MNEs Entry Mode Choices: The Impact of Past on Current. Evidence from an Emerging Economy

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Abstract:
The paper examines the effect past entry strategies have on current ones on a country level, Turkey. It illustrates how international experience and institutional distance affect the way an entry-strategy is formed, and the procedure followed -mode learning, mode inertia, mode dynamics. To do so, it synthesizes the literature review within the framework of Benito et al. (2009). This paper’s modifications are empirically tested through a sample of 408 foreign equity investments. The econometric testing method implemented is that of Binary Logistic Regression. The period of investigation extends between 2011 and 2017. Results indicate that MNEs entering the Turkish secondary and tertiary Turkish sectors tend to utilize past entry mode strategies. Furthermore, the higher the past mode strategy is for an MNE, then it is 4.4 more possible for them to choose a wholly owned subsidiary.

Keywords: Entry Mode Learning, Entry Mode Avoidance, Entry Mode Inertia, Turkey.

Introduction
Entry mode choices pocket the essential matter of what the best foreign market entry strategy is for Multinational Enterprises (MNEs) (Stopford & Wells, 1972; Kogut, 1988). A major stream of this literature (Amburgey & Miner, 1992; Haunschild & Miner, 1997) has illustrated how past entry mode choices affect new ones. However, this conceptual and empirical imprint was mainly based on two main idiosyncrasies: First, it was expressed only in a few research papers (Meyer & Peng, 2005). Second it was confined to a comparative static setting (Meyer & Gelbuda, 2006).

Relevant recently, Benito et al. (2009) has reestablished the link between past entry strategies with new ones. The authors illustrate an evolutionary procedure (mode learning, mode inertia, mode dynamics) MNEs follow to choose the appropriate entry mode choice to the characteristics of the host institutional setting. However, this research attempt has remained relatively unexplored.

Thus, this research examines -conceptually and empirically- the effect of past entry strategies on current ones taking into account the host country of Turkey. Moreover, the paper examines how international experience via institutional distance affects the procedure of forming an entry-strategy considering three
modes, i.e., mode learning, mode inertia, mode dynamics- in the case of the emerging economy of Turkey.

To do so, the paper synthesizes the literature review with the holistic and integrative theoretical framework of Benito et al. (2009). It integrates the conceptualization of entry mode avoidance into the framework and, more specifically, into that of mode dynamics. It applies the above synthesis to the emerging economy of Turkey as a useful and “sui generis” (Ayden et al., 2018, p. 12) institutional setting, to de-couple how international experience and institutional distance affect the -way the entry-strategy formation procedure evolves.

Overall, this paper makes the following contributions: It employs a dynamic and sequential perspective of entry-strategies, departing from the mono-dimensional perspective that approaches entry-strategies as static. Furthermore, it enriches and broadens both the conceptualization and the operation of entry dynamics, employing the rationalization of entry mode avoidance.

The rest of the paper is constructed as follows: The next section develops Benito et al. (2009) framework and reconciles it with relevant literature. Hypotheses development is based on this analysis. Hypothesis testing presents the results produced by the empirical application of the model. Discussion and conclusions elaborate on empirical results. Last, the limitations of this research for future research are presented.

### Literature Review: Theoretical Framework and Development of Hypotheses

MNEs are considered to be social actors (Swoboda et al., 2015) that depict institutional and organizational settings, embedded in their internal and external environments. Within this dichotomous environment, MNEs entry mode choices, i.e., institutional arrangements” (Anderson & Gatignon, 1986, p. 2), emerge as a crucial and integral part of their institutional advantages or capabilities, creating both an external and internal mimetic entry process. External, since MNEs follow entry strategies adopted by other organizations (Granovetter, 1985; Yiu & Makino, 2002). Internal, since experienced managers build up an entry-strategy capability, i.e., mode diversity (Contractor, 1984; Brouthers & Hennart, 2007) which firms can draw upon for their international operations (Barney, 1991; Madhok, 1997 Cuervo-Cazurra et al., 2007).

