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Review

Entry mode choices of multinational companies (MNCs) and host countries' corruption: A review

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Despite voluminous literature on corruption and the entry mode choices of multinational companies (MNCs) in isolation, a comprehensive account which details the mechanisms through which host country corruption impacts on MNCs' entry modes is lacking. To overcome such a gap, we systematically review and provide an up-to-date overview of the empirical literature on corruption and the entry mode choices of MNCs. The review demonstrates that, in general, when in presence of markets with high levels of corruption, MNCs prefer low equity (that is, joint-ventures with local partners) or non-equity (namely exports and contracting) entry mode choices. Nevertheless, it also reveals that, in some specific cases, such as cultural proximity, even when there is pervasive corruption, MNCs may enter via wholly-owned subsidiaries. Such conclusions uncovered an interesting path for future research by exploring a rather neglected context, where the entry mode choices of MNCs are made from developed countries in Africa possessing historical and cultural ties.

Key words: Corruption, entry mode.

INTRODUCTION

Entry mode research, that is, academic interest and publications on entry mode decisions, has significantly increased since 1980 (Canabal and White, 2008). This research field assumes an enormous importance considering that the multinational companies (MNCs) choice of entry mode is a central factor that will influence its future performance (Rasheed, 2005). Nevertheless, the very distinct theoretical approaches to the determinants of firms' internationalization processes are not, in general, directly and explicitly aimed at explaining MNCs' entry modes. Instead they are more focused on highlighting key determinants of Foreign Direct Investment (FDI). By adapting the existing theoretical approaches to FDI and internationalization, we provide a new systematization to frame existing contributions on the issue of the entry mode choices of MNCs based on transaction cost analysis, a broader theoretical framework, Dunning's eclectic paradigm and the institutional approach.

Particularly through the location dimension of the eclectic paradigm, and above all, the institutional approach, corruption emerged as a key variable associated to the entry mode choices of Multinational companies (MNCs). Indeed, MNCs are increasingly influenced by institutional instability, perceived risk and uncertainty in their process of investing in emerging economies (Uhlenbruck et al., 2006). Extant literature suggests the existence of a negative correlation between inflows of FDI and corruption (Uhlenbruck et al., 2006; Javorcik and Wei, 2009).

Despite the voluminous literature on the issue of entry mode choices (Faeth, 2009) and corruption (Jain, 2001) in isolation, a comprehensive account of the links between corruption and the entry mode choices of MNCs is lacking. Several high-quality empirical, international business studies suggest that corruption influences MNCs' entry modes, particularly with regard to the choice of non-equity modes or partnering with a view to establishing wholly-owned subsidiaries (Rodriguez et al., 2005; Uhlenbruck et al., 2006; Straub, 2008; Javorcik and Wei, 2009; Demirbag et al., 2010). However, such

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evidence is fragmented and disperse, which demands an integrated and unified overview of the subject.

Given the existence of distinct types of corruption and MNCs' entry modes, such an integrated overview would broaden our understanding of the mechanisms by which distinct types of corruption lead MNCs to making distinct entry modes choices. Indeed, although some studies emphasize that, in the presence of petty bureaucratic, high-level political corruption (Straub, 2008), or the pervasiveness and arbitrariness of corruption (Rodriguez et al., 2005; Uhlenbruck et al., 2006), MNCs would prefer 'less demanding' entry modes, such as non-equity modes or partnering, more recently, Demirbag et al. (2010) found that in the case of direct historical and cultural ties between home and host countries, MNCs may reveal preference for wholly-owned subsidiaries.

The present study contributes to the literature on international business on two grounds. Firstly, it provides a comprehensive literature review on the determinants of the entry mode choices of MNCs. Secondly, by focusing on the mechanisms by which corruption impacts on the MNCs' choice of entry mode; it helps to uncover rather unexplored issues in this particular domain.

This paper is structured as follows. Subsequently, the study defines the key concepts – corruption and entry modes – in analysis. Then, the main determinants of MNCs' entry modes are reviewed. Finally, the study broadens the analysis of existing studies on the impact of corruption on MNCs' entry mode, pointing out the main paths for future research in this domain.

DEFINING THE KEY CONCEPTS: CORRUPTION AND ENTRY MODE CHOICES OF MNCS

As one of the most prevalent political problems worldwide (Frischmann, 2010), in recent years there has been considerable empirical research on the causes and effects of corruption across countries (Goel and Nelson, 2010). The World Bank has estimated that more than 1 trillion USD is paid in bribes each year and that countries that fight corruption, improve governance and the rule of law, could increase per capita incomes by 400% (Dreher et al., 2007).

Given its significant impact and the numerous studies on corruption, there are naturally a wide variety of definitions for this phenomenon (Detzer, 2010). The most common definition is that of the World Bank, describing corruption as "the abuse of public office for private gain". Transparency International, in a similar vein, defines it as "the misuse of entrusted power for private gain". Another often-cited, but less clear and focused, definition of corruption is "behavior which deviates from the formal duties of a public role because of private regarding […] pecuniary or status gains, or violates rules against the exercise of certain types of private regarding influence" (Nye, 1989: 966 in Frischmann, 2010). Also Friedman et al. (2000) provide a more complex description; in their view corruption can be characterized by "illegal activities that represent costs imposed on business by bureaucrats from which the government obtains no revenue and which do not generate any positive benefits for society".

All these definitions may differ slightly in their formulation, but there is nevertheless consensus that corruption refers to acts in which the power of public office is used for personal gain in a manner that contravenes the rules of the game (Dey, 1989; Mauro, 1998; Treisman, 2000; Jain, 2001; Dietrich, 2010; Reiter and Steensma, 2010).

