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Build, buy, or partner? A systematic literature review on the choice between alternative modes of growth

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Abstract

When pursuing growth opportunities, organizations can, most fundamentally, choose between three different modes: internal development, mergers and acquisitions, and partnerships. Strategic management research investigates the decision of whether to “build, buy, or partner” and its determining factors from various theoretical perspectives, which led to the emergence of related, but largely independent, research streams. As such, this review consolidates the scattered literature landscape and provides a comprehensive understanding of the antecedents associated with the choice of corporate growth modes. To do so, an integrative research framework is proposed that encompasses internal, external, and decision-related factors. Based on this framework, the review provides a synthesized overview and critical assessment of 74 past empirical contributions and develops a detailed roadmap to guide future research.

Keywords Growth · Growth strategy · Corporate growth · Strategic decision · Acquisition · Mode choice

JEL Classification M10

1 Introduction

There is a strong consensus that growth plays an important role in the long-term survival and prosperity of organizations (Goold 1999). To exploit growth opportunities, companies can, in general, utilize three different modes: internal development, mergers and acquisitions (M&A), and partnerships (Stettner and Lavie 2014).

Internal development, often labeled as organic growth, refers to organizational actions that create value by recombining existing resources and capabilities or

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developing new ones (Yang et al. 2010; Zou et al. 2010). M&A comprise inter-firm linkages that lead to the integration of two formerly separate entities (Li 1995; Hoffmann and Schaper-Rinkel 2001). When entering partnerships, whether equity-based or not, firms remain legally independent, but they cooperate by exchanging complementary resources and services (Garette and Dussauge 2000; Lioukas et al. 2016).

As each growth mode requires an investment commitment that leverages a firm's finite repertoire of resources (Teece 1982; Batsakis and Mohr 2017), they are often regarded as alternatives (Harzing 2002; van de Vrande et al. 2006). Thus, the pursuit of one mode usually eliminates the adoption of another (Yang et al. 2010). Hence, it is crucial to understand when to choose one mode over another (Bradley and Gannon 2000; Chang and Rosenzweig 2001). This "build, buy, or partner" choice is considered an essential dimension of corporate strategy (Canals 2001) and requires the careful consideration of each mode's characteristics and constraints (Yip 1982), advantages and disadvantages (Tseng 2017), and performance implications (Li 1995).

How practitioners reach this decision, and which ex-ante determinants exert influence on it, has intrigued scholars for decades. However, the associated research landscape is dispersed and fragmented, given that most empirical studies employ varying comparative models, such as "acquisition vs. alliance" (e.g., Villalonga and McGahan 2005; Wang and Zajac 2007; Blevins et al. 2016), "greenfield investment vs. acquisition" (e.g., Zejan 1990; Harzing 2002; Drogendijk and Slangen 2006), and "wholly-owned subsidiary vs. joint venture" (e.g., Gomes-Casseres 1990; Makino and Neupert 2000; Kuo et al. 2012). Despite some researchers, such as Shaver (2013) or Yang et al. (2010), scrutinizing this dichotomy and calling for a more comprehensive perspective, only few studies investigate trichotomous choice sets incorporating all three growth modes (e.g., Elango and Sambharya 2004; Kogut and Singh 1988; Moatti 2009).

This review aims to combine and synthesize the hitherto separate research streams on growth mode choice and its determining factors. Following the call of Hoffmann and Schaper-Rinkel (2001) and based on the theoretical foundations of strategic decision-making (SDM) research, a holistic research framework is developed to systematically assess and reconcile all decision antecedents under one conceptual roof. Thereby, this review overcomes limitations of previous reviews that provide detailed insights into *individual* growth modes (e.g., Jansen et al. 2006; Haleblan et al. 2009; Xie et al. 2017), but lack a synthesized discussion of the choice between *different* growth modes.

Such knowledge is closer to business reality and has the potential to greatly advance the performance of strategic decision-making. When exploiting growth opportunities, organizations have various modes at their disposal and decision-makers need to choose the one that maximizes the likelihood of success (Brouthers 2002). Hence, a consolidated view of the most important aspects in growth mode selection can facilitate the alignment of an organization's growth strategy with its contextual circumstances, and the beneficial effects of flexible, multidexterous strategies underpin this necessity (Busija et al. 1997; Yin and Shanley 2008).

Further, this review makes two important contributions to extant literature. First, it provides a structured overview and holistic discussion of empirical research across

the various research streams on growth mode choice. Such cross-silo findings facilitate the exchange of knowledge and the development of a more coherent understanding of this key strategic decision (Parola et al. 2013; Brouthers and Brouthers 2000). Second, several paths for future research endeavors are provided that help guide the theoretical and empirical development of the topic. For instance, scholars might take a closer look at the role of personal and top management team characteristics in this choice and investigate mode interdependencies and their impact on firm performance in more detail.

The remainder of this paper proceeds as follows. Section 2 describes the review methodology and the applied research framework. In Sect. 3, the literature analysis is presented. After synthesizing and discussing the main findings in Sect. 4, Sect. 5 presents an agenda to guide future research. Finally, Sect. 6 concludes the paper.

2 Review methodology

2.1 Research process

In this study, I employ a systematic review approach. A systematic literature review (SLR) is particularly well suited to the objectives of this study, as it enables the capture of a mature domain's body of knowledge (Cook et al. 1997; Webster and Watson 2002) and the integration of findings from fragmented research fields (Booth et al. 2016; Denyer and Tranfield 2009).

To collate an exhaustive but distinctive literature sample, a keyword technique is employed to draw from the Business Source Complete (EBSCO) and ABI/Inform ProQuest databases. For an article to be included in the preliminary sample, a reference to growth modes as well as the decision between them was required in the title or abstract. The search terms used for the text function are provided in the Appendix. The search scope is limited to peer-reviewed journal articles published in English. The review of journal articles only is appropriate given the maturity of the topic and the fact that “they can be considered validated knowledge and are likely to have the highest impact in the field” (Hutzschenreuter and Kleindienst 2006, p. 674).

Book chapters, working papers, and conference articles are excluded. The output is further constrained to publication dates between January 1, 1980 and May 31, 2022. Using 1980 as the lower boundary seemed reasonable, as the most cited empirical papers that fundamentally sharpened our understanding of growth modes were written in the decade that followed (e.g., Wilson 1980; Yip 1982; Kogut and Singh 1988). This is consistent with other reviews that identified the study by Wilson (1980) as a suitable starting point (Slangen and Hennart 2007). The keyword search yields a preliminary sample of 1574 articles and after elimination of duplicates, 1172 unique articles remain.

To narrow down the initial search output, a stepwise selection process using clear and replicable inclusion criteria is followed.¹ Initially, the analysis was confined to

¹ This approach follows Xiao and Watson (2019) and Wolfswinkel et al. (2013) in a modified manner.

Table 1 Steps and results of the applied literature search process

Process step	Total
Peer-reviewed journal articles using required keywords between 1980 and 2020	1,574
After elimination of duplicates	1,172
After filtering for empirical articles	1,022
After filtering for journals with 5-Year Impact Factor of ≥ 1.7 or VHB ranking of $\geq C$	506
After reviewing title and abstract of articles	61
After reviewing articles in their entirety	50
After adding articles identified through residual search	70
After adding articles identified through cross-referencing	74
Final sample size	74

empirical contributions.² This filter is appropriate given the research focus on ex-ante determinants that warrant empirical investigation (1022 articles remaining). Moreover, results are restricted to periodicals with a 5-year social science citation index journal impact factor of ≥ 1.7 or a VHB-Jourqual 3 ranking of $\geq C$ (506 articles remaining). These quality thresholds are consistent with similar SLRs (e.g., Bouncken et al. 2015) and are well suited to long-standing research domains, such as growth strategies. To check for substantial relevance, the titles and abstracts of each article are subsequently screened, and false positives were eliminated (61 articles remaining). The extant articles are read in their entirety, which leads to the removal of further publications that did not examine the topic under consideration. This was mainly the case for articles that do not investigate either contextual factors or one of the targeted decision situations. As such, studies investigating the antecedents of individual growth modes (i.e., not addressing any decision *between* two or three growth modes) are not included in this review. Ultimately, this procedure results in an interim sample of 50 articles that met the inclusion criteria and predefined research scope. Finally, the output is complemented through residual search (adding 20 articles) and cross-referencing (adding 4 articles). Table 1 provides an overview of the selection process.

The final sample comprises 74 articles from 32 journals. The main outlets are the Journal of International Business Studies (23%) and the Strategic Management Journal (17%). A closer look at the publication dates reveals a strong research interest in growth mode decisions between 1990 and 2009. The articles published in these two decades account for 77% of the entire sample. With respect to geographical coverage, most studies (31%) investigate the growth mode decisions of firms from North America, followed by 24% of articles focusing on Europe and 16% on Asia-Pacific; 28% use a global sample. The industry focus of most research is noteworthy. While 50% of the references rely on a cross-industry sample, 26% cover manufacturing firms only, with 24% covering other sectors.

² Conceptual and meta-analytical work is studied as well, but not integrated in the sample.

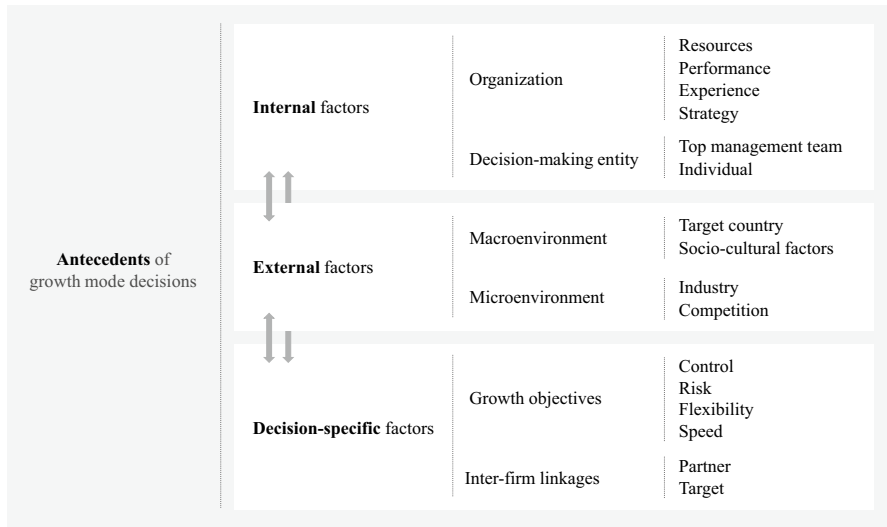


Fig. 1 Integrative framework to research antecedents of growth mode decisions

2.2 Research framework

To systematically assess any given body of research, it is instructive to develop an analytical review scheme (Ginsberg and Venkatraman 1985). Such a scheme allows to discern the overarching themes, as well as commonalities and differences, from a diverse set of studies. As the growth mode choice is considered a key strategic decision (Agarwal and Ramaswami 1992), the SDM literature provides a solid foundation for developing such a scheme. Essentially, SDM scholars identify four main groups of antecedents that impinge on strategic decisions: external environment, internal organization, top management team (TMT), and decision-specific characteristics (Shepherd and Rudd 2014; Elbanna et al. 2020).

While this categorization is beneficial for a general understanding of contextual influences, it warrants further customization to the researched decision. As such, the contextual factors that are investigated in the sample are extracted and grouped into mutually exclusive factors. This approach leads to the renaming and rearranging of the generic SDM antecedents into broad sets of internal, external, and decision-specific factors.³ Internal factors entail organizational variables, as well as those related to the decision-making entity; external factors include both macroenvironmental and microenvironmental variables; decision-specific factors contain growth objectives as well as partner or target characteristics. Figure 1 illustrates this integrative research framework. In the next section, the framework is employed to structure the findings of the review and finer grained variables within each category in more detail.

³ This categorization is similar to the theoretical model of Rajagopalan et al. (1997) who classified contextual factors into external environmental, internal organizational, and decision-specific factors.

3 Results

3.1 Literature overview

According to Webster and Watson (2002), a concept matrix can be a very helpful means of grouping, discussing, and synthesizing prior research in a structured way. As such, the articles in the sample are categorized according to various conceptual, methodological, and thematic dimensions. Table 2 presents this matrix in a simplified form by focusing on (a) the antecedents and (b) the growth mode decision examined in each article. Organizational, macroenvironmental, and microenvironmental factors are presented and discussed at the most granular level, given their high attention and conceptual diversity in prior studies.

As the results show, 64% of the publications in the sample examined dichotomous decision models. Thereof, 44% focus on the “build vs. buy” choice, while the decisions of “buy vs. partner” and “build vs. partner” are addressed in 31 and 25% of the studies, respectively. Thirty-six percent of all articles investigate a more holistic choice, including all three growth modes. This rather dispersed research landscape is in line with previous observations (Yang et al. 2010; Schellenberg et al. 2018) and underpins the importance of an integrated review.

