Accessing Foreign Markets Based on Own- and Other-Prior Entries: The Internationalization of Japanese Multinationals in the Electronic Sector

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This study investigates whether or not a relationship exists between the first entry strategy decision of a particular firm and the prior foreign market entries made by other firms. Moreover, considering that foreign market entry is not a one-time decision, it analyzes whether or not prior foreign market entry in a particular country has influence on the choice of repeated entries in the same country. This research provides a preliminary analysis considering the foreign market decision made by nine large Japanese multinationals in the electronics sector: Fujitsu, Hitachi, Matsushita Electric, Mitsubishi Electric, NEC, Sanyo, Sharp, Sony, and Toshiba. First, a literature review of international entry strategy is provided in order to present more comprehensive classification of market entries. Second, this study adopts the legitimacy theory context in order to examine whether the entry mode of a multinational company in a foreign market is influenced by the previous decision of other firms or tend to repeat prior entry strategic actions that companies have executed in the past. The subsidiary level data were collected from *Toyo Keizai Databank* that resulted in a sample of over 1,400 subsidiaries established by Japanese multinational electronic firms over the period 1995 to 2006 in sixty-four countries. By considering a wide-ranging classification of entry mode and taking into account that entry strategy has to be viewed as a sequential process. In order to observe the effect of prior entries of other firms on the first investment in a host country, two subsamples were considered: (1) subsidiaries of a parent firm with only one investment; (2) subsidiaries with more than one investment in a host country. In addition, another subsample is considered in order to see the effect of its own firm and other firms' prior entries on subsequent investment in a host country. A statistical *t*-test is performed in order to compare the mean differences between the analyzed cases. The initial findings revealed the impact of legitimacy on the entry mode strategies of firms in the electronic sector. It implies that firms tend to follow the prior entry strategy of other firms in the case of first time investors. While for subsequent foreign direct investments, both prior market entries made by the parent firm and competitors have great influence on the choice of entry mode in a particular country. The results suggest that the effect of market competition cannot be neglected when examining the foreign entry choice in a particular market. Furthermore, when examining the effect of entry mode in the internationalization process of multinational companies, there is a need to consider entry strategy choice as a dynamic rather than a static decision-making process. The findings show the importance to distinguish the first-time investment from the sequential FDI.

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1. Introduction

Multinational companies have to make an important strategic decision when investing in foreign markets. Firms are not only concerned about which country or region to invest in, but *how* to enter this particular market. This means that choosing a selected entry mode can have great consequences for the firm's strategy of international expansion (AGARWAL & RAMASWAMI, 1992).

International entry mode has been recognized as an important topic in the international business area, representing the third most researched field only behind foreign direct investment and internationalization (WERNER, 2002). Previous scholars have extensively examined the determinants of foreign entry mode in the international business literature over the last twenty years and have already identified a diversity of variables that influence this decision (CANABAL & WHITE III, 2008). These investigations try to analyze the decision of foreign entry mode and internationalization process from different research approaches, including transaction cost theory (ANDERSON & GATIGNON, 198; HENNART, 1988), eclectic paradigm (Dunning, 1980, 1988, 1995), learning perspective (KOGUT, 1988; BARKEMA & VERMEULEN, 1998), resource-based view theory (ERRAMILLI, AGARWAL, & DEV, 2002; EKELEDO & SIVAKUMAR, 2004), and so on. Although these studies provided substantial contributions to the international business literature by looking at the determinants of entry mode choice in international markets from different aspects, there are still some points that have to be carefully examined.

First, more recent investigation has emphasized the organizational approach based on ecological and neo-institutional theories (GUILLÉN, 2002), which acknowledges the importance of market competition. Based on this organizational perspective, firms that are less familiar with a particular foreign market tend to obtain information from interacting with other firms originating from the same home country. By learning from each other's foreign experiences, firms reduce the uncertainty over foreign expansion and enhance the legitimacy of pursuing international opportunities (GUILLÉN, 2002). In addition to the influence of other firm information, multinational companies can also follow their own prior investment decisions as a part of their international strategy (KOGUT, 1983; BARKEMA *et al*., 1996).