Corruption is an integral part of governance quality, institutional transparency and even political stability, because it interferes directly with each of these dimensions, influencing them negatively (Slangen and Hennart, 2008; Chiao et al., 2010). Besides the general definition of corruption, it is important to subdivide this concept into two very different types, that is, into political corruption and administrative or bureaucratic corruption (Jain, 1998; Straub, 2008) (Figure 1).

Political corruption involves political decision-makers who use the political authority they are entrusted with to sustain their power, status and wealth (Amundsen, 1999). Taking place at the high reaches of the political system, this type has a much stronger impact and is much more pervasive than bureaucratic corruption (Rodriguez et al., 2005; Uhlenbruck et al., 2006; Straub, 2008). Some authors make a different division, distinguishing between the pervasiveness of corruption, which reflects the degree to which corruption is dispersed broadly (institutionalized) throughout the public sector in a country, and arbitrariness which reflects the degree of uncertainty and capriciousness associated with public sector corruption.

Bureaucratic corruption as well as the pervasiveness of corruption are entirely reflected in the phenomenon commonly known as bribery (Straub, 2008; Demirbag et al., 2010), that is, when private actors make payments to public officials to obtain a benefit or to avoid harm, and when these are pocketed by the recipient or used for partisan political purposes (Jain, 1998).

Economic literature on corruption tends to focus on bribery (Berg, 2001). In this sense, there are many studies on bribery that denominate it as corruption (Klitgaard, 1989; Lien, 1990; Henderson and Kuncoro, 2010). Rose-Ackerman (1999), for example, does not seem to distinguish between the two, whereas Wei (1999), focusing on the public sector, simply defines corruption as "government officials abusing their power to extract/accept bribes from the private sector for personal benefit."

Another issue arising in the analysis of corruption is the question of how to measure this phenomenon. The most well-known corruption indicator is the corruption perceptions index (CPI), published annually by transparency international (Berg, 2001). In the CPI, the

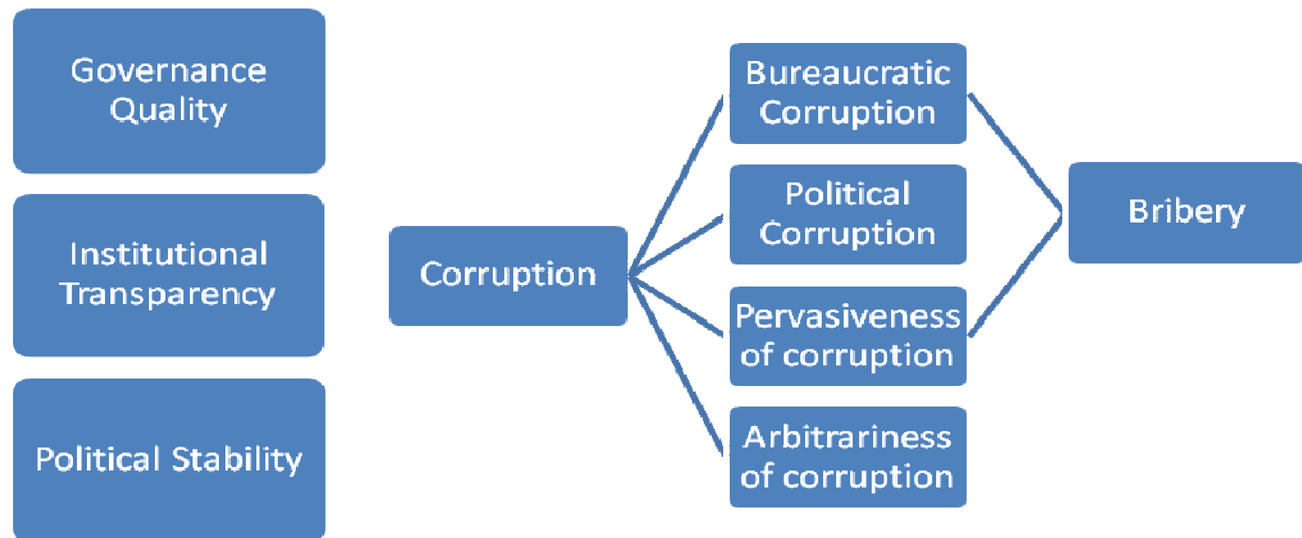

Figure 1. Taxonomy of corruption. Source: Authors.

countries evaluated are assigned a number from 1 (worst) to 10 (best) representing the "degree to which corruption is perceived to exist among public officials and politicians" (Transparency International, 2009). This index is often used in studies on corruption in order to include it as a quantified indicator in a theoretical model (Treisman, 2000; Friedman et al., 2010; Reiter and Steensma, 2010).

Another method for constructing composite indicators of corruption is given by the International country risk guide (ICRG) (Mauro, 1998; Dietrich, 2010). This measurement comprises 22 risk variables, representing three major components of country risk, namely economic, financial and political (Hoti and McAleer, 2004). Demirbag et al. (2010), focusing on the specific type of corruption, bribery, use the bribe ratio to measure this behavior. It is calculated by the total bribe value divided by total income in the same period (Berg, 2001). In such studies, the measurement is used as a representative indicator for corruption (Henderson and Kuncoro, 2010) or, more precisely, the pervasiveness of corruption (Demirbag et al., 2010).

Besides the methods to measure corruption mentioned previously, there is a diversity of corruption and bribery indexes developed by different entities, such as the World Economic Forum (Friedman et al., 2000), the International Monetary Fund (García et al., 2009), and the World Bank (Javorcik and Wei, 2009). Although, the measurement methodology is basically the same as that used in the CPI or by the ICRG, there are nevertheless clear differences, particularly deriving from the variance in selected variables, the years analyzed, and the sample of countries. Because the CPI generally covers many countries (more than 150) and the data collected covers a broad time period (1995 to 2010), it tends to be the preferred indicator for gauging the countries' corruption level.

