Understanding the role of distance in the creation of equity and non-equity agreements: A CAGE perspective

Juliane Engsig*

MRM - University of Montpellier

Espace Richter, Rue Vendémiaire, Bât. B, 34960 Montpellier Cedex – France

juliane.engsig@umontpellier.fr

Paul Chiambaretto ****

****MRM - Montpellier Business School***

2300 Avenue des Moulins, 34080 Montpellier, France

p.chiambaretto@montpellier-bs.com

*****i3-CRG, Ecole Polytechnique, CNRS, Université Paris-Saclay**

Bat Ensta, 828 Boulevard des Maréchaux, 91762 Palaiseau, France

paul.chiambaretto@polytechnique.edu

Résumé :

Cette contribution étudie la manière dont l'incertitude, mesurée avec différents types de distance entre le pays d'accueil et le pays d'origine, affecte le choix du mode d'entrée sur les marchés étrangers. Nous utilisons le « CAGE Distance Framework » pour analyser simultanément l'influence de différents types de distance sur le choix de créer une alliance capitalistique or non-capitalistique. Les résultats montrent qu'il existe une relation positive entre la distance culturelle ou la distance administrative et la probabilité de la création d'une alliance capitalistique entre les entreprises. Inversement, quand la distance géographique ou la distance économique augmente, les entreprises ont tendances à créer une alliance non-capitalistique.

Mots-clés : Incertitude, mode d'entrée, distances, alliances

Understanding the role of distance in the creation of equity and non-equity agreements: A CAGE perspective

1. INTRODUCTION

When entering a foreign and unknown market, research shows that a home-country company is naturally disadvantaged when it comes to local business environment compared to local firms (Pedersen & Petersen, 2004). This is known as the "liability of foreignness" which is understood as the uncertainty that comes from the sense of unfamiliarity with the foreign market (Zaheer, 1995). Considering this uncertainty, finding the right entry mode decision is a key factor for the companies' internationalization and their success on the foreign market (Brouthers, 2002).

In the literature there does not seem to be consensus on how the companies deal with uncertainty (Arregle et al., 2006). Some studies show that firms prefer to invest less in foreign ventures as the level of uncertainty and risk increases and therefore choose an entry mode with a low level of control but a high level of flexibility (Brouthers, 1995; Morschett et al., 2010). Other studies show that companies prefer market entry modes with a higher level of control when the risks are high (Brouthers et al., 2003; Mayrhofer, 2004; Zhao et al., 2004; Meschi & Riccio, 2008). In this paper we focus solely on cooperative entry modes based on dyadic relations such as dyadic international alliances which are characterized by a sharing of: "*…resources and capabilities in the pursuit of collective and individual strategic objectives while remaining autonomous throughout the cooperation"* (Dacin et al. 2008: 92). It is shown that cooperative entry modes can be a good solution to handle the uncertainty and risks in a global world (Kale & Singh, 2009). This type of entry mode can be divided into two main groups which differ in terms of investments requirement and the level of control: equity and non-equity agreements (Pan & Tse, 2000). It is considered that an equity agreement gives firms a higher level of control which helps them to overcome the risks (Beamish 1985; Das & Teng, 1998) and that a non-equity agreement gives companies more flexibility so they can absorb the risk which comes with the uncertainty (Oxley, 1999).

The uncertainty is often measured as differences between the home- and host-country (Harzing & Pudelko, 2016). When looking at the literature on entry mode decisions, there are

many examples of studies that underline the importance of country differences (Brouthers, 2002; Zhao et al., 2004; Pedersen & Petersen, 2004; Tihanyi et al., 2005; Nielsen, 2007; Zaheer & Hernandez, 2011). These differences can affect the entry mode decision in various ways and can be identified as *types of distance* between the companies (Berry et al. 2010). In the present study we are interested in knowing how different types of distance affect the choice of creating an equity or a non-equity agreement. In order to do so we integrate the CAGE Distance Framework (Ghemawat, 2001), which divide distance into cultural, administrative, geographical and economic distance. We argue that by testing how these types of distance affect the choice of entry mode we contribute to the understanding of how the uncertainty affect the entry mode choice. We find no consensus on this matter in the literature which we assume could be related to the fact that the different types of distance affect the entry mode choice differently and should thus be taken into consideration simultaneously by the companies.

As a result, we propose eight hypotheses divided into four pairs of hypotheses according to the four types of distance proposed in the CAGE Distance Framework (Ghemawat, 2001) and we test their impact on the choice of creating either an equity or a non-equity agreement with a binominal logistic regression. We focalize only on dyadic relations.

Our results show that when the cultural or the administrative distances between two companies in different countries increases, companies are more likely to create equity agreements. On the contrary, when the geographical or economic distance increases between the countries of the companies involved, there is a higher likelihood that the partners will create non-equity agreements. The results indicate that each type of distance is linked to different sorts of uncertainty which affect the entry mode decision in various ways; and will convince companies to create either an equity agreement with a higher level of control or a non-equity agreement with a higher level of flexibility in order to deal with the uncertainty.

This study contributes to the literature on entry mode decisions as it broadens the understanding of uncertainty and how it can be measured as distance between home- and host-country. Our results thus strengthen the results of several other studies which have highlighted the importance of the uncertainty which comes from the differences between home- and host-country (Brouthers, 2002; Mayrhofer, 2004; Kaufmann & O'Neil, 2007; Globerman & Nielsen, 2007). Conversely from the majority of studies, we have tested the impact of the four distance dimensions simultaneously on the choice of entry mode which is less frequent in the literature (Berry et al., 2010; Moalla et al., 2015; Choi & Contractor, 2016). This has allowed us to see that

each type of distance affect the choice of entry mode differently and should be considered when choosing an entry mode.

2. LITERATURE REVIEW AND HYPOTHESE

2.1 MARKET ENTRY MODES AND UNCERTAINTY: ALTERNATE THEORETICAL PERSPECTIVES

Looking at the theoretical traditions that have investigated entry mode choices, three words seem essential: uncertainty, risk and control. They look to be naturally interrelated. These three elements can be related to the company, the industry, the venture, the host-country and the home-country (Morschett et al., 2010; Majocchi et al., 2013). Research finds however that the external factors have the most significate impact on the entry mode such as the specific characteristics of a foreign market (host-market) (Zhao et al., 2004). Traditionally, market entry modes have been investigated using theories such as the Transaction Cost Analysis (TCA) (Williamson, 1985; Brouthers et al., 2003) , the Resource Based View (RBV) (Barney, 1991; Erramilli, 1991; Chen & Hu, 2002), the Institutional Theory (Brouthers, 1995; Brouthers et al., 2002; Delios & Beamish, 1999) and the OLI (Ownership, Location and Internationalization) framework, also known as the Electic Paradigm (Dunning, 1993; Merchant, 2005). In general when we look at these theoretical contributions, there seems to be two main traditions of how to deal with the uncertainty when it comes to the choice of entry modes: trying to control uncertainty by creating separate entities or absorb uncertainty by working with a local partner who will act as a mediator with the foreign market.

Out of these different theoretical perspectives, the TCA has made the largest contribution to the understanding of entry modes (Brouthers & Hennart, 2007; Canabal & White, 2008). This approach postulates that companies make their strategic choices in order to minimize their costs and secure the success of their international performance (Hennart, 1988; Meyer, 2001; Brouthers et al., 2003). It considers that asset specificity is one of the main drivers behind the choice of entry mode, but that uncertainty, measured either as inefficient contracts (market specific criteria) or internal performance (behavioral specific criteria) (Williamson, 1985), also impacts this choice. Accordingly, companies should seek the entry mode with the highest level of control in order to deal with the uncertainty (Oxley, 1999; Brouthers, 2002; Hennart & Zeng, 2002). However, within the same literature, the opposite reaction to uncertainty can also be found: firms prefer entry modes with a higher

level of flexibility and lower level of investment to minimize the risk generated by their investment (Das & Teng, 2001; Brouthers & Hennart, 2007; Globerman & Nielsen, 2007).