Second, the conventional international business literature tends to view the entry mode choice between wholly-owned subsidiaries (WOS) and joint ventures (JVs). Most of the previous investigations have considered joint venture as a new entity formed between a foreign and a local firm (ANDERSON & GATIGNON, 1986; GOMES-CASSERES, 1989; WOODCOCK *et al*., 1994). However, other types of joint ventures have to be considered in the analysis, particularly when investigating overseas investment of Japanese companies (LU & BEAMISH, 2001; OGASAVARA & HOSHINO, 2007).

Third, previous studies have considered foreign entry mode choices as a static decision-making process. This means that they assumed that a selection of a particular entry mode of a multinational firm is independent of previous entry mode choices by the same firm. Only a few number of studies recognized that the foreign market entry has also been understood as a sequential process (KOGUT, 1983; CHANG & ROSENZWEIG, 1998, 2001), where the initial investment affects the nature and timing of subsequent investments. Many multinational companies diversified its investments and make multiple entries in a host country.

In order to extend this line of research, this study is based on the organizational approach and examines entry mode selection between wholly-owned subsidiaries and joint venture, but taking into consideration the existence of different types of JVs. In this way, this paper investigates whether or not a relationship exists between the first entry strategy decision of a particular firm and the prior foreign market entries made by other firms. Moreover, considering that foreign market entry is not a one-time decision, this study analyzes whether or not prior foreign market entry in a particular country has influence on the choice of repeated entries in the same country.

This paper is structured as follows. Firstly, we introduce the literature review about the international entry strategy and present more comprehensive types of entry mode. Second, we discuss about the theory of legitimacy of foreign market entry and then consider some propositions for this study. Third, the methodology is introduced by describing the data source as well as the measures applied in this research. Some preliminary results are showed in conjunction with the discussion of the findings. Finally, some considerations and suggestions for further analysis are presented in the last section.

2. Literature Review

2.1. International entry strategies

The selection of entry mode is an important strategic decision for multinational companies when undertaking foreign direct investment (FDI). Firms face two basic decisions: whether to own all or part of the investment, in other words, whether to establish a WOS or a JV. Most of the international business researches have focused on these two distinct modes when investigating the selection of entry mode. However, some cautions have to be taken into consideration.

First, several researches have used a 95% cut-off point to capture the ownership structure (FRANKO, 1971; GATINGTON & ANDERSON, 1988; GOMES-CASSERES, 1989; HENNART, 1991; PADMANABHAN & CHO, 1996). This implies that when foreign ownership is over 95% of equity, the affiliate is defined as full ownership or WOS, whereas ownership between 5% and 95% represents shared ownership or JV. By doing this categorization, it ignores the existence of cases that foreign ownership is higher than 95% equity (seems to be classified as WOS), but the subsidiary is formed by more than one parent firm from the same home-country. It means that these cases should not be considered as WOS, but joint ventures formed only by home-country partners. This distinction is important as the subsidiary is established by more than one foreign investor firms. In this sense, partner firms have different organizational cultures. Cultural distance at the corporate level refers to the differences in core business, management practices and styles, and decision-making processes (KILLING, 1983).

Second, previous studies have considered the subsidiary as a JV when it is established only between foreign and local partners. However, other types of JVs exist. Makino and Beamish (1998), analyzing Japanese investments in the East and Southeast Asia showed that 26% of the sample is constituted by a non-conventional form of joint venture, which identifies the formation of JVs between home-country partners. In the same way, but using a sample of U.S. firms, Hanvanich *et al*. (2003) showed that 33% of the sample of international investments is formed by a non-conventional form of JVs. Ogasavara and Hoshino (2007) noted that when studies focused on the examination of entry strategies of Japanese subsidiaries, it is important to take into account different types of JVs, in other words, considering not only international JVs but also the classification of joint ventures formed by home-country partners.

