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A Systematic Assessment of Empirical Research on Foreign Entry Mode

Which factors determine how a firm chooses to enter a foreign market? This research question has been posed and studied extensively making it one of the key questions in international business research (Shaver, 2013). However, past reviews of the empirical literature are limited in three ways. First, traditional narrative reviews are largely unsystematic with no explicit selection and objective evaluation criteria (Shelanski and Klein, 1995). Consequently, it becomes difficult to assess the empirical support and replicate the studies. Second, more sophisticated meta-analytical quantitative procedures used in some previous reviews are ill-suited for analyzing entry mode data that cover multiple dependent variables and a large number of heterogeneous measures of independent variables (Light and Pillemer, 1984; Hunter and Schmidt, 1990; Stanley and Doucouliagos, 2012). Third, past entry mode reviews disagree on the empirical support for often included tenets as e.g. asset specificity.

This review seeks to overcome these limitations by applying a method already used successfully in general strategic management (David and Han, 2004; Newbert, 2007). By using transparent criteria for the selection of studies as well as simple quantitative tools for the systematic assessment of empirical relationships, this study contributes to the existing literature in at least three ways. First, it allows for the exploration of consistency in empirical support across different dependent variables, and the measurement of independent variables. Second, by also including tests of control variables, the study broadens the scope to variables that are commonly used, but rarely commented on in reviews. Finally, this review identifies critical methodological issues with regard to the entry mode choice set and tests of interaction effects that have yet to be raised in previous reviews.

In a recent commentary in the *Journal of International Business Studies*, Shaver (2013) asks the question “*Do we really need more entry mode studies?*”. According to the author,

we have “a clear conceptual understanding of how to differentiate entry modes (...) of what determines firm choices amongst various modes (...) and some insight into when one mode leads to better performance outcomes” (Shaver, 2013: 23). Conflicting with these conclusions, this study identifies some serious inconsistent findings with regard to core determinants of entry mode choice reflecting major areas where our knowledge is still far from complete. I present descriptive evidence to suggest that these inconsistencies may be associated with (1) disparate dependent variables, (2) inconsistent and inferior measurement, and/or (3) questionable use of methodology. In addition, quite a few entry mode studies claim that mode choice is important for subsidiary performance (Brouthers & Hennart, 2007). Even though current research shows promising results, the results presented in this study show that such statements about performance implications might be premature because of the limited number of studies. Thus, I argue that future research may still make substantive rather than incremental contributions by focusing on some of the issues raised in this review.

I begin by briefly summarizing the most common theoretical foundations used in the article sample. Next, I describe the method, data and selection process used to select the articles. Finally, I present my results and discuss three core areas with implications for future research: 1) consistency of results, 2) performance and 3) methodological issues. The paper ends with a short conclusion.

Literature review

Entry modes can be characterized as institutional arrangements for how to organize and conduct business transactions when a firm enters a foreign country (Root, 1987). This definition covers export, contractual agreement modes (licensing, franchising) and foreign investment (joint venture [JV] and wholly owned subsidiaries [WOS]), and it has been the starting point for the development of later definitions (Sharma and Erramilli, 2004).

Entry mode choice is commonly viewed from two different perspectives (Brouthers and Hennart, 2007). The first view refers to a mode of entry as a governance structure where exporting modes, contracts, JVs and WOSs are arranged on a continuum ranging from low to high control, commitment and risk (Anderson and Gatignon, 1986). The other perspective categorizes modes into two groups depending on whether they contain equity investments or not (Hennart, 1988; Hennart, 2000). According to the latter view, JVs and WOSs are the only modes involving equity investments why JV is not placed in the middle of a continuum of increasing control, but rather in the equity category. A further distinction made by some entry mode scholars is the one between the entry mode choice as described above and the so-called establishment mode choice between acquisitions and greenfields (Dikova and van Witteloostuijn, 2007; Hennart and Slangen, 2008). Even though this distinction is not commonly accepted (Martin, 2013), there are theoretical and empirical reasons to believe that the entry mode and establishment mode choices are made independently (Hennart, 2000; Padmanabhan and Cho, 1996). For this reason, I follow previous entry mode reviews (Brouthers and Hennart, 2007; Zhao, Luo and Taewon Suh, 2004) and do not include research addressing establishment mode choice.

Several different theories are used to explain the determinants of foreign entry mode choice. As explained in detail in the methodology section below, transaction costs theory (TCT), the resource-based view (RBV) and the eclectic framework (OLI) accounted for around 80% of the articles included in this study. Therefore, this paper is focused around these three frameworks.

Williamson's (1985) TCT is widely considered as the most commonly applied theory in foreign entry mode research (Brouthers and Hennart, 2007; Canabal and White, 2008). The core idea is that a firm should internalize its foreign transaction if the costs of internalization are less than those of entering through the market (Anderson and Gatignon, 1986). The most cost efficient entry mode is determined by three contingency-factors: asset specificity, uncertainty and transaction

frequency (Williamson, 1985). As assets become increasingly specific, the risk of hold-up grows larger. The result is that the entering firm internalizes the transaction as a safeguard against opportunism (Anderson and Gatignon, 1986; Williamson, 1985; Klein, Frazier and Roth, 1990; Aulakh and Kotabe, 1997). In the presence of specific assets, uncertainty raises transaction costs and thereby increases the preferences for internalizing the international transaction (Williamson, 1985). Finally, a high transaction frequency is necessary to justify the bureaucratic costs of the hierarchy.

The resource-based view (RBV), including organizational capabilities and the knowledge-based view (Brouthers and Hennart, 2007), takes the approach of effective and efficient transfer of resources to the host market. In this process, the firm should avoid eroding the value of the transferred resources and thereby damaging the firm's competitive advantage (Sharma and Erramilli, 2004). Similar to TCT, RBV proposes that a high degree of tacit firm knowledge being transferred across borders, will lead the market to fail as a knowledge conductor (Teece, 1986; Dev, Erramilli and Agarwal, 2002). Hence, as the ratio of tacit to generic knowledge increases, the preference for internalization (e.g. WOS) becomes greater than for cooperation (e.g. JV). In addition, some RBV-scholars focus on the context into which the critical resources are transferred. Thus, the hierarchy will fail if the firm does not possess adequate context specific knowledge (Tan, Erramilli and Liang, 2001). Consequently, as the need for critical know-how specific to the context of the host-country increases, the preference for cooperation becomes greater (Madhok, 1997).