In this framework, Amburgey and Miner (1992), Haunschild and Miner (1997) examined the relationship between past and new entry strategies which was grounded on two characteristics: 1. repetitiveness, positionality and contextuality; and 2. frequency, trait and outcome-based view, respectively. However, this part of literature presents some limitations. For instance, it “tended to treat entry strategies as fundamentally something given” (Benito et al., 2009, p. 1465), overlooking that entry strategies depict a realistic and sequential institutional configuration that may change over time and emerge as an active MNEs’ response under different circumstances (Benito et al., 2009).

Response to these limitations was the research work of Benito et al. (2009). The authors assert that entry strategies reflect historical variables at a given time, which may well change over time. In this perspective, entry mode choices reflect a continuing process that is categorized into three main clusters: mode learning, mode inertia and mode dynamics.

Mode learning means that a firm’s “previous investments and, more specifically, its repertoire of entry routines -its entry strategy “history”- frame its future behavior” (Benito et al., 2009, p. 1462). This implies that MNEs create an entry diversity that includes experiences related to past decisions and “depends critically on the degree of similarity between the current decision and prior decisions” (Padmanabhan & Cho, 1999, p. 65). So, MNEs learn from their past entry strategies and build their new ones.

Empirically speaking, Padmanabhan and Cho (1999), Makino and Delios (1996) and Kogut and Zander (1995) found that firms are capable of generating value from past experiences.
through similar structures. Furthermore, Chang and Rosenwing (2001) demonstrated that market entry strategies are not exclusively shaped by transaction and cultural factors, but are also influenced by firms’ previous experience. So, the paper proceeds with the

Hypothesis 1: The higher MNEs’ previous international experience, the higher the likelihood that MNEs base their current entry mode choices on mode learning.

Benito et al. (2009), however, argues that sometimes MNEs are trapped in what has been termed 'mode inertia' (Benito et al., 2009) or 'intra-organizational imprinting' (Lu, 2002, p. 19). Mode inertia “refers to processes in which actions that are repeated become taken-for-granted patterns or routines that can be easily reproduced” (Berger & Luckmann, 1967, p. 658). Firms, in this respect, affected by both external or macro- and internal or micro-environment prefer past entry strategies by exhibiting habitual behavior without assessing alternative options, and, consequently, recoursing to mimetic isomorphism (DiMaggio & Powell, 1983).

Lu (2002) supported that such behavior takes place for initial market entries of manufacturing firms or secondary sector enterprises across countries. This has also been pointed out in frequency-based terms. Haunschild and Miner (1997), Haveman (1993), and, Fligstein (1985) found that past entry strategies emerge as the main factor affecting the frequency and proportion of subsequent quent entry studies leading to mode inertia. Therefore, MNEs often find themselves developing habitual behavior once a particular mode has been adopted. So, the paper paper proceeds with the

Hypothesis 2: The higher MNEs’ previous international experience, the higher the likelihood that MNEs base their current entry mode choices on mode inertia.

MNEs may also be subject to mode dynamics which involve mode continuation, within mode change, mode role change, mode addition and deletion and full mode change (Benito et al., 2009). However, mode dynamics reasoning overlooks the notion of mode avoidance (Cantwell et al., 2010), which refers to MNEs’ unwillingness to employ equity entry mode choices in the host country (Uhlenbruck et al., 2006). MNEs express mode avoidance via non-equity entry modes and practices such as exporting and license strategies, which do not “require establishing local subsidiaries, but still exploit otherwise attractive markets” (Uhlenbruck et al., 2006, p. 404).

This takes place when there are discrepancies in institutional conditions of MNEs subsidiaries in both external and internal environments, such as, high cultural and institutional distance. Institutional and cultural distances produce conflicting sets of institutional pressures for MNEs, which reduce the internal legitimacy, integration and stability of the MNE (Rosenzweig & Singh, 1991; Westney, 1993; Xu & Shenkar, 2002; Kostova & Roth, 2002; Uhlenbruck et al., 2006), and subsequently, increase the costs for MNEs. So, non-equity entry mode strategies may be a means of overcoming the internal and external institutional pressures created by the varying types of environments in which MNEs operate (Davis et al., 2000) in the host country.

