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Old risks, new reference points?
A perspective into the risky business of market exit and *re*-entry

Abstract

Going back into previously exited markets is a significant management risk. But, how are re-entry risks managed? By adding strategic reference point rationales to the risk management literature, our study examines re-entry after initial entry and divestment on a sample of 654 MNE re-entrants. We move away from narrow risk management lenses according to which risks happen in isolation, to examine how MNEs simultaneously manage international risk by exploiting the trade-offs among external and internal sources of risk. We explain that, for re-entrants, exit may become the strategic reference point for evaluating future strategic choices. Re-entrants tend to manage re-entry risk by choosing partner-based modes that enable them to maintain strategic flexibility at re-entry. Surprisingly perhaps, market-specific experience acquired during the initial market foray does not provide strategic flexibility, in that highly experienced firms still experience significant trade-offs. We propose an approach to international risk management which recognizes trade-offs in managing various sources of risk.

Keywords: re-entry; exit; organisational experience; risk trade-offs; strategic reference points (SRPs)

Introduction

The international management literature tends to depict risk as unidimensional. Managers, however, simultaneously consider a multitude of factors when deciding to expand internationally (Cesinger, Fink, Madsen and Krause, 2012; Javalgi, Deligonul, Dixit and Cavusgil, 2011; Surdu, Mellahi and Glaister, 2019). These factors impact international business strategies depending on whether they accentuate or reduce the risks associated with (re)entry into a foreign market. Continuous exposure to risk, over time, drives multinational enterprises (MNEs hereafter) to develop strategic reference points (SRPs) - the combination of past as well as future external and internal reference points to moderate the risk-return trade-off (Shoham and Fiegenbaum, 2002) - which may affect their risk propensities when strategising to expand internationally. Strategic reference points are likely to differ across firms and may be adjusted over time, which explains why MNEs' subsequent international entries and the factors associated with them, may differ from those traditionally associated with initial internationalization (Chan et al., 2006).

Internationalization market entry studies focused extensively on how MNEs reduced risk associated with entering a new market by engaging in high control (and high commitment) modes of operation (Buckley and Casson, 1976). As firms accumulate knowledge and experience about foreign markets, the transaction costs associated with initial entry uncertainty (and internationalization in general) become reduced (Johanson and Vahlne, 1977). A more recent literature (Bhaumik, Owolabi and Pal, 2018; Brouthers, 2013; De Villa, Rajwani and Lawton, 2015) proposes that it is the external environment which also plays a role in regulating MNE behavior. These studies recognise that firms have to overcome the liability of foreignness when first entering a foreign market, but note that internationalization is an opportunity to reduce risk by not having all operations located in one market.

What is lacking from our understanding is how firms manage the risks associated with *re*-entry. We know that firms divest their operations and exit foreign markets to avoid further losses (Benito, 2005; Sousa and Tan, 2015). UNCTAD (2018) reported that foreign divestment decisions are becoming an integral part of business transformation and growth as MNEs are struggling to deal with the increased complexities of operating in different markets. MNEs are expected to take a wait-and-see approach in the face of high international risks. Yet, some firms which have exited due to failure to manage international risks often decide to re-enter (Yayla, Yeniyurt, Uslay and Cavusgil, 2018).

So, how do firms which have once exited foreign markets manage strategic re-entry risks in view of a suggested change in attitudes towards risk-taking (higher risk aversion)? Does market-specific experience provide a strong SRP? Whereas de novo entries are focused on the future rewards associated with new market prospects, which may be exploited through controlling international operations; re-entries tend to be focused on managing risk associated with once failed markets. Re-entrant firms are likely to face increased stakeholder pressure to perform compared to de novo entrants, given that the initial foray into the market resulted in divestment. When re-entry requires decisions to be made about investment commitment into the previously exited market or speed of re-entry after exit, managers are incentivised to unpack the causes of their initial underperformance and address them (Welch and Welch, 2009). Market-specific experience – acquired by operating in the market for a number of years between

initial entry and exit - may not always generate strategic flexibility to enable high resource commitment re-entries. We extend the international risk management literature by focusing on re-entry risk.

Our position in this paper is that the risks associated with (re)entering an international market are complex and interdependent, whereas the management of interdependent risks involves trade-offs (Ahmed, Mohamad, Tan and Johnson, 2002; Lessard and Lucea, 2009; Shrader, Oviatt and McDougall, 2000). Re-entrant MNEs must balance knowledge acquired through past experience of operating in the market with effective decision-making about how and when to *re*-enter. Further, the risk-return trade-off among alternative re-entry strategies will depend on the SRPs organisations use. Although uncertainty and risk may be reduced by acquiring knowledge through experience of operating in foreign markets (Henisz and Macher, 2004) and controlling it through high investment modes of operation, the exit may reduce the effectiveness of prior learning through market-specific (experiential) knowledge.

To examine whether trade-offs occur between international re-entry risk factors, we focused on a sample of 638 re-entry events. Our results show that there is significant evidence of trade-offs in response to internal and external sources of risk such as host country factors, international diversification, speed of re-entry and re-entry mode choices. Perhaps surprisingly, highly experienced MNEs also experience trade-offs and manage them in a similar manner to the less experienced firms.

Our contribution is as follows. First, we respond to continuous calls for examining IB decisions beyond de novo entry (Surdu and Mellahi, 2016). Second, we challenge the idea that risks are managed through step-by-step market entry strategies, whereby experience accumulation acts to reduce risks. In doing so, we provide a nuanced approach to international risk management that explicitly recognizes the trade-offs made by MNE amongst different sources of risk and the use of flexibility as a tool for strategic risk management. Third, we add concepts such as reference point theory to explain the need for trade-offs when making complex and risky decisions. Fourth, this is the first large-scale empirical study which examines specifically international risk trade-offs within international market *re*-entries.

Literature background

International risk trade-offs and trade-off management

Risk management theory, at its heart, is about the balance of risk and reward (Kim, Hwang and Burgers, 1993). We define risk as (1) the uncertainty associated with exposure to a loss caused by events that are difficult to anticipate and (2) variability in the possible outcomes of a decision caused by chance, whereby the degree of risk depends on the ability of the decision maker to accurately predict the outcomes of a decision (Ahmed et al., 2002, p. 805; see also Miller, 1992). The internationalization literature generally focuses on one or several independent risk factors and the associated market (re)entry rewards. Significantly fewer scholars have explicitly discussed whether international market entry has one dimension or several separate dimensions, each associated with various risks (Agarwal and Ramaswami, 1992; Ipsmiller et al., 2018; Miller, 1992; Ramaswamy, Kroeck and Renforth, 1996). Miller (1992) proposed that market entry-related phenomena and the risks associated with them have multiple dimensions that are distinct but interrelated (see also Shrader et al., 2000). In order to make strategic decisions about international expansion, firms are expected to manage risks by trading off one risk against another (Miller, 1992; see also Henisz and Macher, 2004; Shrader et al., 2000). We therefore know that international managers make decisions based on "conflicting criteria and trade-offs" (Kraus, Ambos, Eggers and Cesinger, 2015, p. 1501; see also Miller, 1992; Shrader et al., 2000).