International entry modes represent the third-most researched field in international management, since they are directly related to the international activity of MNCs (Canabal and White, 2008). Entry modes vary largely with regard to their scale of entry (Peng, 2009), and are basically divided into two categories: equity and non-equity (Tian, 2007) (Figure 2).

Equity entry modes include joint-ventures and wholly-owned subsidiaries. The first consists of a sharing arrangement between a foreign MNC and a local firm, where resources, risk and operational control are divided between the partners (Julian, 2005), whereas the latter may comprise both greenfield investments involving the establishment of a new firm and the acquisition of already existing firms (Razin and Sadka, 2007). The commitment of resources, that is, the scale of entry, in the equity mode is very high because there is direct establishment in the foreign market (Hill and Jones, 2009).

Non-equity modes are exports and contractual agreements such as licensing, franchising, turnkey projects and R and D contracts. In this case, the scale of entry is lower because the relations with the host market are based on contracts that do not imply direct establishment (Peng, 2009).

THE DETERMINANTS OF THE ENTRY MODE CHOICES OF MNCS

An exploratory bibliographic search in the Scopus database is used as search keywords 'MNCs' entry modes' provided the basis to frame the literature on MNCs' entry modes and to put forward the main aspects related to the subject. Out of 126 articles referring to

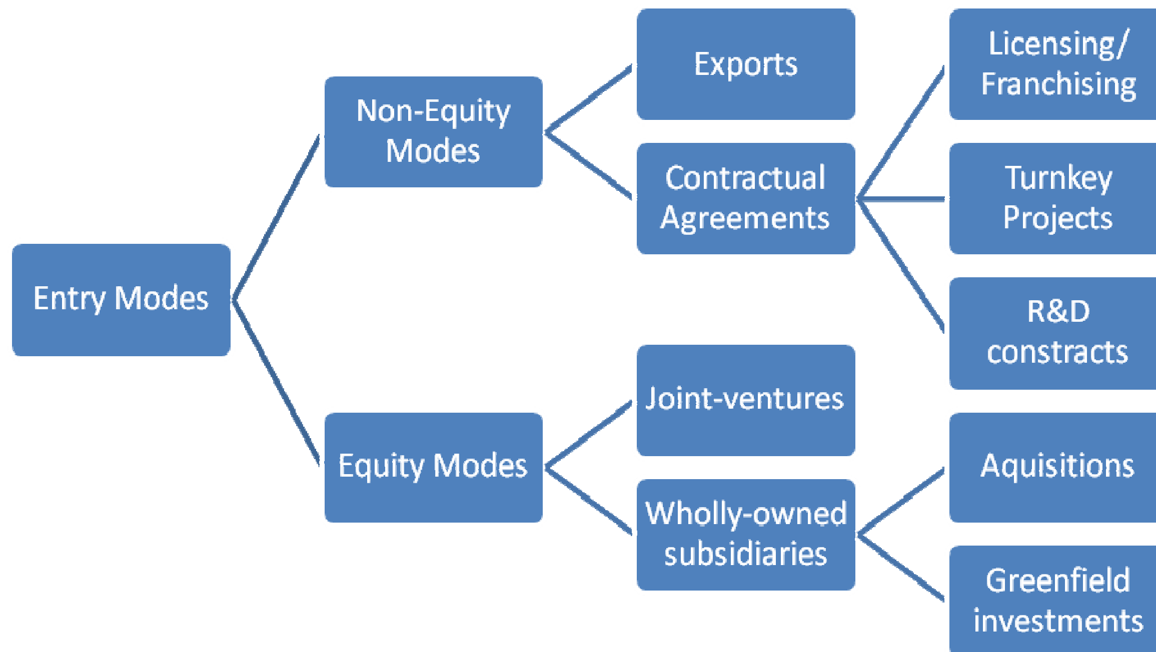

Figure 2. Taxonomy of entry modes. Source: Authors.

Table 1. Approaches and determinants of the entry mode choices of MNCs – the Transaction Cost approach.

Determinants		Impact on MNCs' entry mode choices	Studies (date)
Direct costs	Fixed costs	In order to minimize fixed costs related to Greenfield, mergers and acquisitions, MNCs tend to enter foreign markets via JVs.	Raff et al. (2009)
	Exit costs	MNCs are more likely to enter a foreign market through JVs, because they require fewer resources and have lower exit costs than WOS.	Slangen and Hennart (2008)
	Entry costs	To avoid high entry costs, MNCs tend to rely on a partner entering foreign markets via JVs.	Madhok (1998)
		When entry costs are very high, MNCs prefer acquisitions to Greenfield investments.	Fatica (2010)
Indirect costs	Trade barriers	Markets with high entry barriers favor entry via FDI, rather than exports as long as FDI fixed costs are not too large.	Eicher and Kang (2005)
	Market imperfections	In the presence of high costs due to market imperfections, MNCs prefer to conduct their business activities through non-equity modes.	Mok et al. (2002)

MNCs' entry modes, 62 articles dealt with the matter of the determinants of the MNCs' choice of entry mode. These articles were read and classified into their main theoretical approaches (Tables 1 to 6).

It is important to recall that most of the theories on FDI and MNCs intend to explain why firms are involved in several types of internationalization processes. In general, the very distinct theoretical approaches [early FDI studies; the neoclassical trade theory; ownership advantages; aggregate variables; ownership, location and internalization advantage (OLI) framework; horizontal and vertical FDI; the knowledge-capital model; risk diversification models; and policy variables (Faeth, 2009)], are not directly and explicitly aimed at explaining MNCs' entry modes but instead they focus on highlighting key determinants of foreign direct investment. By

Table 2. Approaches and determinants of the entry mode choices of MNCs – the ownership dimension of the eclectic paradigm.

