was based on its
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24 intensity. When decision type varies, the effects of dissension on mode performance
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26 can be better understood through different higher-order relationships, which confirms
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28 the complexity of the effects of SDMPs on mode performance (Rajagopalan et al.,
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30 1993). Overall, our evidence supports the contingency perspective regarding the
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32 effective implementation of organizational processes in international decision-making
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34 (cf. Child and Hsieh, 2014).
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42 The construct of focus in the present study suggests that the objectives,
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44 methodology and solutions in international decision-making are not predetermined.
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46 This stance resonates with the notion of effectuation (Gabrielsson and Gabrielsson,
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48 2013; Read et al., 2009); international entrepreneurial decision-makers use a set of
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50 available means to pursue and choose between future contingencies when uncertainty
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52 is high. This alternative logic extends previous extant SDMP literature on mode
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54 performance (Ji and Dimitratos, 2013; McNaughton, 2001) that relies on the
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3 traditional causation logic that underpins hierarchical and procedure-based SDMPs
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6 (Sarasvathy, 2001).
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9 Further, the findings confirm the importance of information processing and
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11 organizational processes to entry mode decision performance, and are compatible with
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13 the view that managerial decision-making, in the context of internationalization, can
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15 be a competitive advantage for firms (Aharoni et al., 2011). Therefore, the findings
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17 contribute significantly to the entry mode performance literature on how to achieve
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19 effective international mode decision-making through appropriate employment of
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21 managerial dissension.
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28 29 *Managerial relevance*

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31 The findings of this study suggest that, in the context of international
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33 decision-making in management, mode performance can be improved through
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35 cognitive diversity and dynamism. Managers pay attention to both the constructive
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37 and the precarious implications of dissension in decision-making. This is of particular
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39 importance to Chinese managers. Traditionally, the Chinese decision-making style
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41 emphasizes consensus or conformity (Olson et al., 2007), which may exclude the
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43 beneficial effects of dissension from the process of making difficult decisions.
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45 Chinese managers ought to be cautious, as pure relationship- or authority-seeking
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47 decision-making could constrain effective information processing in an international
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49 context.
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56 Similarly, managers are generally advised to introduce cognitive heterogeneity at
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3 moderate levels, and to avoid too little or too much dissension in order to achieve
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5 enhanced entry mode performance in an international setting. Furthermore, it has been
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7 suggested that decision-makers should welcome engage cognitive heterogeneity in
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9 accordance with the degree of decision uncertainty. When international
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11 decision-making requires intricate coordination and dynamism, it is prudent for
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13 managers to engage a certain number of experts with diverse experience to facilitate a
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15 more accurate interpretation of a decision situation. In simpler international
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17 decision-making, an emphasis on rapid information processing tends to be more
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19 effective.
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29 *Limitations and future research directions*

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31 The current study is subject to limitations that may provide valuable directions
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33 for further research. First, this study investigated one critical type of strategy process
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35 related to managerially interpretative dynamism and its effect on entry mode
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37 performance. Hence, it depicts an incomplete picture of information processing
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39 effects on performance. In order to further understand information processing,
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41 information sources, processing modes and structures of top management groups
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43 could be examined as well (Citroen, 2011). Given the decision-level emphasis of this
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45 study, the adoption of a subjective rather than objective measurement of decision
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47 effectiveness would have been justified. Nevertheless, objective measures may have
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49 certain advantages over subjective ones regarding long-term performance. A more
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51 comprehensive approach for future research on mode performance would be to
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4 employ both types of measures.