The rationale behind examining risk management through trade-offs is as follows. Managers may find sources of risk in their external, competitive environments as well as internally, related to firm-specific assets and strategies (Miller, 1992). Each of these broad categories is expected to encompass a series of uncertainties and risks which firms may need to simultaneously manage (Miller, 1992; Shrader et al., 2000). Further, external and internal risks should be studied in terms of the relationships between the different sources of risk, rather than treating risks in isolation from one another (Miller, 1992). This is because interpretations of uncertainty and thus perceptions of risk may vary with individual and firm-level characteristics (e.g., Lessard, 1988; Shrader et al., 2000); therefore, certain risk categories are more relevant to some firms and not others. In this paper, we explain that increased risk aversion following market exit make it important for re-entrants to manage the risks

associated with external and internal re-entry factors – host institutional development, re-entry timing, international diversification choices and re-entry commitment – through trade-offs.

Strategic reference point theory and the re-entry phenomenon

Given that decision makers tend to be less rational, they often evaluate alternative choices in an unsystematic manner (see also Aharoni, 2010; Elia, Larsen and Piscitello, 2019). This process leads to the formation of future and past strategic reference points (SRPs) (Shoham and Fiegenbaum, 2002) that, over time, become internalised by the MNE. SRPs shape how potential outcomes of strategic decisions are viewed. This is because, "when decisions are made at a point that is lower than managers' SRP [strategic reference point], they will be risk-assertive. When managers perceive that they operate at a point higher than their SRP, they will avoid risks." (Shoham and Fiegenbaum, 2002, p. 128). With re-entry, we propose that the events associated with the pre-exit experience remain embedded in organisational memory due to likely stakeholder pressures to avoid mistakes that have led to the exit.

So, why should we expect that trade-offs are more relevant to re-entrants? De novo entrants are generally expected to internationalize in order to exploit their firm-specific knowledge and experiences and reduce transaction costs by entering via high resource commitment modes into increasingly attractive host country markets (Anderson and Gatignon, 1986). Past strategic decisions co-determine future ones, as knowledge acquired through experience endows firms with advantages (Brouthers et al., 2008a); these advantages can be used to reduce risk. At this point, de novo entrants manage risk by exercising greater control over their operations through increased commitment (Brouthers, 2002). This corresponds to $T_{1 \text{ de novo entry}}$ in the model in Figure 1, whereby we suggest that the risk propensity is formed on the basis of expected advantages. As firms learn through experience of operating internationally, the risks associated with the initial liability of foreignness become reduced (Johanson and Vahlne, 1977; Zhou and Guillen, 2015); this happens at $T_{2 \text{ market-specific experience}}$, leading to a reduced propensity to risk. Based on the established internationalization literature, the SRP in the case of de novo entries (SRP_1) is the positive experience with operating in an international market.

However, firms may fail to perform in foreign markets and decide to exit. $T_{3\,market\,exit}$ marks the period in time when MNEs experience market underperformance, such as that associated with divestment followed by market exit. Although more infrequent compared to initial entries, exit is an event that may become more easily recalled than the equivalent advantages, i.e. advantages from exploiting the experience acquired in the market prior to exiting, due to its high emotional impact on decision makers. Exiting a foreign market may be accompanied by loss of assets and customers in the market (Surdu et al., 2018a), severed networks and business relationships (Welch and Welch, 2009) and a damage to organisational reputation both at home and in the host market (Surdu et al., 2018b). In the time-out period between exit and re-entry, the interpretation of prior experiences accumulated in the market may also change, in that the knowledge acquired through experience in that market may become less valuable in reducing international risk. Here, risk propensity may decrease.

Whereas the risk mindset associated with *de novo* entry may be one of exploiting future market opportunities, firms planning a re-entry perhaps operate from a more risk-averse position, orientated toward limiting threats and possibly even recouping previous losses (Wininger and Rujana, 2017). At $T_{4\,re\text{-}entry}$, re-entrants may use past SRPs, as the reference point becomes the exit experience itself (SRP_2), which may be more representative to the re-entry decision due to its emotional impact and the proximity of this impact (Elia et al., 2019) as recall of past experience tends to be stronger when experiences are perceived as negative (Jones et al., 1972). A few empirical re-entry studies do exist; for instance, scholars have examined what drives the pace and speed of re-entry (Surdu et al., 2018; Yayla et al., 2018; Vissak and Francioni, 2013) or the changes in operation modes between exit and re-entry without distinguishing in the discussion between MNEs re-entering via modes of operation that carry higher levels of risks and sunk costs (e.g., wholly owned subsidiaries) and those which are characterised by lesser risk (e.g., exporters) (Surdu et al., 2019). The rationale for trade-offs between factors that accentuate or reduce risk, to our knowledge, has never been empirically illustrated in the context of MNE re-entry. We start from the notion that MNEs will be risk-averse when re-entering a market due to their low SRP (market failure/market exit) and opt for strategies to avoid risk or limit risk exposure.
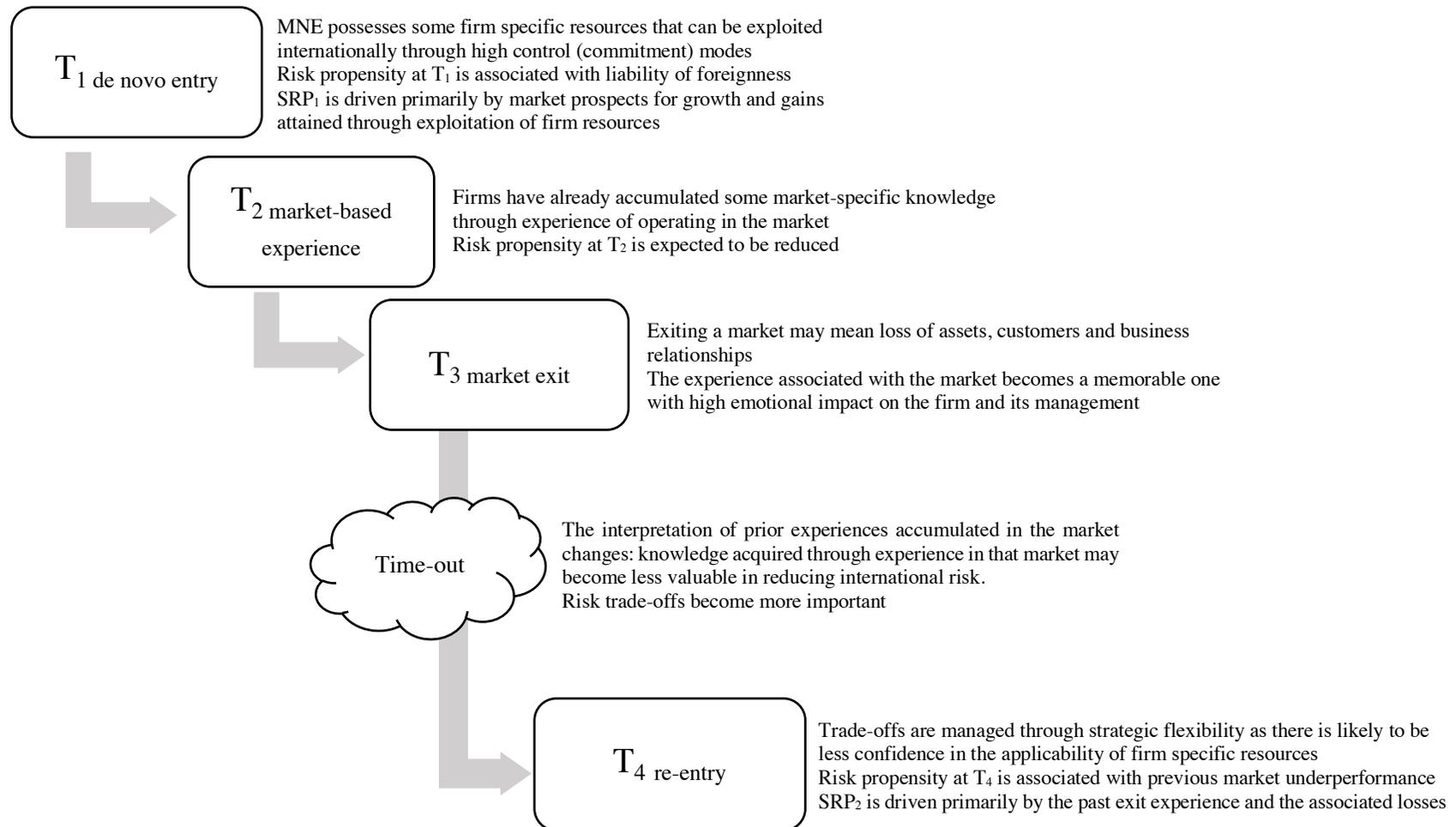
Figure I. Foreign market entry – exit – re-entry decision-making map