Third, joint ventures differ with respect to the equity ownership as a measure of control and dominance in this partnership, which implies that the more absolute control, the less potential for conflict as decisions can be made easily by the majority partner (Killing, 1983). When analyzing joint ventures, it is necessary to create new ways of conceptualizing or disaggregating joint ventures rather than consolidating a wide range of organizational arrangements under a single umbrella of JV (DHANARAJ & BEAMISH, 2004). The organizational dynamic of having a minority equity ownership position is completely different from that of a majority equity ownership. On one hand, the minority equity ownership may exist only for exploratory purposes, possibly for taking advantage of the local tax structure (DHANARAJ & BEAMISH, 2004), and it presents low level commitment of the parent firm to the JV, because very little in terms of information about the specific outcomes of the JV is reflected in the parent firm's account books. On the other hand, in the majority equity ownership (i.e. equity level exceeds 50 percent), it is assumed that the parent firm has control over the JV, and the debts and liabilities are consolidated in the parent firm's account books (MJOEN & TALLMAN, 1997). This study considers the above mentioned points and presents more comprehensive types of entry modes:

- ***Wholly-owned Subsidiaries (WOS)*** – one Japanese parent firm holds at least 95% of the subsidiary equity;
- ***International JV (IJV)*** – the subsidiary is formed between Japanese partner(s) and local partner(s). In addition, the level of foreign equity ownership is considered, thus:
  - ***Majority-owned IJV*** – one Japanese parent firm holds at least 50% but less than 95% of the subsidiary equity;
  - ***Co-owned IJV*** - one Japanese parent firm holds 50% of the subsidiary equity;
  - ***Minority-owned IJV*** – one Japanese parent firm holds at least 5% but less than 50% of the subsidiary equity;
- ***Japanese-Japanese JV (JJ-JV)*** – The subsidiary is formed among Japanese partners.

2.2. Legitimacy of foreign market entry

According to Suchman (1995: p.574), "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Previous studies have long noted that foreign firms need to gain legitimacy in a host country under conditions of uncertainty (HENISZ & DELIOS, 2001) in order to obtain normal access to resources, protection for authorities, social acceptance and credibility to succeed and survive in challenging environments (DiMaggio & Powell, 1983; Scott, 1995). In this way, under uncertain situations, multinational firms can gain legitimacy of operating in international markets by following the organizational practices and structures of other successful firms (HENISZ & DELIOS, 2001; KOSTOVA & ROTH, 2002). A prior study has demonstrated that the likelihood that a firm will enter a market is influenced by the previous decisions of other firms on market entry in the context of the foreign expansion of business groups (GUILLÉN, 2002).

Furthermore, firms tend to repeat prior strategic actions that they have performed in the past. As a firm takes actions over time, it develops routines and competencies that then become engines for further actions (LEVITT & MARCH, 1988). Amburgey and Miner (1992) investigated 262 large mining and manufacturing firms obtained through a random sampling of *Fortune 500* companies, and they suggested that organizations that have made a particular type of merger will tend to make the same type of merger again. Following this line of argument, it is expected that the multinational firms take into account their own prior foreign market entry experience in a particular country when making decisions on subsequent investment in the same country, because their entry strategies are legitimized over time.

While past studies typically suggested that the foreign investment decisions of firms are influenced by both their own prior investment and the prior investments of other firms, they only take into account the market entry in terms of number of foreign investments in a particular host country (GUILLÉN, 2002; CHAN *et al.*, 2006). Foreign market entry is a key strategic decision for multinational firms; consequently, it is important not only to choose *where* to locate an international investment, but also *how* to enter a particular market (i.e. entry mode selection). Moreover, previous studies have examined the choice of entry mode grouping together a large number of entries and examining them in the aggregate (ANDERSON & GATIGNON, 1986; AGARWAL & RAMASWAMI, 1992). In this sense, they have considered foreign entry mode choices as a static decision-making process, assuming that a choice of a particular entry mode of a multinational firm is independent of previous entry mode choices by the same firm. This means that prior researches do not recognize that, for many firms, foreign investment is a sequential process, consisting of a number of investments made over time (KOGUT, 1983; CHANG & ROSENWEIG, 2001).