Furthermore, non-equity entry mode strategies reduce barriers to exit (Williamson, 1979). As a corollary, MNEs might put aside prior dominant equity entry modes and select non-equity entry mode strategies from the start, to minimize direct institutional and cultural costs (Doh et al., 2003). So, the paper approaches mode dynamics via mode avoidance and proceeds with the

Hypothesis 3: The higher the institutional distance, the higher the likelihood that MNEs engage in avoidance rather than equity entry strategies.

According to Scott (1995), institutional distance is explained through three pillars: regulative, normative and cognitive. Regulative pillar refers to the rules and laws that govern firm behavior (Arslan & Larimo, 2012). The normative pillar refers to “the standards of behavior shared by a group of people that shape the way firms and individuals pursue their goals. Cognitive pillar represents the taken-for-granted beliefs and values within a society (Kedia & Belgili, 2015).
Literature has illustrated (Gaur et al., 2007) that cognitive and normative pillars emerge as a single pillar that corresponds to cultural distance. Or else, the cognitive pillar is considered to be part of the normative pillar. So, this paper approaches institutional distance by categorizing it into two pillars: Regulative which refers to the rules and laws that govern the host institutional environment. The normative pillar which refers to the cultural aspects of the host institutional setting.

**Regulative & Normative Distance**

MNEs face problems in emerging economies because the regulative frameworks required for a well-functioning market economy are in the process of development (Arslan & Larimo, 2012). Thus, regulative distance is produced between MNEs that mainly derived from well-established regulative institutions and that of the emerging economy. So, when there is high regulative distance in the host country, equity entry modes can be too costly and complex for MNEs to handle (Uhleennbruck et al., 2006). Antidote to equity entry mode choices is non-equity entry mode strategies. Such strategies offer the option for MNEs to reduce direct exposure to high regulative distance. In this light, Elsner (2014) and has found that as the regulative distance increases, it makes it more possible for MNEs to use non-equity entry mode choices. Moreover, literature (Estrin et al., 2009) has shown that high normative distance prevents MNEs from following their institutionalized adaptation process in their subsidiaries and attaining legitimacy within their local context. So, MNEs tend to abstain from their past dominant equity entry mode choices and succumb to nonequity ones to ensure their presence in the host institutional setting. Thus, the paper proceeds with

**Hypothesis 3a:** The higher the regulative and normative distance, the higher the likelihood that MNEs engage in mode avoidance rather than equity entry strategies.

**Materials and Methods**

This analysis is based on secondary data derived from the Annual Turkish M&A Reviews produced by Deloitte. The period of the analysis runs from 2011 till 2017. The analysis emphasizes Turkey’s secondary and, mainly, tertiary sectors, because the former are characterized as a type II GDP multiplier in the economy, while several sectors of the latter perform ‘satellite’ activities and act as an extension of the secondary sector (Haider, 2018). These sectors include automotive, chemicals, construction, energy, food and beverage, infrastructure, iron and steel, manufacturing, mining, petrochemicals, pharmaceuticals, shipbuilding, and services (logistics, telecommunications, financial services, IT, packaging, e-commerce, health care, technology, retail, telecommunication, textile, tourism, transportation, and wholesale and distribution). To test the hypotheses, the sample was formed by 408 out of 521 foreign equity investments.

The paper, following prior literature (Adamoglou & Kyrkilis, 2016), employs the 10% and 90% cut-off points, to capture alternative ownership structures of the dependent variable. Thus, investments with foreign ownership under 10% are considered to be portfolio investments (PI). Joint ventures (JV) are defined as a JV, when foreign equity ownership ranges from 10% to 90%. JVs are further classified into three categories: minority foreign-owned (10%–49 %), co-owned (50% –50%), and majority foreign-owned (51%–90 %). While ventures with foreign equity shareholding exceeding 90% are considered to be a WOS (Verbeke & Hillemann, 2013).

