Survival of full versus partial acquisitions: The moderating role of firm's internationalization experience, cultural distance, and host country context characteristics

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Abstract:

The high failure and divestment rates of acquired foreign units indicate challenges connected to the planning and management of foreign acquisitions. We analyze the effect of acquirers' ownership strategy on the survival of foreign acquisitions and its moderating effects. We test our hypotheses on a sample of 1275 acquisitions made by 174 Finnish firms in 57 countries during the period 1980-2005. The results indicate that in general the probability of survival does not differ significantly between full and partial acquisitions. We further find that the likelihood of survival in full, relative to partial acquisitions, is positively associated with the acquisition-specific experience, but inversely related to general international and target country experience. The results also reveal that the relationship between full acquisitions and subsidiary survival is stronger if the acquisitions are made in culturally similar countries, in less developed economies, and in markets where the country risk has increased after entry.

Keywords: Foreign direct investments, foreign acquisitions, subsidiary survival, full and partial acquisitions, Finland

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1. INTRODUCTION

Multinational enterprises (MNEs) are increasingly investing in foreign markets through acquisitions. A foreign acquisition is defined as an event involving an acquiring firm and a target company whose headquarters are located in different countries (Shimizu et al., 2004; Vermeulen & Barkema, 2001). Foreign acquisition remains one of the most popular types of foreign direct investment (FDI), since it allows acquirers to establish a quick foreign presence, consolidate market power in concentrated sectors, acquire new knowledge and resources, and gain economies of scale and scope (Chen, 2008; Ghauri & Buckley, 2003; Haleblian et al., 2009; King et al., 2004; Vermeulen & Barkema, 2001). The value of foreign acquisitions increased significantly from 1987 to 2007 – from US $78 billion to $1045 billion. While the value of foreign acquisitions plummeted dramatically to US $285 billion during 2008-2009 owing to the global financial and economic crisis, the value has started to grow again since 2010 and reached US $700 billion in 2016 (UNCTAD, 2017).

Planning and management of foreign acquisitions are challenging for acquiring firms due to e.g. differences in national and corporate cultures, formal institutional frameworks (i.e., laws and regulations), and problems associated with post-acquisition integration of acquired firms (Buckley et al., 2016; Shimizu et al., 2004). Based on the results of several studies, the goals set by managers and shareholders for foreign acquisitions have often not been reached and consequently, a significant number of foreign acquired units have been divested through closure or sell-off (Sousa & Tan, 2015; Zeng et al., 2013). The World Investment Report (WIR) has reported that the total value of divested foreign acquisitions reached a record level at US $511 billion in 2014 (UNCTAD, 2015). Further, several studies have reported that the probability of survival for foreign acquisitions is lower than that for greenfield investments (Barkema et al., 1996; Benito & Larimo, 1995; Benito, 1997; Moatti et al., 2014). Therefore it is of great interest to analyze what factors lead to survival of foreign acquired units.

When MNEs decide to undertake foreign acquisitions, they must determine whether to purchase partial or full equity in an already existing local firm. The prior IB literature has referred the choice between full versus partial equity as ownership mode strategy (Brouthers & Hennart, 2007; Zhao et al., 2004). Equity ownership in FDIs is of great strategic importance since it is associated with the level of organizational control a firm can exercise over its foreign subsidiaries, the amount of resources a company must commit to international markets, and the degree of investment risk a firm must bear in host countries (Chari & Chang, 2009). In foreign acquisition-specific literature, the antecedents of ownership mode strategy (Chari & Chang, 2009; Contractor et al., 2014; Pinto et al., 2016) and its influence on financial (i.e., CARs) and market (i.e., Tobin's Q) performance (Yang, 2015) have been addressed. However, our knowledge of survival implications of full versus partial acquisitions is still very limited and existing studies have provided mixed findings. Because of these mixed findings, some studies have looked for contingency factors (e.g., Gaur & Lu, 2007; Hennart et al., 1998; Peng & Beamish, 2014). Following this line of research, we argue that the impacts of ownership strategy on survival of foreign acquired units are contingent on variables at parent firm and host country level.

The main goal of this study is to analyze the relationship between acquiring firms' ownership mode strategy and the survival of foreign acquired units. In more detail, this study examines 1) the impact of full versus partial acquisitions at the general level and 2) the moderating effects of firm's internationalization experience, cultural distance, and host country context characteristics on the ownership-survival relationship. Following prior studies (Clarke et al., 2013; Tang & Gudergan, 2018), this research analyzes the moderating effects of three types of internationalization experience: general international, target country, and acquisition-specific experience. The host country context characteristics include economic development and country risk. The potential moderating effects of these variables have so far received very limited attention in the existing literature. Gaur and Lu (2007) have analyzed the moderating role of host country experience but neglected general international and mode-specific experience. Differentiating various types of firm experience is important because they lead to the creation or enhancement of differnet capabilities and resources (Li & Meyer, 2009). Dhanaraj and Beamish (2009) and Gaur and Lu (2007) have analyzed moderating effects of institutional variables but overlooked other country-specific variables especially host country context variables such as host country risk and economic development. Harzing and Pudelko (2016) have referred to them as the most relevant host country

context variables in studying IB phenomena. The selected moderators are of great interest, also because of their potential influence on ownership mode strategy (Brouthers & Hennart, 2007; Zhao et al., 2004). We have chosen transaction cost economics (TCE) (Williamson, 1985) as the theoretical base because it implicitly suggests that the superiority of one entry mode strategy over another is contingent on a set of internal and external factors (Gaur & Lu, 2007). Furthermore, it has been argued that a proper alignment between parent firm and host country-specific variables and ownership mode strategy lowers transaction costs and increases efficiency, and hence, improves overall firm performance (Crook et al., 2013; Williamson, 1991).

Our study makes several contributions. First, it focuses on factors influencing survival of foreign acquired units. This responds to the call for more research into subsidiary survival in general (Berry, 2013; Brauer, 2006; McDermott, 2010; Zhao et al., 2017), and especially in the context of foreign acquisitions (Baquero & Longobardi, 2014; Meschi & Metais, 2006, 2015). Second, our paper addresses moderating effects of selected variables at parent firm and host country levels. Doing this we respond to the call for more studies into the conditions under which the ownership strategy mostly influences survival of foreign subsidiaries (Giachetti et al., 2018; Zhao et al., 2017). Third, existing studies have focused on firms based in Japan (Chung & Beamish, 2005; Gaur & Lu, 2007; Kim et al., 2010) or Korea (Park et al., 2011; Pattnaik & Lee, 2014; Song, 2014a, 2014b, 2014c); this has led to the question of what factors lead to the survival of firms originating in Small and Open Economies (SMOPECs) (Benito, 1997; Hakanson & Kappen, 2016; Scott-Kennel, 2013). By focusing on Finland as a home country of FDI, our study responds to the call for more research into SMOPECs (Luostarinen & Gabrielsson, 2006). Finland is an interesting research context because statistics have indicated that Finnish firms internationalized significantly in the period of 1980-2005 and have also been restructuring their global production networks intensively in the past decades (UNCTAD, 2015, 2016).

The structure of this study is as follows. This paper starts with theoretical discussions leading to the development of hypotheses. The next section presents methodology and data collection followed by a discussion of the key findings. This article concludes with a summary of key results and discussions concerning limitations, future research avenues, as well as managerial implications.

2. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Following the studies by Li (1995) and Hennart et al. (1997), this study defines subsidiary survival as continued presence of the foreign subsidiary in host countries, and divestment as closure or sell-offs. Existing studies on the relationship between ownership mode strategy and subsidiary survival have included considerable variations with respect to empirical settings such as home and host country, industry type, number of foreign investments and divestments, and observation period. The main characteristics and key findings of existing studies are summarized in Appendix A. These sixteen studies were published during the period 1995-2014. For the country-of-origin of FDIs, nine studies have focused on investing firms from a single home country to multiple host countries. Three of the studies have focused on FDIs from multiple home countries to a single host country (Li, 1995; Mata & Portugal, 2000; Pan & Chi, 1999). Three have investigated a single home and a single host country (Hennart et al., 1998; Papyrina, 2007; Ogasavara & Hoshimo, 2008) and only one has included multiple home and host countries (Benito & Larimo, 1995). Japan as the home country has received the most attention in existing literature. The distribution of industry indicates that five studies have examined both manufacturing and service sectors (Barkema et al., 1996; Chung & Beamish, 2005; Dhanaraj & Beamish, 2009; Gaur & Lu, 2007; Papyrina, 2007) and the rest have only focused on the manufacturing sectors. The number of FDIs included in the analysis varied greatly, ranging between 153 and 20177 FDIs. Our review has shown that few studies have focused on survival of full versus partial acquisitions (Song, 2014a) or focused on firms based in SMOPECs especially Nordic countries (Benito & Larimo, 1995; Benito, 1997).

The empirical findings on ownership-survival relationship have been inconclusive. Some studies have found a positive relationship (Chung & Beamish, 2005; Gaur & Lu, 2007; Li, 1995), whereas others have found an insignificant (Benito, 1997; Benito & Larimo, 1995) or even a negative relationship (Beamish, 2008; Lu, 2000). To resolve inconsistent findings, several studies have looked for contingency variables on ownership-survival relationship. The first line of studies has indicated that the impact of ownership mode strategy on subsidiary survival is contingent on host country context characteristics such as government restrictions (Makino & Beamish, 1998), political and social openness (Dhanaraj & Beamish, 2009), and host market demand uncertainty (Song, 2014a). The second line of studies has found that "distance" between home and host country such as cultural (Barkema et al., 1996; Pattnaik & Lee, 2014) and formal institutional distance

(Gaur & Lu, 2007) play an important moderating role. The third stream of studies has shown that firm-specific variables especially firms' internationalization experience play a crucial moderating role (Barkema et al., 1996; Delios & Beamish, 2001; Gaur & Lu, 2007). Following existing studies, we expect that the survival implications of full versus partial acquisitions is contingent on different types of internationalization experience, cultural distance, and host country context variables.

This study applies transaction cost economics (TCE) as the theoretical approach because it emphasizes the importance of moderating factors that make a particular entry mode superior to another (Gaur & Lu, 2007). Transaction costs are the expenses associated with information, bargaining, and enforcement costs. They are particularly silent for a transaction that is characterized by asset specificity and uncertainty. Asset specificity refers to assets that are highly valuable for a specific transaction and are not easily re-deployable outside the relationship of the parties to the transaction. Uncertainty arises either when the environments surrounding a transaction are too unpredictable to be specified *ex-ante* a contract (external uncertainty) or performance of transaction partners cannot be easily monitored *ex-post* (internal uncertainty) (Anderson & Gatignon, 1986). High degrees of asset specificity and uncertainty would increase the need for a firm to internalize their transactions within the firm (Williamson, 1975, 1985; Williamson & Ghani, 2012). TCE-based arguments have important implications for firm performance. TCE argues that entry mode choice is an efficiency-driven strategic decision, which provides the highest benefit-to-cost ratio (Anderson & Gatignon, 1986; Crook et al., 2013). MNEs tend to achieve risk-adjusted efficiency in the long-term if they match transaction attributes such as internal and external uncertainty with organizational structures (Williamson, 1991).

2.1. The general effect of ownership mode strategy

Ownership mode strategy is one of the most important managerial decision in internationalization as it has important implications on control, resource commitment, and investment risk (Brouthers & Hennart, 2007; Zhao et al., 2004). The theoretical arguments grounded in TCE have advocated that both full and partial ownership would lead to a higher probability of a good performance (Gaur & Lu, 2007). Full acquisitions provide acquiring firms with complete control over the systems, methods, and decisions of foreign subsidiaries (Anderson & Gatignon, 1986; Hill et al., 1990). On the other hand, full acquisitions face *ex ante* costs related to screening and evaluating the target

firm, as well as *ex post* costs associated with integration and management (Chari & Chang, 2009). Several scholars have argued that partial ownership is particularly useful for investing firms entering into foreign markets, since the local partner firms can manage idiosyncrasies of the host country environment effectively (Chen & Hennart, 2004; Meyer et al., 2009). On the other hand, partial acquisitions incur costs associated with co-ownership and opportunistic behaviors of the seller, as well as *ex ante* and *ex post* costs arising in the acquisition process (Chen & Hennart, 2004; Lopez-Duarte & Vidal-Suarez, 2008; Lopez-Duarte & Garcia-Canal, 2004). The above TCE-based arguments advocate that the probability of foreign subsidiaries will survive is similar between full and partial acquisitions given the benefits and costs associated with both types of acquisitions. The empirical findings on ownership-survival relationship have been mixed, with some studies found a positive relationship (Chung & Beamish, 2005; Li, 1995), whereas others revealed a non-significant (Benito, 1997; Benito & Larimo, 1995) or even a negative relationship (Beamish, 2008; Lu, 2000). Following both the theoretical reasoning and existing findings, we expect that the likelihood of survival is relatively equal between full and partial acquisitions. We propose that:

Hypothesis 1: The probability of survival in foreign acquired units does not differ significantly between full and partial acquisitions.

2.2. The moderating effect of general international experience

General international experience is a crucial concept of the Uppsala model (Johanson & Vahlne, 1977) in explaining the internationalization process of firms. Investing firms gradually increase foreign market commitments and expand into culturally distant markets as they gain knowledge and competencies through general international experience (Johanson & Vahlne, 1977). A typical TCE-based argument is that lower levels of general international experience are expected to increase the levels of internal uncertainty, defined as the inability of firms to foresee the performance of transaction partners *ex-post* a contract (Anderson & Gatignon, 1986; Zhao et al., 2004). In other words, lack of general international experience increases the likelihood of running into problems with various stakeholders such as governments, suppliers, distributors, or customers in foreign markets (Meyer & Wang, 2015; Dow & Larimo, 2009). In partial acquisitions, acquiring firms leave a part of the residuals to acquired firms. Giving a stake to a local firm motivates that firm to efficiently handle local affairs on behalf of the foreign acquirer (Chen & Hennart, 2004;

Hennart, 2009). Therefore, partial acquisitions are more efficient than full acquisitions in dealing with various stakeholders when the level of general international experience is low (Li & Meyer, 2009). On the contrary, once acquirers have accumulated general knowledge and skills in setting up and managing foreign business activities, the need for local partners may reduce and the cost of running full ownership is lowered (Li & Meyer, 2009). Thus, full ownership are more likely to survive when parent firms possess higher level of general international experience. Following the theoretical argument, we expect that:

Hypothesis 2: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the level of general international experience is higher.

2.3. The moderating effect of target country experience

Host country experience is equally important as general international experience in supporting the firm's internationalization as it provides immediately applicable knowledge (Powell & Rhee, 2016). Firms having less experience in a host country may lack knowledge of its economic, social, cultural, as well as political and legal environment (Dow & Larimo, 2009; Hennart, 1991, 2009; Hennart & Park, 1993). Local firms have accumulated host country experience through operating in that market over a long period. Hence experiential knowledge of a target country is owned by incumbent firms and bound to them (Chen, 2008; Hennart, 2009). One efficient way to access embedded knowledge is to acquire the firm that owns it (Hennart, 2009). In full acquisitions, founder-managers of the acquired firm who were previously self-motivated become employees of the acquiring firm. They may lose motivations to provide needed services and reluctant to transfer critical tacit assets (Chari & Chang, 2009; Hennart, 2009). As a consequence, full acquisitions by inexperienced acquiring firms face increased transaction costs in dealing with various stakeholders such as governments, suppliers, distributors, and customers in the target country. On the contrary, acquiring firms with higher levels of target country experience have developed capabilities to handle complexity and uncertainty in the host country (Gaur & Lu, 2007), the probability of survival of full acquisitions is higher when acquiring firms have more target country experience. The above theoretical reasoning has been supported by Gaur and Lu (2007) who have found that the interaction effect of full ownership mode strategy and host country experience on subsidiary survival is significantly positive. In a meta-analysis study, Zhao et al. (2017) have revealed that the

longer the operating time of a subsidiary in a given host country, the more likely for high-control entry modes to generate better performance. In line with both theoretical logic and existing empirical findings, we hypothesize that:

Hypothesis 3: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the level of target country experience is higher.