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6 Although the survey method used is the prevalent design in SDMP studies (e.g.,
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8 Elbanna and Child, 2007; Papadakis et al., 1998), it may suffer a recall bias and
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10 potential time-lag effect between the making of the decision and the reporting of
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12 satisfaction (Huber and Power, 1985; Miller et al., 1997). Future research could
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14 incorporate an alternative research design, such as experimental, simulation or
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16 longitudinal, to enhance the validity of the findings. Moreover, this study is missing a
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18 few important controls, such as firm performance at the time of reporting mode
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20 performance, the number of people involved in the decision, and their past experience
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22 with mode decisions; all these aspects may have an impact on mode performance,
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24 which should be included in future research. In addition, this study employs
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26 categorical variables to capture firm turnover before the entry and age of
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28 decision-maker due to difficulty in data collection, which could be replaced by
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30 continuous variables in future research.
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39 Addressing the request from mode researchers, the current study employs a
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41 process approach to investigate mode performance (Brouthers and Hennart, 2007;
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43 Canabal and White, 2008). Nevertheless, the study may have overlooked the
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45 relationship between content and process factors. A promising direction for future
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47 research would be to understand the association between content and process factors,
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49 and their effects on mode choice and performance. Apart from this, an FDI vs.
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51 non-FDI decision was selected to represent the different necessity levels of
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53 information processing in mode decision-making. Future research on information
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4 processing could consider other classifications of mode choice, such as solo venture
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6 vs. joint venture.
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Note for IMR Reviewers (IMR-10-2014-0328)**‘Problem-Solving Dissension and International Entry Mode Performance’****Dear Reviewer 1**

“This is the third revision of a paper I have been reviewing. It continues to improve and I have only a few minor points left.”

We are happy that the paper has been improving following your and other reviewers’ suggestions. We have further revised this paper to address the minor points left.

“1. On page 4 you still seem to say that SDMP has not been used to explain the outcome of international decision-making (about 7th line) but then at the beginning of the last paragraph on that page you say 2 studies have looked at the impact on performance. Both cannot be right.”

We are sorry for the confusion. In the last version, we clarify that there are several theoretical perspectives to explain strategic decision-making processes and their associated consequences (Schwenk, 1995). Despite its significance in strategic decision-making, the information processing perspective has not been employed to explain the performance of international decision-making. The two SDMP studies that were identified in the field of international entry mode decision-making primarily relied on a more broadly theoretical foundation in terms of the behavior theory of the firm (Simon, 1955), rather than the information processing perspective in this study.

“2. The Theory sections are now much better, thank you.”

Thank you for your valuable suggestions in past revisions that have helped us improve this section significantly.

“3. Page 19. At the beginning of the method section I believe you try to explain what the most important entry mode is, but it is not clear to me. What exactly did you ask the respondents to do in deciding on which entry mode they would talk about? Did you ask about the mode providing the largest sales, biggest profits? How did you ask this?”

Apologies for the ambiguity. In the questionnaire, we asked the respondents to refer to

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their most important entry mode decision through an overall assessment of three aspects including the importance of this entry to the firm development, the magnitude of the impact from consequences of the entry to the firm operations, and the seriousness of delaying the entry to the firm growth (Elbanna and Child, 2007). In the latest version, we have modified this part and clarified this issue in the section of unit of analysis (the second sentence in this section on page 18).

“4. Also in methods there are still some variables not well explained. For example on page 23 where did the FDI/non-FDI information come from and what was captured? Page 24 how were motives determined, are there more than the 4 motives you have? If not, then you should only be using 3 dummy variables.”

Sorry for the ambiguity caused by insufficient explanations. According to your suggestions, we have now modified both aspects. As to the former, based on the answers of informants on the entry mode that they used, we categorized their choices of joint ventures and wholly-owned subsidiaries into FDI and coded it as “1”, and categorized their choices of exporting, licensing and franchising contracts into non-FDI, and coded it as “0” (the second sentence in the part of “moderator” on page 22).

For the latter, we provided five types of primary motives for respondents to choose in relation to this international entry, which include market-seekers, strategic asset-seekers, natural resource-seekers, competitor/customer-followers, and other motives in the questionnaire. Based on the replies of respondents, four dummy variables were then used to measure them (the second paragraph on page 23).

Following the provision of these clarifications, we hope that these variables become clear now.

“5. Several variables are also poorly structured and need to be mentioned in the limitations section. Turnover should be a continuous variable not categories. Likewise, manager age should be a continuous variable not categories.”

Thank you for your comments. Following your suggestion, we have addressed both flaws in the section of research limitations (the last sentence in the first paragraph on

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page 37).

“6. Lastly, I know you said this manuscript was professionally edited, but there are still numerous grammatical errors and incomplete sentences throughout. Please take care, this impacts reader’s perceptions of the quality of your research.”