To operationalize mode learning the paper employs international experience (Lu, 2002; Xu et al., 2004). This variable is defined as the availability of managers with international experience (for the countries of origin), as delivered by the World Competitiveness Yearbook for the period 2011-2017. International. Experience is calculated based on opinion surveys responding to the statement “Does management usually have no/significant
experience in international business and postings abroad”. The paper equals mode inertia to preferred entry mode choices, i.e., modes that have been predominantly used in the past (Swoboda et al., 2015; Lu, 2002; Huang & Sternquist, 2007). The preferred entry mode choices are calculated based on the ratio of the number of WOS vs JVs to the total number of entry mode choices for the same company in the host country in the time of entry.

The study equates regulative distance to political instability (Hernández & Nieto, 2012; Chao & Kumar, 2010). Data collected by World Competitiveness Yearbook. Normative distance is equated with cultural distance. Drawing on Kogut and Singh (1988, p. 422), “the aggregate cultural distance index (CD) is calculated based on the deviation of each dimension (Power Distance, Individualism, Uncertainty Avoidance, and Masculinity) of each home country” from the Turkish index, as shown in the equation below. Data for Turkey and scores for each home country have been derived from Harzing’s database (2019). Deviations are adjusted for differences in the variance of each dimension and then arithmetically averaged:

$$HCD_j = \frac{(I_{ij} - I_{ik})^2}{V_i/4}$$  \hspace{1cm} (1)

Where $HCD$ is Hofstede’s aggregate cultural distance; $I_{ij}$ is the index value for cultural dimension $i$ of home country $j$; $I_{ik}$ is the index value for cultural dimension $i$ of the host country, that is Turkey; $V_i$ is the variance of the index for dimension $i$.

The study also controls for the effects of several variables, such as the openness of the economy, market size and amount of FDI inflows. More particularly, this paper controls for the market by employing the host country’s GDP expressed in 10 bn USD (Swoboda et al., 2015). Following Johnoson and Tellis (2008), openness to FDI is controlled for employing the ratio of FDI to GDP (World Bank, 2019). FDI inflows, that are inward investment by foreign investors of the host country control possible influence on the management of an enterprise. Last, three firm dummy variables are employed to reduce any problems of heterogeneity.

The methodological context of the analysis is necessary to be from the field of a particular type of modeling that is logistic modeling, and more particularly, Binary Logistic Regression. Such models assume a variable $Y_i$ that takes one of several discrete values, which we index 1, 2, ..., $J$. The way the index is formed depends on the categories of reference. Let $P_i = Pr(Y_i = j)$ that represents a probability that the $i^{th}$ categories of interest falls in the $j^{th}$ category , and $x$ is the vector of independent variables. Parameters ($\beta$’s) are calculated by maximizing a log likelihood function. The response categories are exclusive and exhaustive. As a result, the probability distribution of the counts $Y_i$ in its general form is determined by the multinomial distribution:

$$P_j = Pr(R_i = j > R)$ for $k, j = 0, 1, 2, 3..$$  \hspace{1cm} (2)

$$P_i = \frac{exp (x_i \beta)}{\sum_j exp (x_i \beta)}$$  \hspace{1cm} (3)

where

$R_i$ is the maximum utility for firm $i$, if the MNE chooses entry mode $j$  \hspace{1cm} (4)

To capture alternative ownership structures of the dependent variable, three different categories are chosen. Case 1 that equals to 1 and refers to the case of investments with foreign ownership under 10%, namely as PI. Case 2 is addressed to JV with foreign equity ownership that ranges from 10% to 90%. Case 3 contains ventures with foreign equity shareholding exceeding 90% that are considered to be a WOS. Taking into account all the above considerations, the analysis based in binary logit model and the form of the econometric model in its full version is as follows:

$$\text{Entry Mode Choice}_i = c + \beta_1 \cdot PEMA + \beta_2 \cdot \text{RD}_i + \beta_3 \cdot \text{ND}_i + \beta_4 \cdot \text{IE}_i + \sum Z_i + \epsilon_i$$  \hspace{1cm} (5)
where Entry Mode Choice stands for JVs (10%–90%) and WOS (exceeding 90%), PEMC\(_i\) is the preferred entry mode choice, RD\(_i\) represents Regulative Distance that equals to political instability, ND\(_i\) represents Normative Distance is cultural distance, IE\(_i\) is the international experience and last, Z\(_i\) equals to a set of entry-mode control variables, such as market size, openness and FDI.