Integrating both international trade theory, RBV and TCT, the eclectic framework predicts the choice of entry mode from the following three key determinants: Ownership, locational and internalization advantages (Dunning, 1980; Dunning, 1988). The ownership-based advantages represent the assets and skills that are specific with regard to the firm (Dunning, 1993) and increase firm preferences for establishing hierarchal governance structure (Agarwal and Ramaswami, 1992; Brouthers, Brouthers and Werner, 1996). The internalization dimension determines whether it is

more cost-efficient for the firm to internalize or to make use of contractual agreements with local firms (Dunning and McQueen, 1981; Hill, 1990; Anderson and Coughlan, 1987; Chiles and McMackin, 1996). Finally, the location advantage stipulates that as location specific drivers (e.g. market potential) grow more attractive, entering firms will prefer more integrated entry modes (Brouthers, Brouthers and Werner, 2001; Pearce and Papanastassiou, 1996).

Data and methodology

Since Andersen's (1997) conceptual review, scholars have reviewed entry mode research using varying narrative approaches (Brouthers and Hennart, 2007; Canabal and White, 2008; Sarkar and Cavusgil, 1996; Harzing, 2003; Ahsan and Musteen, 2011; Seggie, 2012) or through more complex meta-analytical techniques (Zhao, Luo and Taewon Suh, 2004; Tihanyi, Griffith and Russell, 2005; Morschett, Schramm-Klein and Swoboda, 2010). These articles have brought important and valuable insight about core findings hiding in the still growing bulk of entry mode-focused studies.

This study takes a different approach by using a method developed and applied by David and Han (2004) and Newbert (2007). Its simplistic nature combined with systematic and explicit selection criteria makes the approach "a powerful tool in the building of knowledge" (David and Han, 2004: 42). In short, the method makes very explicit criteria about how the studies are selected for the review. The approach is more objective than the ones used in traditional reviews and mitigates parts of the bias that may arise when samples are selected through purely subjective criteria (Newbert, 2007). Next, the coded relationships are cross-tabulated along various dimensions such as different variable operationalizations comparing the proportion of significant tests between groups. This provides a simple yet powerful way to systematically assess empirical evidence on the most frequently tested relationships in entry mode. While the findings are not meant to be absolute, the

explorative nature of the method offers ways to stimulate discussions about previous research, which may help direct future testing of central hypotheses (Newbert, 2007).

As mentioned above, the method employed in this study is different from the traditional narrative reviews of entry mode research as it is more explicit in its selection of studies and quantitative in its evaluation of these. With regard to the latter, I considered using more advanced quantitative analysis procedures as e.g. Zhao et al. (2004), but preferred David & Han's (2004) simpler method for the following two reasons. First, the data systematically collected in this study was characterized by a high degree of heterogeneity. Second, parameter estimates needed to be comparable to perform a more advanced quantitative analysis. Thus, I chose an alternative research strategy and followed David & Han (2004). This strategy involved several choices outlined below.

Selection process

My goal was to identify a large, representative sample of entry mode studies published in peer-reviewed scientific journals. To minimize unwarranted subjective bias in the article selection process, I used a clear set of selection criteria. Full transparency in the selection process makes replication of results possible, adds positively to the study's reliability and makes it possible to subject the search criteria to criticism and discussion (Light and Pillemer, 1984; Newbert, 2007; Stroup *et al.*, 2000).

Following Newbert's (2007) adoption of David and Han's (2004) method I used the following selection criteria for the sampling of empirical articles. First, I searched the *Web of Science* database. Second, I chose to base my article selection on the entry mode definition stated in the introduction. Thus, to secure substantive relevance in the selected articles, I restricted the search to only include articles containing at least one of the keywords 'entry mode', 'joint venture', 'wholly owned subsidiary', 'licensing', or 'franchising' together with at least one of the following three primary keywords in their title, abstract or keywords list: international, multinational or foreign. I

selected these keywords based on the reference lists of reviews of foreign entry mode research. Initial test runs were performed to adjust the selection criteria in order to minimize the proportion of substantively and methodologically irrelevant results. The keywords ‘exports’ and ‘exporting’ were excluded because their presence boosted the number of irrelevant studies to be excluded through the final more subjective selection criteria. This was mainly due to most of studies originating from fields related to international trade that investigated exports outside of an entry mode context. In addition, even without the mentioned exporting-focused keywords, entry mode studies including a type of exporting mode in their dependent variable were still caught by the search criteria. Thus, in order to not skew the selection unfavorably in a subjective direction and because it did not seem to cause the process to miss relevant studies, these keywords were not included in the final article selection. Third, I ensured empirical content by requiring that the selected articles also contain at least one of the following seven keywords in their title or abstract: data, empirical, test, statistical, finding, result or evidence. Fourth, I restricted the search to journals within the following categories: Business, management, economics, operations research management science and business finance. Fifth, I focused the search on articles in the period 1997-early 2014. This was not to discredit any research published earlier, but done simply to focus this study on the newest research trends since Andersen’s (1997) review¹. Sixth, I ensured substantive and empirical relevance by reading all remaining abstracts for substantive context (i.e., discussion of entry mode frameworks and matching of the chosen entry mode definition) and empirical content (i.e., mention of statistical tests). Finally, I ensured substantive and empirical relevance by reading all remaining articles in their entirety for substantive context (i.e., tests of core tenets) and adequate empirical content (i.e., presentation of results based on statistical tests).

¹ I am indebted to an anonymous reviewer for suggesting letting the review cover the time from Andersen’s (1997) review.

The search was performed on October 1, 2011 and updated on February 1, 2014. As other reviews of foreign entry mode literature (e.g. Brouthers & Hennart, 2007), this study was influenced by resource restrictions and thus had to make decisions on the amount of quantitative research to identify, review, code and analyze. Facing such trade-offs, authors usually focus on a smaller number of top-tier journals (e.g. Hennart & Slangen, 2015). As most empirical entry mode studies are published in non-top-tier journals, I chose to make no restrictions based on journal rankings to ensure a more representative sample. Instead, I chose to focus more explicitly on more recent research to position my study among existing reviews that have extensively covered earlier research (e.g. Sarkar & Cavusgil, 1996; Zhao et al., 2004; Canabal & White, 2008; Tihanyi, Griffith & Russell, 2005). The selection process is summed in Table I, the search syntax can be found in Appendix I and full citations are marked (*) under references.