T₁ de novo entry
MNE possesses some firm specific resources that can be exploited internationally through high control (commitment) modes
Risk propensity at T_1 is associated with liability of foreignness
SRP_1 is driven primarily by market prospects for growth and gains attained through exploitation of firm resources

T₂ market-based experience
Firms have already accumulated some market-specific knowledge through experience of operating in the market
Risk propensity at T_2 is expected to be reduced

T₃ market exit
Exiting a market may mean loss of assets, customers and business relationships
The experience associated with the market becomes a memorable one with high emotional impact on the firm and its management

Time-out
The interpretation of prior experiences accumulated in the market changes: knowledge acquired through experience in that market may become less valuable in reducing international risk.
Risk trade-offs become more important

T₄ re-entry
Trade-offs are managed through strategic flexibility as there is likely to be less confidence in the applicability of firm specific resources
Risk propensity at T_4 is associated with previous market underperformance
SRP_2 is driven primarily by the past exit experience and the associated losses

Hypotheses

Trade-offs in managing re-entry risks

Since MNE re-entrants are exposed to a number of risks when re-entering a market, we propose that they consider these risks and their respective interrelationships in order not to exceed an acceptable level of risk exposure at re-entry. In doing so, an MNE re-entrant may manage the risk of re-entering a country characterised by low institutional development by trading it off against high market attractiveness (i.e. low market risk). Further, another strategy to manage host country institutional risks could be by operating in multiple international markets with differing levels of risk. This diverse international presence as well as the associated generic international experience may also help MNEs to create strategic flexibility (Brouthers and Dikova, 2010, Kogut and Kulatilaka, 1994), which increases internal responsiveness to risk and can thus limit re-entry risk exposure (Brozovic, 2018; Shimizu and Hitt, 2004). Host country institutional risk is likely to increase particularly in underdeveloped countries where institutions are characterized by poorly enforced intellectual property laws and regulations, which are often changing as they undergo institutionalization processes (Gaur, Kumar and Singh, 2014; Kostova, Roth and Dacin, 2008). These environments are characterised by high levels of ambiguity leading to difficulties in their ability the predict potential outcomes of re-entry. Where firms re-enter host environments that are characterized by favorable institutions and ambiguity associated with how to operate in the market is reduced (Hsu, Chen and D'Arcy, 2017), re-entry may occur faster. To start with, we propose that an increase in one of these re-entry risk factors will lead to a decrease in one or several of the others. We propose that:

H1: For MNE re-entrants, the degrees of institutional risk, market risk, international diversification and the speed of re-entry are traded off against each other.

Re-entry mode risk and risk management strategies

In most instances, MNEs are considered to be able to influence their overall level of international risk exposure by using modes of re-entry that provide them with greater organisational/strategic flexibility

(Ahmed et al., 2002; Li and Li, 2010; Miller, 1992). For a *re*-entrant, re-entry mode strategies that provide strategic flexibility may align better with their relatively lower SRPs (and increased risk aversiveness). Higher commitment (re)entry modes (associated with wholly owned subsidiaries, WOS) are usually associated with higher risk and can pose an exit barrier to further limit an MNE's scope of manoeuvre (Kraus et al., 2015). Strategic flexibility can be achieved by using partner-based modes (i.e. international alliances and joint ventures) (Li and Li, 2010). The flexibility generated/risk incurred by using particular re-entry modes can be traded off against other types of risks impacting risk exposure.

Experience has been proposed to also generate strategic flexibility (Brouthers and Dikova, 2010; Lee and Makhija, 2009a), particularly when this experience is market-specific (Daily, Certo and Dalton, 2000; Dow and Larimo, 2009); in this case, the experience resulting from knowledge accumulated by operating in the market between initial entry and exit. At the same time, the decision to exit signals that the past knowledge and experience acquired were not sufficient to enable a competitive advantage in the market. Therefore, MNEs may suffer from a negativity bias (Jones et al., 1972) which will influence learning and subsequent re-entry risk considerations. Experience may, in fact, hinder strategic flexibility when firms are too focused on exploiting past knowledge.

The mechanisms behind these trade-offs are as follows. First, we propose that re-entry mode commitment risk can be traded off against host country (institutional/market) risks. When host countries are characterized by high growth and thus high attractiveness, re-entrants may trade off flexibility for high-commitment modes that allow them to learn about the host market (García-García, García-Canal and Guillén, 2017) to more rapidly recover financial losses incurred upon exit. In turn, when re-entering countries with high market risk (low market attractiveness), lower resource commitment operation modes may enable the firm to test demand in the host market before committing significantly to it. For instance, partner-based modes, while limiting a firm's commitment risk (Brouthers et al., 2008b), can serve as an option to reduce long-term costs through the pooling of knowledge (Brouthers, 2002; Inkpen and Beamish, 1997). These modes afford the MNE flexibility and allow the firm to reduce its risk exposure by adopting an invest-and-see approach regarding further investment in the market (Brouthers et al., 2008b; Petersen, Welch and Welch, 2000). Similarly, lower commitment re-entry modes allow

the MNE to react more quickly to changes in institutions and to redeploy its resources accordingly (Hill et al., 1990). Such changes in institutions may not be predictable (Surdu et al., 2018b; Tan et al., 2007), in which case firms require the flexibility needed for a faster market withdrawal (Kim and Hwang, 1992) should re-entry expectations not materialize (Morschett, Schramm-Klein and Swoboda, 2010). Local partners may also be a source of legitimacy, as the operations of the shared business are likely to be perceived, at least to some extent, as more consistent with local market practices (Brouthers, 2002).

Market-specific experience may, indeed, provide an SRP that shapes attitudes towards market risk. A higher degree of past host market experience could mean that MNEs are more familiar with cultural, linguistic, institutional or other factors specific to the re-entered market. However, the costs in terms of time and psychological efforts associated with acquiring that experience will be traded-off against the lack of success in the market meaning perhaps that not all experiences turn into relevant learning. An MNE re-entrant endowed with market-specific experiences may become less confident in the usefulness and applicability of these experiences acquired in the past, may become less flexible and may not expose itself to higher degrees of other types of risks the second time around. Consequently, an experienced MNE requires a re-entry mode that provides this very flexibility to manage its overall level of host country risk exposure. Based on the idea that flexibility decreases with commitment (Hill et al., 1990; Petersen et al., 2000), we test which commitment modes will be preferred when firms lack experience assets, previously considered as market-specific advantages. We hypothesize the following:

H2: For a re-entrant, the degree of host country risk will be traded-off against choosing partner-based vs. wholly owned modes; and this relationship is stronger for highly experienced firms.