Determinants		Impact on MNCs' entry mode	Studies (date)
Intangible assets	Firm's capabilities	In competitive markets with technological dynamism, MNCs prefer WOSs than JVs to remain competitive.	Madhok (1998)
		MNC´s with a strong market linking capability are more likely to use WOSs to enter a market than JVs.	Tseng and Lee (2010)
		When MNCs' competitive success depends on its capabilities, JVs are used to complement internal R&D resources and to exchange inter-firm knowledge.	Mutinelli and Piscitello (1998)
	Firm-specific assets	When firm-specific assets are transferred MNCs choose WOS, to protect them from opportunistic JV partners.	Sreenivas and Pangarkar, (2000)
		MNCs with strong firm-specific assets (less need for complementary assets, R&D capability) enter via WOSs.	Chiao et al. (2010)
		WOSs are more likely chosen than JVs, to maintain higher control over firm-specific assets.	Chen and Hu (2002)
	International experience	Experienced MNCs tend to enter foreign markets via WOSs, thanks to cumulative learning.	Mutinelli and Piscitello (1998) and Chiao et al. (2010)
	Necessity of control	When firm-specific activities need a high level of control, MNCs tend to avoid JVs, preferring WOSs.	Edwards and Buckley (1998)
	Technology-intensive assets	MNCs with high technological resources prefer entering markets via WOSs, rather then by JVs.	Sun (1999)
		Technology licensing is an appropriate entry mode for MNCs with technology intense assets.	Chen (2010)
		To avoid technology spillovers to domestic firms, the optimal entry modes for technology-intensive MNCs are direct entry modes (WOSs).	Chung (2009)
		High-technological firms prefer WOS to protect intangible assets.	Javorcik and Wei (2009)
		Greenfield investments are dominant when MNCs' technological intensity is high.	Kuemmerle (1999), Bhaumik and Gelb (2005) and Dikova and Van Witteloostuijn (2007)
	Managerial knowledge	Transfer of management know-how is more likely in WOSs and JVs, but not with contracts and exports.	Meyer (2001)
	Knowledge-based assets	To protect knowledge-based assets from misappropriation, MNCs enter foreign markets via WOS.	Martin and Salomon (2003)
	Resource competitiveness	When a MNC possesses adequate resources to compete in a foreign market, it is more likely to enter by Greenfield than by acquisition.	Anand (2002)

Table 2. Contd.

Tangible assets	Proprietary assets	To avoid the risk of unwanted dissemination of their proprietary assets or their rents to the JV partners, MNCs are likely to choose WOS.	Yiu and Makino (2002)
	Human resources	Firm size was found to be a non-significant determinant of entry mode choice.	Esperança et al. (2006)

Table 3. Approaches and determinants of the entry mode choices of MNCs – the internalization dimension of the eclectic paradigm.

Determinants		Impact on MNCs' entry mode	Studies (date)
Direct costs	Entry costs	To avoid high entry costs, MNCs tend to rely on a partner entering foreign markets via JVs.	Madhok (1998)
		When entry costs are very high, MNCs prefer acquisitions to Greenfield investments.	Fatica (2010)
Indirect costs	Trade barriers	Markets with high entry barriers favor entry via FDI, rather than exports as long as FDI fixed costs are not too large.	Eicher and Kang (2005)

adapting the existing theoretical approaches to FDI and internationalization, we provide a new systematization (Tables 1 to 6) to frame existing contributions under three main theoretical frameworks: transaction cost analysis, a broader theoretical framework, Dunning's eclectic paradigm, and the institutional approach.

Transaction cost analysis has been rather widely used by researchers to examine the determinants of entry mode choices (Chen and Hu, 2002) (Table 1). Most theorists working on this cost-related approach favor the establishment of joint-ventures (JV) (Madhok, 1998), because other entry modes require a higher financial effort (Slangen and Hennart, 2008; Raff et al., 2009). The direct costs responsible for this shift are, for example, entry costs like tariffs (Madhok, 1998) or exit costs like the disadvantageous sale of a firm or equipment (Slangen and Hennart, 2008). Entry via JVs reduces these financial efforts significantly (Raff et al., 2009) and helps to fill in the information gap deriving from socio-cultural differences (Chun, 2009).

With regard to the indirect costs pointed out in the transaction cost approach, trade barriers, for example, lead to direct establishment (Wholly-Owned Subsidiaries (WOS) or JVs) in order to avoid trade with the host country (Eicher and Kang, 2005). In contrast, when market imperfections dominate the industry, moderate involvement is advisable (Mok et al., 2002). Restricting his study to the option of Acquisitions versus Greenfield investments, Fatica (2010) argues that, when entry costs are very high, MNCs prefer Acquisitions to Greenfield investments and that for intermediate levels of entry costs, they may choose a Greenfield investment or an acquisition in cases where they already have a JV.

Based on the micro-level of Dunning's eclectic paradigm (Table 2), the ownership dimension highlights firm-level determinants such as income-generating assets and the firms' ability to coordinate them with other assets abroad (Cantwell and Narula, 2003). Given the perspective of the firms' abilities, we could associate the firm's competences, skills and assets from the resource-based theory (Hill and Jones, 2009), which seeks to explain the relationship between a firm's resource endowment and its performance and growth (Lockett et al., 2009), to this approach (Luo, 1999).

In concrete, for firm-specific assets (Madhok, 1998; Sreenivas Rajan and Pangarkar, 2000) such as technology-intensive resources (Sun, 1999; Javorcik and Wei, 2009) and innovative/R and D-intensive activities (Bhaumik and Gelb, 2005; Chung, 2009), the mostly preferred entry mode is the establishment of wholly-owned subsidiaries (WOS), via Greenfield or acquisition investments. This is justified on the basis that firm-specific resources and activities need a high level of control (Edwards and Buckley, 1998; Chen and Hu, 2002), which would not be possible in a joint-venture (JV) where knowledge has to be transferred to the partner (Chiao et al., 2010; Yiu and Makino, 2002; Martin and Salomon, 2003).