2.4. The moderating effect of acquisition-specific experience

Existing studies have found that acquisition-specific experience is positively associated with subsequent acquisition survival (Haleblian et al., 2006; Vermeulen & Barkema, 2001). Our study addresses the moderating effect of acquisition-specific experience on the ownership mode-survival relationship. We argue that acquisition-specific experience positively moderates the relationship between full (as opposed to partial) acquisitions and subsidiary survival. Full acquisitions by firms lacking acquisition-specific experience face increased costs during the acquisition process. As a firm accumulates acquisition-specific experience, it may develop routines for screening, evaluating, and buying the target firm (Chen & Hennart, 2004; Chari & Chang, 2009). Further, firms having higher levels of acquisition-specific experience have developed capabilities in managing the post-acquisition integration process. Therefore, the overall *ex ante* and *ex post* costs of purchasing a complete target firm will have reduced. Existing studies have not specifically examined the interaction effect of acquisition-specific experience and ownership strategy on subsidiary survival in foreign acquired units. Following the above theoretical arguments, we expect that:

Hypothesis 4: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the level of acquisition-specific experience is higher.

2.5. The moderating effect of cultural distance

The IB literature has defined cultural distance as the differences in national cultural characteristics between home and host country (Hennart & Larimo, 1998; Kogut & Singh, 1988). It has been argued that MNEs face greater levels of liability of foreignness, defined as the extra costs incurred

by the international firm in culturally distant host country (Johanson & Vahlne, 1977). Thus, the probability of survival of foreign subsidiaries is likely to be higher in culturally similar markets. Results in several studies like in Barkema et al. (1996) and Zeng et al. (2013) have supported this expectation.

This study departs from existing studies and argues that cultural distance plays a moderating role in the ownership-survival relationship in the context of foreign acquisitions. TCE reasoning advocates that cultural distance between home and host country tends to increase the levels of internal uncertainty and transaction costs in dealing with various stakeholders (e.g., suppliers, distributors, customers, and competitors) and in predicting future events in the host country environment (Anderson & Gatignon, 1986; Dow et al., 2018 Zhao et al., 2004). Full acquisitions in culturally distant countries would face increased transaction costs in foreseeing the behavior and performance of these stakeholders and local market conditions. On the other hand, partial acquisitions in culturally distant countries would face lower levels of transaction costs since leaving a residual part to acquired firms can help the acquiring firms to deal with the complexity of the host country environment and curb the opportunistic behavior by local agents (Chari & Chang, 2009; Malhotra & Gaur, 2014). Following these theoretical arguments, we expect that:

Hypothesis 5: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the cultural distance to the target country is shorter.

2.6. The moderating effect of host country economic development

Host country economic development is associated with factor costs and technological capability of a target country (Tsang & Yip, 2007). Existing studies have examined the direct relationship between host country economic development and subsidiary survival from the perspective of resource exploitation and exploration (Demirbag et al., 2011; Tsang & Yip, 2007). The argument is that investing firms are more likely to survive if they exploit existing resources in less developed economies and explore new resources in more developed countries (Tsang & Yip, 2007). Existing literature has also found that host country economic development moderates the establishment mode-subsidiary survival relationship. More specifically, acquisitions have higher probability to

survive than greenfield investments in more developed countries, while the probability of survival for the two modes does not differ significantly in less developed economies (Tsang & Yip, 2007).

In this study, we argue that host country economic development moderates the ownership mode strategy and survival relationship. In the context of this study, the home country of acquiring firms is Finland which is one of the most advanced OECD countries. Thus, Finnish firms are expected to more likely to exploit their advanced technologies in developing countries (i.e., non-OECD countries) than in developed markets (i.e., OECD countries). Gaur and Lu (2007) argue that firms are more likely to use full rather than partial ownership when transferring advanced technologies because there is less probability of misuse of firm-specific resources and capabilities. Therefore, we expect that Finnish firms undertaking full acquisitions are more likely to survive in developing than in developed economies. Further, host country economic development is positively associated with increased levels of competition. It has been argued that WOS ownership strategy (e.g., full versus partial acquisitions) is less likely to survive in high versus low competitive markets due to high transaction costs and low profitability. The above theoretical reasoning leads to the following hypothesis:

Hypothesis 6: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the level of host country economic development is lower.

## 2.7. The moderating effect of increase in country risk in a host market

Host country risk has frequently been used to proxy external or environmental uncertainty in studies grounded in TCE (Brouthers & Hennart, 2007; Zhao et al., 2004). External uncertainty arises when contingencies surrounding a particular exchange or transaction are too unpredictable to be specified *ex-ante* in a contract (Geyskens et al., 2006; Zhao et al., 2004). Existing studies have found that the impact of host country risk across countries on subsidiary survival is not significant (Benito, 1997; Benito & Larimo, 1995). This study departs from existing studies by analyzing how an increase in the country risk in a target country interacts with full (relative to partial) acquisitions to influence survival of foreign acquired units.

TCE-based studies argue that external uncertainty gives rise to an adaptation problem, defined as difficulties in adjusting and modifying agreements to changing business environments. Adaptation

problems increase transaction costs because managers must disentangle from existing agreements and negotiate new contracts (Crook et al., 2013). Full ownership is more efficient than shared ownership in dealing with adaptation problems because the former relies on fiat and the latter requires consent between two partners (Geyskens et al., 2006; Rindfleisch & Heide, 1997). Further, Cordeiro et al. (2017) argue that firms with full ownership are more likely to achieve better performance in a risky environment because they are more flexible in terms of business arrangement and make decisions faster. It can be said that full acquisitions are more likely to survive than partial acquisitions when the level of country risk in a host market is increasing. On the other hand, existing studies grounded in TCE have argued that when the external uncertainty in a host country is high, MNEs should maintain flexibility by reducing their resource commitments (Hill et al., 1990; Zhao et al., 2004). Thus, it can be expected that the probability of survival in a volatile environment is higher when investing firms choose partial over full ownership mode. The theoretical arguments seem to be mixed. Song (2014a) has found that uncertainty in a host market strengthens the positive relationship between full acquisitions and subsidiary survival. Based on the TCE argument and existing empirical finding, we expect that:

Hypothesis 7: The probability of subsidiary survival is higher in full acquisitions than in partial acquisitions when the level of country risk in a target country is increasing.