With respect to the antecedents, the findings reveal great differences in how often certain factors are addressed in the literature. The most frequently researched variables are firm resources (84%), general industry characteristics (74%), and firm experience (69%). In contrast, only a minor share of publications examined variables related to the decision-making entity (7%), firm performance (23%), or firm strategy (30%). In particular, the omission of the decision-making entity is highly surprising given that SDM literature emphasizes the importance of individual or team-related traits in the decision process (Shepherd and Rudd 2014). Moreover, only 51% of the reviewed articles incorporate antecedents from all three groups (internal, external, and decision-specific).

3.1.1 Antecedents of growth mode decisions

In this section, I present the main results of the literature review. To do so, the research framework is employed to structure the findings, and the antecedents are discussed successively: first, internal factors including the organization as well as decision-making entity; second, external factors including macroenvironmental and microenvironmental variables; third, decision-specific factors including growth objectives as well as partner or target characteristics.

3.1.2 Internal factors

A substantial amount of research addresses internal factors, that is, the organization as well as the decision-making entity. The former is the most frequently studied group of antecedents and is approached mainly from a resource-based or transaction

Table 2 Thematic clustering of publications, ordered alphabetically

No	Author	Year	Antecedents										Growth mode decision					
			Internal					External					Decision-specific			Other		
			Organization					Decision-making entity	Macro-environment		Micro-environment			Growth objectives	Inter-firm linkages	Build-Buy-Partner	Build-Buy-Partner	Build-Partner
			Resources	Performance	Experience	Strategy	Target country		Socio-cultural	Industry	Competition							
1	Agarwal	1994	x		x			x									x	
2	Agarwal & Ramaswami	1992	x		x			x		x			x				x	
3	Amankwah-Amoah	2022	x	x	x		x									x		
4	Anand & Delios	2002							x									
5	Andersson & Svensson	1994	x		x			x		x	x			x				
6	Arregle et al	2006	x		x			x	x	x			x					
7	Barkema & Vermeulen	1998	x	x	x	x		x	x	x				x				
8	Blevins et al	2016			x			x	x	x								
9	Blomstermo et al	2006	x		x				x	x						x		
10	Bradley & Gannon	2000	x			x				x			x					
11	Brouthers	2002	x		x			x		x			x					

Table 2 (continued)

No	Author	Year	Antecedents		Growth mode decision									
			Internal	External	Decision-specific					Other				
					Organization		Decision-making entity		Macro-environment			Micro-environment		
					Resources	Performance	Experience	Strategy	Target country	Socio-cultural	Industry	Competition	Growth objectives	Inter-firm linkages
21	Dikova & Witteloostuijn	2007	x	x	x	x	x	x	x	x	x	x	x	x
22	Dow & Larimo	2009	x	x	x	x	x	x	x	x	x	x	x	x
23	Drogendijk & Slangen	2006	x	x	x	x	x	x	x	x	x	x	x	x
24	Dyer et al	2004	x	x	x	x	x	x	x	x	x	x	x	x
25	Ekeledo & Sivakumar	2004	x	x	x	x	x	x	x	x	x	x	x	x
26	Elango	2005	x	x	x	x	x	x	x	x	x	x	x	x
27	Elango & Sambharya	2004	x	x	x	x	x	x	x	x	x	x	x	x
28	Erramilli	1991	x	x	x	x	x	x	x	x	x	x	x	x
29	Erramilli & Rao	1993	x	x	x	x	x	x	x	x	x	x	x	x
30	Erramilli et al	1997	x	x	x	x	x	x	x	x	x	x	x	x

Table 2 (continued)

No	Author	Year	Antecedents		Growth mode decision									
			Internal		External					Decision-specific				
			Organization		Decision-making		Macro-environment			Micro-environment		Decision-specific		
			Resources	Performance	Experience	Strategy	Target country	Socio-cultural	Industry	Competition	Growth objectives	Inter-firm linkages	Build-Buy-Partner	Build-Buy-Partner
31	Gatignon & Anderson	1988			x		x	x	x		x		x	
32	Gerpott & Jakopin	2008	x	x	x		x	x	x	x	x		x	
33	Gomes-Casseres	1990	x	x	x		x		x	x	x			x
34	Hagedoorn & Duysters	2002	x		x		x		x					x
35	Harzing	2002	x		x	x		x			x	x	x	
36	Hennart & Park	1993	x	x	x	x			x	x	x	x	x	
37	Hennart & Reddy	1997								x		x		x
38	Herrmann & Datta	2002	x	x		x	x	x	x		x		x	
39	Herrmann & Datta	2006	x	x		x	x	x	x				x	
40	Hoffmann & Schaper-Rinkel	2001	x						x		x	x		x

Table 2 (continued)

No	Author	Year	Antecedents		Growth mode decision									
			Internal		External					Decision-specific				
			Organization		Decision-making entity		Macro-environment			Micro-environment		Decision-specific		
			Resources	Performance	Experience	Strategy	Target country	Socio-cultural	Industry	Competition	Growth objectives	Inter-firm linkages	Build-Partner	Buy-Partner
41	Ingham & Thompson	1994	x	x		x					x			x
42	Kim & Hwang	1992	x		x	x	x			x			x	
43	Kim & Jin	2017		x					x			x		x
44	Kogut & Singh	1988	x		x	x		x	x		x		x	
45	Kuo et al	2012	x		x				x		x		x	
46	Lee & Lieberman	2009	x	x					x	x	x		x	
47	Leiblein & Miller	2003	x		x	x			x			x	x	
48	Li & Xiong	2022	x	x			x						x	
49	Li & Li	2010		x			x		x			x		x
50	Datta et al	2009	x	x	x	x	x	x				x	x	
51	Lopez-Duarte & Garcia-Canal	2002	x		x		x		x			x	x	

Table 2 (continued)

No	Author	Year	Antecedents		Growth mode decision									
			Internal		External					Decision-specific				
			Organization		Decision-making		Macro-environment			Micro-environment		Decision-specific		
			Resources	Performance	Experience	Strategy	Target country	Socio-cultural	Industry	Competition	Growth objectives	Inter-firm linkages	Build-Buy-Partner	Build-Buy-Partner
52	Makino & Neupert	2000	x						x		x			x
53	Moatti	2009	x	x			x		x				x	
54	Mutinelli & Piscitello	1998	x	x			x	x	x		x		x	
55	Padmanabhan & Cho	1999	x	x		x	x	x	x		x		x	
56	Pan & Tse	2000					x	x	x		x			
57	Parola et al	2013	x		x		x	x	x	x	x			x
58	Ruiz-Moreno et al	2007	x	x	x		x	x	x	x			x	
59	Slangen & Hennart	2008			x	x		x	x		x	x		
60	Taylor et al	1998	x						x			x		x
61	Tong & Li	2011	x	x			x		x	x	x	x		x
62	Tseng	2017	x	x			x				x	x		x
63	Vanhaverbeke et al	2002	x		x				x			x		x

Table 2 (continued)

No	Author	Year	Antecedents		Growth mode decision									
			Internal	External	Decision-specific					Other				
					Macro-environment		Micro-environment		Growth objectives	Inter-firm linkages	Build-Buy-Partner		Buy-Partner	
					Target country	Socio-cultural	Industry	Competition			Build-Buy-Partner	Build-Buy-Partner	Buy-Partner	Build-Partner
64	Villalonga & McGahan	2005	x						x	x			x	
65	Wang & Zajac	2007					x			x			x	
66	Weisbord	1994	x									x		
67	White	2000						x		x				
68	Wilson	1980							x			x		
69	Xu et al	2020	x		x							x		
70	Yang et al	2010	x				x		x	x			x	
71	Yip	1982	x				x					x		
72	Yiu & Makino	2002	x		x	x				x				x
73	Zejan	1990										x		
74	Zou et al	2010	x		x		x			x			x	
Number of articles		62	17	51	22	54	41	27	55	36%	27	36%	20%	12
Share of articles		84%	23%	69%	30%	76%	55%	36%	74%	43%	28%	36%	20%	16%

cost perspective. The latter is widely neglected and constitutes a major opportunity for future research.

3.1.2.1 Organization Research emphasizes the significant influence that organizational factors exert on strategic decisions relative to other contextual variables (Leiblein and Miller 2003; Datta et al. 2002; Elbanna and Child 2007). Thus, it is not surprising that firm characteristics have attracted a great deal of attention. Based on the reviewed articles, they can be classified into resources, performance, experience, and strategy.

Resources

Research suggests that resources are the foremost factor to be examined when choosing growth strategies (Dyer et al. 2004) and that their nature, availability, and composition are important determinants (Carayannopoulos and Auster 2010; Andersson and Svensson 1994). While high internal resources reduce the need for external growth (Kim and Jin 2017), they are equally important for its realization (Hoffmann and Schaper-Rinkel 2001). Generally, resources are heterogeneously distributed and typically include all assets, processes, capabilities, and knowledge owned by a firm (Barney 1991; Zhou et al. 2009). In the reviewed literature, three major types of resource are distinguished: financial, human, and technological.

Financial resources are often approximated using company size, based on revenues, full-time employees, or assets (Shepherd and Rudd 2014). In general, there is strong consent that firm size is significantly and positively related to the decision to acquire vis-à-vis internal development (Yip 1982; Andersson and Svensson 1994; Hoffmann and Schaper-Rinkel 2001; Chang and Singh 1999) or alliances (Hennart and Reddy 1997; Zhou et al. 2009). The underlying assumption is that larger organizations are likely to possess greater financial resources and thus, have a greater capacity to finance capital-intensive acquisitions and absorb risks (Agarwal 1994; Drogendijk and Slangen 2006). Some researchers similarly find a positive relationship between financial resources and the use of full control modes when entering foreign markets (e.g., Datta et al. 2009; Erramilli 1991; Bradley and Gannon 2000; Ingham and Thompson 1994; Parola et al. 2013). Other measures of financial resources include stock market valuation, cash flow, and leverage. A high valuation is found to be significantly linked to acquisitive growth, as it can be readily exploited in exchange for an acquired firm's stock (Chatterjee 1990). A higher cash flow, in contrast, supports a greater reliance on internal development (Lee and Lieberman 2009), as it can be much more easily applied than stock market capital. Last, findings related to a firm's degree of leverage are mixed or insignificant, which researchers attribute to endogenous effects related to institutional circumstances (Hennart and Park 1993; Chang and Singh 1999).

Human resources in a broader and managerial resources in a narrower sense represent the second dimension of firm resources. They are found to be a key determinant of growth mode decisions, especially those that involve high complexity and substantial investments (Brouthers and Brouthers 2000). In such

situations, organizations are likely to engage in acquisitions versus self-reliant modes, in order to avoid a shortage of managerial resources (Hennart and Park 1993). This alludes to Penrose (2009) who assumes that there is a maximum rate at which managers can be recruited and trained. Since acquisitions provide access to new human resource endowments, they ease the managerial burden (Caves and Mehra 1986) and hence, constitute the preferred mode of growth. Dyer et al. (2004), however, argue that the complexity of integrating human resources post-merger might discourage acquisitive growth. Similarly, some researchers argue from an absorptive capacity perspective (Cohen and Levinthal 1990) that an organization's ability to learn and adapt might influence its relative tendency towards acquisitions or alliances (Hoffmann and Schaper-Rinkel 2001). This is in line with organizational learning theory that stresses the importance of consistent knowledge management for rapid capability build-up in foreign environments (Hagedoorn and Duysters 2002). The way organizations group individual into collective knowledge and foster information sharing among their employees can have a considerable impact on its organizational choices (Barkema and Vermeulen 1998; Carayannopoulos and Auster 2010). Effective learning mechanisms have hence been shown to be crucial for successful entry mode choice and subsequent implementation (Datta et al. 2002).

Last, *technological resources* are well documented as an important driver of “build, buy, or partner” decisions. They are mainly operationalized as an organization's R&D intensity, that is the percentage of sales devoted to R&D activities. A great part of the foreign direct investment literature suggests that firms with strong technological capabilities are more likely to internationalize through internal development modes, such as greenfield ventures, as opposed to acquisitions or alliances (e.g., Hennart and Park 1993; Kogut and Singh 1988; Makino and Neupert 2000). These results support the transaction cost perspective and are closely related to the high specificity of technological assets. Specificity refers to resources or assets that lose value in alternative use (Williamson 1975), which is generally the case with proprietary content and high-tech resources. For such resources, the threat of opportunistic behavior, free-riding, or dissemination looms large (Brouthers and Brouthers 2000; Agarwal 1994). Consequently, firms are more likely to engage in growth modes that provide full ownership and control (Bradley and Gannon 2000; Kim and Hwang 1992; Brouthers et al. 2008). Moreover, the cost of internal development is significantly lower for firms with a stronger base in R&D (Lee and Lieberman 2009). However, there is contradictory evidence. Some scholars find that strong technological resources enforce acquisitive growth (López-Duarte and García-Canals 2002; Villalonga and McGahan 2005; Andersson and Svensson 1994) and hypothesize that technology-intensive firms might lack market knowledge and seek to tap those local skills through takeovers (Caves and Mehra 1986; Kogut and Singh 1988; Barkema and Vermeulen 1998). Capron and Mitchell (2004), based on dynamic capabilities perspectives (Henderson and Cockburn 1994), explain this tendency with a better aptitude to assimilate external technological resources.