Second, most large MNEs such as the ones in our sample are, by default, amongst the firms which already highly internationally diversified, i.e. operate in a large number of countries to fuel their growth. As these firms grow, they need to simultaneously manage the often differing risks associated with investing resources in international markets; this may lead to the accumulation of deep and rich knowledge, but it may also solicit a significant amount of resources (Iurkov and Benito, 2017), given

the negative effects of diversification over time (Lu and Beamish, 2004). This is aligned with modern portfolio theory (Chung et al., 2013) according to which, once the portfolio of international markets increases, the benefits of diversification start to decrease. As MNEs continue to grow, including by re-entering previously exited markets, they may seek to employ re-entry modes that solicit fewer of their resources to avoid reaching the point at which international diversification is no longer beneficial. MNE re-entrants may choose to avoid a high level of diversification and divert additional resources to markets in which they have been successful and/or markets they are familiar with (Iurkov and Benito, 2017) rather than markets in which they have previously failed, where the benefits are already likely to be marginal and the pressure to manage risk is higher. Thus, IJVs may be perceived as a "hedging vehicle" (Chung et al., 2013) to reduce international diversification risk.

Here also, we considered whether a firm's pool of market-specific experience contributes to strategic flexibility. Firms equipped with experience may become more aware of the difficulties associated with acquiring experiential knowledge over time (Surdu et al., 2018). These firms may also become aware that management attention is limited (Ocasio, 2010); thus, the time spent in unpacking and understanding the lessons learned could be invested into improving operations in other country markets. As such, a mode of operation which results in shared management responsibilities may be preferred by these firms. We therefore hypothesise that a negative relationship will exist between MNE international diversification and re-entry mode, particularly for more experienced MNEs, as follows:

H3: For a re-entrant, international diversification will be traded-off against choosing wholly owned vs. partner-based modes; and this relationship is stronger for more experienced firms.

Third, consideration of an MNE's speed of re-entry is important since it can reduce the value of market knowledge and, in turn, increase the MNE's risk exposure (Surdu et al., 2018b; Welch and Welch, 2009). This is because, as argued earlier, at the time of market exit, an MNE possesses a certain degree of market-specific knowledge and experience, i.e. knowledge about customers and competitors as well as practices and behaviors in a particular market (de Luca and Atuahena-Gima, 2007; Figuera-de-

Lemos, Johanson and Vahlne, 2011). As more time passes between market exit and re-entry, there is a higher likelihood that this knowledge has lost – at least part of – its value (Tsang and Zahra, 2008) since information about customers and competitors might become outdated. This is particularly relevant for firms with low SRPs, as it may increase their risk aversiveness. An increase in risk caused by a longer time-out period can be managed by using a re-entry mode that offers greater flexibility and lower commitment, i.e. partner-based re-entry modes (Erramilli and Rao, 1993; Hill et al., 1990). Management may have decreased confidence in their previously accumulated knowledge or, put differently, are less likely to rely on potentially ineffective past strategies and opt for re-entry commitment that enables them to address previous failures. We propose that partner-based re-entry modes (in contrast to WOS) will be used to manage risks associated with fast re-entry. This is because partner-based modes exhibit interactions between partners to facilitate learning (Jiang, Beamish and Makino, 2014) and faster market expansion to make up for lost time. Modes which involve a foreign partner enable a company to either catch up faster with competitors that might not have exited the market or to more rapidly gain the market knowledge necessary to establish a stronger market position.

Past knowledge and experience may dissipate, or forgetfulness may mean that, after a period of time-out, this knowledge becomes difficult to retrieve (Surdu et al., 2018). The inability to exploit their experience may drive MNEs to reduce their commitment (Vissak & Francioni, 2013) and organize transactions with local partners, suppliers and distributors via partner-based arrangements. Further, in the context of market re-entry, MNE decision-makers might not even consider experience as useful for limiting downside risk, especially when past strategies have led to underperformance in the market. Firms which have once underperformed in the market understand that acquiring international experience and interpreting the lessons learned takes time, and may lead to firms delaying (re)entries[1].

H4: Speed of re-entry will be traded-off against choosing wholly owned vs. partner-based modes, and this relationship is stronger for more experienced firms.

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[1]The perception of the usefulness of past experience, besides ideas based on behavioural theory suggesting that negative experiences (market exit) are likely to weigh heavier than positive experiences in the minds of decision-makers and hence determine the value (potential to reduce downside risk) attached to it, might also depend on the degree to which market exit was perceived as being a result of poor market strategy or due to other, external (e.g. political) causes.

Methods

Data collection

We identified no widely available databases from which to collect data on foreign market re-entry and re-entrants (Surdu et al., 2019; Welch and Welch, 2009). Welch and Welch (2009) highlighted that in most studies (e.g., Bonaccorsi, 1992), re-entrants, if examined, are treated as *de novo* entrants. This study's dataset comes principally from business information and research databases, namely Factiva (Dow Jones) and LexisNexis (Reed Elsevier), which list information on topical international strategic decisions and market transactions of private and public companies and aggregate content from over 600 licensed and continuously updated data sources such as, but not limited to, *Wall Street Journal*, *Reuters*, *The New York Times*, *Huffington Post* and *Nikkei*. This data collection strategy has been used in the past to examine the MNE international strategic decisions (e.g., Li, Eden, Hitt and Ireland, 2008; Surdu et al., 2018a). Data searches can be conducted by region, subject, industry, time frame and company metadata. In line with the definition of foreign market re-entry provided by Welch and Welch (2009) and recently used by Surdu et al. (2018, 2019) – *"a process involving a period of international business activity, then exit from international operations, followed by a time-out period of some duration, then a process of international re-entry, concluding with successfully renewed international operations"* (Welch and Welch, 2009, p. 568) – the basic criteria for selection was that a firm entered, exited and re-entered a foreign market. Keyword searches were performed (Li et al., 2008). The list of keywords used – 're-entry'/ 're-enter' / 'return to' / 'back in' / 're-internat*' AND 'market' – made no exclusions based on home country, host country, time of exit, time of re-entry, firm characteristics or firm industry. Following these keyword searches, over 200,000 business news articles were accessed and studied in order to eliminate duplicates and articles which were not in line with our definition of re-entry. In the end, a total of almost 3,000 articles corresponding to 1,377 re-entry events were analysed in more detail.

To test the hypotheses, we only selected the data for MNE re-entrants which met the following conditions: (1) they re-entered the market at the time of data collection; (2) they fully exited the market, rather than decreasing their commitment from own subsidiaries to exporting (Javalgi et al., 2011); (3) they are not entrepreneurs which may sell the business and re-enter with a different firm; (4) they have

not exited one market and re-entered another; (5) they are not project business firms for whom exit and re-entry is part of the business model (Vissak and Francioni, 2013); (6) they have spent a minimum of one year time-out (to avoid cases of partial market exit); and (7) they re-entered via partner-based modes (alliances, joint ventures) or WOS (greenfield, mergers, acquisitions). The sampling technique outlined here resulted in a sample of 654 foreign market re-entry events which occurred between 1980 and 2016. Because our interest was on how firms manage re-entry risks, the unit of analysis was the individual re-entry event. Therefore, the effective sample size for analyses was 654 re-entry events.