Chen (2010) proposes an alternative to WOS, namely technology licensing, where the control level over the assets supposedly remains the same. In the case of internationally experienced firms, there is a preference for

Table 4. Approaches and determinants of the entry mode choices of MNCs - the location dimension of the eclectic paradigm.

Determinants		Impact on MNCs' entry mode	Studies (date)
Cultural differences between home and host country	Cultural distance	When cultural distance is large, MNCs prefer WOSs over JVs.	Chen and Hu (2002)
		Culturally distant markets favor WOSs, rather than JV, because cooperation expectations are low.	Pennings and Sleuwaegen (2004)
		High levels of cultural distance increase the likelihood that MNCs choose Greenfield over acquisitions.	Drogendijk and Slangen (2006)
		There was no evidence found that cultural distance influences MNCs entry modes.	Demirbag et al. (2009)
	Socio-cultural distance	The socio-cultural distance between home and host country discourages MNCs to invest in WOS, preferring JVs.	Sun (1999)
		MNCs tend to hold a lower equity share and to depend on a local partner (JV) when entering a socio-culturally distant country.	Chun (2009)
	Linguistic distance	The greater the linguistic distance between home and host country, the more likely MNCs will choose a JV over a WOS.	Demirbag et al. (2009)
Industry- specific assets	Competition intensity	When markets are very competitive or not at all, Greenfield is preferred, while for intermediate it is valued acquisition.	Müller (2007)
		In highly concentrated markets, MNCs tend to enter via Greenfield, because acquiring existent firms is too expensive.	Elango and Sambharya (2004)
	R&D Intensity of the industry	MNCs enter R&D-intensive industries via JVs or acquisitions to gain access to overseas capabilities.	Belderbos (2003)
		MNCs prefer to establish JVs rather than establishing WOSs as the R&D intensity of the industry increases.	Demirbag et al. (2009)
	Complementary assets	To gain access to location-specific complementary assets, MNCs often choose JV to enter these markets.	Hennart (2009)
Location- specific assets	Economic strength of local partners	The presence of strong local partners leads MNCs to choose JVs, because they usually have extensive local networks.	Yeung and Li (2000)

Table 4. Contd.

	Location-specific advantages	By identifying location-specific advantages, firms choose mostly integrated entry modes (WOS, JV, Strategic Alliances).	Brouthers et al. (1996) and Moon (1997)
	Market size	FDI (compared with contracting) is the desirable mode of entry when entering a large market.	Horstmann and Markusen (1996)
		In large markets MNCs are more likely to enter via acquisitions.	Eicher and Kang (2005)
	Market attractiveness as gateway to other markets	MNCs' entry mode is motivated not only by the entered market potential, but also by its ability to serve as a gateway to other neighboring markets. In this case a MNC would intensify its involvement via, for example, FDI.	Javalgi et al. (2010)

Table 5. Approaches and determinants of the entry mode choices of MNC – Institutional approach.

Determinants		Impact on MNCs' entry mode	Studies (date)
Host countries' institutional quality	Political risk	In the presence of political risks, MNCs tend to choose WOSs (or majority-owned plants) to protect themselves from potentially manipulative JV partners.	Henisz (2000)
		SMEs are more likely to choose equity-based modes (JV or WOS) when entering risky markets.	Rasheed (2005)
		When MNCs perceive risky environments, they are more likely to enter via WOS (acquisition or Greenfield).	Ketata (2006)
	Perceived risk	MNCs tend to opt for high control modes (WOS) when the risk of doing business in the host country is high.	Taylor et al. (2000)
	Intellectual Property Rights	For small and medium-sized firms the preferred entry in countries with weak protection of IPR is establishing a JV with an existing MNC (JV).	Acs et al. (1997)
		When IPR are not well protected MNCs prefer establishing a WOS.	Luo (2001)
		Weak intellectual property rights reinforce exporting, and decreases FDI, relative to licensing, in industries with shorter rent-extraction times.	Maskus et al. (2008)
		Markets with weak IPR increase the probability of MNCs' entry via exports.	An et al. (2008)
		When IPR are poorly protected, the preferred entry mode is a JV.	Che and Facchini (2009)

Table 5. Contd.

	International risk (political, financial, etc.)	When MNCs perceive high risk levels, they are more likely to enter the market via high control modes (WOSs).	Ahmed et al. (2002)
	Governmental intervention	JVs are preferred if perceived governmental intervention is high.	Luo (2001)
		MNCs are more likely to form a JV with local partners than establish a WOS as the degree of regulative and normative pressures in a host country increases.	Yiu and Makino (2002)
	Corruption	MNCs adapt to the pressures of corruption via short-term contracting and JVs.	Uhlenbruck et al. (2006)
		High levels of corruption reduce the possibility of MNCs' entry via WOS or direct franchising, increasing entries via JV.	García et al. (2009)
		In the presence of arbitrary and pervasive corruption, MNCs tend to enter foreign markets by non-equity modes.	Rodriguez et al. (2005)
		In more risky environments it is advisable to enter via contracting, i.e., non-equity modes.	Paul and Wooster (2008)
		MNCs prefer JVs to avoid excessive transaction costs related to corrupt government officials.	Javorcik and Wei (2009)
		When entering corrupt markets, MNCs should enter via JVs.	Li et al. (2009)
		In the face of corrupt markets, a MNC should enter via a JV.	Demirbag et al. (2010)
Host countries' institutional quality		MNCs often choose JV over WOS to protect themselves from external uncertainties, but in this case they may expose themselves to internal uncertainties.	Slangen and van Tulder (2009)
		Countries with high political corruption are most frequently entered via non-equity modes.	Straub (2008)
	Governance quality (= low external uncertainty)	MNCs are more likely to enter countries with a low overall governance quality through JVs rather than through WOSs.	Slangen and Hennart (2008)
	Local policy/ political constraints	The more restricted political measures are, the more likely MNCs choose JVs over WOSs.	Demirbag et al. (2009)
	Costs	High tariffs may act as an entry barrier, directing MNCs' entry mode towards exports, rather than acquisitions.	Tekin-Koru (2009)
	Local content requirement	Exports are more likely to be adopted for a high LCR level than FDI.	Qiu and Tao (2001)

Table 5. Contd.