**Results**

Since the dependent variable has categories, it is necessary to observe its frequencies since such frequencies determine the kind of the analysis. The trichotomy of the dependent variable is presented in Table 1.

<table>
<thead>
<tr>
<th>Entry Mode Choice</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI</td>
<td>3</td>
<td>0.7</td>
</tr>
<tr>
<td>JV</td>
<td>240</td>
<td>58.8</td>
</tr>
<tr>
<td>WOS</td>
<td>165</td>
<td>40.4</td>
</tr>
<tr>
<td>Total</td>
<td>408</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 1. Frequencies of Entry Mode Choice**

Source: Authors’ Design 2020

Afterwards, descriptive statistics of the variables estimated (Table 2 – Appendix 1). The variance inflation factors (VIFs) computed for all variables in all possible combinations. It is noticed that all VIFs values are all lower than the recommended threshold of 10, as it was mention by Diamantopoulos and Winklhofer (2001). This threshold is the limit that separates multicollinearity and non-multicollinearity cases. The above results are indicative of no multicollinearity.

Then, all possible correlations are calculated between variables to observe more precisely any possible linearities. So, a significance test is performed to decide over their statistical significance.

As illustrated in Table 3 (Appendix 1), there are statistically significant as well as non-statistically significant coefficients of correlation. All coefficients indicate different types of correlation. Some of these coefficients are closer to zero though others are a little higher but still close to zero. All the correlations that are statistically significant and indicate correlation are mostly below the threshold of 0.7 (Diamantopoulos & Winklhofer, 2001). The only cases of high correlation, with coefficients above this threshold, are the ones related to the PEM and the relevant interaction terms based on PEM. Therefore, it is highly possible that these terms might create multicollinearity and that they should possibly have to be excluded. The above analysis is employed also to account for a possible self-selection bias caused by exogenous variables.

Regarding the dependent variable and possible notified correlations, it is pointed out that the only statistically significant correlation is the one with PEM. The correlation with this variable is confirmed though it is not so strong, since the value of the coefficient of correlation is closer to zero than to minus 1. Moreover, the correlation among the independent variables is not so strong, except from the cases of the interaction terms, that it is indicative that there is no dependence among independent variables.

The analysis proceeds by means of a binary logistic regression, which is usually performed in the choice of entry strategies (Canabal & White, 2008). Table 4 (Appendix 1) illustrates the results of six different models that have been developed in a stepwise manner to demonstrate the stability of the effects. The Model 1 includes the PEM as the basic explanatory variable and three control variables. These control variables remained stable as control variables in all the estimated models. The Model 2 is a development of model 1 by adding three explanatory variables: RD, ND and IE to decide whether the variability of the dependent variable is explained at a higher level. The Model 3 includes also, compared to Model 2, an interaction term of PEM with RD. The selection of an interaction term to be independent variable in a model allows for the possibility of the variables PEM and RD to interact in determining the dependent variable. The Model 4, following Swoboda et al. (2015), includes an additional interaction term of PEM with ND, for examining the return to PEM taking into consideration variable ND. The
Model 5 was enriched exactly in the same way, meaning that another interaction term was included combining PEM with IE. Considering the Model 6, the analysis reached due to the results of the five previously mentioned models. Since the final model has similarities in construction with the first one in terms of independent variables and in order to observe whether the impact changes the control variables were excluded from model 6. All the results are presented in Table 4 (Appendix 1) as follows:

Considering Model 1, the coefficients of variation, namely Cox Snell as well as Naelkerke’s are analogous to the one of the linear regressions. It takes values between 0 and 1. The closer to 1 the coefficient of variation is the more variation of the dependent variable is explained by the respective model. According to the reported results, only the 3% and the 4,1% respectively of the variation of the dependent variable is explained from Model 1 and the predictor variables. The Hosmer and Lemeshow test indicates how good the model is. The p-value has to be upper the level of significance (as it is in this case) since then the model is good. From Model 1, the odd ratio related to the preferred entry mode strategy equals to 4,446 that is the higher this odd ratio over 1 is, the more likely an enterprise may choose WOS. So, the higher the preferred mode choice is, there is almost about 4.45 times more likely for the entry mode strategy to be WOS.