International re-entry risk variables

The variable INSTITUTIONAL RISK was constructed using data from the Economic Freedom of the World Index (EFW), which is viewed as an appropriate source to collect data on categories of risk associated with a country's policy and institutional environments (Brouthers et al., 2008a; Surdu et al., 2019). Countries where business performance relies less on personal choice and markets and more on government budgets and political decisions are considered to bear higher risks. The EFW index is composed of five main areas, namely: size of government, legal system and intellectual property rights, sound money, freedom to trade internationally and regulation. In the index, countries are ranked between "0" (dominant state intervention) and "10" (low state intervention). Given the high correlations that exist between the institutional scores used, and in line with previous studies (Meyer, Estrin, Bhaumik and Peng, 2009), we used the aggregate measure of institutional risk. MARKET RISK reflects a host market's attractiveness from the perspective of international investors (Morschett et al., 2010). We use GDP per capita based on Purchasing Power Parity, as a proxy for market risk (World Bank database). Both sources of country risk were measured with a one-year lag prior to re-entry taking place.

INTERNATIONAL DIVERSIFICATION (ID) is constructed by measuring the total number of international countries in which the firm operated in (Clarke, Tamaschke and Liesch, 2013) at t-1 to re-entry. SPEED measures the time-out period, i.e. the number of years elapsed between the event of market exit and the event of re-entry (Welch and Welch, 2009); with a positive coefficient reflecting a positive relationship between faster re-entry and the factor(s) studied. The information regarding when

MNEs exited and re-entered foreign markets was collected from the original media documents collected about the re-entry event and validated by the authors through additional media searches.

Finally, the re-entry mode commitment strategies were categorized into PARTNER-BASED which require finding, negotiating and monitoring a potential partner with whom key knowledge is shared (these are: licensing/franchising[2] and joint ventures); and WOS (these are: greenfield, mergers and acquisitions) (Brouthers, 2002). In line with previous studies, commitment equals degree of equity owned in a market (Benito, Pedersen and Petersen, 1999; Chang and Rosenzweig, 2001; Surdu et al., 2019). WOS tend to carry a relatively higher level of risk than other modes because they require equity investments in some immobile resources where the responsibility rests solely on the MNE (Agarwal and Ramaswami, 1992; Shrader et al., 2000). In our regression models, we measured re-entry mode commitment as a dichotomous choice between PARTNER-BASED modes ('0') and WOS ('1').[3]

Moderator

Host market-specific experience (Agarwal and Ramaswami, 1992; Brouthers et al., 2008a; Chang and Rosenzweig, 2001) measures the number of years in which a firm operated in the host market prior to exiting. Data on the year of initial entry was accessible in the media documents collected from Factiva and Lexis Nexis. We classified the variable into two categorical variables by noting HIGH-EXP those with values above the mean i.e. 7 years and LOW-EXP those with values below 7 years of experience.

Control variables

Firm size was calculated as the book value of total assets (Delios and Henisz, 2003) possessed at *t-1* to re-entry. *Firm age* is measured as the number of years (Autio, Sapienza and Almeida, 2000) lapsed between when the firm was founded and the year before re-entry. We also controlled for experience factors such as generic international experience (total number of years of internationalization at *t-1* to

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[2] Within the category of partner-based modes, joint ventures are considered somewhat riskier than alliances (franchising/licensing) (Shrader et al., 2000) because they require equity investment. In our analysis, we test for differential effects of equity versus non-equity partner-based modes in trade-off relationships. Our results hold.

[3] We conducted robustness checks in order to identify whether using an ordinal variable to rank re-entry modes according to the level of resource commitment/risk (Shrader et al., 2000) would have a relationship with the other risk factors considered. Our results showed non-significant effects of measuring re-entry commitment as an ordinal variable.

re-entry) and generic host experience (total number of years of internationalization in the host region at

t-1 re-entry). Factor analysis confirmed that these two intensity measures loaded onto one single factor,

generic experience (Cronbach's alpha = .78) (Autio et al., 2000; Brouthers et al., 2008a; Surdu et al.,

2018b). *CORP* is a variable which takes the value of '1' if the re-entrant was part of a corporation and

thus, the parent was still operating in the market through a different division in a different sector, and

'0' otherwise. *New CEO* was measured to capture whether the CEO of the re-entrant firm had changed

up to three years prior to the firm re-entering the previously exited market ('1') or not ('0'). *Prior*

commitment in the market, i.e. the mode in which the company was operating prior to exiting, may

provide some indication concerning the depth of knowledge acquired by firms during the initial foray.

We classify prior commitment into three categorical variables, namely: EXPORT (1;0); WOS (1;0) and

PARTNER-BASED (1;0) modes; given that the values are mutually exclusive, in the regression models,

EXPORT and WOS are compared to PARTNER-BASED. Following precedents within the exit

literature (Benito, 2005; Mellahi, 2003), we based measures of re-entrant *past performance* in the

market on a content analysis of market exit motives. To ensure validity and reliability of the data, we

employed a theory-driven coding scheme (Gaur and Kumar, 2018) which we used to conduct a pilot

study whereby both authors independently coded the motives for the exit. Coders identified two main

motivations for exit (Benito and Welch, 1997; Benito, 2005; Mellahi, 2003): voluntary exit associated

with poor performance[i] and involuntary exit associated with institutions (e.g., governments) pressuring

firms to exit the market. *Past performance* is a dichotomous variable which takes the value of '0' if exit

was involuntary and '1' if exit was firm-related, i.e. due to poor performance in the market[4].

Whether firms originate from a developed or emerging home market may have an influence on

their propensity to take risks when (re)entering (Chang and Rosenzweig, 2001; Vissak and Zhang,

2015) which is why *HOME* takes the value of '0' if the re-entrant is headquartered in an emerging

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[4] As discussed in Surdu et al. (2018) in more detail, we found that exit due to poor performance can be divided into: (a) inappropriate pricing strategies, (b) intense competition leading to poor sales and (c) inappropriate identification of target market leading to poor sales. Since (a), (b) and (c) are highly correlated, we coded them into a category titled "past performance". Further, we recognize that firms may exit foreign markets for strategic reasons (Mellahi, 2003) such as refocusing resources on home markets or undergoing organisational restructuring to free up resources. In this study, we did not find significant relationships with our international re-entry risk variables.

market and '1' if the country of origin is a developed country. Finally, re-entrants may be more comfortable taking risks when re-entering within countries in their home region; therefore, we used the variable *HOME-HOST* to control for regional effects between the home country of the re-entrant and the re-entered country (regionalization patterns are identified between countries within the European Union, North America, Latin America, Asia, Australia and New Zealand and Africa).

Analyses

To test our hypotheses, we used ordinary least squares (OLS) regression (see also Kumar, 2009; Shrader et al., 2000). OLS regression models are used to estimate a system of four equations containing INSTITUTIONAL RISK (Equation 1), MARKET RISK (Equation 2), ID (Equation 3) SPEED (Equation 4). Each of these variables takes turns in being the dependent variable in the OLS regression model. This procedure was appropriate given that we examine how managers trade levels of one risk dimension over another (see also Johnston, 1972; see also Shrader et al., 2000). We emphasise that the focus of the analysis is not to identify/propose causal relationships between variables but rather to understand how firms trade risks associated with key factors, one against the other. For instance, take 'y' as the speed of re-entry and 'x' as the institutional risk. In a trade-off OLS analysis, this means that the conditional expectation for these two equations suggests that, conditional on 'x' ('y'), the mean of 'y' ('x') will be higher or lower at a given level of significance. This procedure also allowed us to derive useful information about the variance explained by each equation.