Distance between home and host country	Uncertainty (institutional differences)	When uncertainty is high, MNCs prefer entery via WOSs, because they contribute to reducing uncertainty.	Li and Rugman (2007)
		When MNCs' perception of institutional differences is high, it tends to enter by WOSs.	Chiao et al. (2010)
	Political differences	When facing remarkable political differences in the entered market, MNCs should consider JVs instead of solely entry modes (WOSs).	Bianchi and Ostale (2006)
	Psychological distance	JVs are more feasible in distant locations, because the lack of proximity and familiarity hampers MNCs' entry without reliance on a local partner.	Meyer (2001)
	Entry barriers	To overcome entry barriers, such as liability of foreignness, it is more likely that MNCs enter by acquisitions or JVs.	Elango and Sambharya (2004)
	Access to information/ performance under uncertainty	Due to asymmetric information between home and host firms, foreign MNCs prefer entering the market via FDI (WOS or JV), rather than exports.	Moner-Colonques et al. (2008)
	Industry structure	In less developed banking markets, internationalized banks prefer entry via acquisition.	Lehner (2009)
		MNCs choose WOSs over JVs, when entering high potential industries.	Chen and Hu (2002)
		In less developed markets, MNCs prefer enter via mergers and acquisitions than via Greenfield, in order to enable market development.	Al-Kaabi et al. (2010)

Table 6. Approaches and determinants of the entry mode choices of MNC – Others.

Determinants	**Impact on MNCs' entry mode**	**Studies (date)**
Product diversification	MNCs with more diversified products are likely to enter foreign markets through acquisition, while MNCs which focus on their main line of business enter through Greenfield.	Mudambi and Mudambi (2002)
Nature of MNCs' activity	Given the service-oriented nature (very firm-specific assets) of MNCs' activity, there is a tendency to enter foreign markets via FDI.	Williams and Deslandes (2008)
International strategy and objectives	Acquisitions are more likely for multidomestic companies and Greenfields are more likely for global companies.	Harzing (2002)

WOS (Tseng and Lee, 2010; Chiao et al., 2010). Indeed, MNCs with accumulated knowledge in internationalization are less likely to rely on the support of a JV partner, because they already have the required know-how to do business abroad (Mutinelli and Piscitello, 1998). In contrast, when a MNC does not have any experience, JVs can be used to complement internal R and D resources and to exchange knowledge on an inter-firm basis (Mutinelli and Piscitello, 1998).

The internalization approach in Dunning's Eclectic Paradigm stems from the removal of the market relationship between an importer and an exporter, which provokes high transaction costs for the internationalized MNC (Peng, 2009). This theory is based on the advantages that are created when a MNC enters foreign markets via FDI, avoiding entry costs and trade barriers, using transaction cost approach (Cantwell and Narula, 2003).

In the location-specific approach extracted from Dunning's Eclectic Paradigm, cultural distance is a central determinant of entry mode choice (Table 4). According to Chen and Hu (2002: 196) "[c]ulture is shared values and beliefs. Cultural distance is the difference in these values and beliefs shared between home and host countries. Large cultural distances lead to high transaction costs for multinationals investing overseas". Culturally, distant markets favor MNCs entry via WOS, rather than by JV (Chen and Hu, 2002; Pennings and Sleuwaegen, 2004; Drogendijk and Slangen, 2006). Also high potential industries (Chen and Hu, 2002) and competition intensive markets (Elango and Sambharya, 2004; Müller, 2007), guide MNCs to choose WOS as the optimal entry mode. Nevertheless, to gain access to industry-specific assets such as R and D capabilities (Belderbos, 2003) and complementary assets (Hennart, 2009), MNCs use joint-venture partners as intermediaries to guarantee their availability.

Preference for JV establishments exists when there are considerable socio-cultural differences between home and host countries (Sun, 1999; Chun, 2009). According to Sun (1999), "[s]ocio-cultural distance refers to the difference in social culture between countries. […] MNCs find it difficult to transfer home technologies and management techniques to an unknown operating environment, [because] operating in a foreign culture at a distance increases business uncertainty and unpredictability." Linguistic distance (Demirbag et al., 2009) influences entry modes in the same direction; specifically, MNCs overcome such "cultural barriers" through the support of JV partners (Sun, 1999). These partners are often embedded in local networks which are advantageous for foreign MNCs' performance (Yeung and Li, 2000). Besides this, the fusion of firms may be beneficial for both firms, due to R and D-intensive spillovers (Belderbos, 2003; Demirbag et al., 2009). Location-specific advantages, such as market attractiveness as a gateway to other markets (Javalgi et al., 2010), favor integrated entry modes (WOS or majority share JV) (Brouthers et al., 1996). In general, FDI is preferred when entering large markets (Horstmann and Markusen, 1996; Eicher and Kang, 2005) and when countries have low development levels (Lehner, 2009; Al-Kaabi et al., 2010).

Focusing now on the more macro level approaches, namely the institutional approach (Table 5), the determinants of the firms' entry mode include items such as political risk (Henisz, 2000; Ketata, 2006), perceived uncertainty due to risky environments (Taylor et al., 2000; Ahmed et al., 2002; Li and Rugman, 2007), and institutional differences (Luo, 2001; Chiao et al., 2010). In these cases, the preferable entry mode choice is WOS. One reason of this choice may be protection from manipulative JV partners, whose knowledge of the institutional environment is more detailed than that of foreign investors (Henisz, 2000).