We are sorry for the problems of communication in the past edition of this paper. Given the unsatisfactory copyediting service in the last time, in the current revision, we have employed the proofreading service of the Charlesworth Group (http://www.emeraldgrouppublishing.com/authors/editing_service/index.htm) that is a partner of Emerald Group Publishing in providing expert language editing services.

“Thank you again for trying to address all the comments I provided here, as well as in the previous versions. Good luck with your research.”

Again we appreciate the time you spent in this paper and your insightful comments that helped us improve the manuscript significantly.

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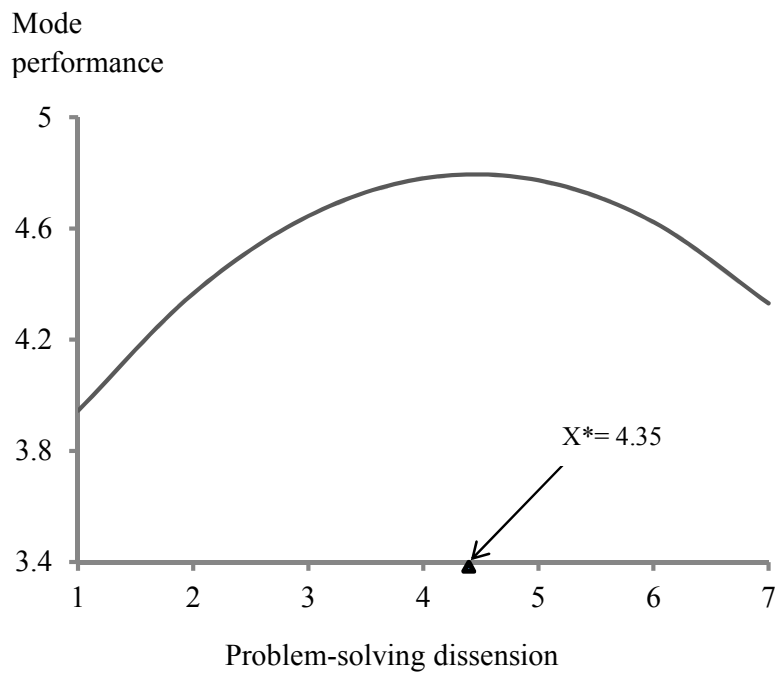


Figure 1. Effect of Dissension on Entry Mode Performance

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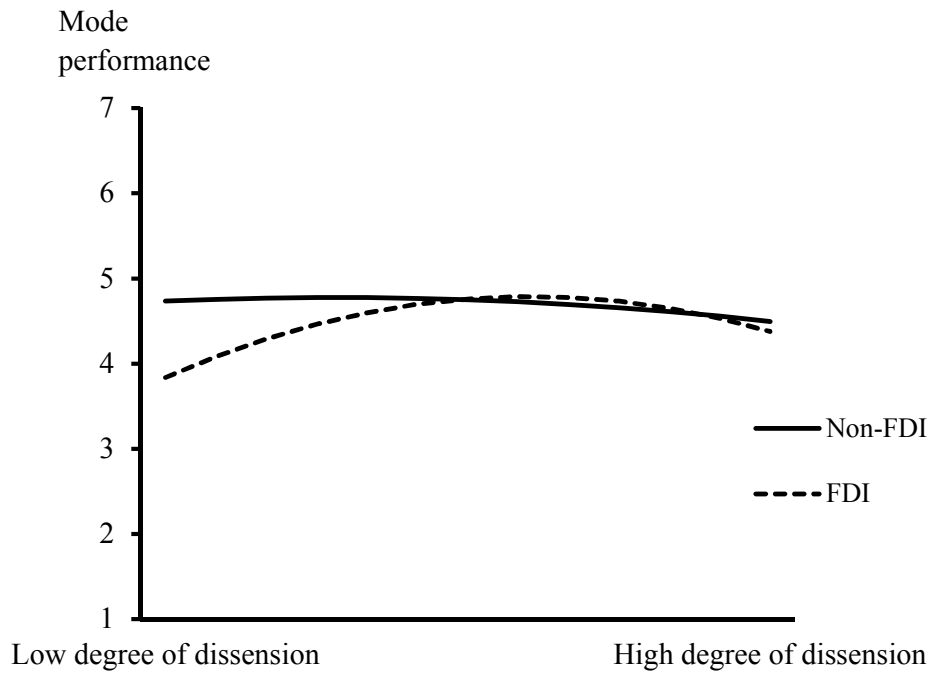