The means, standard deviations and pairwise correlations are reported in Table I. Variance inflation factors range between 1.078 and 2.439; hence there are no serious problem of multicollinearity.

Results

On average, foreign market re-entrants: owned around nine billion in total assets at the time of re-entry, had over 50 years of generic international experience and almost 18 years of market-specific experience; and waited almost ten years before re-entering. These firms are generally large and internationally diverse MNEs (Table I). Table II reveals that some 282 re-entrants used WOSs; this shows that at least some re-entrant firms opt for control and high resource commitment at re-entry to protect their firm-

specific advantages (Dunning, 1993). Unsurprisingly, emerging markets were the most frequently re-entered locations with India (104; 16 per cent) and China (51; 8 per cent) topping the list of re-entry destinations. Some evidence of regionalisation also exists particularly within European MNEs and Asian MNEs. In summary, this is a sample of large and internationalized MNEs operating in a variety of industries and re-entering foreign markets at different points in time, often within their home regions, with a noticeable growth in re-entry patterns which started in the mid-2000s until more recent years.

Tables III and IV illustrate the results of the OLS regression analyses. The five equation models were all significant in explaining INSTITUTIONAL RISK ($p<0.001$), MARKET RISK ($p<0.001$), ID ($p<0.001$) and SPEED ($p<0.001$) as they explained from 29 to 66 per cent of the variance in the dependent variables (Table III: adjusted R^2s were 0.66, 0.67, 0.49, 0.46, respectively). The estimated OLS coefficients reflect the size of the conditional relationship between international risk variables, with positive/negative coefficients indicating positive/negative relationships between variables.

H1: International re-entry risk trade-offs

We identified some of the risk trade-offs that re-entrants make. Table III illustrates highly significant relationships between INSTITUTIONAL RISK, MARKET RISK, ID AND SPEED (e.g., Equations 1, 2, 3 & 4 $p<0.001$). INSTITUTIONAL RISK is trade-off against MARKET RISK to enable re-entry (Equations 1 & 2: negative relationship between host country risk factors, $p<0.001$). In turn, re-entrants with high ID re-entered into countries with higher (institutional and market) risks, however this resulted in taking longer to re-enter after exit (e.g., Equations 3 & 4: negative relationship with ID and SPEED, $p<0.001$). ID reduces perceived international risk and therefore firms operating in a large number of foreign markets may not avoid re-entering into high-risk countries. One explanation for this may be that managers which acquire flexibility through operating in a large number of international countries, over time, may become more confident in being able to use it in order to lower host country risk factors. Overall, we found support for our first Hypothesis regarding international re-entry risk trade-offs.

Table I. Summary statistics and correlations

Variables	Mean	s.d.	N	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Firm age	78.12	53.08	1020	1																
2. Firm size	9 BN	8.47	988	.043	1															
3. Generic international experience	55.19	38.90	997	.62**	.09**	1														
4. Generic host experience	42.75	33.98	997	.50**	.12**	.82**	1													
5. CORP	0.22	0.41	1020	.09**	.01	.16**	.14**	1												
6. New CEO	0.47	0.49	1020	.10**	.03	.06*	.05	.10**	1											
7. Prior mode EXPORTS	0.37	0.48	976	-.07*	.01	.07*	.03	.10**	.04	1										
8. Prior commitment: PARTNER-BASED	0.18	0.38	976	.01	-.03	-.09**	-.08*	.01	-.06	-.36**	1									
9. Prior commitment: WOS	0.28	0.45	976	.15**	.05	.16**	.16**	-.04	.04	-.48**	-.29**	1								
10. Past performance	0.43	0.49	1020	-.10**	-.01	-.07*	-.05	.14**	-.02	.08**	-.13**	-.01	1							
11. HOME	0.86	0.34	1020	.21**	.03	.19**	.16**	.04	.07*	-.10**	.06*	.06*	.02	1						
12. HOME-HOST	0.33	0.47	1020	-.12**	-.03	-.19**	-.09**	-.05	-.05	-.05	-.01	.07*	.05	-.25**	1					
13. SPEED	9.72	11.83	987	.22**	.11**	.39**	.45**	-.03	.01	.01	-.15**	.19**	-.14**	.07*	.01	1				
14. Institutional risk	6.80	1.04	972	-.17**	-.04	-.21**	-.19**	.12**	.12**	-.01	.00	-.07*	.26**	-.05	.02	-.31**	1			
15. Market risk	3.34	0.61	972	-.16**	-.03	-.22**	-.22**	.10**	.09**	.03	-.07*	-.05	.25**	-.27**	.76**	-.15**	-.18**	1		
16. Market-specific experience	17.57	19.42	975	.40**	.10**	.49**	.54**	.11**	.11**	.01	-.06*	.11**	-.07*	.10**	-.09**	.20**	-.04	-.01	1	
17. ID	69.27	57.49	902	.12**	.12**	.30**	.24**	.27**	.06	.18**	-.03	-.10**	.01	.20**	-.24**	.04	-.15**	-.07	.11**	1

Table II. Sample key characteristics

Top host countries (> 10 re-entry events)	Event number (%)	Industries	Number of events (%)
India	104 (15.9)	Travel and leisure	138 (21.1)
China	51 (7.8)	Financial services	129 (19.7)
South Africa	49 (7.5)	Retail	92 (14.1)
U.S.	35 (5.4)	Automotive	72 (11.0)
UK	30 (4.6)	Media and telecommunications	57 (8.7)
Japan	24 (3.7)	Consumer electronics	55 (8.4)
Brazil	23 (3.5)	Food and beverages	53 (8.1)
Myanmar	21 (3.2)	Industrial goods and services	41 (6.3)
Australia	19 (2.9)	Healthcare	17 (2.6)
Thailand	13 (1.9)		
Singapore	12 (1.8)		
Indonesia	12 (1.8)		
Germany	11 (1.7)		
Top home countries (> 10 re-entry events)		**Time-out period time frames**	
U.S.	221 (33.8)	1-2 years	158 (24.2)
UK	80 (12.2)	3-5 years	160 (24.5)
Japan	39 (5.9)	6-10 years	149 (22.8)
Italy	34 (5.2)	Over 10 years	187 (28.6)
Germany	31 (4.7)		
Switzerland	25 (3.8)	**New CEO prior to re-entry (t-3)**	
France	24 (3.7)	New CEO = yes	303 (46.3)
India	14 (2.1)	New CEO = no	351 (53.7)
South Africa	14 (2.1)		
Netherlands	13 (1.9)	**Re-entry time frames**	
China	11 (1.7)	Before 2000s	156 (23.9)
Sweden	11 (1.7)	2000 – 2010	227 (34.7)
		2011 - 2016	271 (41.4)
Regional effects		**Re-entry commitment mode**	
Europe - Europe	89 (13.6)	Partner-based: Franchising/Licensing	178 (27.2)
Asia-Pacific – Asia-Pacific	100 (15.3)	Partner-based: Joint ventures	188 (28.7)
Africa - Africa	10 (1.5)	Greenfield , mergers and acquisitions	288 (44.0)
Americas - Americas	30 (4.6)		
No regional effects	425 (64.9)		

H2, H3 and H4: Re-entry mode trade-offs at different levels of experience

Table IV illustrates the relationships between risk factors by also distinguishing whether trade-offs work differently for highly experienced compared to less experienced firms. H2 proposed that highly experienced re-entrants, in particular, manage high levels of host country risk by opting for partner-based modes over WOSs. We found support for this proposition, in that high experience MNEs opted for partner-based modes over WOSs at high levels of institutional risk (Equation 5, -0.314 at p<0.05). Further, whilst both types of MNEs opted for partner-based modes over WOSs at high levels of market risk, the effect was greater and more significant for high experience firms (Equation 6: -0.754, at

p<0.0001 vs. -0.422, at p<0.01). When re-entering high-risk countries, MNEs sacrifice control over operations for strategic flexibility. This result provides evidence that, when evaluating external risk factors, re-entrants make decisions based on higher SRPs. Thus far, experience accumulated over time does not provide MNEs with strategic flexibility to limit re-entry risk exposure. It is likely to be superseded by the exit experience, which may require new knowledge to make decisions. Learning from firm-specific knowledge and experience could potentially be replaced with learning from local partners.