3. Propositions

By considering these above aspects, this study presents a preliminary and explanatory analysis that attempts to investigate whether or not prior entry modes of competitors firms in a foreign market have influence on the entry mode selection of the parent firm's first investment in the same market. Furthermore, it examines whether or not the prior foreign market entries made by competitors and the parent firm in a particular country have influence on the choice of repeated entries in the same country. In this way, some propositions will be explored in this study:

P1: When the multinational firm is making the first investment in a particular country, the firm is likely to choose the same entry mode of other firms that were established previously in the host country.

P2a: When the multinational firm is making sequential investment in a particular country, the firm is likely to follow the same entry mode of prior investments made by the firm in the host country.

P2b: When the multinational firm is making sequential investment in a particular country and does not follow its own prior entry strategy, the firm is likely to follow the same entry mode of other firms that were established previously in the host country.

4. Methodology

4.1 Data source

The primary data source of this study was derived from 1995 to 2006 annual volumes of *Kaigai Shinshutsu Kygyou Souran: Kaisha Betsu* (Directory of Japanese Overseas Investments: Listed by Firms), which provides extensive information on the overseas activities of both listed and non-listed Japanese multinational firms. This directory has been published annually since 1970 by Toyo Keizai, Inc. and covers almost all Japanese overseas investment (YAMAWAKI, 1994).

The sample consists of 1,470 foreign subsidiaries established in sixty-four countries by nine largest Japanese electronics firms: *Fujitsu, Hitachi, Matsushita Electric, Mitsubishi Electric, NEC, Sanyo, Sharp, Sony,* and *Toshiba.* For each host country, it considered cases where more than two investments are made by at least two different Japanese electronics firms. The selected firms compete closely with each other in both domestic and international markets in a wide range of electronic appliances and equipment.

Japanese electronics firms have a longer history of foreign investments and a significant number of overseas subsidiaries. According to the volume of Toyo Keizai 2006, only this industry represents 20% (manufacturing firms) and 29% (wholesale trade) of the total number of overseas investments of Japanese multinational firms, which means that Japanese electronics firms have more comprehensive overseas operations than other industries in Japan.

4.2 Measures

For this preliminary analysis, first the data were sorted according to the subsidiary firm establishment date by each country in order to identify the previous entry strategy made by other firms in a particular market. When a case of prior market entry made by other firms in the same host country matches exactly with the same market entry mode of the subsidiary established (considering a more broad entry mode classification: WOS, JJ-JV, Majority-owned IJV, Co-owned IJV, or Minority-owned IJV), it was assigned as "1", otherwise "0".

Second, the data were arranged according to the subsidiary's year of establishment by each parent firm and country in order to identify the prior entry made by the same parent firm in a particular market. When exists a case of previous entry mode of this parent firm in the same host country (i.e. WOS, JJ-JV, Majority-owned IJV, Co-owned IJV, or Minority-owned IJV), it was assigned as "1", otherwise "0".

Third, in order to observe the effect of prior entries of other firms on the first investment in a host country, two subsamples were considered: (1) subsidiaries of a parent firm with only one investment; (2) subsidiaries with more than one investment in a host country. In addition, another subsample is considered in order to see the effect of its own firm and other firms' prior entries on subsequent investment in a host country (i.e. subsidiaries with more than one investment).

Finally, a statistical *t*-test is performed in order to compare the mean differences between the analyzed cases.

5. Preliminary results and discussion

This paper provides some preliminary results of the influence of legitimacy on the choice of the first foreign market entry and subsequent investments of Japanese electronics firms, by considering a more comprehensive classification of entry modes. In this study, the term legitimacy means that the prior entry strategies are legitimized over time, and consequently the market entries in the past have been taken into account when firms are investing in foreign markets. The following table shows the distribution of subsamples by each parent firm:

Table 1a – Distribution of subsamples by parent firms

Parent Firm	1st Investment				Sequential Investments		Total
	Only 1_invest	%	More 1_invest	%	More 1_invest	%	
Fujitsu	5	4.4	22	19.3	87	76.3	**114**
Hitachi	11	6.1	31	17.1	139	76.8	**181**
Matsushita	18	5.0	38	10.6	301	84.3	**357**
Mitsubishi	12	9.0	22	16.4	100	74.6	**134**
NEC	13	8.2	22	13.8	124	78.0	**159**
Sanyo	4	3.0	21	15.8	108	81.2	**133**
Sharp	13	21.7	12	20.0	35	58.3	**60**
Sony	16	9.6	26	15.7	124	74.7	**166**
Toshiba	6	3.6	26	15.7	134	80.7	**166**
TOTAL	**98**	**6.67**	**220**	**14.97**	**1152**	**78.37**	**1470**

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.