Model 2 has almost the same coefficients of variation with that of the ones of the previous model. Therefore, only the 3,2% and 4,4% respectively of the variation of the dependent variable is explained from this model and the predictor variables. The Hosmer and Lemeshow test has a p-value greater from the level of significance though it is smaller than the respective p-value of Model 1. So, the odd ratio related to the preferred entry mode strategy equals to 4,405 that is the higher this odd ratio over 1 is, the more likely an enterprise may choose WOS. So, the higher the preferred mode choice is, there is almost about 4.45 times more likely for the entry mode strategy to be WOS.

Considering Models 3, 4 and 5, they have no statistical significance neither in the parameters of the interaction terms nor in the rest of the explanatory variables. So, a set of alternative models with or without control variables as well as with or without interaction terms were estimated. Therefore, the estimates of model 6 are preferred. For this reason, it is decided to present Model 6 that includes a constant term and preferred entry mode as explanatory variable. Coefficients of Model 6, are almost at the same level as that of Model 1. Both the constant term and the parameter of the preferred entry mode strategies are statistically significant. The odd ratio related to the preferred entry mode strategy equals to 4,398 that is quite close to the one of model 1. So, the higher the preferred mode choice is, there is almost about 4.4 times more likely for the entry mode strategy to be WOS.

Discussion

Conceptualizing a framework for the relationship between past entry strategies and current ones, has emerged as a major concern in IB literature. This paper provides new insights, approaching the said relationship via the conceptual framework of Benito et al. (2009). The research examines not only whether past entry-strategies affect new ones, but also how specific factors - international experience and institutional distance- affect the formation procedure -mode learning, mode inertia and mode dynamics- from past to new entry strategies. This paper emphasizes the emerging economy of Turkey.

This study makes the following contributions: It employs a dynamic perspective of entry mode strategies, defying the mono-dimensional perspective that approaches entry-strategies as a static condition. It enriches and broadens the conceptualization and the operation of entry dynamics, employing the rationalization of entry mode avoidance. All the above are analyzed by extending the dominant knowledge of retail sector to the secondary and tertiary economic sectors, broadening the framework of entry
mode strategy analysis in different empirical paths.

Conclusion

This paper, despite its low explanatory power, reaches two conclusions: First, past entry modes possess a dominant position in MNEs’ entry mode strategy configuration. Second, the higher the preferred mode choice, almost about 4.4 times, the more likely for the entry mode strategy to be WOS. Combining these findings, it is indicated that MNEs, entering the Turkish setting, tend to choose their past entry mode strategies, and more particularly, WOS.

WOs are justified by the environmental uncertainties’ argument i.e., the generally understood perception of how a “country’s political, legal, cultural, and economic environment threatens the stability of a business operation” (Gatignon & Anderson, 1988, p. 315). This takes place because MNEs, when face external uncertainties in foreign countries, tend to choose WOS for two reasons: first, they want to avoid costs related to different values, norms, behavior rules and institutional volatility, which may hinder MNEs’ ability to enforce cooperative agreements (Brouthers & Brouthers, 2003). Second, it is difficult for them to search for potential partners, as well as to negotiate with them. Especially for manufacturing MNEs, literature (Taylor et al., 1998) has demonstrated that MNEs tend to seek high control via WOS, since WOS provide MNEs with higher flexibility and imply lower-control of government intervention in MNEs’ operations.

Considering the choice of past entry mode choices, MNEs when consider a new foreign country, they tend to approach it as a kind of change. This change, however, is considered to be uncertain and risky for them especially if this accompanied by high institutional and cultural distance. So, MNEs avoid potential uncertainties by shaping their entry mode strategy, according to mimetic isomorphism pattern (Hotho & Pedersen, 2012).