Performance

Firm performance has attracted limited attention as a growth mode antecedent in empirical research, as only 23% of the papers in the sample account for performance measures. Lee and Lieberman (2009), for instance, find that firms with high profitability are less likely to use acquisition as a means to grow. This finding is consistent with the earlier discussion that higher cash flows support reliance on internal development. Hall (2002) argues that, in build vs. buy decisions, funding plays a decisive role in the relative cost and thus, the choice between both modes; while acquisitions can be financed by various mechanisms (e.g., exchange of stock, accumulated cash reserves, debt, or some combination), internal development is mostly funded by current cash flow. However, evidence is rather weak, as other studies fail to find any significant relationship between profitability and growth mode preference (e.g., Ingham and Thompson 1994; Moatti 2009; Tong and Li 2011), or even points in the opposite direction (Chang and Singh 1999). Other studies consider competitive positions or sales growth as other types of performance measures. While the former is found to significantly increase a firm's prospects of self-reliant modes (Yip 1982), the latter does not seem to be a relevant determinant of growth mode choice (Chatterjee 1990; Datta et al. 2009).

Experience

Experience is one of the most investigated antecedents of growth mode decisions (Brouthers and Brouthers 2000), and 69% of the reviewed articles incorporated experience measures. Based on transaction cost economics, the role of experience is described as reducing the inherent uncertainty and risk associated with any growth initiative (Arregle et al. 2006). Conceptually, research distinguishes between international, country-specific, and mode-related experiences (Padmanabhan and Cho 1999; Dow and Larimo 2009; Parola et al. 2013).

International experience refers to a firm's experience of managing business activities in foreign locations and is operationalized as years, number of countries, or percentage of foreign assets (Dow and Larimo 2009). Grounded in the Uppsala internationalization model and the concept of incremental commitment (Johanson and Vahlne 1977), cumulative international experience is found to significantly increase an organization's ability to handle risk, and hence its preference for modes involving greater investment and control, both organic (e.g., Arregle et al. 2006; Gomes-Caseres 1990; Andersson and Svensson 1994; Agarwal 1994; Barkema and Vermeulen 1998) and acquisitive in nature (e.g., Andersson and Svensson 1994; Harzing 2002). Kuo et al. (2012) show that this tendency seems to be even stronger for family firms. In contrast, newly internationalizing firms often cede control to locals that have the necessary knowledge and networks and hence, prefer cooperative growth modes (Agarwal and Ramaswami 1992; Gatignon and Anderson 1988).

Many empirical studies depart from an aggregated measure of international experience and focus on *country-specific experiences* (Dow and Larimo 2009). Earlier contributions, however, fail to detect any significant influence on the decision between acquisitions and greenfield ventures (Hennart and Park 1993; Kogut and Singh 1988; Zejan 1990). One possible reason for this might lie in an offsetting

effect: while companies with considerable experience in a country may possess all the required knowledge to successfully operate in that country and thus, have less need for local acquisitions, they may, in fact, feel more comfortable about making acquisitions (Drogendijk and Slangen 2006). Some scholars observe a tendency toward acquisitive growth modes, arguing that country-specific experience mitigates the difficulty of integrating labor forces (Hennart and Reddy 1997; Barkema and Vermeulen 1998) or that takeovers can serve as an instrument for reducing competitive pressure on established operations in the very same country (Andersson and Svensson 1994). Their findings are in line with transaction cost considerations and other studies that found country-specific experience to increase the probability of choosing wholly owned subsidiaries as opposed to joint ventures (Amankwah-Amoah et al. 2022; Parola et al. 2013; Yiu and Makino 2002; Mutinelli and Piscitello 1998).

Another interesting tranche of research investigates the impact of prior *mode experience*. In analogy to technological path dependencies (Arthur 1989), scholars approach such decisions as idiosyncratic behavior, whereby companies are locked into particular mode preferences. Hagedoorn and Duysters (2002), for instance, examine such repetitive momentum for strategic alliances and acquisitions and their results indicate that companies develop a systematic preference over time. This is consistent with the resource-based view and the organizational learning theory. When engaging in a particular mode, firms accumulate specialized knowledge, competencies, and routines (Padmanabhan and Cho 1999; Dyer et al. 2004). Such learning can be applied in subsequent initiatives, which increases an organization's confidence and hence, the likelihood of engaging in the very same mode in the future (Wang and Zajac 2007). Such institutionalized approaches are corroborated in numerous empirical studies and seem to behave in similar ways for build, buy, or partner strategies alike (e.g., Arregle et al. 2006; Yiu and Makino 2002; White 2000; Brouthers and Brouthers 2000). Interestingly, researchers identify experience spillovers across governance forms, yet they seem to behave asymmetrically. Villalonga and McGahan (2005, p. 1200), for instance, find that "governance specialization is important for moves toward greater integration, but not vice versa." Experience related to acquisitions tends to see companies opt for further acquisitions, but knowledge of alliances and divestitures seems applicable for acquisitions as well (Vanhaverbeke et al. 2002). Chang and Rosenzweig (2001) and Moatti (2009) endorse this view, suggesting that partnerships can be considered an option for acquisition. Finally, there is considerable evidence that different types of experiences mutually reinforce each other. For instance, Blevins et al. (2015) find that for every acquisition in a country, the likelihood of entering into another transaction in the same country is about 200% greater.

Strategy

Similar to performance, only a small fraction of the reviewed articles (30%) incorporates strategy-related antecedents. In this vein, a company's diversification strategy, both from a geographic and product perspective, has attracted the most attention.

With respect to geographic diversification, scholars differentiate between global and domestic strategies (Harzing 2002). Based on the integration-responsiveness-framework of Prahalad and Doz (1987), they find that companies with global strategies aim for high levels of integration and low levels of local differentiation, while the reverse is true for firms following multi-domestic strategies (Parola et al. 2013; Dikova and van Witteloostuijn 2007; Drogendijk and Slangen 2006). As takeovers provide access to local firms that have an established network and are locally responsive, organizations following a multidomestic strategy preferably opt for acquisitive growth, while firms with a global strategy favor greenfield investments. Similarly, Kim and Hwang (1992) observe globally diversified firms to prefer high-control modes, as they allow better management of strategic relationships and exploit synergistic effects between different foreign operations.

Empirical evidence regarding product diversification strategies is somewhat contradictory. While some studies observe that greater product diversity increases the probability of firms choosing acquisitive growth modes (Wilson 1980; Zejan 1990), others describe a tendency toward internal development (Brouthers and Brouthers 2000) or fail to find any significant impact (Harzing 2002). Barkema and Vermeulen (1998) propose a curvilinear relationship between product diversity and the propensity to expand through greenfield ventures vis-à-vis acquisitions. They argue that greater product diversity expands a company's exposure to different competitive forces (e.g., rivals, suppliers, partners, and customers) and hence, amplifies its learning and capability building. The enhanced capabilities will, in turn, reinforce a firm's propensity to grow organically. However, at a certain point, companies meet organizational constraints on information sharing, which necessitates firm structures with relatively autonomous businesses that can be easily acquired externally.

Another stream of research accounts for business strategy variables. However, varying conceptualizations have led to inconclusive and hardly comparable results. Datta et al. (2009) draw on the concept of Miles et al. (1978), which states that organizations exhibit four different strategies (prospectors, defenders, analyzers, and reactors) as they adapt to changes in the external environment. Their findings indicate a strong relationship between business strategy orientation and choice of market entry mode. Prospectors, such as innovative, venturesome, and growth-oriented companies, are more likely to settle for equity and full-ownership entry modes, such as acquisitions and greenfields, rather than partnership-based modes (Datta et al. 2009). Other researchers model business strategies as a result of different push-and-pull factors. Erramilli and Rao (1993) find that firms with market-seeking and client-following strategies differ significantly in their entry mode choice. Gerpott and Jakopin (2008) observe that new ventures were preferred to acquisitions when multinationals pursued a "follower" as opposed to a "pioneer" strategy.

3.1.2.2 Decision-making entity The second category of internal factors relates to the decision-making entity, that is, the team or individual that ultimately makes the growth mode decision. As managerial cognition literature suggests, strategic choices are determined by top executives' cognitive diagnoses and interpretations (Ginsberg 1994; Tseng 2017). Hence, it is all the more surprising that only six percent of all reviewed papers account for personal or TMT-related factors.

The *top management team* is the coalition of an organization's most senior executives and is responsible for setting its overall strategic direction (Shepherd and Rudd 2014; Hambrick and Mason 1984). The growth mode literature, however, largely disregards the role of the TMT and to the best of my knowledge, no study focuses on TMT characteristics as antecedents of growth mode decisions. Hence, investigating such variables constitutes a fruitful path for future empirical investigations (Herrmann and Datta 2006).

Little attention is paid to *personal factors*, even though managers' perceptions are widely considered a key driver of SDM (Johanson and Vahlne 1977). Although some studies (e.g., Sambharya 1996; Smith and White 1987) shed light on the relationship between executive characteristics and firm strategies, few do so in the context of growth mode decisions (Drogendijk and Slangen 2006). Based on upper echelons theory (Hambrick and Mason 1984) and the strategic choice paradigm (Child 1972), Herrmann and Datta (2002) explore how CEO characteristics interfere with the choice of foreign market entry mode. Consistent with theoretical arguments, they find CEOs' preferences for full-control entry strategies, such as acquisitions and greenfield ventures, to increase with position tenure, stronger "throughout" backgrounds (accounting, operations, process R&D), and international experience. The authors hypothesize that these variables are associated with greater legitimacy, confidence, and knowledge, which might result in CEOs being more inclined to select full-control entry options, typically involving higher levels of risk, resource commitments, and information processing requirements. These suggestions are corroborated, at least to a large extent, in their similar but slightly more nuanced study in 2006 (Herrmann and Datta 2006). Yiu and Makino (2002) investigate how market development choices are bound by the cognitive mindsets of decision makers. Based on institutional theory and the concept of "representative heurism" by Tversky and Kahneman (1974), they find that growth mode decisions are affected by similar previous events with high cognitive legitimacy, that is, managers imitate other organizations' choices (external mimicry) or rely on historical norms and previously made choices (internal mimicry). Such behavior is adopted to cope with situations of high uncertainty, but, at the same time, it can elude the conscious awareness of other, more suitable alternatives. More research is needed to advance our understanding of decision-makers' cognitive constraints and biases in growth mode choices.

3.1.3 External factors

Strategic decision-making research suggests that environmental context has a substantial impact on a multiplicity of strategic decisions (Papadakis et al. 2010). According to the reviewed literature, it seems reasonable to distinguish between macro and microenvironmental factors. The former comprises target country-specific and socio-cultural factors and is the subject of 68% of the studies in the sample. The latter encompasses general industry variables, as well as those related to the competitive environment. They were incorporated into 79% of the reviewed articles.

3.1.3.1 Macroenvironment *Target country*

Scholars stress the influence of political, economic, and legal factors on the choice and success of growth strategies (Wilson 1980; Herrmann and Datta 2002). These factors pertain to the country in which a company aims to grow in and are found to play a key role in determining strategic decisions, for example, when entering new markets (Kim and Hwang 1992). Many scholars study the influence of *country risk*, that is, the degree of political and economic volatility (Agarwal 1994) and found that companies tend to avoid markets with high investment risks and environmental constraints (Agarwal and Ramaswami 1992; Blevins et al. 2016). However, if they enter such markets, they favor conservative exporting (Li and Xiong 2022) or partnership modes instead of wholly owned models (Gatignon and Anderson 1988; Kim and Hwang 1992; Contractor and Kundu 1998). López-Duarte and García-Canals (2002) similarly show that when entering risky countries, firms prefer joint ventures over full or partial acquisitions. The authors argue that foreign companies likely lack the required knowledge to handle high degrees of country-specific risk and uncertainty. As such, they turn to cooperative modes and entrust local partners with the management and supervision of employees, clients, and suppliers.