Sample description and coding

The selection process resulted in 119 studies. My sample compares favorably to quantitative reviews in general management applying similar methodology: Newbert (2007) included 55 articles, David & Han (2004) reviewed 63, and Ketchen et al. (1997) had a sample of 40. Additionally, my sample compares very favorably to past entry mode reviews. The 119 studies in the sample were from 44 different scientific journals. The most frequent were *International Business Review* (15), *Journal of Business Research* (13), *Journal of International Business Studies* (13) and *Journal of World Business* (11). The study distribution showed small peaks in 2007 and 2009, and the most frequent authors were K. D. Brouthers (9), Steve Werner (7), and L.E. Brouthers (6).

An advanced graduate student and I coded the test results separately including formulated hypotheses, bibliographic information, variables (independent, dependent and control variables) and their operationalization resulting in a 92.4 % agreement rate. Disagreements were

resolved through joint discussions. Following David & Han (2004), only full model results were coded. Dependent variables were coded to create consistency in the direction of relationships. Thus, a positive relationship indicates a higher propensity to choose a higher mode alternatively to one or more lower modes.

The 119 articles thus selected for analysis contained 1217 statistical tests of entry mode related relationships. Focusing on mode choice, the most frequently tested relationships were based on transaction cost theory (48%), the resource-based view (23%), and the OLI-model (8%) either alone or in combination.

Insert Table I around here

Results

Overall, of the 903 mode-related tests, 514 (57%) produced significant results, and 389 (43%) produced non-significant results. A χ^2 -test indicated that the difference between the two groups was significant ($\chi^2 = 34.6, p < 0.001$). In the section below, I break down the results by independent variable, dependent variable and independent variable measures. Finally, I comment on the most common independent-dependent variable pairs and publication year. A graphical overview containing the main findings is available in Figure 1².

Independent variables

Table II presents the results of the most commonly tested independent variables sorted by theoretical perspective. Asset specificity was the most tested independent variable in the TCT framework and appeared in 106 independent statistical tests. 34% of these tests were positively significant, 18.9 % were negatively significant and 47.2% were non-significant. A χ^2 -test for

² I am thankful to anonymous reviewer for suggesting including a graphical overview of the main findings.

equality of proportions showed that these proportions were significantly different ($\chi^2 = 19.13, p < 0.001$). Pairwise comparisons for proportions³ indicated a significant difference between the proportions of non-significant vs. positive results ($p < 0.05$). This suggests evidence in favor of a higher proportion of unreliable findings. For example, Shieh and Wu (2012) found that brand specific assets were not associated with the equity-based entry mode choice (JV vs. WOS) into Vietnam made by corporations in the Greater Chinese Economic Area. Conceptually very similar to asset specificity, tests of the ownership advantage in the OLI-model showed similar results with 47.6% showing a significantly positive relation to choosing higher modes, while 42.9% showed a non-significant relationship. Proportions of positively significant and non-significant results were not significantly different at conventional alpha levels ($p = 0.99$). RBV tests showed 50% significantly positive results while 37.5% were non-significant when occasionally testing the relationship between specific assets, most commonly through specific know-how, and entry mode choice (8 tests). These proportions were not significantly different at an alpha of 10% ($\chi^2 = 2.625, p = 0.27$). Together, these results do not speak in favor of a positive relationship of specific assets with entering through a higher entry mode, but rather in favor of a non-significant relationship.

The most tested resource within the RBV, international experience, showed results pointing toward a positive or non-significant relationship. 47.8% of the tests were significantly positively related to higher modes and 52.2% were unreliable. Overall, the three proportions were significantly different ($p < 0.001$), but no significant difference could be established between the proportion of positive and the proportion of non-significant results at an alpha of 10% ($p = 0.99$). For example, analyzing data collected from China, Luo (2001) found that JVs are preferred when firm host country experience is low. When used to operationalize internal uncertainty in TCT-based examinations, tests of international experience were less convincing with 60% being unreliable and

³ The pairwise comparisons between pairs of proportions with correction for multiple testing were performed using the R function `pairwise.prop.test`. The p-values were adjusted using the correction included by Holm (1979).

40% being significantly positive. A χ^2 -test could not reject the null-hypothesis of no difference between proportions ($p = 0.65$), but a pairwise comparison test showed evidence against a negative relationship ($p = 0.02$). In tests of the OLI-model, international experience had been used to measure the ownership advantage of the entrant. The pairwise difference between proportions of 75% positive and 25% non-significant results was itself non-significant. Here, statistical tests showed no statistically significant difference between the proportions of negative, non-significant and positive results. Finally, as it can be seen from the overview of commonly used control variables in Table III, international experience, host country experience and regional experience had been used relatively often as control variables (25 tests). International and host country experience showed mostly indications of a positive relationship to choosing higher modes (both around 60%) even though this was not significantly higher than the proportion of non-significant results ($p = 0.2651$). However, statistical testing showed evidence against a negative relationship ($\chi^2 = 9.18, p = 0.01$). For instance, Pla-Barber, Sanchez-Peinado and Madhok (2010) found that firms characterized by higher international experience entered more often through equity modes alternative to non-equity modes, while it did not affect their choice between full and shared control. Pairwise comparisons showed no significant difference depending on whether international experience was used as a main variable or as a control.

Together, these results suggest that international experience may be positively related to entry mode choice across paradigms. Further, results show no significant difference between studies employing international experience as a main construct versus studies using it as a control variable.

Insert Table II around here

Insert Table III around here

Often, entry mode researchers had tested hypotheses involving interaction effects. 77 tests of interactions between independent variables were found. Of these, over half of the tests were published within the last four years. However, it is uncertain whether moderating hypotheses in entry mode research have been tested as recommended in the organizational research methodology literature. Only 54% of the interactions were interpreted using graphical illustrations and none of the interactions between two continuous variables were interpreted using the recommended illustrations or statistical tests. Consequently, analyses of interacting relationships may be incomplete.