The research model is presented in Figure 1.
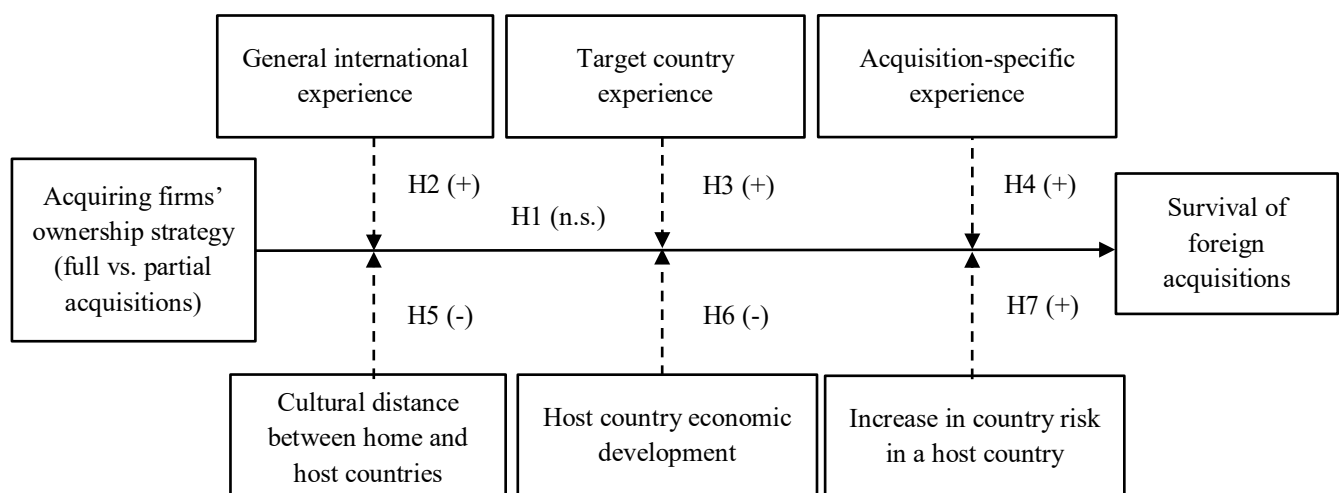
Figure 1. Research model (dotted lines = potential moderating effects)

3. DATA SOURCE, SAMPLE, AND OPERATIONALIZATION OF VARIABLES

3.1. Data source and sample

We test the hypotheses on a sample of foreign acquisitions made by Finnish manufacturing firms around the globe during the years 1980–2005. Finland as the home country was chosen because it has been considered as a SMOPEC (Laanti et al., 2009) and there have been significant divestments by Finnish firms during the past years (UNCTAD, 2016). The period of 1980–2005 was chosen because Finnish firms started their rapid internationalization in the early 1980s (Benito et al., 2002). We have tracked the survival or divestment status of Finnish acquired units until 2014. It has been argued that a lengthy time interval is important to capture divestment decisions of long-term investments (Benito, 1997). The manufacturing investments were selected because they usually represent more strategic decisions in firms than do investments, e.g., in sales, marketing, and R&D units. The main source of the data was an internal databank, focusing on FDIs and foreign divestments made by Finnish firms collected by the authors over a period of several years. The data were mainly gathered from published data sources such as annual reports and press releases of investing firms but also complemented with the information obtained from Thomson ONE and Orbis databases, Finnish business magazines (i.e., Kauppalehti and Talouselämä), and based on direct contacts with several of the acquiring firms.

We have identified 1345 acquisitions made by 174 Finnish firms in 59 countries during the years 1980–2005. Six entries were left out because there was missing information on survival or divestment status. Following the studies by Gaur and Lu (2007) and Li (1995), we have restricted our sample to foreign subsidiaries that have existed at least for two years to minimize "honeymoon" effect. These procedures reduced the sample to 1275 foreign acquisitions, of which 479 (38%) were partial acquisitions, and 796 (62%) were full acquisitions. In total 1076 (84%) acquisitions were made in OECD countries and only 199 (16%) in non-OECD countries. The three main target countries were Sweden, USA, and Germany – representing in total 570 (44.7%) acquisitions from the total sample. The two main target countries in emerging and developing markets were Russia with 30 and China with 19 acquisitions.

Of the full sample, 672 (53%) survived, and 603 (47%) units exited by the end of the observation period. Of the 796 full acquisitions, 443 (56%) survived and 353 divested (44%). Of the 479 partial acquisitions, 229 (48%) survived and 250 exited (52%). In total 1184 (93%) acquisitions were made in related fields, only 91 (7%) in unrelated fields. The average age of foreign acquired units was about 13.10 years. On average divested units had operated in the target country for 7.4 years, whereas the average age of survived units was 18.21 years. It has been argued that subsidiaries that exited within 10 years from their inception are failed subsidiaries (Delios & Beamish, 2001). The average international experience of Finnish acquirers was 16.79 years since its first international entry. Of the full sample, 129 (10%) acquisitions were first time FDI in the foreign markets. Regarding target country experience, on average Finnish buying firms had operated 1.86 years in the home country of acquired firms at the time of entry. 570 (45%) acquisitions were first time FDI in the target country. Among our sample, 138 (11%) acquisitions were first time acquisitions, the others were subsequent investments. The average annual sales of the acquiring companies were approximately Euro 1.500 million before the divestment year or in 2014 if the subsidiaries still existed. Finally, 668 acquisitions (52%) were made in the period 1980-1993 and 607 (48%) in 1994-2005.

3.2. Statistical method

This study applies Cox's proportional hazard model (Cox & Oakes, 1984) to examine survival of foreign acquisitions. This statistical method has been applied to most of the existing survival studies (Demirbag et al., 2011; Dhanaraj & Beamish, 2009; Kang et al., 2017; Nadolska & Barkema, 2007; Song, 2015). We choose Cox's proportional hazard analysis because it corrects the problems associated with the censored data and aging effects on subsidiary dissolution and brings the exit rate closer to the failure rate (Gaur & Lu, 2007). Left censoring (i.e., the omission of foreign acquisitions that entered and exited before 1980) is not likely to be a major problem given a small number of foreign acquisitions made by Finnish firms before 1980. Foreign acquired units that existed by 2014 are treated as right-censored cases. The model is expressed as follows:

$$h_i(t) = h_o(t)\exp(\beta_1 x_{i1} + \beta_2 x_{i2} + \cdots + \beta_k x_{ik})$$

where $h_i(t)$ is the dependent variable denoting hazard rate of subsidiary i exiting from the host country at time t. $h_o(t)$ is the baseline hazard function. x_{i1} to x_{ik} denote independent variables and β_1 to β_k are coefficients to be estimated. A positive and significant coefficient indicates that an independent variable or interaction term is associated with an increased probability of divestment or a decreased probability of survival.

3.3. Operationalization of variables

The dependent variable in the current study is survival of foreign acquired units. It was captured by a dummy variable where divestments are coded as one and survived units as zero (Demirbag et al., 2011; Gaur & Lu, 2007). Following existing studies (Hennart et al., 1998), we define closure and sell-off as divestment. Foreign acquired units still existing in 2014 are considered as survived units. Analyzing subsidiary survival is of great importance since it is positively correlated with subsequent firm performance (Lee & Madhavan, 2010). The key independent variable is acquiring firms' ownership mode strategy at entry, that is, full versus partial acquisitions. It was captured by a dummy variable which takes the value one if the firm owned 95% or more of the subsidiary equity and zero if it owned at least 10%, but no more than 94% (Benito, 1997; Gaur & Lu, 2007).

This study analyzes the moderating effects of general international, target country, and acquisition-specific experience, cultural distance, host country economic development, and increase in a country's risk. We measured general international experience by the number of years since the first foreign manufacturing investment in the globe preceding the observed investment (Clarke et al., 2013). Target country experience was operationlized by the number of years since the first manufacturing investment of the acquiring firm in the target country (Delios & Beamish, 2001; Gaur & Lu, 2007). We measured acquisition-specific experience by an ordinal number of foreign acquisitions made by acquiring firms before the reviewed investment (Haleblian et al., 2006). We operationalized cultural distance using the methodology developed by Kogut and Singh (1988) based on Hofstede's (1980) four cultural dimensions: power distance, individualism, masculinity, and uncertainty avoidance. We proxied host country economic development by a dummy variable, where OECD countries took the value one, and non-OECD countries took the value zero (Garg & Delios, 2007). Increase in a country's risk was measured as the differences in Euromoney Country

Risk (ECR) country scores between the year of divestments or 2014 if the foreign acquired units still existed and in the year of investment (Benito, 1997). We modified the initial ECR scale, which ranges from 0 (maximum risk) to 100 (no risk), to obtain a scale ranging from 0 (no risk) to 100 (maximum risk) by the transformation [100-(rating value)] (Benito, 1997). We controlled for firm size, industry effects, and year of investment. Table 1 presents the operationalizations of various variables and references where the same or similar measurements have been used.