We did not find support for the predictions of H3; ID is not traded-off against re-entry modes that solicit fewer of their resources (Equation 7); the pressure to manage risk through flexibility does not necessarily increase for MNEs which are internationally diversified, irrespective of their past market-specific experience. In turn, we found that the relationship between re-entry mode and speed differs according to whether the MNE is a highly or lesser experienced re-entrant (Equation 8). As predicted in H4, re-entry via a WOS for high experience firms will occur after a longer period of time-out (HighEXP: -2.997, p<0.05); for high experience firms, earlier re-entry is facilitated by partner-based modes. When examining low experience firms, we found a lack of trade-off between high resource commitment through WOS and speed (LowEXP: 2.046, p<0.05). As proposed, we found that experiential knowledge accumulated over time may help firms navigate new markets but not necessarily serve as part of a risk management strategy when trying to re-enter previously exited markets rapidly, where the desire to exploit the experience assets accumulated in the past may be traded off for waiting to understand the market better before re-entry in light of previous underperformance.

Amongst our controls, firm size was positively related to ID since larger MNEs would possess the necessary resources to increase their international diversification. The positive relationship between age and institutional risk also indicates that advanced age gives re-entrant firms confidence to go back into exited host countries and manage institutional risks, but take longer to re-enter. New management appointed prior to the MNE re-entering the market discourages re-entry into high risk countries. Also notable is that, MNEs which were previously operating via partner-based modes did not delay re-entry compared to firms which operated via WOSs or even exporters; operating via partner-based modes consistently reveals itself as a mechanism to reduce re-entry risk whilst at the same time enabling faster

re-entry for some firms. Exiting as a result of underperformance has a positive relationship with speed; our explanation for this finding is that, early re-entry may provide some guarantee that the changes made in strategy the second time around will still be relevant to the context of the host market[5].

Table III. OLS regression results for ALL firms[a]

Independent variables	(Equation 1) INSTITUTIONAL RISK	(Equation 2) MARKET RISK	(Equation 3) ID	(Equation 4) SPEED
Constant	1.791***	1.177***	2.061***	2.169***
	(0.236)	(0.247)	(1.848)	(1.354)
Firm age	0.003**	-0.001	-0.077*	-0.024***
	(0.001)	(0.001)	(0.040)	(0.007)
(log) Firm size[b]	0.043	0.022	5.006***	-0.406
	(0.041)	(0.043)	(1.445)	(0.276)
Generic experience	-0.001	0.003	7.452***	0.610
	(0.001)	(0.002)	(2.265)	(0.435)
CORP	-0.433***	-0.311*	1.523***	-0.100*
	(0.129)	(0.139)	(0.574)	(0.050)
New CEO	-0.317**	-0.264**	-1.106	-0.864
	(0.103)	(0.109)	(0.653)	(0.679)
Prior mode: EXPORTS	-0.073	-0.010	1.885**	-4.418***
	(0.181)	(0.192)	(0.328)	(1.230)
Prior mode: WOS	-0.037	-0.011	2.713	-2.727**
	(0.141)	(0.153)	(1.081)	(0.926)
Past performance	-0.548***	-0.395**	-1.848	2.303***
	(0.121)	(0.130)	(0.826)	(0.913)
HOME	-0.335*	-0.539**	0.409***	0.710
	(0.161)	(0.173)	(0.200)	(0.866)
HOME-HOST	-0.057	-0.172	-1.192***	0.830
	(0.108)	(0.117)	(0.620)	(0.741)
International re-entry risk variables				
WOS vs. PARTNER-BASED modes	-0.152	-0.270*	0.350	0.233*
	(0.119)	(0.126)	(0.127)	(0.783)
Δ Institutional risk	---	-0.758***	9.990***	-2.396***
		(0.034)	(1.949)	(0.276)
Δ (log) Market risk[b]	-0.675***	---	9.412***	-3.692***
	(0.030)		(1.738)	(0.236)
Δ ID	0.005***	0.005***	---	-0.032***
	(0.001)	(0.001)		(0.009)
Δ SPEED	-0.057***	-0.090***	-0.981***	---
	(0.006)	(0.006)	(0.273)	
Industry fixed effects	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
F	66.311***	65.027***	33.425***	29.179***
R²	0.673	0.684	0.514	0.480
Adjusted R²	0.663	0.674	0.499	0.464

[a] $p < 0.10$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$ (two-tail standard error in parentheses). Industry/year dummies included not presented.
[b] Variable is a natural logarithm.

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[5] In line with previous studies (Kumar, 2009), we estimated our OLS equations with and without firm level controls to determine whether factors such as size, age, or other experiences reduce the need to make trade-offs. Our results hold.

Table IV. OLS regression results for LowEXP and HighEXP[a]

