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Extant reviews on entry-mode/internationalization, mergers & acquisitions, and diversification: Understanding theories and establishing interdisciplinary research

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Abstract

This paper aims to accomplish three objectives while drawing attention to the speed of adapting international management practices in emerging markets. First, we summarize 67 extant review studies on entry-mode/internationalization, mergers and acquisitions (M&A) and diversification. Second, a synopsis of 17 theories propounded in different disciplines referring to business organization and management is presented, including the theory of foreign direct investment, market imperfections theory, the theory of transaction cost economics, internalization theory, eclectic paradigm, the Uppsala theory of internationalization, long-purse theory, resource-based-view theory, resource dependence theory, the theory of competitive advantage, organizational learning theory and learning-by-doing, bargaining power theory, information asymmetry theory, agency theory, institutional theory, liability of foreignness, and market efficiency theory. Last, we propose a two-band model both for establishing interdisciplinary research and for promoting more theory-building research in global strategic management. We also recommend a few research arguments for potential exploration in entry-mode, M&A and diversification.

Keywords: International management; Foreign market entry strategies; Mergers and acquisitions; Corporate diversification; Internationalization; Cross-border acquisitions; Literature review; Interdisciplinary research

Introduction

It is a stylized fact that the economics of the economy is defined within the boundaries of the system. Indeed, the rate of change in the economics of the economy is corrected due to internal systems and external linkages with other boundaries. The rate of change is also influenced by said economy's linkages with global economic systems. For example, an institutional relationship between two developing economies will have a lesser impact on the rate of change, while an institutional relationship between a developing economy and a developed economy, or two

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developed economies will have more of an impact on the rate of change. Therefore, we argue that the rate of change in the economics of the economy decides the future of business organizations. Likewise, we bring this rule of economic law into the theory of the firm (or organization) to prove that the rate of growth in firm value is influenced not only by monetary assets, market performance and managerial expertise but also by institutional laws and government actions in said economy. In this vein, entrepreneurs will agree to define the boundaries of the firm so that managers perform their duties to accomplish firm objectives, thereby positively affecting the value of the firm (e.g., [207]). However, *value is a variant of instability that is induced by growth,* and *growth is an unfolded representation of achievements*. In a business course, both entrepreneurs and managers realize the true value of the firm when they achieve goals within the boundaries of the economy.

With this in mind, we set three goals to explore the elite body of literature on the theory of the firm that accounts for diverse management streams. First, we summarize a few of the 67 extant review studies on entry-mode/internationalization, mergers and acquisitions (M&A) and diversification. Second, a synopsis of 17 theories propounded in different disciplines referring to business organization and management is presented, including the theory of foreign direct investment, market imperfections theory, the theory of transaction cost economics, internalization theory, eclectic paradigm, the Uppsala theory of internationalization, long-purse theory, resource-based-view theory, resource dependence theory, the theory of competitive advantage, organizational learning theory and learning-by-doing, bargaining power theory, information asymmetry theory, agency theory, institutional theory, liability of foreignness, and *market efficiency theory*. Last, we propose a two-band model not only for establishing interdisciplinary research but also for promoting more theory-building research in global strategic management. A number of recent comments, notes and discussions on international business, emerging markets and global strategy have stimulated this study. We also find a growing scholarly research in emerging markets aligned with multiple streams such as foreign direct investment, the internationalization process, cross-border M&A, joint ventures, alliances, networks and diversification (e.g., [8,11,12,48,87,114,116,177]). Interestingly, the rate of growth of the value and number of cross-border acquisitions by firms from emerging economies has markedly increased around the global financial crisis [157]. This paper does not claim any novel contribution, but it presents previous review papers in one place, reviews extant theories and offers prospective suggestions to encourage interdisciplinary designs in the field of international business in particular and organizational studies in general. Scholars can thereby understand, measure and project the research tone in the field while pursuing future investigations across associated streams.

In business strategy literature, for instance, Penrose (1959) [143]; Porter (1985) [148]; and many other researchers investigated how firms realize valuable growth opportunities and found that growth happens due to both firm- and industry-specific factors. Other researchers also argued that business organization growth or value creation not only depends on firm- and industry-specific attributes but is also stimulated by business opportunities in the given institutional context. Following this, strategy and finance researchers defined growth as "the proportion of the value of the firm that is derived from growth options and it is a proxy for the firm's valuable growth opportunities [186].

Professor Chandler is a well-known researcher and has published numerous articles relating to industrial organization. Chandler (1980) [36] described that growth usually happens in two ways: "either the enterprise itself built new offices, plants, and opened mines, all of which were normally paid for out of retained earnings, or it obtained them through the acquisition of or merger with other enterprises". We also reviewed other published texts related to industrial organization, strategy, business policy, corporate finance, international business and entrepreneurship, understanding that business organizations grow through the adoption of internal growth or external growth strategies. A number of scholars described internal growth strategies as organic growth opportunities and external growth strategies as inorganic growth opportunities. Largely, organic growth refers to strategies made on the basis of retained earnings, for example, buying new assets, replacing obsolete equipment, introducing new products, diversifying business to other markets and exporting products to other nations. Conversely, inorganic growth refers to value creation for firm owners through external linkages, alliances or combinations such as mergers, acquisitions, takeovers, and joint ventures. As such, an alliance could be a joint venture or another equity alliance as well as a non-equity alliance in technology, R&D, manufacturing, or marketing and licensing. In other words, there is a choice between acquisition and alliance [boundary expansion] and a choice between