VARIABLES	OPERATIONALIZATION
Dependent variables	
Subsidiary survival	Subsidiary divestment = 1; survival = 0 (Demirbag et al., 2011; Gaur & Lu, 2007).
Independent variable	
Ownership strategy in foreign acquisitions	Full acquisitions (95%-100%) = 1; partial acquisitions (10%-94%) = 0 (Benito, 1997; Gaur & Lu, 2007).
Moderating variables	
General international experience	The experience in years from the first manufacturing investment of the firm anywhere in the world before the reviewed investment (Clarke et al., 2013).
Target country experience	The experience in years from the first manufacturing investment of the firm in the target country before the reviewed investment (Delios & Beamish, 2001; Gaur & Lu, 2007).
Acquisition-specific experience	The ordinal number of foreign acquisitions made by the company before the reviewed investment (Haleblian et al., 2006; Meschi & Metais, 2006).
Cultural distance	Kogut and Singh's (1988) composite index, which is based on the difference between Finland and host countries along four dimensions of culture identified by Hofstede (1980) (Garg & Delios, 2007).
Host country economic development	OECD countries = 1; non-OECD countries = 0 (Garg & Delios, 2007).
Increase in country risk in a host country	Differences in ECR country scores between the year of divestments or 2014 if the foreign acquired units still existed and in the year of investment (Benito, 1997).
Control variables	
Parent firm size	Worldwide annual sales of the company (in millions of euros) in the year preceding the investment (Delios & Beamish, 2001; Meschi & Metais, 2006).
Industry dummies	A dummy variable for each of the six industries: machinery, paper and pulp, rubber, chemical, electronic, and food and beverage.
Year of investment	1994-2005 = 1; 1980-1993 = 0.

Table 1. Operationalization of variables

4. RESULTS

Before running Cox's proportional hazard analysis, we conducted a Pearson correlation analysis to diagnose any multicollinearity between various variables (Table 2). Pallant (2007) comments that the bivariate correlation coefficient of 0.70 indicates a higher probability of multicollinearity. In this study, the correlations between various variables are all below the cut-off point. Following the suggestions by Wetherill (1986) and Allison (1999), an additional multicollinearity diagnostic (variance inflation factor (VIF)) was conducted. The highest VIF value was 1.961, which is below the cut-off point of 2.50. Thus, multicollinearity is not likely to be a major concern in this study. Table 3 presents the results. Model 1 is the baseline mode and includes only controls. Model 2 adds the moderators into the runs. Model 3 includes independent variable: full versus partial acquisitions. Models 4a and 4b include firm- and country-specific moderators respectively. Model 4c incorporates all interaction terms. The explanatory powers of all models are good, as the chi-square (x^2) values are good and highly significant.

	Mean	S.D.	VIF	1	2	3	4	5	6	7	8
1	0.47	0.50		1							
2	0.62	0.48	1.135	-0.076**	1						
3	16.79	13.78	1.961	-0.109**	0.061*	1					
4	1.86	2.52	1.102	0.014	0.059*	0.151**	1				
5	18.58	17.18	1.850	-0,166**	0.058*	0.554**	0.254**	1			
6	1.22	0.77	1.229	-0.009	-0.096**	0.084**	-0.029	0.133**	1		
7	0.84	0.36	1.609	0.046	0.271**	-0.067*	0.082**	-0.035	-0.353**	1	
8	2.75	10.39	1.358	-0.320**	0.227**	0.090**	0.081**	0.108**	0.014	0.413**	1

Variables: 1 = Non-survival subsidiaries; 2 = Full acquisitions; 3 = International experience; 4 = Target country experience; 5 = Acquisition-specific experience; 6 = Cultural distance; 7 = Host country economic development (OECD vs. non-OECD countries); 8 = Increase in country risk in a host country; Control variables included in the correlation and VIF analysis, but not reported due to space limitation; **$p<0.01$; *$p<0.05$ (two-tailed)

Table 2. Correlation table

Several control variables are significantly related to survival of foreign acquired units. Machinery industry increase the probability of subsidiary survival ($p<0.001$), whereas the opposite finding was found for food and beverages and the electronic ($p<0.010$) industry. Several Finnish companies in food and beverages (e.g., Hartwall and Huhtamäki) and electronics (e.g., Nokia and Elcoteq) industries divested a great deal of their foreign-acquired units during the observation period. The results indicate that the probability of subsidiary survival is significantly higher for acquisitions made in 1994–2005 than those in 1980–1993 ($p<0.001$).

Variables	Model 1	Model 2	Model 3	Model 4a	Model 4b	Model 4c
Parent firm size	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Machinery	-0.442***	-0.358**	-0.359**	-0.340*	-0.372**	-0.353**
	(0.135)	(0.138)	(0.138)	(0.138)	(0.138)	(0.138)
Rubber industry	0.207	0.212	0.211	0.214	0.190	0.201
	(0.141)	(0.143)	(0.143)	(0.143)	(0.143)	(0.143)
Chemical industry	0.132	0.112	0.111	0.129	0.091	0.110
	(0.154)	(0.159)	(0.159)	(0.159)	(0.160)	(0.160)
Paper and pulp industry	-0.065	-0.205	-0.203	-0.185	-0.194	-0.174
	(0.138)	(0.151)	(0.151)	(0.151)	(0.151)	(0.151)
Food and beverage	0.532***	0.280†	0.281†	0.314*	0.277†	0.298*
	(0.141)	(0.147)	(0.147)	(0.148)	(0.147)	(0.147)
Electronics industry	0.403**	0.405**	0.405**	0.419**	0.411**	0.423**
	(0.150)	(0.151)	(0.151)	(0.151)	(0.151)	(0.151)
Year of investments	-0.883***	-0.683***	-0.684***	-0.662***	-0.641***	-0.618***
	(0.098)	(0.104)	(0.104)	(0.105)	(0.105)	(0.105)
International experience		0.007†	0.007†	-0.001	0.008†	-0.001
		(0.004)	(0.004)	(0.007)	(0.004)	(0.007)
Target country experience		0.021	0.021	-0.021	0.022	-0.023
		(0.017)	(0.017)	(0.029)	(0.017)	(0.029)
Acquisition-specific experience		-0.007†	-0.007†	0.002	-0.007†	0.002
		(0.004)	(0.004)	(0.006)	(0.004)	(0.006)
Cultural distance		0.183**	0.184**	0.179**	0.128†	0.114
		(0.062)	(0.062)	(0.062)	(0.077)	(0.077)
Host country economic development (OECD vs. non-OECD countries)		0.860***	0.857***	0.882***	0.297	0.318
		(0.167)	(0.169)	(0.169)	(0.201)	(0.200)
Increase in country risk in a host country		-0.044***	-0.044***	-0.044***	-0.017**	-0.017**
		(0.004)	(0.004)	(0.005)	(0.006)	(0.006)
Full versus partial acquisitions			0.009	-0.097	-1.231**	-1.410**
			(0.088)	(0.144)	(0.415)	(0.430)
Full acquisitions x general international experience				0.013†		0.015†
				(0.008)		(0.008)
Full acquisitions x target country experience				0.067†		0.073*
				(0.036)		(0.036)
Full acquisitions x acquisition-specific experience				-0.014*		-0.013†
				(0.007)		(0.007)
Full acquisitions x cultural distance					0.091	0.109
					(0.128)	(0.129)
Full acquisitions x host country economic development					1.248***	1.245***
					(0.359)	(0.360)
Full acquisitions x increase in country risk in a host country					-0.051***	-0.052***
					(0.008)	(0.008)
-2 Log Likelihood	8040.877	7921.192	7921.181	7914.056	7885.424	7877.092
Model Chi-square (x^2)	144.008***	245.048***	245.149***	250.797***	281.154***	288.328***
Degree of freedom	8	14	15	18	18	21

Level of significance: *** p<0.001, ** p<0.01, * p<0.05, † if p < 0.10 (all tests two-tailed); Cell entries are unstandardized coefficients; Standard errors in parentheses; Number of foreign acquisitions: 1275; Number of divestments: 603.