The TCA has been criticized for forgetting the importance of non-transactional aspects in entry mode choices (Barney, 1991). According to the RBV, the choice of a specific entry mode is mainly based on the access to valuable and unique competitive resources such as knowledge or capabilities (Luo, 2002b). When wanting access to unique knowledge or capabilities, the relational aspects and cooperative entry modes become important and the partners' reputation, experience and the trust between the partners therefore affect the entry mode choice (Gulati & Singh, 1998; Thuy & Quang, 2005). In this case, the uncertainty is linked to the risk of an opportunistic behavior according to both relational and environmental differences between the home-country and the host-country (Globerman & Nielsen, 2007). Nevertheless, there is also a lack of consensus among the contributions using the RBV to study market entry mode choices. Some authors found that the access to the unique resources is linked to a great level of uncertainty and therefore firms prefer maintaining as much control as possible in order to prevent and deal with an opportunistic behavior (Erramilli, 1991; Chen & Chen, 2003). Others found that the high level of uncertainty when it comes to trust and opportunistic behavior convince the companies to minimize their investment (Cantwell & Colombo, 2000). In this paper we combine insights from the here mentioned two dominant understandings of entry modes found within the literature.

In the following we will have a closer look on the actual options of entry modes and explain more in details how these options are related to various level of control. We focus solely on entry modes with a certain level of cooperation between companies based in different country, and which we divide into equity (such as joint-ventures) and non-equity (such as alliances) agreements.

2.2 COOPERATIVE ENTRY MODES AND UNCERTAINTY

How to enter a new market can take many shapes such as contracts for export with for example suppliers and distributors or setting up affiliates where the companies have to decide between creating a wholly owned subsidiary or an equity joint-venture (Brouthers & Hennart, 2007). Or the entry mode can take the shape of non-equity agreements (such as licensing, R&D contracts and alliances) which is a partnership that does not create a separate legal entity (Dussauge et al, 2007). Each of these options comes with a different level of risk and varies between gaining full controls over the foreign unit or rather share the control between the

partners (Arregle et al., 2006). In this paper we focus solely on entry modes where the companies extend themselves abroad by working with ONE local partner. This type of cooperative entry mode can be divided into two main groups which differ in terms of investments requirement and the level of control: equity and non-equity agreements (Pan & Tse, 2000).

In the literature on entry modes we find a tendency to compare non-cooperative versus cooperative entry modes (Morschett et al., 2010). In this study we conversely choose to focus solely on the cooperative entry modes. Cooperative entry modes can take many forms which each has different criteria and stakes when it comes to entering new markets (Gulati & Singh, 1998; Chen & Chen, 2003). We thus find it interesting to study how the uncertainty affects the cooperative entry modes differently. Other studies have compared cooperative entry modes often classified as international strategic alliances (Beamish, 1985; Erramilli et al., 2002; Nielsen, 2007; Kale & Singh, 2009; Majocchi et al., 2013). These are defined as agreements between companies which look to coordinate their skills and share their resources rather than doing business on their own (Dussauge et al, 2007). They can differ on the level on inter-organizational dependence and on the level of co-specialization and knowledge sharing (Contractor & Lorange, 1988; Doz & Hamel, 1998).

When it comes to defining equity agreements such as joint-ventures, there is a lack of consensus. Some theories see them as an intermediate stage between hierarchy and market while others classify them as a type of hierarchy (Brouthers & Hennart, 2007). In general, because they require the creation of a specific entity jointly owned by the partners, joint-ventures have a great level of hierarchy and control (Oxley, 1997; Sampson, 2004; Meschi, 2005; Reur & Arino, 2007). It is an attractive entry mode for the companies when it comes to the legal conditions and government of the cooperation (Williamson, 1985) as they permit a day-to-day monitoring (Kogut, 1988). Joint-ventures also align the mutual interest of the partners because both firms are co-owners of the structure (Hennart, 1988).

Compared to equity agreements, non-equity alliances do not imply the creation of a legal separate unit. Non-equity alliances are a voluntary but legal cooperation in which companies combine resources to cope and reduce with the uncertainty beyond their direct control (Oliver, 1990; Gulati & Gargiulo, 1999). Research argues that non-equity alliances are more adaptable to a changing competitive environment than purely contractual arrangements (Dacin et al., 1997; Pangarkar & Klein, 2001). By using the distribution networks and the knowledge of their partners, companies put less effort and time into learning how to make a

fast entry and succeed in very different local environments (Garrette & Dussauge, 2000). Here the foreign partner can be a "gate keeper" to the local market and alliances are a good solution in order to speed up to the internalization process and thus save time (Glaister & Buckley, 1996). Even though non-equity alliances are signified by a more relational approach than equity agreements, studies show that the level of control can be as high as within equity agreements and that some non-equity alliances are more governance intensive from a contractual point of view than for example certain joint-venture (Kaufman & O'Neil, 2007; Reuer & Arino, 2007).

2.3 UNDERSTANDING THE ROLE OF UNCERTAINTY IN ENTRY MODE CHOICE WITH THE CONCEPT OF DISTANCE

As stated earlier, we aim at combining key aspects from the dominant theories TCA and RBV to better understand the impact of uncertainty on the choice of entry mode. Within these theoretical traditions we have seen that uncertainty can be measured in both relational and environmental differences between the home-country and the host-country.

Within the research on entry mode choices, differences, such as cultural, administrative and economical ones, have frequently been investigated (Tihanyi et al., 2005; Globerman & Nielsen, 2007; Canabal & White, 2008; Morschett et al., 2010; Majocchi et al., 2013). This draws our attention to the literature which treats differences as *distances* between the companies/partners (Ghemawat, 2001; Angué & Mayhofer, 2010; Berry et al., 2010; Moalla et al., 2015; Choi & Contractor, 2016). Within the literature distance can in fact be measured as more than geography and numbers of kilometers between countries. It can also be measured in cultural, administrative and economic distance (Ghemawat, 2007). All these types of distance imply different type of uncertainty and can impact the market attractiveness as well as the entry mode decisions differently In this study we thus wish to join the here mentioned literature which focus on distance but unlike the majority of contributions we aim at explaining how uncertainty can be understood as types of distance. By integrating different types of distance simultaneously we hope to shed some light on how to analyze, better understand and deal with the uncertainty.

Despite a rich theoretical contribution to the subject of distance in IB (Ghemawat, 2001; Mayrhofer, 2004; Alcácer, 2006; Brewer, 2007; Berry et al., 2010; Zaheer & Hernandez, 2011; Christoffersen, 2013), there is a lack of clarity concerning the dimensions of distance as well as their measurements (Ambos & Håkanson, 2014). They are hard to

measure as there is an endless possibility of variations within a given country or between countries (Tung & Verbeke, 2010). Further, it is not simply a question of identifying cross-country differences but also to understand which ones matter the most. Important contributions have underlined a *diversity* of distance where also the company and industry characteristics are taken into consideration (Brewer, 2007; Berry et al., 2010) However, in this study we choose to focus solely on the four distance dimensions proposed in Ghemawat's CAGE (Cultural, Administrative, Geographic, and Economic) Distance Framework (Ghemawat, 2001). The framework provides us with a tool which can help us to identify and measure the main differences between the home-country and the host-country. We choose to use this framework, as it includes the four principal categories of distance identified by the majority of authors in both economics and IB (Ghemawat, 2016). We do not look to measure the variety of distance which may affect the entry mode choice but instead we focus on the four main types most often found in the literature which to some extend embrace all other type of distance. We believe that the combination of these four distances provides interesting insights about the role of the various distances on cooperative entry mode choices.

2.4 HYPOTHESES

As we have seen in the literature we do not find a consensus about how uncertainty and distances affect the choice of a cooperative entry mode: either the companies try to control uncertainty through equity agreements or they try to absorb it through non-equity agreements. Because of this double-logic in the literature, we propose eight hypotheses divided into four pairs of alternate hypotheses according to the four types of distance. Each hypotheses pair thus corresponds to two alternate hypotheses regarding the impact of uncertainty and distance on the likelihood of developing an equity agreement. By doing so we get to measure how each type of distance affect the choice between creating an equity or non-equity agreement.

2.4.1 Cultural distance

The cultural distance between a home- and a host-country is considered as a main factor that affects uncertainty (Zhao et al., 2004; Tihanyi et al., 2005; Canabal & White, 2008). Cultural distance is known as *informal* institutions in international relations and it is identified as national habits, beliefs, language, social norms and values (Kaufmann & O'Neil, 2007). It is most often associated with a high degree of uncertainty and to have a negative impact on the cooperation if the distance gets too important (Hofstede, 1980; Kogut & Singh, 1988).