Independent variables	(Equation 1) INSTITUTIONAL RISK		(Equation 2) MARKET RISK		(Equation 3) ID		(Equation 4) SPEED	
	HighEXP	LowEXP	HighEXP	LowEXP	HighEXP	LowEXP	HighEXP	LowEXP
Constant	0.433 (0.418)	1.103* (0.556)	1.127*** (0.366)	1.072*** (0.533)	5.576*** (2.137)	8.553** (8.245)	4.474*** (2.082)	9.337*** (1.961)
Firm age	0.002** (0.001)	0.002 (0.002)	-0.002+ (0.001)	-.001 (0.002)	-0.172** (0.061	-0.130 (0.083)	-0.031*** (0.009)	-0.012 (0.012)
(log) Firm size[b]	0.061+ (0.036)	-0.008 (0.052)	-0.036 (0.037)	-0.014 (0.058)	1.587*** (0.189)	1.577** (0.678)	-0.563+ (0.341)	-0.113 (0.400)
Generic experience	-0.001 (0.002)	-0.001 (0.003)	0.001 (0.002)	0.003 (0.003)	0.245** (0.096)	0.549*** (0.142)	0.034* (0.015)	0.031 (0.022)
CORP	-0.248* (0.113)	-0.147 (0.179)	0.054 (0.118)	0.059 (0.200)	1.105* (1.186)	3.165** (2.484)	0.384 (0.092)	-2.929* (1.398)
New CEO	-0.198* (0.091)	0.171 (0.130)	-0.023 (0.096)	-0.271* (0.144)	0.596 (0.475)	2.176 (1.012)	-1.132 (0.882)	-1.809+ (1.019)
Prior mode: EXPORTS	-0.077 (0.166)	0.055 (0.213)	0.173 (0.172)	-0.309 (0.236)	1.212 (1.361)+	4.046* (1.286)	-3.378* (1.577)	-3.339* (1.658)
Prior mode: WOS	-0.032 (0.127)	-0.111 (0.177)	0.067 (0.132)	0.072 (0.197)	0.682 (0.517)	1.585 (1.391)	-1.946* (1.213)	-3.911** (1.349)
Past performance	-0.410*** (0.124)	-0.325+ (0.173)	0.390** (0.129)	0.180 (0.194)	-2.980 (1.065)	1.534 (1.061)	2.140+ (1.189)	1.573 (1.323)
HOME	-0.040 (0.155)	0.095 (0.184)	-0.219 (0.161)	-0.343+ (0.203)	2.919** (1.738)	1.453* (0.668)	2.856* (1.477)	-1.765 (1.433)
HOME-HOST	0.052 (0.097)	-0.030 (0.134)	-0.024 (0.101)	-0.099 (0.149)	1.087** (1.112)	-0.674 (0.153)	1.903* (0.928)	-1.394 (1.049)
International risk variables								
WOS vs. PARTNER-BASED modes	-0.314* (0.160)	0.204 (0.144)	-0.754*** (0.203)	-0.422** (0.157)	0.932 (0.737)	1.637 (0.642)	-2.997* (1.437)	2.046* (1.093)
Δ Institutional risk	---	---	-0.755*** (0.041)	-0.752*** (0.066)	9.909*** (2.495)	8.777*** (3.158)	-2.581*** (0.346)	-1.816*** (0.468)
Δ (log) Market risk[b]	-0.698*** (0.038)	-0.608*** (0.054)	---	---	9.081*** (2.264)	7.725** (2.736)	-4.207*** (0.293)	-2.028*** (0.379)
Δ ID	0.005*** (0.001)	0.002 (0.001)	0.004** (0.002)	0.002 (0.002)	---	---	0.011 (0.008)	0.004 (0.012)
Δ SPEED	0.001 (0.006)	-0.010 (0.010)	-0.042*** (0.006)	-0.029** (0.011)	0.958** (0.337)	-0.059 (0.530)	---	---
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
F	48.742***	13.975***	51.258***	15.097***	8.737***	5.157***	9.278***	4.799***
R^2	0.716	0.594	0.726	0.612	.282	0.327	0.310	0.312
Adjusted R^2	0.702	0.551	0.712	0.572	0.250	0.264	0.276	0.247

[a] $p < 0.10$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$ (two-tail standard error in parentheses). Industry and year dummies included not presented.
[b] Variable is a natural logarithm.

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Discussion and future research

Theoretical and managerial contributions

An important insight from our results contributes directly to management theory research. Scholars seeking to understand modern internationalization decisions from a decision-making perspective often fail to explain why managers would take what may often be seen as "unreasonable" risks, such as those associated with re-entering a market a failed market. We explained why this view may be too myopic. In practice, complex internationalization decisions such as re-entering foreign markets require managers to take such risks in order to sustain growth. Extant management literature should consider that organisational managers may perceive themselves as being able to, at least to some extent, influence organisational outcomes (March and Shapira, 1987; Shrader et al., 2000). We show that managers influence the risks associated with returning into previously failed markets by trading various external and internal sources of risk against one another. Notably, we reveal that managers seek to reduce the risks associated with re-entering high-risk country environments by waiting longer to re-enter, and potentially updating their knowledge about the market prior to returning there. Operating in a larger number of international countries, and thus being internationally diversified, was accompanied by re-entering countries with higher levels of institutional and market risk, but also taking longer to re-enter. Hence, international risks associated with re-entry can be successfully managed by MNEs by determining trade-offs amongst decisions such as where, when and how to (re)internationalize.

Second, we proposed that a likely change in management from future to past SRPs – from de novo entry to exit – reduces the usefulness of making decisions based on past knowledge through experience and increases the need to manage risks associated with re-entry. In this context, strategic flexibility is becoming an increasingly important risk management tool as firms require room for manoeuvre to constantly adapt their strategies and even reverse unsuccessful ones. Contrary to previous research (Casillas and Moreno-Menendez, 2014, Delios and Henisz, 2003; Gao and Pan, 2010), we did not find solid evidence that experience provides strategic flexibility to manage re-entry commitment risk. In fact, the perceived usefulness of past experience to re-entry commitment strategies may have decreased following exit. We propose that highly experienced MNEs also experience greater need for

trade-offs, particularly when own experiences have not proved sufficient to learn about the market. Therefore, it is important to attain a more nuanced understanding of when the possession of firm assets such as experience impacts risk perceptions and when these resources may actually be used as risk management tools. We also need to understand that management decision-making processes are dynamic and non-linear; knowledge acquired through past experiences may become obsolete (Hedberg, 1981) and perhaps, should be, in part, disregarded when making new strategic decisions.

From a managerial perspective, the international management discipline has yet to offer specific or general managerial advice with regards to re-entry decisions and the trade-offs involved. This has left organisations ill-equipped to strategically navigate the process of re-entry, leaving managerial decisions to re-enter vulnerable to be influenced by managerial biases and even failure complexes. The combination of increasing pressure to grow by re-entering previously exited markets and a deficit in managerial advice concerning re-entry may be contributing to increased reporting of cases of MNEs planning their re-entries, yet unrealizing them (Reuters, 2018). It may also be contributing to increasing cases of failed re-entries, as firms are reluctant to commit significantly to re-entered markets (Rapp, 2018). We highlight in our study that there are different types of risk, all of which may influence the re-entry strategies of MNEs. A focus on accumulation and exploitation of knowledge and experience may not always be appropriate, as knowledge acquired in that past may not represent an advantage nor serve to reduce international risks. Firms may engage in wholly owned entries without this high level of experience. When faced with dynamic decisions, the highly experienced MNE may rely too much on its own experience and become, in fact, risk-adverse. Whereas MNEs may have financial risk guarantees, they will not have the same guarantees to protect themselves against strategic risk. Consequently, this type of risk could be managed through trade-offs.

Limitations and future research directions

We also point to a series of limitations which can constitute the interest of future research. First of all, a sample of large MNE re-entrants was appropriate for this study given the challenges that large companies experience with maintaining strategic flexibility. Yet, these firms still have a privileged

amount of financial resources that are unusual for other types of international firms, such as small firms or entrepreneurs (Aldrich and Auster, 1986; García-Pérez et al., 2014). Therefore, it would be interesting to investigate whether within the smaller firms there are also risk trade-offs when making (re)entry decisions. This is particularly the case since smaller, less resource-rich firms, may be more likely to have both financial and strategic risks to simultaneously overcome. Second, another special characteristic of our sample is that we focused on firms which have engaged in total market exit and re-entered after a time-out. To explore the generalizability of our findings to other such strategic decisions, future studies could seek to understand risk trade-offs for subsequent expansion after initial entry. Some studies examine post initial entry investments (Benito, Petersen and Welch, 2009; Welch and Welch, 2009; Yayla et al., 2018), but do not capture the trade-offs made by decision makers such as slower growth in other markets, decrease in foreign entries, lower levels of product innovation and so on.

Third, future research may take a closer look into which combinations of risk management strategies lead to better performance outcomes for both initial entrants and re-entrants to develop normative implications. Finally, based on the idea that managerial decision-making depends on reference points, we posited that the reference point for making market re-entry decisions is the market exit, on which risk propensity and risk management strategies depend. However, as highlighted by Fiegenbaum et al. (1996), firms may use many reference points and we cannot know for sure which one will be relevant for them. Experimental or qualitative research might be welcome to address these ideas.

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