Table 3. Results of survival analysis (Cox's Proportional Hazard Model: divestment =1, survival = 0)

In the first hypothesis, it was expected that the probability of survival of foreign acquired units is similar between full and partial acquisitions. The results in Model 3 depict that the association between ownership mode strategy and subsidiary survival in foreign acquisitions is indeed not significant. Hypothesis one is supported. This finding is consistent with the results in studies by Benito (1997) and Benito and Larimo (1995), focusing on foreign divestments by Norwegian and Norwegian-Finnish firms respectively. In Hypotheses two and three, it was expected that general international and target country experience positively interact with full acquisitions to influence subsidiary survival. Surprisingly, the empirical analysis shows that interaction effects of full acquisitions and the two types of firm experience on survival are negative and mildly significant ($p<0.10$; $p<0.05$) (Models 4a and 4c). Hypotheses two and three are not supported. In the fourth hypothesis, it was expected that increased acquisition-specific experience is positively related to survival in full relative to partial acquisitions. The results indicate that the joint effect of full acquisitions and acquisition-specific experience on subsidiary survival is significantly positive ($p<0.05$; $p<0.10$) (Models 4a and 4c). Hypothesis four is supported.

In the fifth hypothesis, it was expected that increase in cultural distance would lead to a decreased probability of survival in full as opposed to partial acquisitions. The results in Table 3 show that the sign is consistent with our expectation, but not significant (Models 4b and 4c). A sub-sample analysis reveals that the negative effect of cultural distance on survival is mildly significant in full and minority partial acquisitions ($p<0.10$), but not in majority partial acquisitions (Table 4). Hypothesis five is mildly supported. In Hypothesis six it was expected that the joint effect of host country economic development and full acquisitions on survival is negative due to fierce competition in more developed economies. The results reveal that host country economic development negatively interacts with full acquisitions to influence survival of foreign acquired units ($p<0.001$) (Models 4b and 4c). Hypothesis six is strongly supported. In the last hypothesis, it was expected that increased country risk in a host market would lead to a higher probability of survival for full relative to partial acquisitions because the former is more efficient in dealing with adaptation problems caused by exogenous environmental uncertainty. In line with our expectation, the joint effect on survival is positive and highly significant ($p<0.001$) (Models 4b and 4c). Thus, Hypothesis seven is strongly supported.

We performed two robustness tests. First, following the study by Chen and Hennart (2004), we performed analysis by using 80% as the cut-off point to distinguish full and partial acquisitions. Second, 138 foreign acquisitions were dropped from the robustness test since they were first-time acquisitions in foreign markets. All the results from the robustness check were identical to those reported in Table 3.

Variables	Full acquisitions	Majority partial acquisitions	Minority partial acquisitions
Parent firm size	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Machinery	-0.369*	0.291	-1.223**
	(0.177)	(0.306)	(0.415)
Rubber industry	0.108	0.454	0.026
	(0.188)	(0.319)	(0.384)
Chemical industry	0.045	0.235	-0.229
	(0.212)	(0.461)	(0.431)
Paper and pulp industry	0.062	-0.349	-0.933**
	(0.196)	(0.432)	(0.355)
Food and beverage	0.345†	0.379	-0.249
	(0.209)	(0.324)	(0.349)
Electronics industry	0.785***	-0.418	-0.459
	(0.180)	(0.442)	(0.493)
Year of investments	-0.533***	-1.002***	-0.652*
	(0.140)	(0.270)	(0.255)
General international experience	0.010†	0.016	-0.006
	(0.005)	(0.013)	(0.012)
Target country experience	0.050*	0.009	-0.014
	(0.021)	(0.048)	(0.046)
Acquisition-specific experience	-0.012*	-0.015	0.018†
	(0.005)	(0.010)	(0.011)
Cultural distance	0.189†	0.164	0.262†
	(0.102)	(0.125)	(0.144)
Host country economic development (OECD vs. non-OECD countries)	1.639***	0.189	0.634†
	(0.305)	(0.337)	(0.368)
Increase in country risk in a host country	-0.072***	-0.022*	-0.018
	(0.006)	(0.010)	(0.011)
-2 Log Likelihood	4223.016	1058.555	870.944
Model Chi-square (x^2)	263.559***	37.253**	30.412**
Degree of freedom	14	14	14
No. of acquisitions (No. of divestments)	796 (353)	220 (109)	188 (93)

Level of significance: *** p<0.001, ** p<0.01, * p<0.05, † if p < 0.10 (all tests two-tailed); Cell entries are unstandardized coefficients; Standard errors in parentheses; Number of foreign acquisitions: 1275; Number of divestments: 603.

Table 4. Results of Survival Analysis (Cox's Proportional Hazard Model: divestment =1, survival = 0)

To further examine the moderating effects, we performed subsample analysis and compared results in three groups: full acquisitions, majority controlling partial acquisitions, and minority non-controlling partial acquisitions. These results are presented in Table 4. We find that there are several differences in the influences between the three groups. Survival of completely acquired

units is positively associated with acquisition-specific experience ($p<0.05$), but inversely related to general international ($p<0.10$) and target country experience ($p<0.05$). The impacts of firm experience on subsidiary survival in majority and minority partial acquisitions are not significant. The negative relationship between cultural distance and survival is mildly significant in the case of full and minority partial acquisitions ($p<0.10$), but not in majority partial acquisitions. The negative impact of host country economic development on subsidiary survival is highly significant in full acquisitions ($p<0.001$) and mildly significant in minority partial acquisitions ($p<0.10$), but non-significant in majority partial acquisitions. Increased country risk in a host market leads to higher probability of subsidiary survival in full acquisitions ($p<0.001$) and majority partial acquisitions ($p<0.05$) relative to partial acquisitions. In general, these findings are consistent with our expectations.

We additionally compared the results for 1) the three main target countries (i.e., U.S., Germany and Sweden) versus other OECD countries and 2) acquisitions made in 1980-1993 versus 1994-2005 (see Appendix B). The positive impact of year of investment on survival of foreign acquired units is more significant in other OECD countries ($p<0.001$) than in the three main target countries ($p<0.10$). The negative joint effect of full acquisitions and target country experience on survival is significant especially in the three main target countries ($p<0.01$), but also in other OECD countries ($p<0.05$). The negative relationship between parent firm size and survival is significant in the earlier time period ($p<0.05$) but not in more recent years. Concerning the field of industries, machinery, rubber, food and beverage, and electronics are significant in later period but non-significant in 1980-1993. The positive influence of full acquisitions on subsidiary survival is significant at the same levels in both time periods. The negative interaction effect of full acquisitions and host country economic development on survival of foreign acquired units is more significant in the period of 1994-2005 than in earlier years. Increase in country risk significantly increases the probability of survival of fully acquired units in both time periods.

5. DISCUSSION AND CONCLUSION

In this study, we addressed 1) the impact of the ownership strategy of acquiring firms on the survival of foreign acquired units at the general level and 2) the moderating factors at the parent

firm and host country level: general international, target country, and acquisition-specific experience, cultural distance, host country economic development, and increase in a host country's risk. The developed hypotheses were tested on a sample of 1275 acquisitions made by 174 Finnish firms in 57 countries during 1980–2005. The observation period for divestment status is 1982-2014. The hypotheses and key findings of the results are summarized in Table 5.