Most scholars find that when cultural distance increases, companies prefer creating non-equity agreements (Globerman & Nielsen, 2007; Luo, 2002a, 2007; Morschett et al., 2010; Hutzschenreuter et al., 2015). Several empirical studies shows that too much cultural distance makes the companies reduce their capital investment in international operations and here a non-equity agreement is considered less expensive (Tihanyi et al., 2005). Non-equity alliances can also be the easier choice in terms of acculturation as the local partners are responsible of the contact with for example suppliers and customers (Arora & Fosfuri, 2000). This sets fewer demands to the company of the home-country to know the norms and values of the foreign market (Johanson & Vahlne, 1977). Accordingly, we set the following hypothesis:

H1a: The larger the cultural distance between the home-countries of the partners, the lower the likelihood of creating an equity agreement

However other studies show that when cultural distance increases, firms prefer creating equity agreements to maintain the control (Madhok, 1997). Research shows that equity agreements have stronger social and economic interactions than non-equity agreements due to the tighter structures (Dong & Glaister, 2007). They therefore often experience culture-related challenges (Kogut, 1988). However the clear and legal structures allow them to easier overcome and manage the cultural gap between the partners (Dong & Glaister, 2009). So as the uncertainty and the risk increases as a result of cultural differences the companies prefer to use a higher degree of control in order to anticipate and deal with the hindrances. Based on these contributions, we set the following alternate hypothesis H1b:

H1b: The larger the cultural distance between the home-countries of the partners, the larger the likelihood of creating an equity agreement

2.4.2 Administrative distance

Administrative distance can be translated into the differences between national laws and policies of the home and the host country, shared regional trading blocs, common currency and political hostility, etc. (Ghemawat, 2001). Research refers to “good” or “bad” national economies when describing governance environments on a macro scale (Globerman & Shapiro, 2002). In the literature it is most often showed that the host-country is linked to bad governance because of an unstable political environment (Harzing & Pudelko, 2016). This is due to the fact that most studies empirically treat the case of companies from Western

industrialized countries which wish to enter emerging markets in Asia, Latin America, Eastern Europe or Africa, that are characterized by a high level of risk political instability (Beamish & Lupton, 2016). It shown that in host countries where the political environment is turbulent and thus characterized by a great level of risk, foreign companies prefer flexible and low risk entry modes such as non-equity agreements (Roehl & Truitt, 1987). For this reason we propose the following hypothesis:

> *H2a: The larger the administrative distance between the home-countries of the partners, the lower the likelihood of creating an equity agreement*

However, the most frequent scenario when it comes to administrative distance is identified as legitimate options imposed by the host country, the home country and/or international organizations (Ahlstrom & Bruton, 2001; Prévot & Meschi, 2006). These set out restrictions and limits for the choice of entry mode (Frankel & Rose, 2002; Chiambaretto, 2015). Certain markets put up legal restrictions so that foreign companies have to create a joint-venture with a local partner in order to protect the domestically market (Beamish; 1993; Yan, 1998). In these cases, the option of creating a non-equity alliance with a local partner is not an option. In the literature China is found to be a prime example of this type of policy (Long, 2005). Also economic and political instabilities in the host-country affect the local government and their ruling about foreign investment which will convince the foreign partners to create an equity-agreement in order to reduce risks and to protect themselves (Brouthers, 2002; Meschi, 2005). Based on these contributions we set the alternate hypothesis H2b:

> *H2b: The larger the administrative distance between the home-countries of the partners, the larger the likelihood of creating an equity agreement*

2.4.3 Geographical distance

Geographical distance can be measured as more than the number of kilometers between countries. In research it has equally been identified as sharing borders, access to water ways, transport infrastructure as well as communication infrastructure (Ghemawat, 2007). It can also include aspects such as regional or local development (Fujita & Mori, 2005) as well as clustering (Gulati & Gargiulo, 1999). Depending on the industry and the sector of the companies, the different aspects of geographical distance affect the cost for travel, transport and communication (Ghemawat, 2001).

Very few studies have elaborated how the geographical distance can affect the choice of equity or a non-equity entry mode (Oxley, 1997; Angué & Mayrhofer, 2010). The general assumption of distance measured in kilometers is that the further away a company seeks foreign ventures the harder it will be to conduct the business and there is a risk that the large distance in kilometers affects sales negatively (Kleinert & Toubal, 2010; Kraus et al., 2015).

Conversely, it is shown that geographical proximity between countries reduces certain market barriers (Le Roy et al., 2016). For these reason we assume that, when geographical distance increases, some companies will prefer creating a non-equity alliance in order to avoid risky investments and instead let the local partner interact with the market. We therefore propose the following hypothesis:

H3a: The larger the geographical distance between the home-countries of the partners, the lower the likelihood of creating an equity agreement

However, a large geographical distance also raises the managerial costs as it affects the possibility of a daily monitoring negatively (Shenkar, 2001). Studies show that it can be advantageous to create an equity agreement where the new entity is situated in the host-country and where the home country company benefits from a direct access to the foreign market (Glaister & Buckley, 1996). In this case there are less managerial expenses invested in the cooperation as the home-company collaborate locally (Zaheer & Hernandez, 2011). This way the entity has a larger sense of autonomy (Oxley, 1999). We therefore propose the alternate hypothesis H3b:

H3b: The larger the geographical distance between the home-countries of the partners, the larger the likelihood of creating an equity agreement

2.4.4 Economic distance

The economic distance is for the most part integrated in multidimensional measures (Head & Mayer, 2013) and can be captured as differences between countries wealth (for example measured in GDP), power and economical system (Tinbergen, 1962; Kleinert & Toubal, 2010). These elements indicate stable economic conditions and a high market potential (Angué & Mayrhofer, 2010). Economic distance is often being used in economic research as a part of the Gravity model, which shows that the level of the partnering countries GDP has a positive effect on trade (Head & Mayer, 2013). The literature further shows that there is a tendency to see companies from equally developed and wealthy countries conduct business

(Erramilli et al., 1997). On the contrary, when the economic distance become too large it is considered to have a negative effect on international business (Ambos & Håkanson, 2014). The most used example is when companies from developed markets wish to enter emerging markets (Hitt et al., 2004) or the other way around (Andersen et al. 1997). Here the economic distance is large and thus also the uncertainty and research shows that the best solution can be to create a non-equity alliance where the foreign partner can be the "door-opener" to the foreign market (Morschett et al., 2010). This is considered a fast way of getting access to local markets and knowledge with low investments (Hennart & Zeng, 2002). In fact, sometimes a non-equity agreement can be the only entry mode solution because of limited market opportunities (Harzing & Pudelko, 2016). We therefore propose the following hypothesis:

H4a: The larger the economic distance between the home-countries of the partners, the lower the likelihood of creating an equity agreement.

Conversely research also find that when the economic distance become too important companies prefer setting up equity agreements in order to control the risk (Brouthers, 2002; Morschett et al., 2010). Research shows that when the economic distance is large, such as between developed and emerging markets, equity agreements are considered to be more adapted to solve conflict through clear structures and shared control between the partners (Prévot & Meschi, 2010). Also by creating equity agreements in attractive (developing) markets, companies not only have a higher sense of control but they are also secured more long-term presence and a higher profit (Taylor et al., 1998). Another important aspect, which we also found concerning the administrative distance, is the fact that the local governments in developing markets often set up business barriers for foreign companies (Mechi & Riccio, 2008). In this case an equity agreement can be the only legal entry choice for the foreign company. We therefore propose the alternate hypothesis H4b:

H4b: The larger the economic distance between the home-countries of the partners, the larger the likelihood of creating an equity agreement

3. METHODS

Because of our alternate hypotheses with an either-or scenario we are convinced that the theory is empirically adequate (Ketokivi & Mantere, 2010). For this reason we choose to use a binominal logistic regression in order to assess the impact of the different types of distance (cultural, administrative, geographical and economic) on the choice of creating either an equity or a non-equity agreement. We also control for the industry, firm size and age characteristics. These variables are often used in empirical studies on international strategic alliances (Globerman & Nielsen, 2007; Mechi & Riccio, 2008; Majocchi et al., 2013).