Dependent variables

Table IV presents the results sorted by dependent variable and further by theoretical perspective. When sorted by dependent variable, two dominating variable categories could be classified: (1) Governance form and (2) Degree of control / coordination / integration. The most examined entry mode choice was the dichotomy between JV and WOS appearing in 330 tests. TCT-based and RBV-based tests showed some success in establishing a statistical association with this choice set with 64% of the tests being significant ($p < 0.001$). For instance, Demirbag, Glaister and Tatoglu (2007) performed a wide range of TCT- and institutional-based tests on JV and WOS entries into emerging markets finding several significant results. Another very popular dependent variable across frameworks was the choice between non-equity and equity modes. This choice showed significant results in 50% of the TCT-based tests ($p = 0.86$), 88% of the RBV-based tests ($p < 0.01$) and 50% of the OLI-model tests ($p = 0.99$). For instance, Ji and Dimitratos (2013) found that their OLI-model enriched by Confusian Dynamism did a good job explaining Chinese private firms' choice

between equity and non-equity modes. In sum, RBV-based test seemed to have had success explaining equity-mode choice.

Despite general recognition of there being a wide range of different entry mode types, very few tests of more than two different types against each other could be found. In fact, only five articles used a model involving multiple outcomes. One such example was Tsang's (2005) study that used a multinomial logistic model to investigate the choice between several different entry modes in a Vietnamese context. Other studies commonly reduced the entry mode range by pooling choices (e.g. Musteen, Datta and Herrmann, 2009) or excluding observations (e.g. Kim and Gray, 2009). It is not clear, however, whether the studies using either a Multinomial Logit or Ordered Logit model have provided an adequate reporting of results. All studies employing a multiple outcomes model relied solely on coefficient interpretation when drawing conclusions about support for their hypotheses. This may be problematic as the sign of a model coefficient does not need to indicate the direction of the relationship between an independent and a dependent variable (Cameron and Trivedi, 2005; Wulff, 2015).

In sum, future research can fill an important gap by broadening the entry mode choice set. However, this poses a different set of challenges for entry mode researchers and it is questionable whether research so far has met these to a satisfactory extent.

Insert Table IV around here

The sample contained 314 statistical tests of performance with 45.5% being non-significant, 37.9% showing a significantly positive association with performance and 16.6% showing the opposite. Table V presents the results sorted by most commonly used performance variables. The most frequent way of operationalizing performance was through satisfaction with entry mode

performance, generally (83 tests) or with a specific entry mode (JV in 39 tests and WOS in 32 tests). For example, Brouthers, Brouthers and Werner (2000) examined satisfaction with financial and non-financial performance while Ainuddin, Beamish, Hulland and Rouse (2007) focused exclusively on JV performance. JV survival (28 tests), alliance performance (17 tests) financial profitability (12 tests) and WOS survival (12 tests) had also been considered relatively often. Overall, none of the most commonly used operationalizations proved notably more effective in predicting entry mode performance than others.

Insert Table V around here

Table VI focuses on the associations between frequently used variables and performance. Asset specificity was significantly related to higher performance in 40% of the tests, no relation could be found in 32% of the tests and 28% established a significantly negative relation. Even though more tests indicate a positive relation, the proportions are not significantly different ($\chi^2 = 0.84$, $p = 0.657$). For example, Chang, Chung and Moon (2013) found that R&D intensive firms performed better when comparing performances of JVs converted into WOSs to continued JVs. A frequent way of testing performance had been to generate an entry mode fit dummy variable indicating whether a firm's entry in the sample could be predicted by the proposed model. When the model fitted was a TCT model, tests showed a significantly positive relation to entry mode performance in three out of three tests. For instance, Brouthers, Brouthers and Werner (2008a) found that Dutch and Greek firms entering Central and Eastern European markets using their combined TCT and real options model were associated with significantly higher subsidiary performance than firms that did not. Together, these results suggest some success with explaining performance as preliminary results point in the

direction of a positive association with performance. However, tests are still too few to draw reliable conclusions.

Insert Table VI around here

Measures of independent variables and controls

To dig further into the results, I examined some of the most frequently used measures that had been used across theoretical frameworks: Cultural distance (33 tests), R&D intensity (36 tests), advertising intensity (18 tests) and international experience (29 tests). Table VII presents these results sorted first by measure and then by theoretical perspective.

Insert Table VII around here

R&D intensity had been used commonly in TCT to operationalize asset specificity. Support for the theory was not very convincing as 57.9% of the tests were non-significant, 26.3% significantly positive according to theory, and 15.8% significantly negative contradictory to theory. A χ^2 -test showed significant differences between the groups ($\chi^2 = 8.21, p = 0.02$) while a pair-wise test showed a significant difference between the proportion of non-significant and negative results ($p = 0.05$). This is some evidence suggesting against a negative relationship between entry mode choice and R&D intensity. For example, Slangen and Tulder (2009) did not find evidence to support that Dutch firms' choice between JV and WOS could be explained by the intensity of their R&D investment. Of the eight statistical RBV-based tests using R&D intensity as a measure, 75% were significantly positively related to higher mode choice and 25% were non-significant. However, this number of tests was too small to conclude a significant difference.

Advertising intensity, also used as a proxy for asset specificity, was used only in TCT-based tests and was mostly non-significant with 14.3% supporting the proposed positive relation, 21.4% contradicting by showing significantly negative results, and 64.3% being non-significant. At an alpha of 10%, both a χ^2 - and a pairwise test indicate a significant group difference. There did not seem to be any notable or significant differences whether R&D intensity or advertising intensity had been used as a control variable or not. Together, R&D and advertising intensity, also commonly referred to as intangible asset ratios, did not show particular convincing results.

Returning to Table III, it can be seen that even though firm size, typically determined by number of employees, had been subject to a total of 39 independent tests as a control variable only 41% showed a significantly positive relationship and 12.8% even showed a negative relationship with choosing higher modes. A χ^2 - and a pairwise test suggest an either positive or non-significant relationship ($\chi^2 = 11.3, p = 0.003$). This was inconsistent with the picture of firm size as a proxy for an ownership advantage in the OLI-model where 75% of tests showed a significant positive relation with the rest being non-significant. Together, these results indicate surprisingly weak evidence with regard to the relationship between firm size and mode choice.