Figure 2. Moderating Effect of FDI vs. Non-FDI decision

Review

Table 1. Descriptive statistics, correlations and collinearity statistics

| Variable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | Collinearity Statistics | Tolerance | VIF ^a |
|--|--------|---------|--------|---------|---------|---------|--------|---------|--------|--------|--------|-------|--------|---------|---------|-------|---------|--------|-------|-------|-------|------|-------------------------|-----------|------------------|
| Mean | 4.79 | 3.60 | 3.98 | 4.67 | 2.42 | 4.60 | 4.66 | 2.63 | 2.13 | 4.95 | 4.45 | 4.28 | 0.27 | 0.34 | 0.16 | 0.15 | 0.55 | 0.21 | 0.22 | 0.77 | 3.27 | 4.60 | | | |
| Standard Deviation | 0.94 | 1.06 | 1.33 | 1.35 | 0.92 | 1.18 | 0.98 | 0.57 | 3.04 | 0.99 | 1.10 | 1.01 | 0.45 | 0.48 | 0.37 | 0.35 | 0.50 | 0.41 | 0.15 | 0.27 | 1.57 | 0.90 | | | |
| 1. Entry mode performance | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Environmental munificence | -0.13* | | | | | | | | | | | | | | | | | | | | | | | 0.73 | 1.38 |
| 3. Environmental uncertainty | 0.04 | -0.31** | | | | | | | | | | | | | | | | | | | | | | 0.79 | 1.27 |
| 4. Firm size (ln) | 0.12 | 0.11 | -0.06 | | | | | | | | | | | | | | | | | | | | | 0.61 | 1.63 |
| 5. Firm turnover before entry | 0.12 | -0.06 | 0.15* | 0.46** | | | | | | | | | | | | | | | | | | | | 0.63 | 1.60 |
| 6. Local experience | 0.22** | -0.32** | 0.10 | 0.09 | 0.14* | | | | | | | | | | | | | | | | | | | 0.64 | 1.55 |
| 7. Local linkages | 0.37** | -0.29** | 0.05 | -0.04 | -0.02 | 0.49** | | | | | | | | | | | | | | | | | | 0.66 | 1.51 |
| 8. Age of decision-maker | -0.16* | 0.08 | -0.07 | -0.06 | -0.11 | -0.22** | -0.16* | | | | | | | | | | | | | | | | | 0.77 | 1.29 |
| 9. Intel. experience of decision-maker | 0.05 | -0.05 | 0.00 | 0.13* | 0.15* | 0.05 | 0.05 | -0.38** | | | | | | | | | | | | | | | | 0.76 | 1.31 |
| 10. Decision rationality | 0.44** | -0.15* | -0.06 | 0.14* | 0.08 | 0.28** | 0.29** | -0.10 | 0.02 | | | | | | | | | | | | | | | 0.70 | 1.43 |