3.1 SAMPLE AND PROCEDURE

We have used the SDC (Securities Data Company) Platinum database which lists the majority of public alliances across the world. The database contains a large amount of information about alliances and joint ventures created worldwide since 1970 and it is very often used in academic studies in strategic management and international business (Schilling, 2009). In our study, we investigated *all* the international alliances created in 2015 on a global scale. We have chosen not to specify the countries or the type of industry in order to find how distances overall affect choice of creating an equity or a non-equity agreement. We therefore work with a global multi-industrial sample. When analyzing our sample we find a majority of companies from the service sector (measured in SIC codes[1]). We also see that the United States is by far the country which engages most in alliances on a global scale followed by China, India and United Kingdom. Further we find that we have a majority of intermediate-sized companies (<4999) and large companies (> 5000) (INSEE[2]). Concerning the age of the companies we have balanced score of all the ages.

In a first data collection, we obtained a total of 1557 alliances. After removing alliances with more than two partners (for which the distance is more complex to measure) and withdrawing alliances with missing information concerning one or both of the partners, the remaining sample was composed of 948 alliances. Among these alliances, 209 of them (22%) are non-equity agreements and 739 (79%) are equity agreements. We find that the majority of our agreements in the sample are equity agreements.

[1] www.osha.gov/pls/imis/sicsearch.html
[2] www.insee.fr/en/methodes/default.asp?page=definitions

3.2 VARIABLES AND MEASURES

3.2.1 Dependent variable

The dependent variable is binomial. It is the contractual form of the agreement between the two companies and is coded 0 if the contract is listed as a simple alliance (i.e., a non-equity agreement) in the SDC database and 1 if the contract is listed as a joint venture (i.e., an equity agreement).

3.2.2 Independent variables

Four independent variables and three control variables are used in our model. The four independent variables are related to the different types of distances used in the CAGE Distance Framework. Here we measure the different types of distance between the home-countries of the partnering enterprises. In order to get a clearer interpretation of our results we have decided to take the log of all four variables which allows us to compare the change of one unit on the log scale (Silva & Tenreyro, 2013).

(1) The first independent variable is the cultural distance between the home-countries of the enterprises. In order to create this variable we measure the log of the cultural distance between country *a* and *b* (LNCult_distAB). We have collected data on the Hofstede Center's website[3] to compare countries' cultural differences measured by Hofstede's index. We merged these measures into *one* cultural value by using the Euclidian index and the Pythagorean Theorem (Drogendijk & Slangen, 2006). The distance has been calculated with the following formula: $\sqrt{(a_1 - b_1)^2 + (a_2 - b_2)^2 + \cdots + (a_n - b_n)^2}$ and the aggregated sum represents the cultural distance between two countries. Hofstede's index has been the subject of much criticism throughout the years (Shenkar, 2001; 2012) and is being accused of relying too much on Western values as well as generalizing data based solely on IMB's employees (Kaufmann & O'Neil, 2007). Instead it is often recommended to use data from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project (House et al., 2002). However this is an on-going discussion which reveals a deep division among cross-cultural researchers (Tung & Verbeke, 2010). With this in mind we still choose to use the Hofstede's index as it has proven itself to be continuously relevant over the years and Hofstede's work

[3] www.geert-hofstede.com/countries.html

based on data from the index continues to be some of the most quoted on the subject of cultural distance when we look on Harzing's Publish or Perish citation index[4].

(2) The second independent variable is related to the administrative distance between the home-countries of the partnering enterprises which is measured as the log of the administrative distance (LNAdm_distAB) between the two countries. To create this variable we relied on a similar construct as for the cultural distance but based on the data available in the Doing Business Reports of the World Bank[5]. In the reports we took the Distance to Frontier Score (DTF) from 2014 for each partnering country to create the variable. As we are interested in the choice between creating an equity or non-equity agreement made in 2015 we looked on data from 2014 which could impact the choice in 2015. We have not found the use of the Doing Business Reports to capture administrative distance in other studies but we find it interesting as measure as it ranks the ease of doing business in 190 economies based on a several indicators of the regulatory environment. More precisely the DTF score measures on a scale from 0 to 100 how close a given economy is to "the best performance" (score = 100) which is the most favorable context of doing business. The Doing Business Reports thus gives us an indication of the administrative environment in different countries which we find useful to use in our study in order measure administrative distance.

(3) The third distance-related variable is the geographical distance between the home-countries of the partnering enterprises. It is measured as log of the distance in kilometers between country *a* and *b* (LNGeo_distAB). We used the CEPII's GeoDist database to create this variable, which contains bilateral distance and cultural information about 225 countries (Mayer & Zignago, 2011). Here the geographical distance is measured as the distance between the most important cities (in terms of population) or of its official capital in the two countries. We have chosen to focus solely on kilometers between countries as we find that this measure best captures the effect of geographical distance when we compare to other measures such as access to waterways, sharing borders, level of infrastructure, etc. We find that these other aspects only capture certain nuances of the geographical distance and they therefore seem to be less explicative in the context of this study.

(4) The last distance-related variable is the economic distance between the home-countries of the partnering enterprises. It is measured as the log of differences between the scores measured on the Human Development Index (HDI) for country *a* and *b*

[4] www.harzing.com/resources/publish-or-perish
[5] www.doingbusiness.org/rankings

(LNEco_distAB) available on the United Nations Develop Program's website[6]. As with the variable for administrative distance we used the HDI from 2014 which could impact the type of contract in 2015. Conversely to the use of GDP, the HDI index looks at humans and their life capabilities (health, schooling, gross national income, etc.) to measure the development of a country. By doing so it is integrates other aspects than purely economic growth of the country and we therefore see it as a more complete measure of economic distance which is why we choose to integrate it.

3.2.3 Control variables

To control for other determinants, we have constructed three control variables which are often used in empirical studies on entry modes as they are considered to have an impact on the choice (Alsleben, 2005; Canabal & White, 2008; Choi & Contractor; 2016).

(5) We first created the variable SameIndus which is a dummy variable that takes the value 1 if the partners belong to the same industry and 0 otherwise. To characterize their industry, we compared the partners' SIC codes (Standard Industrial Classification) listed in the SDC database. This variable is important because research has shown that belonging to the same industry impacts the non-equity vs equity choice (Brouthers & Hennart, 2007).

(6) The size of the company is measured in number of employees. We found this information both in the Factset Database and on the companies' websites. Here after we divided this variable into five categories: 1) micro enterprises (< 10 employees); 2) small enterprises (< 50); 3) medium-sized enterprises (<250); 4) intermediate-sized enterprise (<4999); 5) large enterprises (> 5000) (INSEE[7]). Lastly we took the difference between the size of company A and company B which created the variable Diff_SizeAB.

(7) The age difference between the companies measured by their founding year. As with the size of the company we created the variable by first looking for this information in the Factset database and on the companies' websites. Here after we subtracted the ages of the partnering companies to identify the age difference between them which created the variable Diff_AgeAB.

All the variables are summarized in the Table 1 below:

[6] www.hdr.undp.org/fr/composite/HDI
[7] www.insee.fr/en/methodes/default.asp?page=definitions

Theoretical variables	Operationalized variables	Name of variables	Value	Source
Dependent variable				
Type of agreement	Equity/ non-equity agreement	Const	0/1	SDC Platinum
Independent variables				
Cultural distance	Log of Euclidian Index based on Hofstede's cultural dimensions	LNCult_distAB	> 0	The Hofstede Center
Administrative distance	Log of the Euclidian Index based on the ease of doing business in both countries	LNAdm_distAB	> 0	Doing Business (The World Bank)
Geographic distance	Log of the number of kilometers	LNGeo_distAB	> 0	GEPII
Economic distance	Log of Euclidian Index based on the Human Development Indices in both countries	LNEco_distAB	> 0	Human Development Indices (United Nations Develop Program)
Control variables				
Same industry	Same SIC Codes	SameIndus	> 0	SDC Platinum
Difference in Company size	Size_A – Size B	Diff_SizeAB	1-5	Factset, company website
Difference in Company age	Age_A – Age_B	Diff_AgeAB	> 0	Factset, company website

Table 1: Variable presentation

4. RESULTS

The Pearson correlation coefficient for the variables is reported in Table 2. We do not find any VIF stronger than 2 and so there are not any indications of multicollinearity between our variables (Neter et al., 1985).