Hypothesis	Expected sign	Result	Findings from existing studies
H1: Ownership level (full vs. partial acquisitions)	Non-significant	*Supported*	*Positive* (Chung and Beamish, 2005; Dhanaraj and Beamish, 2009; Gaur & Lu, 2007; Li, 1995; Mata and Portugal, 2000; Papyrina, 2007; Pattnaik and Lee, 2014; Peng and Beamish, 2014); *Negative* (Beamish, 2008; Lu, 2000); *Non-significant* (Benito, 1997; Benito and Larimo, 1995; Pan and Chi, 1999)
H2: International experience and full acquisitions	Positive	*Not supported* (negative)	*Non-significant* (Barkema et al., 1996)
H3: Target country experience and full acquisitions	Positive	*Not supported* (negative)	*Non-significant* (Barkema et al., 1996; Delios and Beamish 2001); *Positive* (Gaur and Lu, 2007)
H4: Acquisition-specific experience and full acquisitions	Positive	*Supported*	Existing studies have not addressed moderating effect of acquisition-specific experience
H5: Cultural distance and full acquisitions	Negative	*Supported*	*Positive* (Barkema et al., 1996; Pattnaik and Lee, 2014)
H6: Host country economic development and full acquisitions	Negative	*Supported*	Existing studies have not addressed moderating effect of host country economic development
H7: Increase in country risk in a host country and full acquisitions	Positive	*Supported*	Existing studies have not addressed moderating effect of increase in country risk in a host country

Positive = Increase in subsidiary survival; negative = Decrease in subsidiary survival

Table 5. Summary of key results

Our study confirms that the probability of subsidiary survival between full and partial acquisitions does not differ significantly. This finding is consistent with studies by Benito (1997) and Benito and Larimo (1995) where the authors also found an insignificant relationship between WOS and survival of Norwegian and Finnish foreign subsidiaries. This result was valid also in foreign acquisitions made in the period of 1994–2005 which was not included in the study by Benito and Larimo (1995). We find that the general effect of full acquisitions on subsidiary survival is contextual, depending on firms' internationalization experience, cultural distance, and host country context characteristics such as economic development and country risk. We reveal that the probability of survival in full acquisitions is negatively related to general international and target country experience, but positively associated with acquisition-specific experience. Our study highlights the need to differentiate various types of firms' internationalization experience when studying subsidiary survival and performance. The results indicate that the negative relationship between cultural distance and subsidiary survival is significant in full acquisitions, but not in partial acquisitions. This finding is in contrast with the results by Barkema et al. (1996) and Pattnaik and Lee (2014) which find that WOS positively interacts with cultural distance on subsidiary longevity and survival. We find that lower economic development (i.e., non-OECD countries) is positively associated with survival of full acquisitions. The meta-analysis by Giachetti et al. (2018) yielded a similar result that full owernship is particularly effective when firms enter developing countries. Our results reveal that full acquisitions are more likely to survive in a host country where the country risk has increased after entry. This finding is similar to earlier results by Song (2014a) that the interaction effect of uncertainty and full acquisitions on survival is significantly positive.

This study contributes to foreign acquisition target performance literature in several ways. First, drawing from arguments grounded in TCE, this study analyzed how and why ownership strategy of acquiring firms influences survival of foreign acquired units. Most of the existing studies on ownership strategy-survival relationship have grouped full (partial) acquisitions and WOS (JV) greenfield investments into one category (Barkema et al., 1996; Benito, 1997; Gaur & Lu, 2007). A larger proportion of existing studies have found a postitve relationship between ownership and survival. We found that the probability of survival for full acquisitions does not differ significantly from partial acquisitions. This finding highlights the importance to examine ownership-survival relationship in the context of acquisitions. Second, this study analyzed the conditions under which full acquisitions most strongly influence the likelihood of subsidiary survival. A novel finding of

the study is that the probability of survival in full relative to partial acquisitions is positively associated with acquisition-specific experience but inversely related to general international and target country experience of acquiring firms. This finding challenges the traditional view. We further found that full acquisitions are more likely to survive than partial acquisitions when the level of a host market's country risk has increased after entry. Our study confirms the value of a contingency approach in addressing the ownership-survival relationship in the context of foreign acquisitions. Third, this study empirically contributes to the current literature by analyzing survival of Finnish foreign acquisitions. Small and Open Economies such as Finland have received very limited attention in existing literature.

This study has important managerial implications since it helps buying firms from Finland (perhaps also from other SMOPEC countries) to increase their chance of survival in foreign markets. This study suggests that managers should take into account different types of internationalization experience and host country conditions when they design the ownership structure of foreign acquisitions. To be more specific, Finnish companies are advised to opt for full acquisitions (relative to partial acquisitions) when they possess higher levels of acquisition-specific experience rather than general international and target country experience. Further, the findings of this study encourage Finnish firms to choose full rather than partial acquisitions when the cultural distance to the target country is shorter, the host country's economic development is lower, and a target market's country risk has increased.

There are several notable limitations in the study. First, the focus of this study has been on acquired units that have survived during the study period. Future studies may focus on the other side of the coin by analyzing divestments or exits of foreign subsidiaries. Related to the first point, existing studies have found that the shorter life of JVs relative to WOS is due to a higher probability of sell-off, not to closing down (Hennart et al., 1998; Mata & Portugal, 2000; Ogasavara & Hoshio, 2008). We encourage future studies to examine how divestment strategies (i.e., closure and sell-off) have moderated the impact of ownership strategy on exits of foreign subsidiaries. Second, Shaver (1998) indicates that a comparison of performance outcome between different types of entry modes is subject to the issue of self-selection. That means that the superior performance of one entry mode is related to one type of firm, but there is no association for another. Future strategy-performance research may address self-selection problem using Heckman two-stage mode (Heckman, 1979).

Third, we found that cultural distance based on Hofstede's (1980) four cultural dimensions mildly moderates ownership-survival relationship. Schwartz (1994) has claimed that Hofstede's work is inexhaustive, outdated, and misrepresentative. We encourage future studies to apply other cultural dimensions such as Schwartz and GLOBE in survival studies. Fourth, future studies analyzing the moderating impact of institutional distance are of great interest. Fifth, this study included a sample of manufacturing firms. In the meta-analysis by Zhao et al. (2017), the authors have found that industry types has significantly moderated the entry modes–performance relationship. It would be of great interest to analyze the survival of foreign acquisitions made by service firms (McDermott, 2010). Besides, we were not able to include subsidiary level data (e.g., subsidiary size) into the analysis because there were many missing data from secondary sources. Future studies are encouraged to include subsidiary level data into their analysis.