Similarly, empirical evidence suggests that a country's *degree of development*, often operationalized as the gross domestic product per capita, is positively and significantly associated with a tendency toward acquisitions vis-à-vis other growth modes (Zejan 1990; Andersson and Svensson 1994). Scholars hypothesize that in developed countries, the maturity and concentration of markets are higher, which, in turn, increase the probability of finding suitable acquisition targets (Wilson 1980). In addition, the process of target search, negotiation, and post-acquisition restructuring is facilitated (Dikova and van Witteloostuijn 2007). As such, M&A tends to occur in favorable economic contexts and more attractive locations (Erramilli 1991; Moatti 2009).

Moreover, the *regulatory regime* may also affect growth mode selection (Drogendijk and Slangen 2006). In some countries, certain growth modes are enforced (e.g., joint ventures) or exacerbated (e.g., foreign acquisitions) by national legislation on cross-holdings, voting rights, and institutional control (Gomes-Casseres 1990; Gatignon and Anderson 1988). When such entry barriers exist, firms tend to utilize less integrated modes as means to circumventing regulatory constraints and protecting their technological properties (Brouthers 2002; Moatti 2009; Yiu and Makino 2002).

Socio-cultural factors

When organizations expand internationally, the characteristics of their home country and the targeted country significantly influence their mode choice. These socio-cultural factors have been investigated extensively, and most studies relied on the multidimensional construct of “cultural distance” which describes the extent to which shared norms and values in one country differ from those in another (Hofstede 1989; Drogendijk and Slangen 2006).⁴

⁴ See Hutzschenreuter et al. (2016) for a comprehensive review of the concept of distance in international business research.

The theoretical reason why (cultural) distance affects growth mode choice is two-fold. First, organizational and managerial practices and communication styles are fundamentally driven by culture (Kogut and Singh 1988). As such, cultural distance significantly decreases managerial effectiveness by leveraging firm-specific advantages in different countries (Hofstede 1989; Dunning 1993). Second, the psychic distance stimulus is considered a cause of internal uncertainty and based on their risk orientation, cultures differ substantially in how they approach such uncertainty (Agarwal 1994). Empirical results on the impact of cultural distance on growth mode choice are ambiguous (Dow and Larimo 2009). Many studies show that with increasing cultural distance, firms prefer partnership modes with shared control over full ownership modes, such as acquisitions and internal development (e.g., Gatignon and Anderson 1988; Erramilli 1991; Erramilli and Rao 1993; Datta et al. 2009; Kogut and Singh 1988; Yiu and Makino 2002). This is in line with transaction cost considerations: collaborative modes elude the difficulties and costs associated with integrating different labor forces, which are prevalent in acquisitions (Garette and Dussauge 2000). A similar argument is made by another stream that examines the decision between self-reliant and acquisitive growth modes. The higher the cultural distance, the higher the probability that firms choose greenfield ventures vis-à-vis acquisitions (e.g., Barkema and Vermeulen 1998; Harzing 2002; Ruiz-Moreno et al. 2007; Chang and Rosenzweig 2001). In culturally distant countries, organic growth modes allow companies to maximize firm-specific advantages and introduce their practices to a carefully selected workforce (Hennart and Park 1993). Similarly, they increase a firm's freedom of action and provide them with an opportunity to widen their knowledge base (Blomstermo et al. 2006). Moreover, firms from high-uncertainty-avoiding countries tend to opt for greenfield ventures, while acquisitions are the preferred mode for companies from countries where change is accepted as a common aspect of SDM (Brouthers and Brouthers 2000; Elango 2005).

3.1.3.2 Microenvironment Microenvironmental variables relate to the industry or market in which an organization operates. Numerous studies show considerable differences in mode preferences between sector types, such as manufacturing and services (Brouthers et al. 2008; Erramilli and Rao 1993). According to this review, these differences can be explained by general industry or market characteristics (technological trajectories, relatedness, and potential), as well as associated competitive forces (concentration and competitor behavior).

Technological trajectories in a given sector are well documented as an influence on organizations' growth mode decisions (Hagedoorn and Duysters 2002). Some contributions, such as Dikova and van Witteloostuijn (2007) and Anand and Delios (2002), observe that in high-tech sectors, companies tend to prefer acquisitive over organic growth. Such results support the notion of technological capabilities as "strategic assets" that firms aim to internalize via acquisitions (Elango 2005). However, high-tech industries are often prone to dynamic changes and high environmental uncertainty. To cope with such uncertainty, firms might also prefer more flexible growth modes, such as partnerships and vis-à-vis full integration modes (Hoffmann and Schaper-Rinkel 2001). Looser organizational linkages are beneficial in fast-changing environments, as they allow access to complementary resources, while at

the same time, they are easier to reverse and allow for risk and investment sharing (Mutinelli and Piscitello 1998). Following this logic, researchers find that companies prefer alliances (Moatti 2009) or corporate venture capital (Tong and Li 2011), as they provide options for picking up majority stakes after uncertainty recedes later (Dyer et al. 2004).

Another strand of research explores the impact of *industry relatedness*, that is, closeness to the core products of a company. Some studies observe a preference for self-reliant modes versus acquisitions if relatedness is high (e.g., Wilson 1980; Barkema and Vermeulen 1998; Chang and Singh 1999). The underlying rationale is that relatedness decreases the operating costs associated with organic market development because a firm can utilize its established and readily applicable resource endowments to overcome barriers to entry (Yip 1982; Chatterjee 1990). Acquisitions, in contrast, might be useful for obtaining tacit knowledge, which is not yet available to the company, but is much needed to successfully operate in a new industry (Drogendijk and Slangen 2006; Barkema and Vermeulen 1998). Some studies identify industry relatedness to be positively and significantly associated with acquisitive growth (Lee and Lieberman 2009; Blevins et al. 2016). This confirms the transaction cost theory: first, companies can more easily monitor and assess the value of acquisition candidates in their primary business domain; second, a firm's absorptive capacity can be enhanced because targets from a related industry are likely to draw on a similar resource pool, which facilitates integration processes (Cohen and Levinthal 1990). Moreover, intra-industry deals lessen competition, which yields another incentive for engaging in transactions (Yang et al. 2010). When deciding between partnerships and acquisitions, the former might be the preferred mechanism in unrelated markets, which inhere greater information asymmetry and hence, bear higher costs in evaluating complementary assets (Tong and Li 2011).

Another industry factor is *market potential*, which is approximated using market growth. Fast-growing markets increase demand and hence, the room for capacity expansion via greenfield entries (Andersson and Svensson 1994). In steady or declining markets, capacity expansion is at the expense of incumbents' market shares, which is likely to trigger competitive retaliation and as such, increase opportunity costs (Drogendijk and Slangen 2006). Therefore, acquisitions are found to be the preferred growth mode when capacity expansion is undesirable (Brouthers and Brouthers 2000). In high-potential markets, firms lean toward organic growth (Elango and Sambharya 2004; Yip 1982; Zejan 1990; Chang and Singh 1999), thus achieving economies of scale (Taylor et al. 1998) and establishing a long-term market presence (Agarwal and Ramaswami 1992). Nevertheless, some scholars suggest that acquisitions as a reasonable means in high-growth markets as they allow for faster entry, as the long lead time of organic expansion increases the opportunity cost (Hennart and Park 1993; Hennart and Reddy 1997). If market potential is volatile or uncertain, firms turn to collaborative modes, such as joint ventures vis-à-vis wholly owned subsidiaries (Li and Li 2010). This corroborates the real option theory and enables firms to stage their investments (Brouthers et al. 2008).

When turning to competitive forces, *industry concentration* is the most frequently investigated antecedent. However, evidence is inconclusive, and some studies argue

in favor of either growth mode. In general, the higher the concentration of a certain market, the higher the competitiveness and thus, the barrier to entry (Pugel 1985; McClain 1983). To circumvent such barriers, some researchers suggest that firms prefer acquisitive over direct entry (Chang and Rosenzweig 2001; Yip 1982; Chatterjee and Singh 1999). However, Parola et al. (2013) and Tong and Li (2011) find that companies prefer joint ventures and corporate venture capital, respectively, if market concentration is high. Similarly, Elango and Sambharya (2004) indicate industry concentration to discourage acquisitive entry. According to White (2000) and Kim and Hwang (1992), industry competitiveness leads companies to opt for internal development, as opposed to joint development or licensing agreements. Overall, more research is needed to disentangle the impact of market concentration on growth mode choice.

Finally, there is considerable evidence of imitative decisions in response to *competitor behavior*. Moatti (2009) and Yiu and Makino (2002) find that the decision to engage in M&A or alliances is significantly influenced by the number of similar moves conducted by competitors, especially over the past 2 years. Such mimetic decisions are explained by isomorphism theory (DiMaggio and Powell 1983): organizations seek guidance from the practices and experiences of companies in comparable situations (Yiu and Makino 2002; Arregle et al. 2006). This is especially true for oligopolistic market structures in which firms tend to respond closely to competitors' moves (Knickerbocker 1973; Yu and Ito 1988).

3.1.4 Decision-specific factors

Strategic decision-making research suggests that decision-specific characteristics play a pivotal role in organizational choices (Shepherd and Rudd 2014; Elbanna and Child 2007). According to this review, two types of decision-specific factors impact growth mode choice: the objectives, that is, the overarching goals a firm aims to achieve by choosing certain modes, and target or partner characteristics, which are key in the decision between buy or partner strategies.

3.1.4.1 Growth objectives Growth modes differ in many ways, and these differences are likely to be reflected when firms decide upon which pathway to follow (Datta et al. 2009). The most decisive characteristics are control, risk, flexibility, and speed (Lee and Lieberman 2009; Chang and Rosenzweig 2001; Datta et al. 2002). These are labelled as growth objectives, following Bradley and Gannon (2000), as they determine, to a large degree, how conducive a mode is to the exploitation of certain growth opportunities. Such objectives are set at the corporate level and “go beyond the narrow calculus of choosing the most efficient [...] mode” (Kim and Hwang 1992, p. 35). As my review shows, growth objectives are widely interconnected and subject to considerable trade-off considerations, but comparably little is known to date: only 34% of the studies address growth objectives.

Many firms consider *control* over certain resources and their associated value is an essential prerequisite of competitive advantage (Agarwal and Ramaswami 1992). Thus, they rule out partnerships in advance and rely on either internal resources only (Yang et al. 2010) or concentrate on the dichotomous decision between internal

development and acquisitions (Capron and Mitchell 2012). This is in line with the great part of market entry literature that links control with the more tangible notion of ownership and classified growth modes into full control (internal development and acquisitions) and shared control options (partnerships) (e.g., Erramilli and Rao 1993). Control constitutes a key objective if tacit or proprietary knowledge (Ingham and Thompson 1994), personal relationships, on-site research, or closeness to markets are important (Blomstermo et al. 2006). It is of minor relevance, however, if transaction-specific investments are limited, if behavioral uncertainty is low, or if appropriability regimes are strong (Hoffmann and Schaper-Rinkel 2001). Meanwhile, high-control modes necessitate considerable resource commitments, which is why control is considered the most important determinant of a mode's risk and return (Barkema and Vermeulen 1998). More research is needed to explore how the appraisal of control affects the choice of growth mode.

Several studies closely examine the *risk* exposure of growth modes and how companies account for it in their decision-making (Agarwal and Ramaswami 1992; Pan and Tse 2000). It is generally agreed that partnerships come with the least degree of risk, while acquisitions and internal development entail greater amounts of risk (Dyer et al. 2004; Andersson and Svensson 1994). This finding is closely connected to the notion of control and investment required to assume such control (Herrmann and Datta 2002). While acquisitions come with a significant one-time investment comprising an acquisition premium, as well as transaction and integration costs, internal development investments are rather incremental and spread across multiple project parts. Therefore, the risk associated with a failed acquisition is likely to be greater than that of a terminated internal development project (Lee and Lieberman 2009). Partnership modes reduce the necessary resource commitment (Ingham and Thompson 1994), which is why they are the preferred growth option when firms perceive high levels of investment risk (Brouthers 2002). Researchers also describe some sort of risk familiarization in market development strategies, that is, firms tend to enter foreign markets using low-risk modes, such as exporting or joint venturing, and increasingly turn to riskier modes, such as greenfield ventures or acquisitions, over time (Kogut and Singh 1988). This is consistent with real options theory and the finding of Tong and Li (2011): if risk reduction is desired, companies stage commitments and defer internalization by undertaking corporate venture capital investments.

Research on the role and importance of *flexibility* in growth-mode decisions is sparse. Some scholars tie this to the wide adoption of transaction cost economics, which largely ignores the concept of strategic flexibility (Brouthers et al. 2008). However, there are some situations in which flexibility is found to be a key determinant of growth mode decisions. For example, if environmental uncertainty is high, resource endowments are limited or knowledge is dispersed (Hoffmann and Schaper-Rinkel 2001). In such instances, companies exhibit a greater tendency toward flexible growth modes, such as alliances, as they allow for easier adaptability and organizational learning (Hoffmann and Schaper-Rinkel 2001). As such, the need for flexibility should be a central consideration for maintaining responsiveness when opportunities or threats emerge (Brouthers et al. 2008; Li and Li 2010).