	Mean	S.D.	1	2	3	4	5	6	7	8
1.Non-uity/Equity	0,78	0,41	1	,145**	,163**	,066*	-,009	,045	-,074*	-,020
2. LNCult_distAB	2,43	2,07	,145**	1	,853**	,746**	,505**	,005	-,021	,079*
3. NAdm__distAB	1,27	1,32	,163**	,853**	1	,654**	,324**	,029	-,015	,086**
4. LNGeo_distAB	7,60	1,38	,066*	,746**	,654**	1	,384**	,075*	,010	,056
5. LNEco_distAB	0,14	0,21	-,009	,505**	,324**	,384**	1	-,023	,051	,071*
6. SameIndus	0,34	0,47	,045	,005	,029	,075*	-,023	1	-,056	-,018
7. Diff_SizeAB	1,00	1,02	-,074*	-,021	-,015	,010	,051	-,056	1	,028
8. Diff_AgeAB	36,34	52,90	-,020	,079*	,086**	,056	,071*	-,018	,028	1

Table 2: Pearson Correlation matrix ($p < 0.05$, ** $p < 0.01$, *** $p < 0.001$)*

Table 3 here below report the results of our regression. We have tested two models where Model 1 only includes the control variables in order to test their impact separately. Model 2 includes all of our variables:

	Model 1				**Model 2**			
Non-equity/ Equity	(Coefficient)	(SE)	Sig.	Exp(B)	(Coefficient)	(SE)	Sig.	Exp(B)
(constant)	***	(0,137)	0,000		***	(0,604)	0,000	
LNCult_distAB					0,209**	(0,103)	0,043	1,232
LNAdm_distAB					0,233*	(0,133)	0,080	1,262
LNGeo_distAB					-0,193**	(0,092)	0,035	0,825
LNEco_distAB					-1,050**	(0,457)	0,022	0,350
SameIndus	0,216	(0,170)	0,205	1,241	0,236	(0,175)	0,176	1,267
Diff_SizeAB	-0,163**	(0,075)	0,030	0,850	-0,139*	(0,076)	0,070	0,871
Diff_ageAB	-0,001	(0,001)	0,595	0,999	-0,001	(0,001)	0,396	0,999

N: = 948, Equity-agreement = 1
R^2 Model1: 0,011; Model 2: 0,069
$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 3: Results from the binominal logistic regression

In Model 1 we find that only the Diff_SizeAB is significant (β = -0,163; p< 0,030) and negatively related to the likelihood of creating an equity alliance. The other variables are not significant.

The results in Model 2 show that all four types of distance are significant. The LNCult_distAB (β = 0,209; p< 0,043) and LNAdm_distAB (β = 0,233; p< 0,080) are related positively linked with the likelihood of creating an equity agreement (coded 1). More precisely, the odd-ratio allows us to state that when the cultural distance variable increases by one unit, the likelihood of forming an equity agreement increases and is multiplied by 1.232. This result shows that when the cultural distance increases the companies tend to create equity agreements which allow us to reject Hypothesis 1a and support Hypothesis 1b. The same is stated for the administrative distance where we find that when the administrative distance variable increases by one unit, the likelihood of forming an equity agreement is multiplied by 1.262. We therefore find that as the administrative distance increases the companies tend to create equity agreements which allow us to reject Hypothesis 2a and support Hypothesis 2b.

Concerning the two other variables in the CAGE Distance Framework we find that the LNGeo_distAB (β = -0,193; p< 0,035) and LNEco_distAB (β = -1,050; p< 0,022) are

negatively linked with the likelihood of creating an equity agreement. The odd-ratio indicates that when the geographical distance variable increases by one unit, the likelihood of forming an equity agreement decreases and is divided by 0,825. We therefore find that when the geographical distance increases the companies tend to create non-equity agreements which allow us to validate Hypothesis 3a and reject Hypothesis 3b. We find a similar result for the economic distance as the odd-ratio shows that when the economical distance variable increases by one unit, the likelihood of forming an equity agreement decreases and is divided by 0,350. Our results thus indicate that when the economic distance increases the companies tend to create non-equity agreements which allow us to validate Hypothesis 4a and reject Hypothesis 4b.

5. DISCUSSION AND CONCLUSIVE REMARKS

5.1 THE ROLE OF DISTANCES IN EQUITY AND NON-EQUITY ALLIANCE FORMATIONS

Over all our study shows that uncertainty measured as distance matters when we compare the choice of creating either an equity or a non-equity agreement. When we divide distance into the four types of distance, cultural, administrative, geographic and economic, we find that they affect the entry mode choice differently.

Concerning cultural distance, our results indicate that creating an entity with a local partner could be the best solution to overcome cultural differences which are considered difficult to learn and adapt to. Here the more hierarchical and legal contact gives the possibility of a daily monitoring and where the cultural differences can be either familiarized or neutralized from the daily contact. The higher level of control is reassuring for the partners and makes it easier to handle the risks (Dong & Glaister, 2009). The fact of being co-owners of a legal unity also strengthens the mutual interest of the partners and thereby the trust which is considered important to overcome cultural differences (Hennart, 1988. Gulati & Singh, 1998; Thuy & Quang, 2005). This result join the part of the literature which argues that when the uncertainty and thereby the risks are high, companies try to control the risk by creating an equity agreement (Madhok, 1997; Tihanyi et al., 2005; Dong & Glaister, 2007).

Concerning the administrative distance the results show that when the distance increases, the companies are more likely to create an equity alliance. This is consistent with a large part of the literature which shows that local governments often force the foreign companies to create joint-ventures with a local partner in order to protect domestic business

(Beamish; 1993; Yan, 1998; Ahlstrom & Bruton, 2001; Brouthers, 2002; Prévot & Meschi, 2006). Our results indicate that when the administrative distance and thus the uncertainty becomes too big the companies prefer to create equity agreements where the local partner can be the statutory "gate keeper" which will assure access to the market and help the other home country company to navigate in the local legislation (Meschi, 2005). An equity agreement is often identified as having a high level of hierarchy and control which can be the better choice when it comes to dealing with legal conditions and local governments (Oxley, 1997; Reur & Arino, 2007).

For the results concerning geographical distance, we found that when this type of distance increases between countries, the partnering companies are more likely to create a non-equity agreement. In spite of the fact that few studies link the geographical distance with the choice of a cooperative entry mode, research do show that a large geographical distance has a negative effect on trade which makes the companies invest less in faraway ventures (Meyer, 2001). Studies also show that a great geographical distance is associated with risks in internationalization decisions (Kraus et al., 2010) and that international alliance with an important geographic scope tended to be less hierarchical (Oxley, 1997). In addition a non-equity agreement is considered a less formal and more cooperative relation than an equity alliance with less risk involved (Kale & Singh, 2009). A non-equity agreement demands less resources invested as the home-country partner doesn't need to be physically present in the host-country (Pan & Tse, 2000).

Finally, economic distance was negatively related to the fact of creating an equity agreement. This result is in line with the part of the literature that shows that when the economic distance between countries and the uncertainty become too large, companies prefer to create a non-equity alliance in order to absorb the uncertainty (Morschett et al., 2010). Our results therefore indicate that when the economic distance increases, for example between a company from a developed market and a company from a developing market, the uncertainty and the risks are high and here a non-equity agreement is considered a fast way of getting access to local markets and knowledge without high-risk investment (Hennart & Zeng, 2002). We also know from research that a non-equity agreement is a solutions which is adaptable to a changing competitive environment (Dacin et al., 1997; Pangarkar & Klein, 2001) which could be the case when companies from developed countries tries to enter developing markets.

5.2 CONTRIBUTIONS TO THE EXISTING LITERATURES

The importance of uncertainty and how to deal with it is a central research subject within the literature of entry mode decisions (Canabal & White, 2008). Research shows that it can be measured in internal factors but that most often it is found that external factors such as the differences between home country and host country have the greatest importance on the choice of entry (Zaheer, 1995). Our study first of all contributes to the results of several other studies which have highlighted the importance of country differences in the choice of entry mode (Brouthers, 2002; Mayrhofer, 2004; Globerman & Nielsen, 2007; Kaufmann & O'Neil, 2007).

By identifying uncertainty as types of distance and testing them simultaneously, we join the small group of authors who have treated several distance dimensions at the same time in order to get a more holistic understanding of entry mode decisions (Angué & Mayrhofer, 2010; Majocchi et al., 2013; Moalla, 2015; Choi and Contractor, 2016). The CAGE Distance Framework is a useful tool that combines the four central type of distance which often has been studied separately in the literature (Brouthers & Hennart, 2007). The study has drawn a picture of how uncertainty can be linked to different perceptions and that companies choose differently between creating an equity or a non-equity agreement according to the different type of distance when entering new markets.