On the other hand, entering into a market allied to a local partner can minimize the lack of familiarity with the host countries' institutions (Meyer, 2001) and decrease uncertainty due to political differences between host and home countries (Bianchi and Ostale, 2006; Slangen and Hennart, 2008). JVs can also function as a protection from governmental intervention (Luo, 2001) and political constraints oriented to foreign firms (Yiu and Makino, 2002; Demirbag et al., 2009). With regard to corruption, JVs could help to avoid excessive transaction costs related to corrupt government officials (Javorcik and Wei, 2009).

On more general grounds, some authors have argued that FDI (WOS and JV) should be considered when entering more corrupt (Acs et al., 1997; Paul and Wooster, 2008) or politically risky markets (Rasheed, 2005). Following a similar line of reasoning, some authors claim that FDI should also be favored when entering markets with weak Intellectual Property Rights protection systems (Maskus et al., 2008) and difficult access to business information (Moner-Colonques et al., 2008). In contrast, other authors argue that entry into more corrupt host countries should be based on non-equity modes (Rodriguez et al., 2005; Straub, 2008), such as exports and subcontracting (licensing, franchising and turnkey projects), to protect foreign investors from possibly corrupt joint-venture partners (Slangen and van Tulder, 2009).

Some determinants highlighted by extant empirical literature as having an impact on entry mode choice are not classifiable within the proposed theories (Table 6). Indeed, entry modes can be influenced by the nature of the MNCs' activity. Specifically, Williams and Deslandes (2008) found that firms from the service sector are more likely to opt for FDI entry modes (WOS or JV). Additionally, the firm's international strategies may determine a certain entry mode, where Acquisitions are more likely for multidomestic companies and Greenfields for global companies (Harzing, 2002).

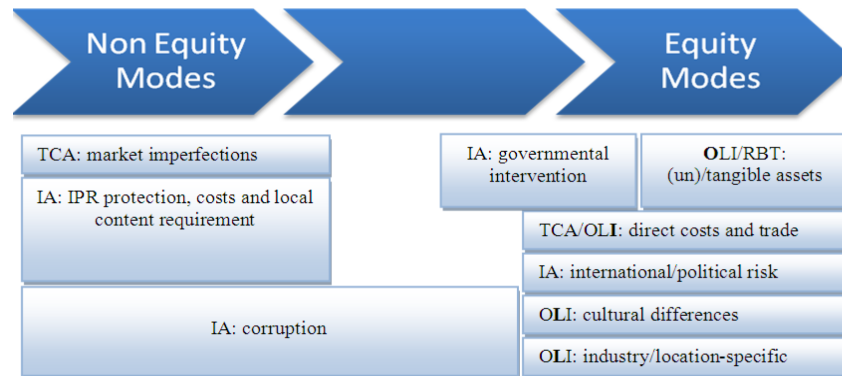

Figure 3: Entry mode choice- overall tendency Legend: TCA – Transaction Cost Approach; IA – Institutional Approach; OLI- ownership dimension; OLI- location dimension; OLI- internalization dimension from the Eclectic Paradigm Note: Own elaboration

Finally, MNCs with more diversified products are likely to enter foreign markets through acquisitions, while MNCs which focus on their main line of business enter through Greenfield investments (Mudambi and Mudambi, 2002).

Figure 3 summarizes the contributions reviewed previously, framing them into main trends of entry mode choices, starting with equity modes and evolving to non-equity modes. It shows that market imperfections, as well as intellectual property rights protection, costs and local content requirements, tend to be mostly related to pure non-equity modes, such as exports. Additionally, MNCs which enter markets where corruption is highly diffused prefer mainly non-equity modes or joint-ventures, rather than purely equity modes, such as Greenfield investments or acquisitions. Government intervention directs MNCs to join a local partner, rather than establish a firm on their own.

To the extent that Dunning's Eclectic Paradigm focuses traditionally on ownership, location and internalization advantages (Dunning and Gray, 2003), this theory is more directed at the choice of equity modes. The justification relates with the fact that in order to maintain these ownership, location and internalization advantages within the firm, it is advisable to enter via the establishment of wholly-owned subsidiaries. Thus, generally speaking, there is a prevalent inclination towards equity mode choice when taking into account the Eclectic Paradigm theory, whereas the non-equity mode choices are more in line with the institutional approach. This is in part explained by the fact that institutional theory focuses mainly on constraining determinants while the Eclectic Paradigm highlights the benefits of MNCs' internationalization.

CORRUPTION AND THE ENTRY MODE CHOICES OF MNCS: PATHS FOR FUTURE RESEARCH

The survey performed on the empirical studies that relate corruption with the entry mode choices of MNCs, summarized in Table 7, demonstrates that, in general, corruption discourages the establishment of wholly-owned subsidiaries (WOS).

Focusing first on the studies that oppose wholly-owned subsidiaries (WOS) in preference for joint-ventures (JV), some authors regard the latter (JV) as the more advisable option, as they are a strategic means by which to integrate social networks and to enforce the MNCs' external legitimacy (Demirbag et al., 2010), as well as to avoid excessive transaction costs (Javorcik and Wei, 2009). According to Slangen and van Tulder (2009), although JVs may protect MNCs from external uncertainties, they may create internal uncertainties originated by the local partner. Accordingly, it may be more appropriate to choose an entry mode which requires less involvement in the host country, that is, a non-equity mode.

With regard to articles which analyze the opposition between FDI versus non-equity modes, the establishment of a joint-venture (JV) surfaces as a viable option in cases of arbitrary corruption, since it affords some measure of protection against discriminating policies towards foreign firms (Uhlenbruck et al., 2006), as well as enabling firms to avoid direct contact with corrupt government officials and to achieve legitimacy via networking (Rodriguez et al., 2005). Transposing the results of García et al. (2009), we can state that entering markets characterized by high levels of corruption increases the possibility of entry in alliance with a local partner (joint venture or master franchise) due to the associated assistance by managing the environment in socio-economic and political aspects.