Variable pairs

To further assess the results provided above, I calculated the frequencies for the most commonly appearing independent-dependent variables pairs. These results are presented in Table VIII. Not surprisingly, the most common pair was JV vs. WOS and asset specificity (39 tests). These results were consistent with the general results presented above. Noteworthy, asset specificity seemed to be a more effective predictor of the choice between non-equity and equity mode as 85.7% of the seven tests showed a significantly positive relationship between the variable and the use of equity modes. This was supported by a χ^2 - and a pairwise test ($\chi^2 = 13.3, p < 0.001$): In addition, international experience was notably more effective when paired with JV vs. WOS (57.1%

positive) or Full vs. Shared control (50 % positive). A χ^2 - and a pairwise test suggest a significant difference between negative, and positive and non-significant results, but the pairwise test did not indicate a significant difference between non-significant and positively significant groups. Together, these results suggest notable differences depending on independent-dependent variable pairs⁴.

Insert Table VIII around here

Discussion

The findings presented above and summarized in Figure 1 provide interesting insights. In this section, I synthesize central findings from the analysis above and compare these to the current state of the field. In particular, I discuss consistency of results, performance and methodological issues.

Insert Figure 1 around here

Consistency of results

As revealed by the review above, central constructs have undergone numerous statistical tests. Many of their aspects have been discussed in previous reviews and for many of them their role in entry mode research remains uncertain. This is either because scholars disagree about the interpretation of the empirical evidence as it is the case with asset specificity (Brouthers and Hennart, 2007; Zhao, Luo and Taewon Suh, 2004) or because they agree that the empirical evidence is inconclusive as it is the case with international experience (Brouthers and Hennart,

⁴ Due to space limitations, results depending on journal and publication year are available on request.

2007; Zhao, Luo and Taewon Suh, 2004; Ahsan and Musteen, 2011). My methodological approach allowed me to explore possible reasons for why previous reviews have drawn different conclusions based on the same article population and why the role of some constructs is still uncertain despite a large amount of statistical tests.

First, my analysis revealed notable differences depending on the dependent variable on which a core relationship was tested. While the evidence of asset specificity was inconsistent when predicting the choice between JV and WOS, it was consistently predicting a higher preference for equity modes relative to non-equity modes. This prediction is very much in line with the relationship proposed by TCT. The tendency was further confirmed as the same pattern could be observed for the ownership advantage in the OLI-model also proving to be effective to predict the choice between equity and non-equity modes. These results fit well with the view that JV and WOS are both entry modes within the equity category (Hennart, 2000). As assets grow increasingly specific, firms must integrate vertically into equity modes to protect against knowledge dissemination and free-riding (Williamson, 1991). The choice between collaborative equity modes through JV or sole ownership through WOS, however, is not determined by the nature of the firms' assets. Instead, the results in this review suggest that this choice is more effectively explained by the level of international experience by the parent firm with almost 60% of tests pointing towards a positive association between experience and preference for WOS-entry relative to entry through JV.

Second, direction and significance of results seem to depend on measurement. The so-called intangible asset ratios, R&D and advertising intensity, have been used to a large extent both as measures of core constructs but also as mere control variables. Thus, there appears to be some consensus that these are relevant predictors of entry mode choice even though convincing empirical evidence is still lacking. In TCT, R&D-intensity has typically been applied as a proxy for physical asset specificity, while advertising intensity is set to manifest brand specificity (Zhao, Luo and

Taewon Suh, 2004). Both types of specificity give rise to a free-riding problem because transferring and sharing technology and reputation involve hazards of appropriability (Oxley, 1997). This study shows that especially advertising intensity had not produced convincing results. This is not consistent with the conclusion made by Zhao et al. (2004), who conclude a significant relation to the choice between JV and WOS.

There may be several reasons for this. First, Zhao et al. (2004) do not include newer research in their analysis. Second, focusing on more than one operationalization of the dependent variable, this study was able to get a broader view on mode choice. Third, it may be that because Zhao et al.'s (2004) methodology allows them to explicitly take sample sizes, standard errors and effect sizes of individual studies into account, a more precise estimate of a narrower focused relationship can be reached. Nevertheless, it is interesting that the results are unclear considering how frequently these measures are used in practice. Indeed, one alternative explanation for the results found in this study may be that R&D- and advertising intensity are not good proxies for asset specificity. In fact, because of their characteristics as input variables, high R&D- and advertising expenditure may actually neither result in specific assets nor information asymmetry (Burgel and Murray, 2000).

Third, it was remarkable to find little and conflicting evidence of a relationship between some of the most frequently used control variables and entry mode choice. Previous reviews in entry mode research have commented little on often-used control variables such as firm size and industry. In empirical studies, it is frequently suggested that larger firms tend to use more integrated entry modes. Commonly, it is argued that larger firms possess more resources than smaller firms (Combs and Ketchen, 1999), and that firm size is an indication of a firm's potential to meet resource requirements (Buckley and Casson, 1998). Even though this study largely rejects a negative relationship, it finds only weak evidence with regard to non-equity vs. equity modes and

JV vs. WOS. Not being able to find clear-cut evidence is disappointing considering that firm size is the most popular control variable in entry mode research. Clearly, future research should focus more on this relationship as it is curious why the evidence is still marginal after numerous tests across different frameworks.

To sum up, results of the relationship between firm size and entry mode choice are not what one might have hoped for. Even though we see indications of a positive relationship entry choice, it seems that more thought needs to be given into the nature of the relationship between firm size and entry mode choice.

Performance

The sample in this study included several performance-oriented studies. The interest in conducting studies focusing on the connection between entry mode choice and performance is growing: In this study, around 50% of all performance tests had been made in the period 2007-2013. Despite the seemingly growing interest, I argue that further research is still needed in order to more reliably document that mode choice may be important for subsidiary performance. Still, as it is shown in this study current research shows tendencies in the right direction with some existing practices as e.g. the fit-variable approach looking more promising than others.

As strategic management researchers, we are often eager to draw conclusions about the superiority of one strategy over another. Investigating causal links between a firm strategy and superior performance is at the heart of research in business strategy. Still, we must be careful not to make claims about the importance of mode choice for performance before the sufficient empirical evidence exists.