5.3 MANAGERIAL IMPLICATIONS

Our findings may serve as guidelines for decision makers to help them choose the right entry mode when wanting to enter a market. Some types of distance are more important in certain markets or in certain industries or in a given time. The challenge is thus to identify and measure these dimensions. This can for example be done by using the CAGE Distance Framework which helps articulate and identify the different distance dimensions (Ghemawat, 2007). Our study should encourage firms to integrate the four distance dimensions into their market analyses in order to get a more complete picture of the uncertainty and potential risks. Further, the CAGE Distance Framework is both a tool to gain greater awareness about risks but also to help *manage* the country differences.

5.4 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The study has several limitations. From a theoretical perspective, we have used the terms equity and non-equity in their largest sense and we have treated the two groups as

homogenous. However research shows that they actually cover a large range of sub-agreements depending on their level of integration between the partners (Choi & Contractor, 2016). We therefore risk of losing certain nuances when treating them as two homogenous groups. Concerning the concept of distance, it could equally be interesting to look into sub-national or sub-regional diversity (Beamish & Lupton, 2016). This could give new insight into variation within the countries which could reveal new type of uncertainty which are not necessarily country dependent. In general the use of the CAGE Distance Framework could be limiting for our results as it only provides us with an objective perception of the distances. It could in fact be interesting to test the universality of the framework.

Empirically, we have also found some limits. First of all, we have only looked on dyadic cooperation. Our results may change if we integrated multi-partner alliances. Secondly, we have not taken into account that the companies often make multiple investments in a country and it could be interesting to see which entry modes the companies choose for their other investments (Beamish & Lupton, 2016). From research we know that a company's portfolio is important for its future investments (Wassmer & Dussauge, 2012; Chiambaretto & Fernandez, 2015). It should therefore also be interesting to integrate the company's international experiences and network to see the effect on the choice of entry mode (Zhao et al., 2004). We have not empirically looked into the fact that the companies in our database had prior or simultaneous experience in the host-country. We thus risk overlooking the company's overall international strategy.

Research on market entry decisions seem to agree that the choice should always be viewed in its context. It must be considered in the light of the overall strategic goal of the firm, the contractual form of the market entry solution, the given industry, the size and the international experience of the firm and the nationality of both home, host and market country (Glaister & Buckley, 1996; Dacin et al., 1997; Nielsen, 2003; Li & Parboteeah, 2015). As mentioned above especially the international experience of the companies should be interesting to pursue in future research. Studies show that the experience reduces the perception of uncertainty and thus affect the entry mode choice (Luo, 2001; Zhao et al., 2004) It should be interesting to pursue these theoretical end empirical aspects in our future research.

6. REFERENCES

Ahlstrom, D.; Bruton, G.(2001). "Learning from successful local private firms in China: Establishing legitimacy", *Academy of Management Perspective*, vol. 15, n° 4, p. 72-83.

Alcácer, J. (2006). «Location Choices Across the Value Chain: How activity and Capability Influence Collocation", *Management Science*, vol. 52, n° 10, p. 1457-1471.

Alsleben, C. (2005). "The downside of knowledge spillovers: An explanation for the dispersion of high-tech industries." *Journal of Economics*, vol. 84, n°3, p. 217-248.

Ambos, B.; Håkanson, L. (2014). "The Concept of Distance in International Management Research", *Journal of International Management*, vol. 20, n°1, p. 1-7.

Andersen, P.H.; Blenker, P.; Christensen, P. R. (1997). "Generic routes to subcontractors' internationalization", in I. Bjorkman and M. Forsgren (eds.) *The Nature of the International Firm*, Copenhagen Business School Press: Copenhagen, p. 500.

Angué, K.; Mayrhofer, U. (2010). "International R&D cooperation: the effects of distance on the choice of the country of partners", *M@n@gement*, vol. 13, n°1, p. 2-37.

Arregle, J.-L.; Hébert, L.; Beamish, P. (2006)."Mode of international entry: the advantages of multilevel methods", *Management International Review*, vol. 46, n° 5, p. 597–618.

Arora, A.; Fosfuri, A. (2000). "Wholly owned subsidiary versus technology licensing in the worldwide chemical industry", *Journal of International Business Studies*, vol. 31, n° 4, p. 555-572.

Barney, J. (1991). "Firm resources and sustained competitive advantage", *Journal of Management,* vol. 17, n°1, p. 99-120.

Beamish, P. W. (1985). "The characteristics of joint ventures in developed and developing countries", *Columbia Journal of World Business*, vol. 20, p. 13–19.

Beamish, P. W. (1993). "The Characteristics of Joint Ventures in the People's Republic of China", *Journal of International Marketing*, vol. 1, n°2, p. 29-48.

Beamish, P. W.; Lupton, N. C. (2016) "Cooperative strategies in international business and management: Reflections on the past 50 years and future directions", *Journal of World Business*, vol. 51, n° 1, p. 163-175

Berry, H. Guillén, M. F; Zhou, N. (2010). "An institutional approach to cross-national Distance", *Journal of International Business Studies*, vol. 41, n° 9, p. 1460-1480.

Brewer, P. A. (2007). "Operationalizing psychic distance: a revised approach", *Journal of International Marketing*, vol. 15, n° 1, p. 44–66.

Brouthers, K. D. (1995). "The influence of international risk on entry mode strategy in the computer software industry", *Management International Review,* vol. 35, n° 1, p. 7-28.

Brouthers, K. D. (2002). "Institutional, cultural and transaction cost influences on entry mode choice and performance", *Journal of International Business Studies,* vol. 33, n° 2, p. 203-221.

Brouthers, K. D.; Hennart, J. F. (2007). "Boundaries of the firm: Insights from international entry mode research. Journal of Management", vol. 33, n°3, p. 395–425.

Brouthers, K. D.; Brouthers, L. E.; Werner, S. (2003). "Transaction cost-enhanced entry mode choices and firm performance", *Strategic Management Journal,* vol. 24, n°12, p. 1239-1248.

Brouthers, K. D.; Brouthers, L. E.; Werner, S. (2002). "Industrial sector, perceived environmental uncertainty and entry mode strategy", *Journal of Business Research,* vol. 55, n° 6, p. 495-507.

Canabal, A.; White, G.O. (2008). "Entry mode research: Past and future", *International Business Review*, vol. 17, n°3, 267-284

Cantwell, J.; Colombo, M. G. (2000). "Technological and Output Complementarities, and Inter-Firm Cooperation in Information Technology Ventures", *Journal of Management and Governance*, vol. 4, n° 4, p. 117-147.

Chen, H.; Chen, T. J. (2003). "Governance structures in strategic alliances: Transaction cost versus resource-based perspective", *Journal of World Business*, vol. 38, n° 1, p. 1–14.

Chen, H.; Hu, M. Y. (2002). "An analysis of determinants of entry mode and its impact on performance", *International Business Review*, vol. 11, n° 2, p. 193–210.

Chiambaretto, P. (2015) "Resource Dependence and Power-balancing Operations in Alliances: The Role of Market Redefinition Strategies", *M@n@gement*, vol. 18, n° 3, p. 205–233.

Chiambaretto, P.; Fernandez, A.-S. (2015) "The evolution of coopetitive and collaborative alliances in an alliance portfolio: The Air France case", *Industrial Marketing Management*, vol. 57, p. 75-85.

Christoffersen, J. (2013). "A Review of Antecedents of International Strategic Alliance Performance: Synthesized Evidence and New Directions for Core Constructs", *International Journal of Management Reviews*, vol. 15, n° 1, p. 66–85.

Choi, J.; Contractor, F.J. (2016). "Choosing an appropriate alliance governance mode: The role of institutional, cultural and geographical distance in international research & development (R&D) collaborations", *Journal of International Business Studies*, vol. 47, n°2, p. 210-232

Contractor, F.J.; Lorange, P. (1988). "Why should firms co-operate? The strategic and economics basis for co-operative ventures", in F. J. Contractor; P. Lorange (eds.) *Co-operative Strategies in International Business*, Lexington, Lexington Books, 3-28 p.