The *speed* of growth modes is considered a highly important determinant of organizational choice (Chatterjee and Singh 1999). Research identifies a clear tendency toward acquisitive growth if timely strategic action is required (Lee and Lieberman 2009). Internal development efforts, such as building a subsidiary from scratch, take considerably more time than buying up-and-running businesses (Hennart and Reddy 1997; Andersson and Svensson 1994). Thus, firms tend to engage in transactions if the opportunity cost of delaying growth is high (Hennart and Park 1993). This might be the case when a market is growing rapidly or if companies need to respond quickly to competitive threats (Moatti 2009). In such cases, fast strategic action is needed to maintain or restore competitive balance (Wilson 1980).

3.1.4.2 Interfirm linkages Firms' boundary choices of partnering or acquiring are greatly affected by interfirm linkages and the characteristics and roles of potential partners or targets (Vanhaverbeke et al. 2002; Yang et al. 2010; Wang and Zajac 2007). This review suggests that two categories of partner or target characteristics are most relevant: asset digestibility and similarity.

Research prompts that the *asset digestibility*, that is, whether and to what extent the desired assets of a partner or target are commingled with other, unneeded assets (Hennart 1988), is a key driver of the "buy vs. partner" decision. If the partner or target is large and not divisionalized, the desired assets are hard to disentangle from non-desired assets, and firms will prefer partnerships over acquisitions (Hennart and Reddy 1997; Hoffmann and Schaper-Rinkel 2001). Consequently, acquisitions are the mode of choice if the partner or target is small or organized in quasi-independent divisions that can be acquired separately from the rest of the firm. These findings are consistent with other studies investigating firm size separately. Generally, a firm's tendency toward partnerships increases with partner or target size (Carayannopoulos and Auster 2010). This preference was found to hold true for joint ventures (Makino and Neupert 2000; Hennart and Reddy 1997) and alliances (Villalonga and McGahan 2005).

Some scholars acknowledge the stark impact that the *similarity* of the partner or target has on a firm's propensity for certain modes (Kim and Jin 2017). The greater the differences between both companies, be it resource, knowledge, or status, the more information asymmetries will loom and the more difficult it is to assess the value of assets and capabilities (Balakrishnan and Koza 1993). As partnerships are efficient vehicles for reducing such information asymmetries, firms tend to prefer alliances over acquisitions if the dissimilarity is high. Conversely, based on synergy considerations, a higher level of similarity increases value-creating opportunities and hence, the propensity toward acquisitions (Villalonga and McGahan 2005; Tseng 2017). Dissimilarity, especially regarding the compatibility of strategic intentions, nurtures behavioral uncertainty and the perception of opportunistic threats (Brouthers et al. 2008). Thus, if appropriability regimes are weak, acquisitions are favored over alliances (Hoffmann and Schaper-Rinkel 2001). Technological complementarity plays a special role in consideration of similarity. If firms' technological resources are neither too similar nor too different, their absorptive capacities are increased and mutual learning is facilitated (Cohen and Levinthal 1990; Dyer and Singh 1998). In these instances, alliances provide both valuable flexibility and the

capacity to coordinate technologies simultaneously. Yang et al. (2010) suggest a curvilinear relationship between technical overlap and the decision to ally or acquire. While firms opt for alliances if their technological domains are moderately distant, acquisitions are the preferred growth mode in situations with a lower or greater distance, that is, when synergy potentials are high or the prospects of new technologies override inherent risks.

4 Synthesis and discussion of findings

This systematic review is the first to provide an integrated understanding of the contextual factors that influence an organization's decision of how to exploit growth opportunities. Previous reviews (e.g., Jansen et al. 2006; Haleblan et al. 2009; Xie et al. 2017) focus on individual growth modes only. The integration of largely separated research streams provides a consolidated perspective and unveils critical gaps to be addressed in future research.

4.1 Synthesis of findings

Table 3 summarizes and synthesizes the empirical evidence of prior research. From this integrated view, two salient patterns emerge. First, there are some striking *differences in how growth-mode antecedents are treated* in the literature. Some antecedents, particularly the decision-making entity, are not systematically examined in prior research. This finding is surprising given that managerial diagnoses and interpretations considerably impact strategic choices (Ginsberg 1994; Tseng 2017). The rare but noteworthy examples in this direction are Drogendijk and Slangen (2006), Herrmann and Datta (2002, 2006), and Yiu and Makino (2002). Similarly, how organizational variables, in particular those related to resources, performance, and strategy, influence partnership selection is not researched in much detail. Studies covering organizational variables mainly stem from entry mode literature and use the binary choice of greenfield investment versus acquisition (e.g., Zejan 1990; Harzing 2002), thereby excluding partnership options. Moreover, some antecedents are approached from various conceptual angles, which greatly nuanced our understanding of their effects. The role of firm resources, for instance, is investigated using the resource-based view (Tseng 2017), transaction cost economics (Brouthers 2002), organizational learning theory (Barkema and Vermeulen 1998), and real option theory (Tong and Li 2011), among many others. Other antecedents (e.g., socio-cultural factors) are treated in a narrower way and mainly leverage transaction cost or institutional theory, which led to rather monothematic results.

Second, and even more important, many of the findings are characterized by *inconsistencies and lack of consensus*, thereby limiting our insights on the decisiveness of antecedents for growth mode selection. While some factors are evidenced to clearly encourage certain growth modes (“differentiating”), others point toward two (“indicative”), or either mode simultaneously (“ambiguous”). For instance, companies tend to choose organic growth modes if they have abundant cash available,

possess a clear competitive edge or pursue a global diversification strategy. Similarly, organizations opt for takeovers in technologically advanced industries, if their competitors operate in the same way (which necessitates rapid strategic response), or if potential targets are divisionalized and technologically complementary. Likewise, if potential targets are too large and only moderately divisionalized to be easily “digestible,” collaboration seems to be the preferred growth mode.

With respect to some antecedents, however, empirical evidence is less clear and indicative. For instance, high technological capabilities and high resource specificity may encourage organic or inorganic growth. Similarly, while transaction cost and organizational-learning perspectives would predict that companies with long-lasting international experience opt for internal development modes, a large part of the empirical evidence points toward acquisitive (e.g., Andersson and Svensson 1994; Harzing 2002) or either of the two growth modes (e.g., Barkema and Vermeulen 1998; Brouthers and Brouthers 2000).

4.2 Discussion of potential causes

This paper argues that the highly varied treatment of some antecedents, as well as the lack of empirical consensus, can be attributed to four (partly interconnected) causes: omitted variables, incorrect model specifications, divergent operationalization of variables, and unrecognized moderating effects.

As the review shows, numerous internal, external, and decision-specific factors influence a firm’s growth mode selection. However, only half (51%) of the reviewed articles incorporate antecedents from all three categories. The *omittance of relevant variables* in the estimation is likely to pave the way for distorted models and alternative explanations. The disregard of the decision-making entity may loom large in particular, since only four out of 74 studies accounted for managerial influences on the individual or TMT level.

Moreover, empirical dissent might be due to *incorrect model specifications*. Erramilli (1991), for instance, relates the conflicting evidence on the impact of experience on entry mode choice to the use of linear models, while the relationship might be U-shaped. Similarly, Barkema and Vermeulen (1998) show a curvilinear effect of product diversity on the tendency toward organic growth modes, and Yang et al. (2010) between technical overlap and the choice between alliances and acquisitions. Altogether, these results indicate that models need to be specified and tested with due care, also taking into account non-linear relationships.

Further, *divergent operationalizations* of both explanatory and response variables might well be another source of inconclusiveness. The measurement of international experience, for instance, ranges from the number of foreign subsidiaries (Andersson and Svensson 1994), foreign-to-total sales ratio (Gerpott and Jakopin 2008), number of countries with subsidiaries (Barkema and Vermeulen 1998), number of years a firm has been operating abroad (Erramilli 1991), export ratio (Brouthers and Brouthers 2000), managerially perceived location familiarity (Kim and Hwang 1992), and a combination of other breadth and depth metrics (Kuo and Chang 2012). A similar lack of conceptual clarity can be observed for the

Table 3 Synthesis of findings: antecedents and their impact on growth mode choice. Differentiating, indicative, and ambiguous factors in black, blue, and red, respectively

Categorization of antecedents			Factors increasing the likelihood of choosing a ... mode		
			Build	Buy	Partner
Internal factors	Organization	Resources	High financial resources (cash flow) Strong technological capabilities High resource specificity	High financial resources (stock valuation) Scarce human/managerial resources Strong technological capabilities High resource specificity	
		Performance	High profitability Strong competitive position		
		Strategy	Global diversification strategy Low to moderate product diversification Prospective business strategy	Multidomestic diversification strategy High degree of product diversification Prospective business strategy	
		Experience	High cumulative international experience High 'build' experience	High cumulative international experience High country-specific experience High 'buy' or 'partner' experience	Little cumulative international experience High 'partner' experience
External factors	Decision-making entity	Decision-making entity	Long firm tenure Strong 'throughput' background High international experience Previous 'build' experience	Long firm tenure Strong 'throughput' background High international experience Previous 'buy' experience Highly developed country	Previous 'partner' experience
		Target country			High country risk (political/economic volatility) Strong regulatory regime High cultural distance (vs. other modes)
	Microenvironment	Socio-cultural	High cultural distance (vs. acquisitions)		
		Industry	High relatedness of industry High market potential	Technologically advanced industries High tacitness of industry knowledge High relatedness of industry High market potential	Dynamic technological change in industry Low relatedness of industry High market volatility
Decision-specific factors	Growth objectives	Competition	High industry concentration High control desired	High acquisitive activity of competitors High industry concentration High control desired Fast strategic response required	High collaborative activity of competitors High industry concentration Low (investment) risk desired High strategic flexibility desired
		Inter-firm linkages		High asset digestibility (small and divisionalized) High dissimilarity and weak appropriability regime	Low asset digestibility (large and non-divisionalized) High dissimilarity and strong appropriability regime
				High or low technological complementarity	Moderate technological complementarity

specification of the dependent variable: while some studies interrelate the decisions between growth modes and ownership structures (e.g., Kogut and Singh 1988; Anand and Delios 2002; Chang and Rosenzweig 2001), others treat them independently (e.g., Barkema and Vermeulen 1998; Hennart and Park 1993). Such inconsistent operationalizations are likely to introduce biases and exacerbate the comparability of the results.

Finally, previous studies largely rely on measuring direct effects between contextual factors and mode choice, thereby neglecting the plethora of contingency factors and *moderating effects* in between (Datta et al. 2002). As the review shows, greater size and multinationality of firms might encourage organic growth modes in culturally distant countries, while *ceteris paribus* and partnerships seem to be the preferred mode, as they can reduce uncertainties due to cultural distance. Similarly, the appropriability regime is critical for how the dissimilarity of a partner or target is perceived and whether companies opt for acquisitive (weak regimes) or collaborative modes (strong regimes). There might be numerous other moderating effects that have not yet been examined at sufficient depth. Vermeulen and Barkema (2001), for instance, stress the importance of accounting for the motivation or rationale of growth endeavors. Likewise, Slangen and Hennart (2008) call for a closer investigation of contingency effects in internationalization strategies: an organization's country-specific experience and its desired level of subsidiary integration might both moderate the impact of cultural distance on mode selection.

5 Future research agenda

As the literature review shows, there are ample opportunities to advance our understanding of the growth mode decision and its antecedents. Based on the synthesized findings and the discussion of their potential causes, seven recommendations are put forward to guide future research efforts (see Fig. 2).

First, research might *investigate more holistic decision models*. By utilizing multidimensional models that incorporate relevant variables from all major categories of antecedents, researchers can explore the variance and differential impact of contextual factors. Calls from scholars for a more integrated view underpin this necessity (Parola et al. 2013; Gerpott and Jakopin 2008) and emphasize the potential gain in validity and robustness of the results (Arregle et al. 2006). Moreover, holistic decision models must account for comprehensive choice options. While most papers constrained the decision model to dichotomous choices, only 36% considered all three growth vehicles simultaneously. This approach might come closer to business reality and could greatly benefit practitioners facing the choice between several growth modes.