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Appendix A. Summary of main features and findings in studies focusing on ownership strategy-survival relationship

Author(s)/year	Home Country	Host Country	Choice set	Moderators	Industry	Research period	No. of investment/ divestment rate	Findings about main effect of ownership strategy	Findings about moderating effects
Li (1995)	Multiple countries	USA	• WOS greenfields vs. partial acquisitions and JVs greenfields	Not available	Manufacturing (computer and pharmaceutical)	FDIs made in 1974–1988, situation in 1989	267/30.7%	Positively significant	Not available
Benito and Larimo (1995)	Norway and Finland	Multiple countries	• WOS vs. JVs	Not available	Manufacturing	FDIs made before 1983, situation in 1992	325/44.9%	Non-significant	Not available
Barkema et al. (1996)	The Netherlands	Multiple countries	• WOS vs. JVs • Majority, equal, and minority JVs	• Cultural distance • Experience[1]	Manufacturing and nonfinancial service	FDIs made in 1966–1988, situation in 1988	225/48.4%	Not available	Positive for WOS and majority JVs (cultural distance) Non-significant for WOS and positive for majority JVs (experience)
Benito (1997)	Norway	Nordic countries, UK, Ireland, Rest of Europe, USA, Canada, Brazil, Middle East, Asia, and Africa	• WOS vs. JVs	Not available	Manufacturing	FDIs made before 1982, situation in 1992	153/55.6%	Non-significant	Not available
Hennart et al. (1998)	Japan	USA	• WOS vs. JVs	• Divestment modes	Manufacturing	FDIs made before 1980, situation in 1991	355/30.4%	Positively significant	Positive (sell-off) Non-significant (closure)
Makino and Beamish (1998)	Japan	Taiwan, Hong Kong, Thailand, Singapore, Malaysia, Philippines, Indonesia, and Korea	• WOS vs. JVs	• Host country of FDIs • Local ownership restrictions • Other regulatory variables[2]	Manufacturing	FDIs made before 1991, situation in 1991	1732/6.7%	Non-significant	Positive (Singapore and Malaysia) Negative (local ownership restriction and state interference)
Pan and Chi (1999)	Hong Kong, Taiwan, USA, Japan, Europe, and other Asian countries	China	• WOS vs. JVs • Cooperative arrangements vs. JVs	Not available	Manufacturing	FDIs made in 1980–1993, situation in 1993	859/14.2%	Non-significant	Not available
Mata and Portugal (2000)	Multiple countries	Portugal	• WOS vs. JVs • Majority vs. minority JVs	• Divestment modes	Manufacturing	FDIs made in 1983–1989	1033 foreign firms. 175 firms operated more than one subsidiary. Yearly exit rate for sell-off and closure is 5.7% and	Positively significant	Positive (sell-off) Non-significant (closure)

							5.9% respectively		
Delios and Beamish (2001)	Japan	Multiple countries	• Greenfield WOS vs. greenfield JVs	• Technological and advertising intensity • Host country experience • Mode experience	Manufacturing	FDIs made in 1986-1996, situation in 1997	3080/21.1%	Not available	Positive (technological and advertising intensity) Non-significant (host country and mode experience)
Chung and Beamish (2005)	Japan	Indonesia, Thailand, Korea, Malaysia and the Philippines	• WOS vs. JVs • Majority vs. minority JVs	Not available	Manufacturing and service	FDIs made prior 2001, situation in 1997–2001	3515/22.8%	Positively significant	Not available
Papyrina (2007)	Japan	China	• WOS vs. JVs	• Timing of entry	Manufacturing and service	FDIs made prior 2001, situation in 2001	1733/28.5%	Positively significant	Positive (later stage of institutional reforms) Negative (early stage of institutional reforms)
Gaur and Lu (2007)	Japan	52 countries	• WOS vs. JVs • Ownership levels in JVs	• Regulative and normative institutional distance • Host country experience	Manufacturing and service	FDIs made prior 2001, situation in 2001	20177/41.0%	Positively significant	Positive (regulative and normative institutional distance) Positive (host country experience)
Ogasavara and Hoshino (2008)	Japan	Brazil	• WOS vs. JVs • WOS, majority vs. minority JVs	• Divestment modes	Manufactuing	FDIs made in 1989–2003, situation in 2003	224/29.5%	Positively significant	Positive (sell-off) Non-significant (closure)
Dhanaraj and Beamish (2009)	Japan	25 countries	• WOS vs. JVs	• Political and social openness	Manufacturing and service	FDIs made in 1986-1997, situation in 1986–1997	12984/not specified	Positively significant	Positive (political and social openness)
Pattnaik and Lee (2014)	Korea	67 countries	• WOS vs. JVs	• Cross-national distance based on nine dimensions[3]	Manufacturing	FDIs made in 2000–2010, situation in 2010-2010	2435/6.0%	Positively significant	Positive (except administrative and knowledge distance)
Song (2014a)	Korea	Multiple countries	• WOS greenfields vs. JVs greenfields • Full acquisitions vs. partial acquisitions	• Host market demand uncertainty	Manufacturing	FDIs made in 1990–2007, situation in 2000-2007	2234/9.0%	Positively significant	Positive

1: Barkema et al. (1996) have examined four types of experience: experience in all countries, experience in the same host country, experience in other countries in the same cultural block of host countries, and experience in cultural blocks nearer to the home country.

2: Extent of unequal treatment towards foreigners, the extent of difficulty in forming cross-border ventures without local government imposed restraint, the lack of available investment protection schemes for foreigners, the extent of national protectionism against foreign products and services, the extent of state control of enterprises, and the extent of state interference over the development of business in a host country.

3: The nine dimensions of cross-national distance include economic, financial, political, administrative, cultural, demographic, knowledge, global connectedness, and geographic distance.

Appendix B. Additional subsample analysis

Variables	Sweden, Germany and USA	Other OECD countries	Acquisitions made in 1980-1993	Acquisitions made in 1994-2005
Parent firm size	000	0.000	0.000*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Machinery	-0.344†	-0.349	-0.151	-1.129**
	(0.187)	(0.235)	(0.151)	(0.379)
Rubber industry	0.194	0.011	0.071	0.841*
	(0.203)	(0.246)	(0.159)	(0.334)
Chemical industry	0.199	0.140	0.061	0.085
	(0.253)	(0.255)	(0.198)	(0.326)
Paper and pulp industry	-0.471†	0.204	-0.318	0.156
	(0.263)	(0.208)	(0.201)	(0.251)
Food and beverage	0.132	0.125	0.171	0.601*
	(0.235)	(0.260)	(0.188)	(0.265)
Electronics industry	0.450*	0.222	0.314†	0.617*
	(0.203)	(0.300)	(0.185)	(0.275)
Year of investments	-0.320†	-0.743***		
	(0.178)	(0.177)		
International experience	0.000	0.006	-0.001	0.002
	(0.011)	(0.013)	(0.008)	(0.012)
Target country experience	-0.088†	-0.145*	-0.034	-0.009
	(0.051)	(0.068)	(0.036)	(0.052)
Acquisition-specific experience	0.005	-0.001	-0.001	0.007
	(0.010)	(0.011)	(0.007)	(0.010)
Cultural distance	0.611	0.054	0.121	0.178
	(0.517)	(0.161)	(0.109)	(0.124)
Host country economic development (OECD vs. non-OECD countries)			0.552†	0.068
			(0.294)	(0.302)
Increase in country risk in a host country	-0.097***	-0.056***	-0.027**	0.004
	(0.017)	(0.012)	(0.008)	(0.011)
Full versus partial acquisitions	0.780	-0.488	-1.457*	-1.230*
	(0.596)	(0.342)	(0.741)	(0.561)
Full acquisitions x general international experience	0.011	0.011	0.018†	0.016
	(0.013)	(0.014)	(0.010)	(0.013)
Full acquisitions x target country experience	0.127**	0.177*	0.083†	0.061
	(0.057)	(0.079)	(0.044)	(0.066)
Full acquisitions x acquisition-specific experience	-0.020†	-0.008	-0.013	-0.017
	(0.012)	(0.012)	(0.010)	(0.011)
Full acquisitions x cultural distance	-0.871	0.297	-0.067	0.045
	(0.606)	(0.212)	(0.203)	(0.177)
Full acquisitions x host country economic development (OECD vs. non-OECD countries)			1.350*	1.542**
			(0.646)	(0.471)
Full acquisitions x increase in country risk in a host country	-0.007	-0.026†	-0.039***	-0.093***
	(0.019)	(0.015)	(0.011)	(0.016)
-2 Log Likelihood	3190.179	2590.676	5161.412	1968.895
Model Chi-square (x^2)	228.456***	163.926***	115.461***	122.567***
Degree of freedom	19	19	20	20
No. of acquisitions (No. of divestments)	570 (285)	506 (235)	668 (434)	607 (169)