According to results in this study, too few tests exist to determine the link between performance and choosing the theoretical 'right' entry mode. Such statements are premature as the bulk of empirical evidence at its current state is simply not large enough. I argue that researchers

should the link between the theoretically ‘right’ entry mode and performance on the agenda. Four recent commentaries (Hennart & Slangen, 2015; Martin, 2013; Shaver, 2013; Brouthers, 2013) in the *Journal of International Business Studies* explicitly discuss the importance of distinguishing between what firms do and what they should be doing, but only one of them puts more performance-oriented research on the top of research agenda (Brouthers, 2013). I argue that if we wish to approach more conclusive statements about the performance consequences of making entry mode decisions based on even dominating theoretical frameworks, we require more research of this kind.

With this word of caution in mind, there are approaches in the current literature that certainly show promise. One such approach is to generate an entry mode fit variable through a first-stage logistic or probit regression and then include this variable in a second-stage OLS regression using performance as a dependent variable (e.g. K. D. Brouthers, 2002). A variation of this approach has been applied using Heckman-correction as first suggested by Shaver (1998) in an entry mode context. This procedure produces a self-correction variable in the first-stage probit estimations, which is then incorporated in the second-stage (e.g. K. D. Brouthers et al., 2008a). This approach is discussed extensively by Martin (2013) and Brouthers (2013) and may be adopted by future research such that more conclusive statements about the importance of mode choice for performance can be made.

In sum, even though a line of performance-studies has shown promising results when linking theoretical fit to entry mode performance, this study shows that it may still be premature to conclude any significant difference between significantly positive and non-significant results. Based on this observation, I recommend that performance-based studies be not neglected when discussing what should be on the future research agenda. To derive normative implications of often used theories as e.g. transaction cost theory should among our top priorities.

Methodological issues

My review revealed two critical issues with regard to the methodological praxis in previous entry mode studies. First, I found that entry mode choice has very rarely been operationalized as anything other than a dichotomous variable, most commonly JV vs. WOS, Non-equity vs. Equity modes and Full vs. Shared control. Despite the wide range of entry modes firms can choose from (Anderson and Gatignon, 1986), researchers have so far had a disproportionate focus on a few relationships where many of the most typical entry mode types are excluded. In my opinion, future entry mode research can benefit in at least two important ways from putting fewer restrictions on the entry options and instead broadening the choice set. First, strategic choices are rarely binary and the entry mode choice is no different (Kogut and Singh, 1988). A broadening of the choice set may lead to a better understanding of the real world entry mode decision where managers stand before multiple entry mode options. Second, by broadening the choice set we avoid that our empirical results rely on the aggregation of dissimilar entry mode types or the deletion of whole choice categories (Martin, 2013). If we stay on the current path, we may miss the opportunity to explain the variation in entry mode outcome that could have been explained by allowing for multiple entry outcomes.

Allowing multiple unordered or ordered discrete alternatives is not without challenges. Indeed, researchers in strategy research often mistakenly borrow from their regular logit and probit toolbox and rely on coefficient interpretation when dealing with multiple outcomes (Bowen and Wiersema, 2004). Instead, it is necessary to calculate marginal effects to conclude correctly on the direction and magnitude of the relationship (Cameron and Trivedi, 2005). Further complicating the issue is the fact that the marginal effects are not constant across observations. This has the consequence that the marginal effects may be positive for some observations and negative for others (Greene, 2003). Thus, an analysis relying solely on a summary measure of the

marginal effect becomes incomplete leaving out important information about the nature of the true marginal effect (Wulff, 2015). This study found that entry mode research has yet to meet these challenges, thus risking wrong conclusions on the direction of relationships. In fact, the large proportions of non-significant findings with regard to commonly used control variables such as firm size might be explained in part by such inferior practices. Similar issues were found with regard to the interpretation of interaction effects. As excellent guides and discussions of these issues already exist, I shall end my discussion here and refer interested readers to these instead (e.g. Wiersema and Bowen, 2009; Hoetker, 2007). It is crucial that future research implement the correct practice as suggested in econometric and organizational research methodology literature in order to draw correct inferences about the hypothesized relationships.

In sum, future research can benefit from broadening its decision set and removing focus from narrow dichotomous mode conceptualizations. In addition, researchers stand before critical challenges when it comes to handling multiple outcome models and correctly testing hypotheses involving moderating effects. It is crucial that future research overcomes these hurdles by following methodological guidelines recommended in the literature.

Conclusion and Limitation

In this review, I sought to overcome some of the limitations of past entry mode reviews through a methodological approach used in general strategic management. This method opened up for an investigation of weak and inconsistent results from tests of commonly used variables and their measures, which led to evidence questioning the success of often used measures for core constructs (R&D- and advertising intensity) and control variables (firm size). These variables are used to such an extent in the literature that consistent results are necessary if we are to claim that we are moving towards a better understanding of the determinants of foreign entry mode.

I also found that conclusions about the link between entry mode variables and performance are premature. To derive normative conclusions about some of most often-applied theoretical frameworks as e.g. TCT, we require more research testing the association between selecting the theoretically ‘right’ entry mode and post-entry performance.

Performance-oriented research is essential to the entry mode field because it makes sure that we do not make unjustified leaps by drawing normative conclusions based on research that describes how firms enter foreign countries. Entry mode researchers are to an increasing degree acknowledging that what firms do and what firms should be doing is not necessarily the same. In this review of the empirical literature, I question whether statements about the importance of mode choice for performance are premature. To make such statements, we require more research investigating the importance of theoretical fit for post-entry performance.

I identified critical methodological issues of which future research should be aware. First, I found that empirical results are highly contingent on how the entry mode choice was operationalized. This led to a discussion about broadening the entry mode choice set. I argued for minimizing the risk that future empirical results depend on a too narrow operationalization of entry mode choice that removes it too far away from the choice that managers face in the real world. Second, I highlighted methodological challenges in the examination of moderating effects in the models most commonly used in entry mode research and when interpreting results from discrete models with multiple outcomes.

Of course, my methodological approach has its own limitations. Even though it provides a systematic assessment of empirical results based on an article sample drawn through a transparent and repeatable selection process, it is limited to explore relationships through a simple procedure that puts a lot of focus on significance and less on effect sizes. Further, I restricted the study to cover only empirical research excluding theoretical papers that have also helped advance

our knowledge. It is also worth mentioning that the selected search criteria may have given the sample certain characteristics in ways that other keywords might not have. I recommend that scholars wishing to replicate this review also consider alternative criteria for article selection to either expand or focus that scope of identified studies. This includes the choice of putting no restriction on the ranking or number of different journals, which came at the cost of a shorter time period.