The third and dominant strain in the studies reviewed is entering corrupt markets via non-equity modes. According to Straub (2008), petty bureaucratic corruption causes a shift towards non-equity modes because firms try to avoid bribes related to ownership and high-political corruption also favors this entry mode in order to

Table 7. Impact of corruption on the entry mode choices of MNCs: an overview of the literature.

Entry modes	Definition of corruption	Proxy	Methodology	Effect	Author (date)
WOS vs. JV	Pervasiveness of corruption: the average firm's likelihood of encountering corruption (bribes) in its normal interactions with state officials	Bribery index (TI[i])	Multi dimensional framework	WOS - JV +	Demirbag et al. (2010)
		Perceived risk (questionnaire)		WOS - JV +	
		corruption index (ICRG[ii])		WOS - JV +	
Franchising via WOS; via JV; via contract (FVC); Master Franchising (MF)	No concrete definition is made, but how it is measured by TI, corruption may be considered as: the misuse of entrusted power for private gain	Corruption Perception Index (TI[i])	Binary logistic regression	WOS - JV - FVC + MF -	García et al. (2009)
		Political Stability Index (IMF[iii])		WOS + JV - FVC + MF -	
WOS vs. JV	Corruption is regarded as an act that makes local bureaucracy less transparent and acts as a tax on foreign investors	Corruption index (WDR[iv])	Single-equation probit	WOS - JV +	Javorcik and Wei (2009)
		Corruption index (Kaufmann et al.,2004 ?)		WOS - JV +	
		Perceived corruption (questionnaire)		WOS -/0 JV +/0	
WOS vs. JV	Corruption reflects the degree to which public power is exercised for private gain	Voice and accountability[v]	Multivariate regression	WOS + JV -	Slangen and van Tulder (2009)
		Political stability[v]		WOS + JV -	
		Government effectiveness[v]		WOS + JV -	
		Regulatory quality[v]		WOS + JV -	
		Rule of law[v]		WOS + JV -	
		Control of corruption[v]		WOS + JV -	

Table 7. Contd.

Equity (EQ) vs. Non-Equity modes(NEQ)	This study focuses on country stability and progress with market-oriented reforms and liberalization (≠corruption).	Cumulative Liberalization Index	Two Stage Model	EQ + NEQ -	Paul and Wooster (2008)
Equity (EQ) vs. non-equity modes (NEQ)	Political corruption is characterized by interaction with the risk of expropriation, which reduces the informational advantage of foreign firms.	Risk of government repudiation of contracts (ICRG[ii])	Multivariate regression	EQ - NEQ +	Straub (2008)
		corruption index (ICRG[ii])		EQ - NEQ +	
	Bureaucratic corruption acts as an additional tax for foreign investors.	Index of bureaucratic quality (ICRG[ii])		EQ - NEQ +	
WOS; JV; contracting (CON)	Corruption is defined as the abuse of public power for private benefit.	Political risk (PRS Group)	Multivariate regression	WOS - JV + CON +	Uhlenbruck et al. (2006)
	Pervasiveness of corruption reflects the degree to which corruption is diffused broadly in the public sector.	Pervasiveness of corruption (WBES[vi])		WOS - JV - CON +	
	Arbitrariness reflects the degree of uncertainty and capriciousness associated with the public sector.	Arbitrariness of corruption (WBES[vi])		WOS -/0 JV -/0 CON +/0	
	Pervasiveness and arbitrariness of corruption as defined above.	Junction of pervasiveness and arbitrariness (WBES[vi])		WOS - JV - CON +	

Legend: + positive effect with statistical significance; +/0 positive effect without statistical significance; - negative effect with statistical significance; -/0 negative effect without statistical significance.
Notes: [i] TI: Transparency international; [ii] ICRG: International country risk guide; [iii] IMF: International monetary fund; [iv] WDR: World development report; [v] WGI: Worldwide governance indicators; [vi] WBES: World business environment survey.

preserve asymmetric information. Several authors (Uhlenbruck et al., 2006; Rodriguez et al., 2005) argue that in the presence of pervasiveness, even when combined with arbitrariness, MNCs choose non-equity modes to avoid the costs related to corruption. Thus, when the host country exhibits greater progress towards market-oriented reforms and is highly liberalized, MNCs tend to enter via high equity modes, but in more risky environments, it is advisable to enter via contracting, or generally, via non-equity modes such as exports, franchising or licensing (Paul and Wooster, 2008).

Despite the general tendency-corruption discourages the establishment of wholly-owned subsidiaries, in specific cases, such as large-sized operations, cultural proximity (Demirbag et al., 2010), or high-technological firms (Javorcik and

Wei, 2009), MNCs may enter via wholly-owned subsidiaries (WOS) in order to protect their firm-specific assets from, for example, joint-venture partners or because the cultural environment is very similar to the home countries'. Rodriguez et al. (2005) also propose this entry mode (WOS?) when pervasive corruption exists, which, although, encouraging MNCs' involvement in corruption to achieve legitimacy, may cause internal conflicts within MNCs' internal norms.

that FDI would potentially have in the case of African countries, which have experienced dismissal growth performances in the last decade (Asiedu, 2002). On the other, given their particular institutional setting, marked by pervasive instability and corruption (Transparency International, 2009) and the close relational ties, based on linguistic and historical factors, that some group of these African countries have with more developed countries (for example, the PALOP, the Portuguese-speaking African countries: Angola, Cape Verde, Guinea Bissau, Mozambique and São Tomé and Príncipe, with Portugal; Gambia, Sierra Leone, Ghana and Nigeria, with the UK), an interesting and challenging path for future research arises. Indeed, it would be quite pertinent to analyze the extent to which African countries' corruption levels influence the entry mode choices of MNCs from their historically linked countries.

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