Second, academics should systematically assess the *role of decision-making entities* in growth mode decisions. Such research seems overdue, as only seven percent of the papers in the sample incorporate TMT or individual decision-maker variables. This is also in line with previous studies (Schellenberg et al. 2018; Herrmann and Datta 2006). The SDM literature suggests that managers' decision-making

is considerably affected by their educational background, functional expertise, bounded rationality, defined organizational roles, and other aspects (Dean and Sharfman 1993; Zhao and Decker 2004). Thus, future research might investigate how such characteristics, both at the individual and team levels, influence growth mode decisions. Empirical results substantiate the importance of such insights, as firms that align their strategy with executive background characteristics exhibit superior performance (Thomas et al. 1991; Datta and Rajagopalan 1998). Further, the mode dependencies caused by managerial biases constitute another interesting research avenue. Despite rational preparations, managers often base their decisions on emotional tendencies and normative preferences (Neumann 2017; Hoffmann and Schaper-Rinkel 2001); that is, they are influenced by their previous strategic decisions and associated outcomes (Herrmann and Datta 2002). Consistent with this, Bradley and Gannon (2000) found that only 36% of managers systematically reviewed alternative growth modes before deciding. Therefore, longitudinal research might connect decision-makers' previous growth decisions and their success rates with subsequent choices. When researching personal variables, a perceptual approach seems favorable, as this is considered closer to business reality (managers make decisions based on their perceptions, not objective measures) and yields significantly stronger results (Dow and Larimo 2009; White 2000). Perceptual measures facilitate the close reflection of theoretical constructs and thus, effectively reduce biases—a highly relevant issue for complex influences, such as technological capabilities or market entry barriers, which are difficult to grasp using factual or archival data (Slangen and Hennart 2007).

Third, consistent with the aforementioned points, scholars might *expand the theoretical repertoire*. Most studies associate antecedents with distinct theoretical perspectives, a tendency that is well described in broader empirical SDM research (Shepherd and Rudd 2014). Dominant theories, such as the resource-based view (Penrose 2009) or transaction-cost economics (Williamson 1975), focus only on certain aspects, while disregarding other important ones. As no single theory may be sufficient to explain organizational growth mode selection, scholars should deliberately integrate and complement different conceptual lenses. Broadening the approaches beyond traditional strategic management theories would enable researchers to explore the predictive power of theoretical views and forestall the omission of potentially relevant variables. For instance, the application of behavioral perspectives using cognitive or emotional factors from psychology research could greatly enhance our understanding of the relationship between the decision-making entity and growth mode choice.

Fourth, future investigations may benefit from *a greater methodological variety*. To date, prior research has largely relied on cross-sectional and coarse-grained methodologies (Datta et al. 2002). Qualitative and longitudinal methods, as well as case studies and field experiments, would be particularly useful in assessing the validity of previous findings (Elango and Sambharya 2004; Herrmann and Datta 2002) and to study the conjunction with the decision-making process in growth mode selection. Moreover, prior research widely evaluates isolated phenomena, such as experience (Kuo et al. 2012), strategy (Kim and Hwang 1992), socio-cultural distance (Drogendijk and Slangen 2006), and institutional factors (Yiu and Makino 2002). However, some articles already examine certain moderating effects, such as

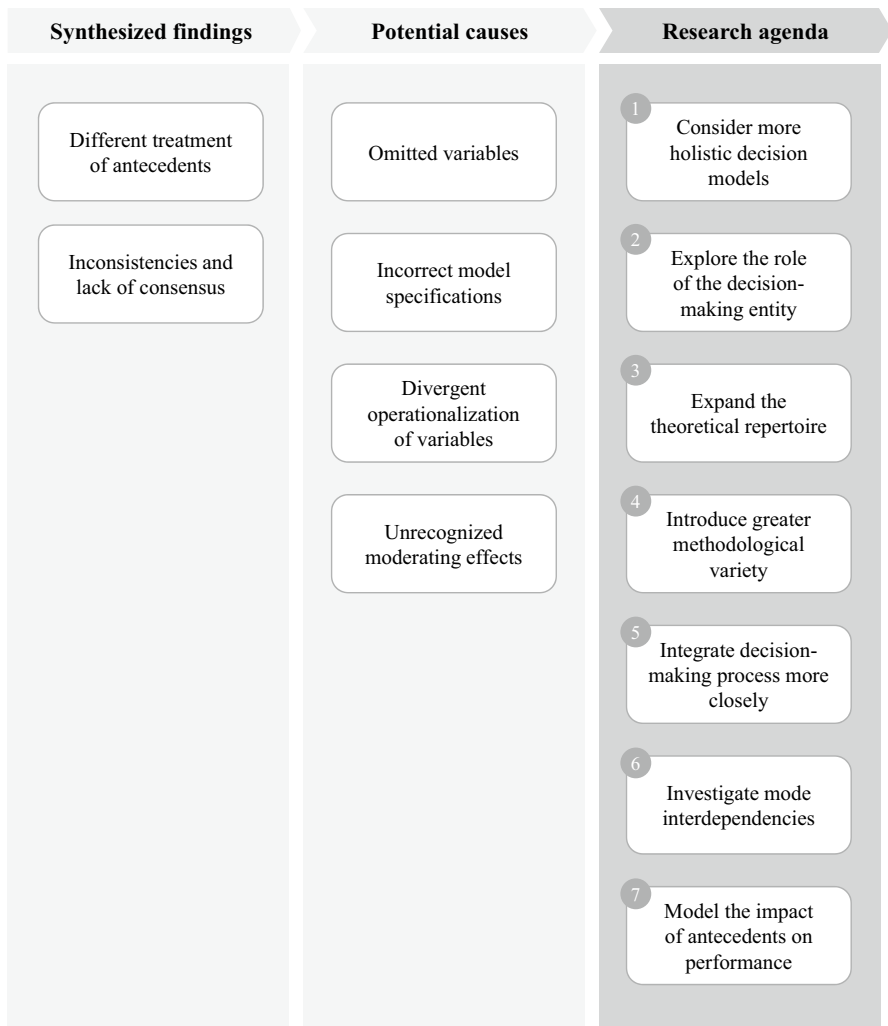


Fig. 2 Derivation of future research agenda from synthesized literature overview

firm-specific factors on socio-cultural distance (Agarwal 1994; Slangen and Hennart 2008), institutional variables (Li and Xiong 2022; Dikova and van Witteloostuijn 2007), and asset specificity (Erramilli and Rao 1993). Such research is particularly interesting, as it sheds light on seemingly contradictory effects (Brouthers 2002). To do so, the adoption of non-traditional methods, such as configurational (e.g., fuzzy set qualitative comparative analysis) or multi-attribute decompositional approaches (e.g., conjoint analysis), might prove instructive. Finally, scholars need to specify applied models with due care, in order to capture curvilinear and U-shaped relationships.

Fifth, in line with the calls of several SDM researchers (e.g., Elbanna 2006; Papadakis et al. 2010), a *closer integration of the actual decision-making process*

might be an interesting research vein. To the best of my knowledge, no study has yet examined how ex-ante determinants are accounted for in the decision-making process. Researchers might seize upon the ongoing scholarly debate on whether growth mode decisions are based on rational analytical (Caves 1982) or cybernetic decision strategies (Kumar and Subramanian 1997). While the rational-analytical model assumes a simultaneous consideration of all growth modes and impact factors (White 2000; Kim and Hwang 1992), cybernetic models posit that managers structure the decision into a multi-level hierarchy and consider only a few critical (and different) factors at each level (Pan and Tse 2000; Gatignon and Anderson 1988). Studies on market development strategies suggest, for instance, that decision makers might follow a stage-gate process, in which they first choose between equity and non-equity modes of entry and subsequently, drill down into sub-categories of modes (Kumar and Subramanian 1997). Whether such hierarchical decision-making processes are the dominant logic and if so, which antecedents exert influence at which stage of the decision tree, is a highly interesting avenue for future research. Closely connected to this, scholars might explore how contextual factors are operationalized as decision criteria and how they are evaluated in the selection process. Given the concurrent and interdependent nature of growth mode decisions (Batsakis and Mohr 2017), companies need to apply comprehensive decision models based on clearly defined criteria (Forcadell 2007). However, Dyer et al. (2004) found that only 14% of firms possess specific guidelines or criteria for selecting between alliances and acquisitions. Examining the importance weights of contextual factors (especially those with influence in opposite directions) and how they are subject to trade-off considerations could prove beneficial to both academia and practice (Brouthers 2002; Dikova and van Witteloostuijn 2007). Similarly, researchers might examine the opportunistic element in growth mode decisions, that is, whether and under which circumstances the decision between growth opportunities and modes are taken jointly together. Firms can take a particular course of action without a formal decision having been made, often “in response to the external environment, rather than as a result of a systematic decision process” (Shepherd and Rudd 2014, p. 341). As such, it might well be that the emergence of an acquisition target triggers the decision to grow inorganically, rather than a deliberate way round.

Sixth, scholars have hitherto ignored the notions of *mode interdependencies*, that is, how combinations and complementarities of growth modes impact corporate decision-making. Some rare exceptions surface from this review, such as the expansion of alliances into acquisitions (Wang and Zajac 2007; Hoffmann and Schaper-Rinkel 2001), the use of acquisitions to bolster internal development capabilities (Lee and Lieberman 2009; Capron and Mitchell 2004), or sequential engagement in different modes to enter foreign markets (Pan and Tse 2000; Johanson and Vahlne 1977). More research in this domain is critical, as previous findings indicate a beneficial impact of multidexterous growth strategies (Busija et al. 1997; Stettner and Lavie 2014) and the overwhelming influence of mode experiences on subsequent decisions (Carayannopoulos and Auster 2010; Blevins et al. 2016). To do so, scholars might take a corporate strategy perspective and explore the relationship of growth mode decisions between lines of businesses pertaining to the same corporate parent. So far, studies have looked at each growth decision independently (Arregle

et al. 2006), disregarding “the importance of conceiving the firm as a collection of businesses rather than as a monolithic entity” (Chang and Rosenzweig 2001, p. 769). As such, future research should consider how spillover effects and strategic interdependencies within the corporate portfolio might serve as decision antecedents (Datta et al. 2002; Villalonga and McGahan 2005). For instance, acquisitions might be both beneficial and detrimental to firms’ innovative capabilities (Barkema and Vermeulen 1998) and divestitures might motivate dynamic growth processes, in which firms reconfigure their businesses and redeploy resources to organic or acquisitive growth efforts (Lee and Lieberman 2009). In addition, strategic business units’ mode choices might be isomorphic in response to pressures from the internal institutional environment, that is, the parent organization (Davis et al. 2000).

Last, research could *examine the interplay of antecedents and performance measures* more closely and thereby, capture this SDM process from an end-to-end perspective. As this review shows, a considerable number of antecedents impinge on the decision between different growth modes. How they impact performance outcomes, either on decision (e.g., speed, quality, satisfaction, effectiveness), mode (e.g., return on investment, growth rate), or organizational level (e.g., financially, non-financially), also constitutes an interesting research domain. Some scholars have already started building bridges (e.g., Stettner and Lavie 2014; Wiklund and Shepherd 2009; Tihanyi et al. 2005), yet with a rather focused scope. Future work could build on the conceptual foundations of SDM research (Hutzschenreuter and Klein-dienst 2006; Papadakis et al. 2010), which already acknowledges the significant implications on decision outcomes (Shepherd and Rudd 2014) and organizational performance (Covin et al. 2001). Such insights have the potential to greatly improve the effectiveness of corporate decision-making (Yang et al. 2010), given the unsatisfactory outcome of the majority of acquisitions and alliances evidenced by prior research (e.g., King et al. 2004; Garette and Dussauge 2000; Kale et al. 2002).

6 Conclusion

How organizations decide between buy, build, or partner modes to pursue growth opportunities is of vital interest to strategic management scholars. Researchers have tried to explain the determining factors of this decision from various angles and theoretical perspectives, which has led to the emergence of a widely scattered research landscape. Motivated by this fragmentation and the decision’s pivotal importance for practitioners, this review seeks to provide a holistic understanding of the different antecedents that impinge on growth mode selection. To do so, a comprehensive research framework was built to systematically reconcile and integrate relevant empirical contributions. The findings corroborate the view that different internal, external, and decision-specific factors are decisive in choosing certain growth modes. Based on the synthesized results, seven promising avenues for future investigations were derived, which focus on the comprehensiveness of decision models, mode interdependencies, the actual decision-making process, the role of the decision-making entity, the impact on performance measures, and a greater methodological variance.

While it should be acknowledged that such intersectional research does not come without losing some conceptual granularity, it is still hoped that this consolidated view provides practitioners with a structured overview of decision-relevant factors and facilitates the theoretical and empirical development of the topic.

Appendix

See Tables 4 and 5.