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Appendix I. Search code for Web of Science

TOPIC: (*"entry mode" OR "joint venture" OR "wholly owned subsidiary" OR "licensing" OR "franchising"*) **AND TOPIC:** (*international OR multinational OR foreign*) **AND TOPIC:** (*data OR empirical OR test OR statistical OR finding OR result OR evidence*)

Refined by: WEB OF SCIENCE CATEGORIES=(BUSINESS OR ECONOMICS OR OPERATIONS RESEARCH MANAGEMENT SCIENCE OR BUSINESS FINANCE) **AND** DOCUMENT TYPES=(ARTICLE) **AND** PUBLICATION YEARS=(2013 OR 2005 OR 2002 OR 2014 OR 2012 OR 2000 OR 2009 OR 2004 OR 2007 OR 2006 OR 2011 OR 2001 OR 2008 OR 2003 OR 2010)

Timespan=All years. Indexes=SCI-EXPANDED, SSCI, A&HCI, CPCI-S, CPCI-SSH.

Table I. Summary of selection criteria^a

Filter type	Description	Database result
Substantive	All articles with at least one of five entry mode keywords and with at least one of three additional keywords in title, abstract or keywords.	1786
Methodological	All articles with at least one of seven keywords indicating empirical data or analysis in title, abstract or keywords.	1246
Substantive	All articles in business, economics, operations research management science and business finance.	673
Substantive	All articles published in the time frame 2000-2014 ^b .	577
Substantive and Methodological	Remaining abstracts read for both substantive relevance and statistical analysis	180
Substantive and Methodological	Remaining full articles read for both substantive relevance and statistical analysis	112

^a The selection criteria are based on and/or adapted from those developed and used by David and Han (2004) and Newbert (2007).

^b The search was performed on the 1st of February 2014.

Table II. Independent variables^a

Independent variable	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	Tests
TCT							
Asset specificity	20	18.9	50	47.2	36	34	106
External uncertainty	10	15.9	30	47.6	23	36.5	63
Internal uncertainty	10	23.8	20	47.6	12	28.6	42
Interaction	12	33.3	14	38.9	10	27.8	36
International experience	0	0	4	44.4	5	55.6	9
Cultural distance	2	33.3	3	50	1	16.7	6
Firm characteristics	0	0	2	66.7	1	33.3	3
Frequency	0	0	2	66.7	1	33.3	3
...
Total	57	20.5	127	45.7	94	33.8	278
RBV							
International experience	0	0	12	52.2	11	47.8	23
Interaction	3	13.6	9	40.9	10	45.5	22
Know-how	1	12.5	3	37.5	4	50	8
Host-country environmental conditions	1	14.3	0	0	6	85.7	7
Resource interdependence	0	0	0	0	6	100	6
Resources	2	33.3	3	50	1	16.7	6
Capabilities	0	0	3	60	2	40	5
Distance	2	40	2	40	1	20	5
...
Total	17	12	52	36.6	73	51.4	142
OLI							
Ownership advantage	4	20	10	50	6	30	20
Location advantage	1	5.6	7	38.9	10	55.6	18
Internalization advantage	1	20	3	60	1	20	5
Managerial characteristics	0	0	4	80	1	20	5
Total	6	12.5	24	50	18	37.5	48

^a For the sake of overview only the most frequently used independent variables are presented in this table.

Table II. (Continued)

Independent variable	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	Tests
Other							
Interaction	1	5.3	13	68.4	5	26.3	19
Normative	0	0	2	20	8	80	10
Bargaining power	2	28.6	2	28.6	3	42.9	7
Distance	1	20	2	40	2	40	5
Other	2	40	0	0	3	60	5
Cognitive	0	0	0	0	4	100	4
External uncertainty	1	25	3	75	0	0	4
Location	4	100	0	0	0	0	4
Shareholding	0	0	1	25	3	75	4
International experience	3	100	0	0	0	0	3
...
Total	16	17.8	37	41.1	37	41.1	90

Table III. Control variables^a

Control	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	Tests
Firm size	5	13.5	18	48.6	14	37.8	37
Industry	1	4.3	10	43.5	12	52.2	23
International experience	1	6.3	6	37.5	9	56.3	16
R&D intensity	3	25	6	50	3	25	12
Cultural distance	4	57.1	1	14.3	2	28.6	7
Location	1	16.7	3	50	2	33.3	6
GDP growth rate	1	20	3	60	1	20	5
Host country experience	1	20	1	20	3	60	5
Advertising intensity	2	50	2	50	0	0	4
Country risk	1	25	1	25	2	50	4
GDP	1	25	2	50	1	25	4
JV duration	0	0	1	25	3	75	4
Market size	3	75	1	25	0	0	4
Regional experience	1	25	3	75	0	0	4
...
Total	66	20.4	145	44.9	112	34.7	323

^a For the sake of overview only the most frequently used control variables are presented in this table.

Table IV. Dependent variables^a

Dependent variable	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	Tests
TCT							
JV vs. WOS	35	21.6	58	35.8	69	42.6	162
Non-equity vs. Equity	14	20	35	50	21	30	70
Full vs. Shared control	2	10	13	65	5	25	20
Franchise vs. Contract	2	15.4	8	61.5	3	23.1	13
Equity ownership	3	27.3	4	36.4	4	36.4	11
Single vs. Multiple licensees	3	30	4	40	3	30	10
Direct vs. Indirect exporting	2	22.2	6	66.7	1	11.1	9
Equal vs. Minority ownership	3	33.3	6	66.7	0	0	9
Majority vs. Equal	1	11.1	6	66.7	2	22.2	9
Majority vs. Minority JV	1	11.1	6	66.7	2	22.2	9
...
Total	84	19.8	193	45.4	148	34.8	425
RBV							
JV vs. WOS	15	23.1	23	35.4	27	41.5	65
Full vs. Shared control	5	15.2	19	57.6	9	27.3	33
External vs. Internal vs. Mixed mode	1	6.3	2	12.5	13	81.3	16
Equity ownership	2	15.4	9	69.2	2	15.4	13
Ownership level	3	27.3	2	18.2	6	54.5	11
Ownership share	5	45.5	1	9.1	5	45.5	11
Percentage of equity ownership	0	0	3	30	7	70	10
Full control mode vs. Other modes	1	11.1	2	22.2	6	66.7	9
Shared vs. full ownership	0	0	7	77.8	2	22.2	9
Non-equity vs. Equity	0	0	1	12.5	7	87.5	8
...
Total	33	15.3	84	39.1	98	45.6	215

^a For the sake of overview only the most frequently used dependent variables are presented in this table.