Table 1b –Differences between 1st Investment and Sequential FDI

Parent Firm	1st Invest	%	Seq FDI	%	Total	SD[b]	t-value	Significance
Fujitsu	27	23.7	87	76.3	**114**	.427	19.082	.000***
Hitachi	42	23.2	139	76.8	**181**	.423	24.407	.000***
Matsushita	56	15,7	301	84.3	**357**	.364	43.744	.000***
Mitsubishi	34	25.4	100	74.6	**134**	.437	19.778	.000***
NEC	35	22.0	124	78.0	**159**	.416	23.659	.000***
Sanyo	25	18.8	108	81.2	**133**	.392	23.880	.000***
Sharp	25	41.7	35	58.3	**60**	.497	9.088	.000***
Sony	42	25.3	124	74.7	**166**	.436	22.071	.000***
Toshiba	32	19.3	134	80.7	**166**	.396	26.286	.000***
TOTAL	**318**	**21.6**	**1152**	**78.4**	**1470**	**.412**	**72.950**	**0.000*** **

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.
Notes: [a] Entry mode refers to WOS, JJ-JV, Majority-owned IJV, Co-Owned IJV, and Minority-owned IJV;
[b] SD refers to Standard Deviation
*** significant at 1% level; ** significant at 5% level; * significant at 10% level

Unlike most previous studies that view the foreign market entry decisions as a series of independent event and choices, *Table 1a* clearly indicates that entry mode selection of a particular firm needs to be viewed as a sequential process. According to this table, most of the Japanese parent firms' entry market refers to cases of sequential investments in a host country (78.4%). In addition, *Table 1b* shows that both samples are statistically different at $p<0.001$ for all firms considered in this study. This implies that the choice of entry mode is not a static decision, but follows a sequential process and reinforces the importance of considering subsequent investments separately for analysis.

The first investment decision made by a parent firm in a host country is characterized by a high level of uncertainty conditions because firms face a lack of familiarity with the local institutional environment, such as local practices and preferences of a particular foreign market. By looking carefully to *Table 2a,* for the parent firms that have only one investment in a particular country, the results show a number of cases where the Japanese electronics firms follow exactly the same previous entry strategy of its competitors with statistically significant difference ($p<0.05$ to $p<0.01$). Except for Hitachi, Mitsubishi, and Sanyo, where less than 30% of its subsidiaries did not imitate the entry mode of other firms. Note that Mitsubishi the difference is not statistically significant while Hitachi is significant at level of 10%. In these cases, the firms selected a different entry strategy from its competitors or it refers to first-mover firms in a particular country.

Table 2a – Does the first investment decision in a host country follow the prior entry mode[a] of other firms?

Parent Firm	First Investment Decision (Only 1_Invest)							
	YES	%	NO	%	Total	SD[b]	t-value	Significance
Fujitsu	**4**	**80.0**	1	20.0	**5**	.447	4.000	.016**
Hitachi	3	27.3	8	72.7	**11**	.467	1.936	.082*
Matsushita	**7**	**38.9**	11	61.1	**18**	.502	3.289	.004***
Mitsubishi	2	16.7	10	83.3	**12**	.389	1.483	.166
NEC	**8**	**61.5**	5	38.5	**13**	.506	4.382	.001***
Sanyo	0	0.0	4	100.0	**4**	-	-	-
Sharp	**11**	**84.6**	2	15.4	**13**	.376	8.124	.000***
Sony	7	43.8	9	56.3	**16**	.512	3.416	.004***
Toshiba	**5**	**83.3**	1	16.7	**6**	.408	5.000	.004***
TOTAL	**47**	**48.0**	**51**	**52.0**	**98**	**.502**	**9.455**	**.000*** **