Table 4 Applied search terms and retrieved output of the database screening


All text	TI/AB	TI/AB
Growth	Mode	Decision
Growth strategy	Innovat*	Deci*
Growth mode	Internal develop*	Choice
Firm growth	Product develop*	Choose
Corporate growth	Organic	Select*
Revenue growth	Build	
	Ventur*	
	Merg*	
	Acqui*	
	Buy	
	Alliance	
	Ally	
	Partner*	
	Cooper*	
	Joint	
	Market develop*	
	Greenfield	
	Entry	
	Diversif*	
	International*	
	FDI	
		
Number of articles in ABI/Inform ProQuest		898
Number of articles in Business Source Complete (EBSCO)		676
Total articles (before removing duplicates)		1,574
Duplicates		402
Total articles (after removing duplicates)		1,172

Table 5 Publications included in sample, ordered alphabetically

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
1	Agarwal	1994	Journal of International Marketing	Manufacturing	US	148 decisions	Examines the moderating role of firm- and country-specific factors on a firm's choice of joint versus sole venture in response to socio-cultural distance. Results indicate the usefulness of the contingency approach for modeling this decision, and that a firm's multinationality was an important moderating factor
2	Agarwal and Ramaswami	1992	Journal of International Business Studies	Leasing	US	97 firms	Examines the independent and joint influences of ownership, location, and internalization advantages on the choice of an entry mode. Results indicate that a firm's ability to enter foreign markets through direct investment is constrained by their size and multinational experience
3	Amankwah-Amoah et al	2022	Journal of International Management	Manufacturing	Ghana	205 firms	Examines how foreign market knowledge and international performance impact entry mode choice of small and medium-sized enterprises. Results indicate that foreign market knowledge positively relates to the preference for equity modes of foreign market entry and this relationship is amplified when slack resource is greater
4	Anand and Delios	2002	Strategic Management Journal	Diverse	Germany, UK, Japan	2,175 decisions	Examines capability-seeking aspects of foreign direct investment modes. Results indicate that for downstream (marketing) capabilities, the absolute level of capabilities in the entered industry explains the mode choice, whereas for upstream (technological) capabilities, the acquisition motive stems from a relative capability differential between host and home country firms

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
5	Andersson and Svensson	1994	Scandinavian Journal of Economics	Manufacturing	Sweden	925 decisions	Examines how the nature and composition of firm-specific skills impact the entry mode decision for direct investment. Results indicate that relatively more organizational skill favors takeover, while relatively more technological skill favors greenfield operations, and that earlier establishment in the host country raises the likelihood of takeover
6	Arregle et al	2006	Management International Review	Diverse	Japan	271 firms	Examines the determinants of international mode of entry using a multilevel Bernoulli analysis. Results indicate that numerous firm- and industry-specific factors exert influence, and that the use of multilevel methods might represent a more effective and robust approach to study entry mode decisions by reducing potential risks of errors for parent firm-level variables
7	Barkema and Vermeulen	1998	Academy of Management Journal	Diverse	Netherlands	25 firms	Examines a firm's choice to expand internationally through start-ups or acquisitions using a learning perspective. Results indicate that multinational diversity leads to foreign start-ups rather than acquisitions, that product diversity has a curvilinear effect on the tendency to use start-ups, and that the curvilinear effect becomes weaker at higher levels of multinational diversity
8	Blevins et al	2016	Journal of World Business	Diverse	Europe	3,035 decisions	Examines the relationship between the choices of entry implemented by firms seeking cross-border corporate growth in Europe. The results indicate that institutional changes in Europe, EU membership, and global cities all shape the governance choices of MNEs

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
9	Blomstermo et al	2006	International Marketing Review	Service	Sweden	140 firms	Examines the relationship between foreign market entry modes and hard- and soft-service firms. Results indicate that soft-service firms are much more likely than hard-service firms to choose a high control entry mode over a low control entry mode
10	Bradley and Gannon	2000	Journal of International Marketing	Computer, Furniture	Denmark, Germany, Ireland, UK	105 firms	Examines the influence of a firm's technology and marketing profile on foreign market entry mode. Results indicate that a firm's generic marketing strategy, demand uncertainty, transaction costs, and value added are the most important variables
11	Brouthers	2002	Journal of International Business Studies	Manufacturing, Service	Europe	178 decisions	Examines institutional, cultural and transaction cost influences on entry mode choice. Results indicate firms whose mode choice could be predicted by the extended transaction cost model performed significantly better, on both financial and non-financial measures
12	Brouthers and Brouthers	2000	Strategic Management Journal	Manufacturing	Japan	136 firms	Examines diversification mode choice based on institutional, cultural, and transaction cost variables. Results provide strong support using such variables to predict firms' choices between acquisitions and greenfield start-ups, and that organizations might leverage their strong intangible capabilities more readily through greenfield start-ups
13	Brouthers et al	2008	Journal of Management Studies	Manufacturing, Service	Netherlands, Greece	160 firms	Examines a model of international entry mode choice combining real option theory with transaction cost economics. Results indicate that including variables from both perspectives might significantly improve explanatory power and influence the success of decision outcomes

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
14	Capron and Mitchell	2004	European Management Review	Telecommunication	Global	162 firms	Examines firms' choices of internal vs external sourcing of new capabilities based on transaction cost, knowledge-based, and institutional arguments. Results indicate that a firm's internal and external reconfiguration routines affect its capability sourcing decisions as interactions with the capability attributes and external constraints
15	Carayannopoulos & Auster	2010	Research Policy	Biotechnology	North America	209 decisions	Examines the effects of knowledge-based predictors on the comparative choice of acquisitions versus alliances for sourcing external knowledge. Results indicate that mode experience as well as the complexity, value add, specificity, similarity, and digestibility of knowledge are important drivers of a firm's preference for either mode
16	Chang & Rosenzweig	2001	Strategic Management Journal	Diverse	US	119 firms	Examines the importance of a firm's sequential position to the choice of foreign entry mode using a dynamic model. Results indicate that different variables explain a firm's initial versus subsequent entry modes, and that experience plays a decisive role in foreign investment decisions
17	Chang & Singh	1999	Strategic Management Journal	Manufacturing	US	772 firms	Examines the choices of modes of entry and exit in the process of new business exploration. Results indicate that entry and exit mode choices are determined by a different set of factors, and that there is a strong relationship between the mode of exit from a line of business (sell-off vs. dissolution) and the original mode of entry (acquisition vs. internal development)

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
18	Chatterjee	1990	Academy of Management Journal	Diverse	US	47 firms	Examines the choice of market entry modes by integrating the concepts of utilization costs, resource-based theories, and capital market imperfections. Results indicate that concentrated markets and high stock prices favor acquisitive entry, and the availability of internal funds or funds from low-risk debt favor direct entry
19	Chatterjee & Singh	1999	Management Science	Diverse	n/a	251 firms	Examines the reciprocity between the type of diversification and mode of expansion decisions by considering the specificity of antecedent resources. Results indicate that there is a contradictory tension in trying to optimize the decisions jointly, and that internal funds act as the key mediating influence
20	Contractor & Kundu	1998	Journal of International Business Studies	Hotel	Global	1,131 decisions	Examines the factors that determine the optimum choice of international market entry mode by developing a new synthetic theory. Results indicate that country-specific, environmental and firm-specific variables determine this decision
21	Dikova & Witteloostuijn	2007	Management International Review	Diverse	Europe	160 firms	Examines the effects of the same predictors on the dual entry-establishment mode choice made in the context of a single foreign investment. Results indicate that a firm's tech intensity, international strategy and experience determine both establishment and entry mode choices, and that the host country's degree of institutional advancement has a moderating effect

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
22	Dow & Larimo	2009	Journal of International Business Studies	Manufacturing	Denmark, Finland, Norway, Sweden	247 firms	Examines how distance and international experience, two antecedents with largely equivocal evidence in past research, impact entry mode choice. Results indicate that only experience in similar countries affects entry mode selection, and that both these two key constructs need to be operationalized with due care
23	Dyer et al	2004	Journal of International Marketing	Diverse	US	200 firms	Examines and compares the effects of five cultural distance measures on the choice by multinational enterprises between expanding abroad through greenfield or acquisition. Results indicate that high scores on all cultural distance measures significantly increase the likelihood that MNEs choose greenfields
24	Drogendijk & Slangen	2006	Harvard Business Review	Manufacturing, Service	Netherlands	157 firms	Examines the factors that determine the comparative decision between alliances and acquisitions as alternative strategies. Results indicate that the targeted types of synergies, the required type of resources, and the market conditions are key to consider
25	Ekeledo & Sivakumar	2004	International Business Review	Manufacturing, Service	US	130 firms	Examines the extent to which the determinants of foreign market entry mode choice in the manufacturing sector apply to the non-separable service sector. Results indicate that firm-specific resources are considered valuable strategic tools for businesses in both sectors, but that their individual impact do not always lead to the same entry mode choice for both sectors

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
26	Elango	2005	International Marketing Review	Manufacturing	Global	682 decisions	Examines the strategic decision between setting up greenfield operations or acquiring a local firm when expanding overseas based on a knowledge-based framework. Results indicate that in plants characterized by human capital intensity, the preferred entry mode is acquisitions over greenfield operations. However, foreign entrants with physical capital-intensive plants prefer greenfield operations over acquisitions
27	Elango & Sambharya	2004	Journal of Operations Management	Manufacturing	Global	336 decisions	Examines the impact of industry structure on the foreign direct investment entry mode decisions by multinational enterprises in manufacturing industries. Results indicate that in concentrated and high-growth industries, foreign firms prefer entry by setting up greenfield operations. However, in industries characterized by high gross profits or higher plant scale, the preference is for joint ventures or acquisitions as an entry mode over greenfields
28	Erramilli	1991	Journal of International Management	Service	US	175 firms	Examines the effect of international experience on service firms' selection of foreign markets and entry modes. Results indicate a U-shaped relationship between experience and propensity for integrated entry modes
29	Erramilli & Rao	1993	Journal of International Business Studies	Service	US	114 firms	Examines service firms' entry mode choice based on an adjusted transaction cost model. Results indicate that firms prefer to start with full-control modes, and that substantial variation in entry-mode choice occurs when firms that are characterized by low asset specificity relinquish control in response to the rising costs of integration or the diminishing ability to integrate

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
30	Erramilli et al	1997	Journal of Marketing	Diverse	Korean	132 firms	Examines the subsidiary ownership preferences among Korean multi-national corporations in foreign market entry. Results indicate that the influence of three firm-specific advantages—technological intensity, product differentiation and capital intensity—is contingent upon whether the subsidiary is located in a relatively less-developed or a more-developed country as compared to the home country
31	Gatignon & Anderson	1988	Journal of International Business Studies	Diverse	US	1,267 decisions	Examines multi-national enterprises' entry mode choice adopting transaction cost economics. Results indicate that transaction cost theory is relevant for firms deciding where to locate their international operations, that country risk is a highly important, but socio-cultural distance a less important determinant
32	Gerpott & Jakopin	2008	Journal of Law, Economics, & Organization	Telecommunication	Global	27 firms	Examines the determinants of Mobile Network Operators' choices of cross-border entry modes. Results indicate that cultural distance, country risk, demand potential and competitive intensity substantially influence the international entry mode choices, and that these factors are complemented by the embeddedness of entries into the overall internationalization patterns and by the foreign market entry timing

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
33	Gomes-Casseres	1990	International Journal of Mobile Communications	Diverse	US	187 firms	Examines how multi-national enterprises select ownership structures for subsidiaries when growing abroad, integrating transaction cost and institutional variables. Results indicate that some bargaining school factors such as industries' marketing and R&D intensity determine firm ownership preferences, and that government ownership restrictions deter entry from relatively large firms and those with high intra-system sales
34	Hagedoorn & Duysters	2002	Journal of International Business Studies	Diverse	Global	5,062 decisions	Examines the preferences that companies have as they use alternative (quasi) external sources of innovative competencies such as strategic technology alliances, mergers and acquisitions, or a mix of these. Results indicate that these options are influenced by both different environmental conditions and firm specific circumstances, such as those related to protecting core businesses
35	Harzing	2002	Journal of Management Studies	Diverse	Global	104 firms	Examines how the international strategy followed by a multi-national company influences the choice between foreign acquisitions and greenfield investments. Results indicate that differences in strategy are reflected in different headquarters-subsidiary relationships for acquisitions and greenfields, and that some aspects of the relationship change over time

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
36	Hennart & Park	1993	Strategic Management Journal	Diverse	Japan	270 decisions	Examines the determinants of the choice between acquisitions and greenfield investments by looking at Japanese entries into the United States. Results indicate that acquisitions are used by firms with weak competitive advantages, to enter industries with either very high or very low growth rates, when entry is at a scale that is large relative to the parent, and when entry is into a different industry
37	Hennart & Reddy	1997	Management Science	Manufacturing	Japan	428 decisions	Examines which factors determine the choice between mergers/acquisitions and greenfield equity joint ventures in foreign market entry. Results indicate that the latter are preferred when the desired assets are linked to non-desired assets, when the investor has little previous market experience, when the investor and partner manufacture the same product, and when the industry entered is growing neither very rapidly nor very slowly
38	Herrmann & Datta	2002	Strategic Management Journal	Manufacturing	US	271 decisions	Examines the relationships between successor CEO characteristics and choice of entry mode. Results indicate that CEO position tenure, throughout functional background, and international experience are associated with full-control entry modes
39	Herrmann & Datta	2006	Journal of International Business Studies	Manufacturing	US	380 decisions	Examines the relationships between the experiences of newly selected CEOs and their choice of foreign direct investment entry modes. Results indicate that CEOs' age as well as firm, functional, and international experience all influence the decision between acquisitions, greenfield investments, and joint ventures