| 11. Problem-solving dissension | 0.14* | -0.24** | 0.19** | 0.03 | 0.14* | 0.31** | 0.28** | -0.20** | 0.11 | 0.43** | | | | | | | | | | | | | | 0.66 | 1.52 |
| 12. Hierarchical centralization | 0.06 | -0.22** | 0.15* | 0.11 | 0.12 | 0.18** | 0.21** | -0.05 | 0.06 | 0.28** | 0.29** | | | | | | | | | | | | | 0.80 | 1.24 |
| 13. FDI/non-FDI decision | 0.02 | 0.04 | 0.05 | 0.44** | 0.48** | 0.10 | 0.03 | -0.08 | 0.21** | 0.06 | 0.11 | 0.02 | | | | | | | | | | | | 0.64 | 1.56 |
| 14. Electronics | -0.07 | 0.03 | 0.13* | -0.04 | 0.02 | -0.04 | -0.11 | 0.06 | 0.06 | -0.02 | 0.02 | -0.09 | 0.11 | | | | | | | | | | | 0.70 | 1.44 |
| 15. Chemicals | 0.01 | 0.00 | -0.04 | 0.04 | 0.11 | -0.08 | -0.05 | -0.05 | -0.01 | 0.04 | -0.12 | 0.02 | 0.05 | -0.31** | | | | | | | | | | 0.77 | 1.30 |
| 16. Textiles | 0.02 | -0.01 | -0.08 | -0.07 | -0.09 | 0.03 | 0.07 | 0.04 | 0.02 | -0.04 | 0.02 | 0.02 | -0.14* | -0.30** | -0.18** | | | | | | | | | 0.80 | 1.24 |
| 17. Market-seeking motive | 0.13* | -0.10 | -0.04 | -0.01 | -0.06 | 0.00 | 0.09 | 0.01 | -0.01 | 0.05 | 0.06 | 0.12 | -0.14* | -0.16* | 0.00 | 0.11 | | | | | | | | 0.43 | 2.31 |
| 18. Strategic asset-seeking motive | -0.08 | 0.01 | 0.04 | 0.16* | 0.22** | 0.07 | -0.04 | -0.06 | 0.02 | -0.03 | -0.03 | -0.01 | 0.19** | 0.08 | 0.04 | -0.09 | -0.46** | | | | | | | 0.50 | 1.99 |
| 19. Natural resource-seeking motive | -0.08 | 0.15* | 0.08 | 0.01 | 0.00 | -0.14 | -0.14* | 0.05 | -0.09 | -0.12 | -0.06 | -0.06 | 0.11 | 0.08 | -0.06 | 0.02 | -0.16* | -0.08 | | | | | | 0.84 | 1.20 |
| 20. Following competitors/ customers | -0.01 | -0.05 | -0.09 | -0.18** | -0.20** | 0.04 | 0.08 | -0.09 | 0.12 | 0.00 | -0.07 | -0.12 | -0.14* | -0.11 | 0.01 | 0.06 | -0.32** | -0.15* | -0.04 | | | | | 0.61 | 1.64 |
| 21. Years from the entry decision | 0.04 | 0.16* | -0.03 | 0.23** | 0.00 | -0.04 | -0.05 | 0.05 | 0.05 | -0.07 | -0.12 | -0.03 | 0.02 | -0.03 | -0.04 | 0.04 | -0.02 | 0.04 | -0.04 | -0.05 | | | | 0.88 | 1.13 |
| 22. Psychic distance | 0.15* | -0.24** | 0.22** | 0.08 | 0.00 | 0.23** | 0.30** | -0.22** | 0.05 | 0.20** | 0.24** | 0.11 | 0.02 | -0.05 | -0.01 | 0.03 | 0.02 | 0.06 | -0.06 | 0.03 | -0.07 | | | 0.70 | 1.44 |