Dacin, T. M.; Hitt, M. A.; Levitas, E. (1997). "Selecting Partners for Successful International Alliances: Examiniation of U.S. and Korean Firms", *Journal of World Business*, vol. 32, n° 1, p. 3-16.

Dacin, T.; Reid, D.; Smith Ring, P. (2008) "Alliances and Joint Ventures: The Role of Partner Selection from an Embeddedness Perspective", in S. Cropper, M. Ebers, C. Huxham, P.S. Ring (ed.), *The Oxford Handbook of Inter-organizational Relations,* New York , Oxford University Press, p. 90-118.

Das, T. K.; Teng, B. (1998). "Resource and risk management in the strategic alliance making process", *Journal of Management*, vol. 24, n° 1, p. 21–42.

Das, T.K.; Teng, B.-S. (2001). "A risk perception model of alliance structuring", *Journal of International Management*, vol. 7, n° 1, p. 1–29.
Delios, A.; Beamish, P. W. (1999). "Ownership strategy of Japanese firms: Transactional, institutional, and experience influences", *Strategic Management Journal*, vol. 20, n° 10, p. 915-933.
Dong, L.; Glaister, K.W. (2009). "Antecedents of perceived national and corporate culture differences: evidence from Chinese international strategic alliances", *Asia Pacific Business Review*, vol. 15, n° 2, p. 217-241.
Dong, L.; Glaister, K.W. (2007). "National and corporate culture differences in international strategic alliances: Perceptions of Chinese partners", *Asia Pacific J Manage*, vol. 24, n° 24, p.191-205.
Dunning, J. H. (1993). *Multinational enterprises and the global economy*, Wokingham, Addison-Wesley, 920 p.
Doz, Y.; Hamel, G. (1998). *Alliance Advantage. The Art of Creating Value through Partnering*, Boston, Massachusetts, Harvard Business School Press, 316 p.
Drogendijk, R.; Slangen, A. (2006). "Hofstede, Schwartz, or managerial perceptions? The effects of different cultural distance measures on establishment mode choices by multinational enterprises", *International Business Review*, vol. 15, n° 4, p. 361-380.
Dussauge, P.; Garette, B.; Mitchell, W. (2007). "Asymmetric Performance: The Market Share Impact of Scale and Link Alliances in the Global Auto Industry", *Strategic Management Journal*, vol. 25, n° 7, p. 701–711.
Erramilli, M. K. (1991). "The experience factor in foreign market entry behavior of service firms", *Journal of International Business Studies*, vol. 22, n° 3, p. 479-501.
Erramilli, M. K.; Agarwal, S.; Kim, S. (1997). "Are firm-specific advantages location-specific too?" *Journal of International Business Studies*, vol. 28, n° 4, p. 735–757.
Erramilli, M. K.; Agarwal, S. ; Dev, C. S. (2002). « Choice between non-equity entry modes: An organizational capability perspective", *Journal of International Business Studies,* vol. 33, n° 2, p. 223-242.
Frankel, J.; Rose, A. (2002). "An Estimate of the Effect of Common Currencies on Trade and Income", *The Quarterly Journal of Economics, vol. 117,* n° 2, p. 437-466.
Fujita, M.; Mori, T. (2005). "Frontiers of the New Economic Geography", *Papers in Regional Science*, vol. 84, n° 3, p. 377-405.
Garette, B.; Dussauge, P. (2000). "Alliances versus acquisitions: choosing the right option", *European Management Journal*, vol. 18, n° 1, p. 63–69.
Ghemawat, P. (2001). "Distance Still Matters. The Hard Reality of Global Expansion", *Harvard Business Review*, vol. 79, n° 8, p. 137–147.
Ghemawat, P. (2007). *Redefining Global Strategy. Crossing Borders in A World Where Differences Still Matter*, Boston, Massachusetts, Harvard Business Review Press, 257p.
Ghemawat, P. (2016). *The Laws of Globalization and Business Applications*, Cambridge, UK: Cambridge University Press, 403p.
Glaister, K.W.; Buckley, P. J. (1996). "Strategic motives for international alliance formation", *Journal of Management Studies*, vol. 33, n° 3, p. 301-332.
Globerman, S.; Nielsen, B.B. (2007). "Equity versus non-equity international strategic alliances involving Danish firms; An empirical investigation of the relative importance of parner and host country determinants", *Journal of International Management*, vol. 13, n° 4, p. 449-471.
Globerman, S.; Shapiro, D. (2002). "Global foreign direct investment flows: the role of governance infrastructure", *World Development*, vol. 30, n°11, p. 1899–1919.
Gulati, R.; Singh, H. (1998). "The architecture of cooperation: Managing coordination costs and appropriation concerns in strategic alliances", *Administrative Science Quarterly*, vol. 43, n° 4, p. 781–814.
Gulati, R.; Gargiulo, M. (1999). "Where Do Interorganizational Networks Come From?", *American Journal of Sociology*, vol. 104, n° 5, p. 1439–1493.
Harzing, A.; Pudelko, M. (2016) "Do We Need to Distance Ourselves from the Distance Concept? Why Home and Host Country Context Might Matter More Than (Cultural) Distance", *Management International Review*, vol. 56, n° 1, p. 1-34.
Head, K.; Mayer, T. (2013). "Gravity Equations: Workhorse, Toolkit, and Cookbook. International trade and regional economics", CEPR Discussion Paper, *Centre for Economic Policy Research*, n° 9322, p. 1-65.
Hennart, J. F. (1988). "A transaction costs theory of equity joint ventures", *Strategic Management Journal*, vol. 9, n°4, p.361-374.
Hennart, J. F.; Zeng, M. (2002). "Cross-cultural differences and joint venture longevity", *Journal of International Business Studies*, vol. 33, n°4, p. 699-716.
Hitt, M. A.; Ahlstrom, D.; Dacin, T. M.; Levitas, E.; Svobodina, L. (2004). "The institutional effects on strategic alliance partner selection in transition economies: China vs. Russia", *Organization Science*, vol. 15, n° 2, p. 173–185.
Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*, Berverly Hills, Sage Publications, 328 p.
House, R.; Mansour, J.; Dorfman, P. (2002). "Understanding cultures and implicit leadership theories across the globe: an introduction to project GLOBE", *Journal of World Business*, vol. 37, n°1, p. 3-10.
Hutzschenreuter, T.; Kleindienst, I.; Lange, S. (2016). "The Concept of Distance in International Business Research: A Review and Research Agenda", *International Journal of Management Reviews*, vol. 18, n°2, p. 160-179.
Johanson, J.; Vahlne, J.E. (1977). "The internationalization process of the firm – a model of knowledge development and increasing foreign market commitment", *Journal of International Business Studies*, vol. 8, n° 1, p. 23-32.
Kale, P.; Singh, H. (2009). "Managing Strategic Alliances: What Do We Know Now, and Where Do We Go From Here?", *The Academy of Management Perspectives*, vol. 23, n° 3, p. 45–62.
Kaufmann, J. B.; O'Neil, H. M. (2007). "Do culturally distant partners choose different types of joint ventures?", *Journal of World Budiness*, vol. 42, n° 4, p. 435–448.