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
40	Hoffmann & Schaper-Rinkel	2001	Journal of Management Studies	Diverse	Europe	38 firms	Examines the determining factors of the decision between acquisitions and alliances as strategies for external growth. Results indicate that neither strategy is superior per se, and that each specific context determines whether acquisition or alliance best meets the strategic objectives of the firm
41	Ingham & Thompson	1994	Management International Review	Financial services	UK	47 firms	Examines the collaborative-own entry choice in firm diversification based on the natural experiment of financial services deregulation. Results indicate that specificity encourages full ownership while collaboration is used to ease resource constraints
42	Kim & Hwang	1992	Strategic Management Journal	Manufacturing	US	96 firms	Examines the importance of global strategic considerations in multinationals' entry mode choice. Results indicate that beyond the environmental and transaction-specific factors well established in the literature to affect the entry mode decision, the strategic relationship a multinational envisages between its operations across borders plays a key role in reaching this decision
43	Kim & Jin	2017	Journal of International Business Studies	Computer	Global	654 decisions	Examines the impact of structural embeddedness and vertical resource relatedness on the choice between alliances and mergers and acquisitions. Results indicate that structural embeddedness is an important driver of this governance choice and that a significant portion of resource combinations occurs along the vertical dimension of relatedness

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
44	Kogut & Singh	1988	Journal of Management and Organization	Diverse	Global	506 decisions	Examines the role of national cultures and their characteristics on the selection of market entry modes. Results indicate that cultural distance and attitudes towards uncertainty avoidance influence the decision between acquisitions, wholly-owned greenfields, and joint ventures
45	Kuo et al	2012	Journal of International Business Studies	Computer, Electronics	Taiwan	492 firms	Examines the role of international experience in the choice of foreign entry mode between family and non-family firms. Results indicate a heterogeneous influence of international experience, i.e., inexperienced family firms, compared with inexperienced non-family firms, are more likely to choose joint ventures rather than wholly-owned subsidiaries, but as they accumulate international experience, they rely less and less on partners' help
46	Lee & Lieberman	2009	European Management Journal	Telecommunication	Global	163 firms	Examines the role of product relatedness in firms' choices between acquisition and internal development to enter a new product market. Results indicate that inside a firm's primary business domain, acquisitions are used to fill persistent gaps near the firm's existing products, whereas outside that domain, acquisitions are used to extend the enterprise in new directions
47	Leiblein & Miller	2003	Strategic Management Journal	Semiconductor	Global	117 firms	Examines how transaction-level characteristics, firm-specific capabilities, and product-market scope influence the strategic make-or-buy decision. Results indicate that decisions regarding the governance of production activities are strongly influenced by both transaction- and firm-level effects

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
48	Li & Li	2010	Strategic Management Journal	Manufacturing	Global	5,055 decisions	Examines how multi-national enterprises choose ownership strategies when facing strong uncertainty in foreign market entries. Results indicate that, under a high level of market uncertainty, firms choose more flexible (rather than more committed) ownership strategies, but that flexible strategies become less valuable when the industry enjoys strong sales growth potential, requires less irreversible investments, and has intense competition
49	Li & Yiong	2022	International Business Review	High-end equipment	China	173 decisions	Examines the impact of the host country's environmental uncertainty on the choice of entry mode and also discusses the moderating role of technological heterogeneity in this relationship. Results indicate that when the uncertainty of the industry environment is low, firms tend to choose a cooperative strategy. Once the industry environment indicators become turbulent, a high degree of institutional environment uncertainty causes firms to choose a new plant or exporting
50	Datta et al	2009	Journal of International Business Studies	Manufacturing	US	62 firms	Examines whether and how firms' strategic orientations at the business level influence the entry mode choices that firms make in accessing foreign markets. Results indicate that 'prospectors' are more likely to choose equity-based foreign market entry modes than 'defenders', and that the former favor greenfield investments and full acquisitions over joint ventures and partial acquisitions

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
51	Lopez-Duarte & Garcia-Canal	2002	Journal of Management and Governance	Diverse	Spain	315 decisions	Examines how different factors analyzed in prior research influence the entry mode choice when jointly taking into account four alternative modes: greenfield wholly-owned subsidiaries, greenfield joint ventures, full acquisitions and partial acquisitions. Results indicate that the dissimilarity of the entered country as well as the technological intensity, size, and multinationality of the company are key determinants
52	Makino & Neupert	2000	Journal of International Business Studies	Manufacturing	Japan, US	131 firms	Examines the role of culture in the choice between joint ventures and wholly-owned subsidiaries by replicating Hennart's transaction cost model of entry mode choice. Results indicate that the propensity to choose either mode significantly depends on national context
53	Moatti	2009	European Management Journal	Retail	Global	83 firms	Examines how firms choose among alternative modes of horizontal growth. Results indicate that imitation and experience as distinct learning mechanisms play a key role as the choice of expansion mode is highly influenced by competitor moves, and that imitation mechanism differ for mergers and acquisitions and alliances
54	Mutinelli & Piscitello	1998	Research Policy	Manufacturing, Mining	Italy	386 firms	Examines the influence of some key variables from resource- and competence-based perspectives in explaining the nature of a firm's entry mode choice in foreign markets. Results indicate that the resort to joint ventures rises if technological opportunities as well as tacit skills and competencies constitute an important source of competitive advantage for the firm

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
55	Padmanabhan & Cho	1999	Journal of International Business Studies	Manufacturing	Japan	752 decisions	Examines the importance of decision-specific experience for a multinational firm's foreign ownership structure and establishment mode decisions. Results indicate that firms tend to select ownership structures and establishment modes based on their experiences with similar structures and modes in the past
56	Pan & Tse	2000	Journal of International Business Studies	Diverse	Global	14,080 decisions	Examines a hierarchical model of market entry modes. Results indicate that there are factors that exert substantial influences at the equity versus non-equity level, but rather weak influences at the lower level of choice hierarchy
57	Parola et al	2013	International Journal of Globalisation and Small Business	Container port	Global	416 decisions	Examines the antecedents of soft-service firms' entry choice, focusing on the wholly-owned subsidiary vs. joint venture dilemma. Results indicate that financial and managerial resources, market knowledge, and a high degree of geographic diversification as key internal determinants increase the propensity towards full-control entry mode
58	Ruiz-Moreno et al	2007	Journal of Business Research	Manufacturing	Spain	141 firms	Examines the single-stage decision-making process in foreign direct investment used by previous researchers versus two different hierarchical two-stage processes. Results indicate the existence of a two-stage choice process where ownership structure choice precedes diversification mode choice, and that such hierarchical choice processes can be useful to handle the information overload and complexity

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
59	Slangen & Hennart	2008	Journal of International Business Studies	Diverse	Netherlands	171 decisions	Examines how cultural distance and international as well as country-specific experience impact market entry mode choice. Results indicate that multi-national enterprises prefer to enter culturally distant countries through greenfields rather than acquisitions, but that this preference is lower when they have little international experience, or plan to grant the focal subsidiary considerable autonomy
60	Taylor et al	1998	Thunderbird International Business Review	Diverse	Japan, US	185 decisions	Examines the power of transaction cost economics in explaining a firm's choice of foreign market entry mode. Results indicate that several transaction cost tenets are useful in explaining US firms' choice between joint venture versus full ownership mode
61	Tong & Li	2011	Organization Science	Diverse	US	2,775 decisions	Examines firms' investment mode choice between corporate venture capital and acquisition as alternative modes for pursuing corporate growth. Results indicate that market uncertainty is positively related to firms' choice of corporate venture capital versus acquisition, and that investment irreversibility strengthens the effect of uncertainty, whereas growth opportunities surrounding the investment weaken the effect
62	Tseng	2017	Journal of Business Economics and Management	Manufacturing	Taiwan	141 firms	Examines how interfirm differences (and managers' perceptions of the same) dictate the ally-versus-acquire choice. Results indicate that a larger resource-deployment difference enhances acquisition likelihood, while greater differences in marketing praxis and human resource management increase alliance formation

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
63	Vanhaverbeke et al	2002	Organization Science	Circuits	Global	285 decisions	Examines how the choice between strategic alliances and acquisitions is influenced by previous direct and indirect ties between firms in an industry network of interfirm alliances. Results indicate, among others, that a series of strategic alliances between two partners increases the probability of an acquisition, and that firms that are more centrally located in the network tend to be acquirers
64	Villalonga & McGahan	2005	Strategic Management Journal	Diverse	US	86 firms	Examines how firms choose among acquisitions, alliances, and divestitures when they decide to expand or contract their boundaries. Results indicate that explanations based on resources, transaction costs, internalization, organizational learning, social embeddedness, asymmetric information, and real options are highly related and complementary
65	Wang & Zajac	2007	Strategic Management Journal	Diverse	US	395 firms	Examines how and why configurations of two firms' resources and capabilities affect the costs and benefits associated with difference growth modes. Results indicate that the resource similarity and complementarity, the combined relational capabilities, and (3) the partner-specific knowledge will affect the likelihood of observing that pair of firms forming an alliance vs. engaging in an acquisition
66	Weisbord	1994	Journal of Management Issues	Law	US	61 firms	Examines growth decisions in terms of strategies and mechanisms in general practice corporate law firms. Results indicate that organizational and strategic factors such as associate-to-partner ratio, firm size, profit increases, or a firm's reliance on a limited number of business-generators influence growth decisions

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
68	White	2000	Academy of Management Journal	Pharmaceuticals, Research	China	87 firms	Examines the factors that influence Chinese state-owned enterprises' choice among alternative strategies for acquiring complementary assets. Results indicate that the decision to make, buy, or ally to acquire new product technology is an outcome of a firm's simultaneous consideration of external competitive and internal capabilities-related factors
69	Wilson	1980	Journal of International Business Studies	Diverse	US	389 firms	Examines the characteristics of firms which have invested abroad, in order to isolate factors which indicate a propensity to acquire rather than form new subsidiaries. Results indicate that firms with a higher percentage of investments through acquisitions share common characteristics, and that the nationality of the parent was found to be related to the propensity to acquire
70	Xu et al	2020	Journal of International Business Studies	Diverse	Global	n/a	Examines how entry mode choice is the product of a sequential decision-making process, with an important ownership structure contingency. Results indicate that firms with a dominant family owner prefer low equity ownership as their entry mode for the purpose of preserving their socioemotional wealth
71	Yang et al	2010	Strategic Management Journal	Computer	US	187 firms	Examines firms' boundary decisions bridging the resource-based view and the social network perspective. Our findings indicate that multilevel factors in firm characteristics, dyadic differences, and network attributes not only affect whether firms will seek external linkages for resources, but also influence how firms access resources through either alliances or acquisitions

Table 5 (continued)

No.	Author	Year	Journal	Sector	Geography	Sample	Short description and main findings
72	Yip	1982	Strategic Management Journal	Consumer products	US	59 firms	Examines how barriers and relatedness affect the choice between internal development and acquisition in market entry mode. Results indicate that higher barriers are more likely to be associated with acquisition entry, whereas greater relatedness is more likely to be associated with direct entry
73	Yiu & Makino	2002	Organization Science	Electronics, Automobile	Japan	365 decisions	Examines the choice of foreign market entry mode by synthesizing transaction-cost and institutional perspectives. Results indicate that multi-national enterprises tend to conform to the regulative settings of the host-country environment, the normative pressures imposed by the local people, and the cognitive mindsets as bounded by counterparts' when making entry-mode choices
73	Zejan	1990	The Journal of Industrial Economics	Manufacturing	Sweden	77 firms	Examines the factors influencing multi-national enterprises' choice between takeovers and new venture investments as a means of entering a foreign market. Results indicate that the degree of diversification and the host country's per capita income seem to have a positive influence on the propensity for takeovers, but this propensity appears to be negatively related to the growth rate in the industry entered
74	Zou et al	2010	Asia Pacific Journal of Management	Diverse	China	252 firms	Examines the antecedents and consequences of new venture growth strategy in an emerging economy context. Results indicate three generic growth patterns—organic growth, partnership growth and acquisition growth—and that each growth strategy is associated with different resources and capabilities

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Declarations

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