Table IV. (Continued)

Dependent variable	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	
OLI							
Non-equity vs. Equity	0	0	12	50	12	50	24
Majority vs. Equal	2	14.3	5	35.7	7	50	14
Vertical integration	3	30	5	50	2	20	10
Equity vs. Contractual entry	0	0	5	100	0	0	5
JV vs. WOS	2	50	0	0	2	50	4
Degree of internalisation	0	0	1	50	1	50	2
Total	7	11.9	28	47.5	24	40.7	59

Table V. Performance as dependent variable

Dependent variable	Negative		Non-significant		Positive		Total
	Tests	%	Tests	%	Tests	%	
Performance	18	26.9	28	41.8	21	31.3	67
JV performance	0	0	18	62.1	11	37.9	29
Subsidiary performance	5	22.7	10	45.5	7	31.8	22
JV survival	2	11.1	10	55.6	6	33.3	18
Alliance performance	2	11.8	9	52.9	6	35.3	17
Profitability	1	8.3	6	50	5	41.7	12
WOS survival	2	16.7	4	33.3	6	50	12
JV termination	0	0	9	90	1	10	10
Sales growth	1	10	6	60	3	30	10
JV satisfaction	0	0	6	66.7	3	33.3	9
Non-financial performance	0	0	2	22.2	7	77.8	9
Subsidiary mortality	0	0	0	0	9	100	9
Entry mode success	3	42.9	1	14.3	3	42.9	7
JV knowledge absorbtion effectiveness	0	0	4	66.7	2	33.3	6
Entry performance	3	60	1	20	1	20	5
Financial Performance	0	0	1	20	4	80	5
Financial performance	0	0	1	25	3	75	4
Majority ownership	0	0	0	0	2	100	2
Total	37	14.6	116	45.8	100	39.5	253

Table VI. Independent variables and performance as dependent variable^a

Independent variable	Negative		Non-significant		Positive		Total
	Tests	%	Tests	%	Tests	%	
Main							
Asset specificity	2	15.4	4	30.8	7	53.8	13
Entry mode fit	1	9.1	3	27.3	7	63.6	11
Internal uncertainty	1	9.1	4	36.4	6	54.5	11
Ownership advantage	3	30	3	30	4	40	10
External uncertainty	2	22.2	7	77.8	0	0	9
International experience	0	0	2	28.6	5	71.4	7
Transaction costs	4	80	0	0	1	20	5
Resource type	0	0	0	0	4	100	4
Competition	1	33.3	1	33.3	1	33.3	3
Institutional distance	0	0	0	0	2	100	2
...
Total	15	14.2	38	35.8	53	50	106
Control							
Firm size	2	18.2	3	27.3	6	54.5	11
Industry	1	11.1	7	77.8	1	11.1	9
R&D intensity	2	25	2	25	4	50	8
Cultural distance	2	28.6	3	42.9	2	28.6	7
International experience	3	42.9	4	57.1	0	0	7
Advertising intensity	1	16.7	2	33.3	3	50	6
Host country experience	1	20	2	40	2	40	5
Subsidiary age	1	20	2	40	2	40	5
Subsidiary size	2	40	0	0	3	60	5
Entry mode	0	0	4	100	0	0	4
Mode experience	0	0	2	50	2	50	4
Asia	0	0	0	0	3	100	3
Europe	0	0	3	100	0	0	3
North America	0	0	3	100	0	0	3
Parent firm size	2	66.7	1	33.3	0	0	3
...
Total	34	16	91	42.9	87	41	212

^aFor the sake of overview only the independent variables most frequently used in conjunction with performance are presented in this table.

Table VII. Frequently applied measures

Measure	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	Tests
Cultural distance							
TCT	5	26.3	11	57.9	3	15.8	19
RBV	2	28.6	3	42.9	2	28.6	7
Control	4	57.1	1	14.3	2	28.6	7
R&D intensity							
TCT	3	15.8	11	57.9	5	26.3	19
RBV	0	0	1	25	3	75	4
OLI	1	100	0	0	0	0	1
Control	3	25	6	50	3	25	12
Advertising intensity							
TCT	3	21.4	9	64.3	2	14.3	14
Control	2	50	2	50	0	0	4
International experience							
TCT	0	0	3	60	2	40	5
RBV	1	25	2	50	1	25	4
OLI	0	0	1	25	3	75	4
Control	1	6.3	6	37.5	9	56.3	16

Table VIII. Independent-dependent variable pairs^a

Dependent-independent variable pair	Negative		Insignificant		Positive		Total
	Tests	%	Tests	%	Tests	%	
JV vs. WOS							
Asset specificity	8	20.5	16	41	15	38.5	39
External uncertainty	7	28	8	32	10	40	25
Internal uncertainty	5	38.5	5	38.5	3	23.1	13
Distance	3	42.9	3	42.9	1	14.3	7
International experience	0	0	3	42.9	4	57.1	7
Cultural distance	1	16.7	3	50	2	33.3	6
...
Total	35	24.3	50	34.7	59	41	144
Non-equity vs. Equity							
External uncertainty	1	11.1	8	88.9	0	0	9
Ownership advantage	0	0	2	22.2	7	77.8	9
Location advantage	0	0	5	62.5	3	37.5	8
Asset specificity	0	0	1	14.3	6	85.7	7
Managerial characteristics	0	0	4	80	1	20	5
Internal uncertainty	1	25	2	50	1	25	4
...
Total	2	3.9	23	45.1	26	51	51
Full vs. Shared control							
International experience	0	0	6	50	6	50	12
External uncertainty	0	0	5	83.3	1	16.7	6
Internal uncertainty	1	16.7	4	66.7	1	16.7	6
Asset specificity	0	0	3	75	1	25	4
Assets	1	50	1	50	0	0	2
Business relatedness	0	0	1	50	1	50	2
...
Total	2	5.1	23	59	14	35.9	39

^a For the sake of overview only the most frequently independent-dependent variable pairs are presented in this table.

Figure 1. Graphical overview of main findings