Ketokivi, M.; Mantere, S. (2010). "Two strategies for inductive reasoning in organizational research", *Academy of Management Research*, vol. 35, , n° 2, p. 315-333.
Kleinert, J.; Toubal, F. (2010). "Gravity for FDI", *Review of International Economics*, vol. 18, n° 1, p. 1–13.
Kogut, B. (1988). "Joint ventures: Theoretical and empirical perspectives", *Strategic Management Journal,* vol. 9, n° 4, p. 319–332.
Kogut, B.; Singh, H. (1988). "The Effect of National Culture on the Choice of Entry Mode", *Journal of International Business Studies*, vol. 19, n° 3, p. 411-432.
Le Roy, F.; Robert, M.; Lasch, F. (2016). "Choosing the best partner for product innovation: Talking to the enemy or to a friend?", *International Studies of Management & Organization,* vol. 46, n° 2, p. 1-20
Li, C.; Parboteeah, P. (2015). "The effect of culture on the responsiveness of firms to mimetic forces: imitative foreign joint ventures entries into China, 1985-2003", *Journal of World Business*, vol. 50, n° 3, p. 465-476.
Long, G. (2005). "China's policies on FDI: review and evaluation", in T. T. Moran, E. M. Graham & M. Blomstrom (Eds.), *Does foreign direct investment promote development?,* Washington DC: Institute for International Economics, Centre for Global Development, pp. 315–336
López-Duarte, C.; García-Canal, E. (2002). "The Effect of Firm and Host Country Characteristics on the Choice of Entry Mode: Empirical Evidence from Spanish Firms", *Journal of Management and Governance*, vol. 6, n° 2, 153-168
Luo, Y. (2007) "Are joint venture partners more opportunistic in a more volatile environment?", *Strategic Management Journal*, vol. 28, n° 1, p. 39-60.
Luo, Y (2002a). "Contract, cooperation, and performance in international joint ventures", *Strategic Management Journal*, vol. 23, n° 10, p. 903–919.
Luo, Y. (2002b). "Capability exploitation and building in a foreign market: Implications for multinational enterprises", *Organization Science,* vol. 13, n°1, p. 48-63.
Luo, Y. (2001). "Determinants of Entry in an Emerging Economy: A Multilevel Approach*", Journal of Management Studies*, vol. 38, n° 3, p. 443-472.
Madhok, A. (1997). "Cost, value and foreign market entry mode: The transaction and the firm", *Strategic Management Journal*, vol. 18, n°1, p. 39-61.
Majocchi, A.; Mayrhofer, U.; Camps, J. (2013). "Joint ventures or non-equity alliances? Evidence from Italian firms", *Management Decision*, vol. 51, n°2, p. 380-395.
Mayer, T.; Zignago, S. (2011). "Notes on CEPII's distances measures: the GeoDist Database"*, CEPII Working Paper 2011-25*
Mayrhofer, U. (2004). "The influence of national origin and uncertainty on the choice between cooperation and merger-acquisition: an analysis of French and German firms", *International Business Review*, vol. 13, n° 1, p. 83–99.
Merchant, H. (2005). "The structure–performance relationship in international joint ventures: a comparative analysis", *Journal of World Business*, vol. 40, n° 1, p. 41-56.
Meschi, P.-X. (2005). "Environmental uncertainty and survival of international joint ventures: The case of political and economic risk in emerging countries", *European Management Review*, vol. 2, n° 2, p. 143–152.
Meschi, P.-X.; Riccio, E. L. (2008). "Country risk, national cultural differences between partners and survival of international joint ventures in Brazil", *International Business Review*, vol. 17, n° 3, p. 250–266.
Meyer, K. E. (2001). "Institutions, transaction costs, and entry mode choice in Eastern Europe", *Journal of International Business Studies*, vol. 32, n°2, p. 357–367.
Moalla, E. (2015). " Towards a multidimensional approach to distance faced with the choice of establishing interfirm linkages on the foreign markets", *International Management*, vol. 19, p. 117-134.
Morschett, D.; Schramm-Klein, H.; Swoboda, B. (2010). "Decades of research on market entry modes: What do we really know about external antecedents of entry mode choice?", *Journal of International Management*, vol. 16, n°1, p. 60-77.
Neter, J.; Wasserman, W.; Kutner, M. H. (1985) *Applied linear statistical models: Regression, analysis of variance, and experimental design*, Homewood, R. D. Irwin, 1408p.
Nielsen, B. B. (2007). "Determining international strategic alliance performance: A multidimensional approach", *International Business Review*, vol. 16, n° 3, p. 337-361.
Nielsen, B. B. (2003). "An Empirical Investigation of the Drivers of International Strategic Alliance Formation", *European Management Journal*, vol. 21, n° 3, p. 301-322.
Oliver, C. (1990). "Determinants of Interorganizational Relationships: Integration and Future Directions", *Academy of Management Journal*, vol. 15, n° 2, p. 241–265.
Oxley, J.E., (1997). "Appropriability hazards and governance in strategic alliances: a transaction cost approach", *Journal of Law, Economics and Organization*, vol. 13, n°3, p. 387–409.
Oxley, J.E., (1999). "Institutional environment and the mechanism of governance: the impact of intellectual property protection on the structure of inter-firm alliances", *Journal of Economic Behavior and Organization*, vol. 38, n° 3, p. 283–309.
Pan, Y.; Tse, D. K. (2000). "The hierarchical model of market entry modes", *Journal of International Business Studies*, vol. 31, n° 4, p. 535–554.
Pangarkar, N.; Klein, S. (2001). "The impact of alliance purpose and partner similarity on alliance governance", *British Journal of Management*, vol. 12, n° 4, p. 341-353.
Pedersen, T.; Petersen, B. (2004). "Learning About Foreign Markets: Are Entrant Firms Exposed to a "Shock Effect"?", *Journal of International Marketing*, vol. 12, n° 1, p. 103-123.
Prévot, F.; Meschi, P.-X. (2006). "Evolution of an International Joint Venture: The case of a French-Brazilian Joint Venture", *Thunderbird International Business Review*, vol. 48 n° 3, p. 297-319.
Reur, J. J.; Ariño, A. (2007). "Strategic alliance contracts: dimensions and determinants of contractual complexity", *Strategic Management Journal*, vol. 28, n° 3, p. 313–330.

Roehl, T. W.; Truitt, J. F. (1987). "Stormy open marriages are better: Evidence from US Japanese and French cooperative ventures in commercial aircraft", *Columbia Journal of World Business,* vol. 22, n° 2, p. 87–95.
Sampson, R. C. (2007). "R&D Alliances and Firm Performance: The Impact of Technological Diversity and Alliance Organization on Innovation", *Academy of Management Journal,* vol. 50, n° 2, p. 364-386.
Schilling, M. (2009). "Understandig the alliance data", *Strategic Management Journal*, vol. 30, n° 3, p. 233-260.
Shenkar, O. (2001). "Cultural distance revisited: toward a more rigorous conceptualization and measurement of cultural difference", *Journal of International Business Studies*, vol. 32, n° 3, p. 519-535.
Shenkar, O. (2012). "Beyond cultural distance: Switching to a friction lens in the study of cultural differences", *Journal of International Business Studies*, vol. 43, n° 1, p. 12-17.Silva, S.; Tenreyro, S. (2006) "The Log of Gravity", *Review of Economics and Statistics*, vol. 88, n° 4, p. 641–658.
Taylor, C. R.; Zou, S.; Osland, G. E. (1998). "A transaction cost perspective on foreign market entry strategies of US and Japanese firms", *Thunderbird International Business Review*, vol. 40, n° 4, p. 389-412.
Tihanyi, L.; Griffith, D.; Russell, C. J. (2005). "The effect of cultural distance on entry mode choice, international diversification and MNE performance: A meta-analysis", *Journal of International Business Studies*, vol. 36, n° 3, p. 270-283.
Tinbergen, J. (1962). *Shaping the World Economy: Suggestions for an International Economic Policy*, New York, Twentieth Century Fund, 346p.
Thuy, L.X.; Quang, T. (2005). « Relational capital and performance of international joint ventures in Vietnam", *Asia Pacific Business Review*, vol. 11, n° 3, p. 389–410.
Tung, R. L.; Verbeke, A. (2010). "Beyond Hofstede and GLOBE: Improving thequality of cross-cultural research", *Journal of International Business Studies*, vol. 41, n° 8, p. 1259-1274.
Wassmer, U.; Dussauge, P. (2012). "Network resource stocks and flows: how do alliance portfolios affect the value of new alliance formations?", ***Strategic Management Journal***, vol. 33, n° 7, p. 871-883.
Williamson, O. E. (1985). *The economic institutions of capitalism*. New York, Basic Books, 468 p.
Yan, A. (1998). "Structural Stability and Reconfiguration of International Joint Ventures", *Journal of International Business Studies*, vol. 29, n° 4, p. 773-795.
Zaheer, S. (1995). "Overcoming the Liability of Foreigness", *Academy of Management Journal*, vol. 38, n° 2, p. 314-363.
Zaheer, A.; Hernandez, E. (2011). "The geographic scope of the MNC and its alliance portfolio: resolving the paradox of distance", *Global Strategy Journal*, vol. 1, n° 1-2, p. 109–126.
Zhao, H.; Luo,Y.; Suh, T. (2004). "Transaction cost determinants and ownership-based entry mode choice: A metaanalytical review", *Journal of International Business Studies*, vol. 35, n° 6, p. 524-544.