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.
Notes: [a] Entry mode refers to WOS, JJ-JV, Majority-owned IJV, Co-Owned IJV, and Minority-owned IJV;
[b] SD refers to Standard Deviation
*** significant at 1% level; ** significant at 5% level; * significant at 10% level

When looking at subsidiaries with more than one investment in a host country (*Table 2b*), in other words, firms that invested sequentially in the particular foreign market, the ratio of affiliates that follow the competitor's prior entry strategy increased significantly (statistically significant at $p<0.01$). Except for Sanyo, all firms demonstrated that for first time investors, the firm makes a rational choice of entry mode by following the previous investment behavior of other firms that are considered to be legitimate. This means that the parent firm follows exactly the same entry mode of other firms that were established previously in the same country, giving support to the proposition *P1*.

Although most previous studies showed that entry mode choices are influenced by economic factors, the results indicate that the effect of market competition cannot be neglected when investigating the foreign market entry selection in a particular country.

Table 2b – Does the first investment decision in a host country follow the prior entry mode[a] of other firms?

Parent Firm	First Investment Decision (More 1_Invest)							
	YES	%	NO	%	Total	SD[b]	t-value	Significance
Fujitsu	**21**	**95.5**	1	4.5	**22**	.213	21.000	.000***
Hitachi	**17**	**54.8**	14	45.2	**31**	.506	6.036	.000***
Matsushita	**20**	**52.6**	18	47.4	**38**	.506	6.412	.000***
Mitsubishi	**13**	**59.1**	9	40.9	**22**	.503	5.508	.000***
NEC	**15**	**68.2**	7	31.8	**22**	.477	6.708	.000***
Sanyo	9	42.9	12	57.1	**21**	.507	3.873	.001***
Sharp	**10**	**83.3**	2	16.7	**12**	.389	7.416	.000***
Sony	**20**	**76.9**	6	23.1	**26**	.430	9.129	.000***
Toshiba	**22**	**84.6**	4	15.4	**26**	.368	11.726	.000***
TOTAL	**147**	**66.8**	**73**	**33.2**	**220**	**.472**	**21.000**	**.000*** **

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.
Notes: [a] Entry mode refers to WOS, JJ-JV, Majority-owned IJV, Co-Owned IJV, and Minority-owned IJV;
[b] SD refers to Standard Deviation
*** significant at 1% level; ** significant at 5% level; * significant at 10% level

By looking separately at the entry mode selection of subsequent investments in a particular market, *Table 3* clearly suggests that most of the firms (84%) follow their own prior entry strategy in this country. Most important, the results are significant at 1% level for all cases. This evidence shows that the previous entry mode in a focal market enhances the legitimacy of this form of market entry.

This implies that when the parent firm decides to expand with more investments in a host country, firms tend to repeat prior entry strategies that they have performed in the past and with which they are more familiar, providing support to *P2a*.

Table 3 - Does the sequential investment decision in a host country follow Own prior entry mode[a]?

Parent Firm	Sequential Investment Decision (Own Prior Entry Strategy)							
	YES	%	NO	%		SD[b]	t-value	Significance
Fujitsu	**74**	**85.1**	13	14.9	**87**	.359	22.126	.000***
Hitachi	**114**	**82.0**	25	18.0	**139**	.385	25.085	.000***
Matsushita	**270**	**89.7**	31	10.3	**301**	.304	51.117	.000***
Mitsubishi	**82**	**82.0**	18	18.0	**100**	.386	21.237	.000***
NEC	**104**	**83.9**	20	16.1	**124**	.369	25.290	.000***
Sanyo	**83**	**76.9**	25	23.1	**108**	.424	18.848	.000***
Sharp	**26**	**74.3**	9	25.7	**35**	.443	9.911	.000***
Sony	**109**	**87.9**	15	12.1	**124**	.327	29.896	.000***
Toshiba	**106**	**79.1**	28	20.9	**134**	.408	22.439	.000***
TOTAL	**968**	**84.0**	**184**	**16.0**	**1152**	**.367**	**77.816**	**.000*** **

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.
Notes: [a] Entry mode refers to WOS, JJ-JV, Majority-owned IJV, Co-Owned IJV, and Minority-owned IJV;
[b] SD refers to Standard Deviation
*** significant at 1% level; ** significant at 5% level; * significant at 10% level

Table 4 – When the sequential investment decision in a host country does not follow Own prior entry mode, is there an influence of prior entry mode[a] made by other firms on this entry decision?