n = 233; ^a: variance inflation factor; * *p* < .05 (two-tailed), ** *p* < .01 (two-tailed).

Table 2. Hierarchical OLS regression results for entry mode performance

| Variables: | Main effect | | | Interaction effect | | |
|--|----------------------|----------------------|------------------------------|-------------------------------|-------------------|----------------------|
| | Model A | Model B | Model C | Model D | Model E | Model F |
| Environmental munificence | -2.00E-03 (-0.02) | -2.00E-03 (-0.04) | 0.01 (0.17) | 0.02 (0.23) | 0.03 (0.51) | 0.02 (0.23) |
| Environmental uncertainty | 0.08 (1.14) | 0.07 (1.12) | 0.05 (0.69) | 0.05 (0.68) | 0.06 (0.95) | 0.05 (0.80) |
| Psychic distance | 0.12 (1.03) | 0.11 (0.97) | 0.12 (1.03) | 0.12 (1.04) | 0.13 (1.25) | 0.11 (0.98) |
| Firm size (<i>ln</i>) | 0.03 (0.46) | 0.03 (0.46) | 0.02 (0.29) | 0.05 (0.63) | 0.05 (0.67) | 0.05 (0.66) |
| Firm turnover before entry | 0.12 (1.55) | 0.11 (1.54) | 0.14 ⁺ (1.90) | 0.17* (2.17) | 0.18* (2.37) | 0.17* (2.24) |
| Local experience | -0.04 (-0.58) | -0.04 (-0.59) | -0.05 (-0.64) | -0.04 (-0.62) | -0.06 (-0.79) | -0.06 (-0.80) |
| Local linkages | 0.29** (4.13) | 0.29** (4.11) | 0.29** (4.22) | 0.30** (4.32) | 0.30** (4.37) | 0.28** (4.08) |
| Age of decision-maker | -0.14 (-1.18) | -0.13 (-1.17) | -0.14 (-1.25) | -0.13 (-1.18) | -0.12 (-1.05) | -0.13 (-1.20) |
| Intel. experience of decision-maker | -0.01 (-0.10) | -0.01 (-0.11) | -0.01 (-0.18) | 2.00E-03 (0.03) | 0.03 (0.42) | 0.04 (0.60) |
| Years from the entry decision | 0.08 (1.35) | 0.08 (1.35) | 0.08 (1.31) | 0.07 (1.24) | 0.08 (1.37) | 0.08 (1.43) |
| Industry | | | | | | |
| - Electronics | -0.05 (-0.34) | -0.05 (-0.34) | -0.03 (-0.18) | -0.01 (-0.09) | -0.02 (-0.14) | -2.00E-03 (-0.01) |
| - Chemicals | -0.01 (-0.06) | -0.01 (-0.04) | -0.03 (-0.17) | -0.02 (-0.11) | -0.01 (-0.05) | 0.03 (0.17) |
| - Textiles | -0.03 (-0.17) | -0.03 (-0.16) | -4.00E-03 (-0.02) | -0.02 (-0.11) | -0.01 (-0.05) | -0.03 (-0.15) |
| Entry motive | | | | | | |
| -Market seeking | 0.21 (1.24) | 0.22 (1.23) | 0.22 (1.26) | 0.20 (1.15) | 0.23 (1.36) | 0.25 (1.44) |
| -Strategic asset seeking | -0.09 (-0.45) | -0.09 (-0.45) | -0.09 (-0.46) | -0.09 (-0.43) | -0.09 (-0.44) | -0.08 (-0.43) |
| -Natural resource seeking | 0.14 (0.34) | 0.15 (0.34) | 0.21 (0.49) | 0.27 (0.64) | 0.45 (1.06) | 0.43 (1.02) |
| -Compet/ cust following | 0.04 (0.15) | 0.04 (0.16) | 0.08 (0.30) | 0.06 (0.22) | 0.09 (0.35) | 0.08 (0.30) |
| Decision rationality | 0.39** (6.15) | 0.39** (5.71) | 0.39** (5.79) | 0.39** (5.75) | 0.40** (5.96) | 0.37** (5.44) |
| Hierarchical centralization | -0.15* (-2.34) | -0.15* (-2.34) | -0.11 ⁺ (1.72) | -0.12 ⁺ (-1.80) | -0.14* (-2.15) | -0.13* (-1.99) |
| Dissension | | 0.01 (0.10) | -0.02 (-0.29) | -0.01 (-0.07) | -0.10 (-1.27) | -0.07 (-0.94) |
| (Dissension) ² | | | -0.10* (-2.06) | -0.10* (-2.01) | -0.11* (-2.18) | -0.05 (-0.93) |
| FDI decision | | | | -0.20 (-1.23) | -0.24 (-1.55) | -0.03 (-0.14) |
| Dissension × FDI decision | | | | | 0.31* (2.48) | 0.31* (2.44) |
| (Dissension) ² × FDI decision | | | | | | -0.20* (2.01) |
| R ² | 0.32 | 0.32 | 0.33 | 0.33 | 0.35 | 0.37 |
| Adjusted R ² | 0.25 | 0.25 | 0.26 | 0.26 | 0.28 | 0.29 |
| ΔR ² | | 4.00E-03 | 0.01* | 5.00E-03 | 0.02* | 0.02* |
| F-statistic | 5.13** | 4.85** | 4.89** | 4.75** | 4.97** | 5.00** |

Dependent variable: entry mode performance, $n=233$, ** $p < .01$; * $p < .05$; + $p < .10$ (two-tailed)

Notes: All regression models are based on standardized z -scores of all variables (apart from the dichotomous or categorical variables); the entries are unstandardized β s with t -values in brackets.