The analysis was obligatory limited due to several reasons. First, due to the form and the nature of the dataset. The number of enterprises mentioned in these reports was very large, however, all the information needed for this analysis was not supported in all enterprises. Moreover, new and extra explanatory variables have to be inserted in the model to increase the explanatory power of the model as well as to increase its validity. In this direction, this paper also suggests a meta-analysis, as a useful solution for overcoming issues related to the existing variables.

References


### Appendix 1

#### Table 2. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>EM</th>
<th>PEM</th>
<th>IE</th>
<th>RD</th>
<th>ND</th>
<th>MS</th>
<th>OP</th>
<th>FDI</th>
<th>PEM*IE</th>
<th>PEM*RD</th>
<th>PEM*ND</th>
</tr>
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<tbody>
<tr>
<td>Mean</td>
<td>0.688</td>
<td>0.579</td>
<td>5.636</td>
<td>7.602</td>
<td>15.969</td>
<td>12944.256</td>
<td>1.281</td>
<td>165720.272</td>
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<tr>
<td>Std. Deviation</td>
<td>0.302</td>
<td>0.175</td>
<td>1.197</td>
<td>1.517</td>
<td>10.702</td>
<td>978.887</td>
<td>0.250</td>
<td>20984.635</td>
<td></td>
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<tr>
<td>Min</td>
<td>0.110</td>
<td>0.110</td>
<td>2.770</td>
<td>1.610</td>
<td>0.375</td>
<td>11677.850</td>
<td>0.772</td>
<td>138053.000</td>
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<tr>
<td>Max</td>
<td>1.000</td>
<td>1.000</td>
<td>8.100</td>
<td>9.493</td>
<td>60.308</td>
<td>15027.393</td>
<td>1.734</td>
<td>196470.000</td>
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<tr>
<td>VIF</td>
<td>1.010</td>
<td>1.440</td>
<td>1.633</td>
<td>1.288</td>
<td>1.251</td>
<td>1.251</td>
<td>1.251</td>
<td>1.251</td>
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</tr>
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</table>

Source: Stata, 2023.

#### Table 3. Correlations

<table>
<thead>
<tr>
<th>Variables</th>
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<th>PEM</th>
<th>IE</th>
<th>RD</th>
<th>ND</th>
<th>MS</th>
<th>OP</th>
<th>FDI</th>
<th>PEM*IE</th>
<th>PEM*RD</th>
<th>PEM*ND</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEM</td>
<td>-0.160**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IE</td>
<td>0.010</td>
<td>-0.054</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>RD</td>
<td>0.047</td>
<td>-0.064</td>
<td>0.358**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ND</td>
<td>0.063</td>
<td>-0.091*</td>
<td>0.150**</td>
<td>0.293**</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>MS</td>
<td>0.022</td>
<td>-0.015</td>
<td>-0.004</td>
<td>-0.150**</td>
<td>-0.009</td>
<td>1</td>
<td></td>
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<tr>
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<td>-0.021</td>
<td>-0.037</td>
<td>-0.084*</td>
<td>0.022</td>
<td>0.252**</td>
<td>-0.282**</td>
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</tr>
<tr>
<td>PEM*IE</td>
<td>-0.157**</td>
<td>0.970**</td>
<td>-0.036</td>
<td>-0.064</td>
<td>-0.093**</td>
<td>-0.006</td>
<td>-0.007</td>
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<td>-0.046</td>
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<td>-0.020</td>
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<td>-0.057</td>
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<td>-0.023</td>
<td>0.951**</td>
<td>0.970**</td>
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</table>

Source: Stata, 2023.

**Note:** **. Correlation is significant at the 0.01 level (2-tailed), *. Correlation is significant at the 0.05 level (2-tailed).
### Table 4. Results of Logit Analysis

<table>
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<tr>
<th>Model</th>
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<tr>
<td></td>
<td>B</td>
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<td>1,483***</td>
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<td>R² (Cox Snell)</td>
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<td>0,038</td>
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<td>Hosmer and Lemeshow Test (chi-square)</td>
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<td>59,3%</td>
<td>59,3%</td>
<td>59,3%</td>
<td>59,3%</td>
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</tbody>
</table>

**Note:** **. Significance at the 0.01 level.
Source: Stata, 2023.