Parent Firm	Sequential Investment Decision (Other's Prior Entry Strategy)							
	YES	%	NO	%		SD[b]	t-value	Significance
Fujitsu	**8**	**61.5**	5	38.5	**13**	.439	6.325	0.000***
Hitachi	**18**	**72.0**	7	28.0	**25**	.436	8.718	0.000***
Matsushita	**17**	**54.8**	14	45.2	**31**	.495	6.892	0.000***
Mitsubishi	**13**	**72.2**	5	27.8	**18**	.461	6.648	0.000***
NEC	**17**	**85.0**	3	15.0	**20**	.366	10.376	0.000***
Sanyo	**18**	**72.0**	7	28.0	**25**	.408	9.798	0.000***
Sharp	**6**	**66.7**	3	33.3	**9**	.441	5.292	0.001***
Sony	**13**	**86.7**	2	13.3	**15**	.258	14.000	0.000***
Toshiba	**22**	**78.6**	6	21.4	**28**	.418	9.950	0.000***
TOTAL	**132**	**71.7**	**52**	**28.3**	**184**	**.424**	**24.496**	**0.000*** **

Source: Toyo Keizai Inc., Japanese Overseas Investments listed by companies 1995- 1997, 1999-2006.
Notes: [a] Entry mode refers to WOS, JJ-JV, Majority-owned IJV, Co-Owned IJV, and Minority-owned IJV;
[b] SD refers to Standard Deviation
*** significant at 1% level; ** significant at 5% level; * significant at 10% level

The results provided in *Table 4* refer to the cases where the parent firm does not follow their own prior entries when investing sequentially in a host country (184 cases showed at column "NO" in *Table 3*). In this case, the results demonstrate a considerable number of events (71.7%) where the parent firms follow exactly the same entry strategy made by other firms. Note that all firms presented a majority choice of following the prior entry of its competitors and the differences are statistically significant at $p<0.01$. Therefore, it supports *P2b*.

This suggests that even though firms have already established subsidiaries in a host country, which increases the level of local knowledge and experience of a particular country, the market competition still provided important strategic information for the firm's sequential investments.

6. Final Considerations

As mentioned earlier, this paper provides some preliminary analysis and only presented some discussions about the initial findings. No final conclusion can be made at this stage. However, first of all it should be noted that when examining the effect of entry mode in the internationalization process of multinational companies, there is a need to consider entry strategy choice as a dynamic rather than a static decision-making process. The findings show the importance to distinguish the first-time investment from the sequential FDI.

Second, when examining international market entry, it is important to take into account other entry mode types, particularly a new classification of JV that considers partnership among home-country firms and the different ownership level of JV.

Third, the findings showed the impact of legitimacy on the entry mode strategies of firms in the electronic sector. This suggests that when firms are making sequential investment decision in a particular market, they consider its own prior entry experience which result in following the previously entry mode strategy. The legitimacy of other firms also impacts the firm market entry, particularly for first-time entrants. When a multinational company does not have any experience in that market, following a successful entry strategy made by a competitor should legitimate its international operation. It implies a need to take into account the effect of market competition and firm's own past entry experience when analyzing the selection of foreign market entry in a particular country.

Finally, further analysis will be certainly necessary to validate the assumptions proposed in this study. This research is a work-in-progress and the next stage is to structure the data in a longitudinal design (i.e. panel data). Moreover, there is a need to collect additional data. Other variables should be included in the analysis such as cultural, institutional and economic factors, country-, parent firm-, subsidiary- characteristics, and the effect of divestments and relocations. By controlling all these factors and using the proposed classification of entry strategies, it will be possible to clearly understand the effect of legitimacy on the entry mode selection of Japanese electronics firms.

7. References

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