Meta-analysis of the International Experience–Ownership Strategy Relationship:

A Dynamic Capabilities View

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Abstract

This paper investigates the context in which firms' ownership strategies in international ventures may be affected by their international experience, which shapes their dynamic capabilities. Based on a statistical synthesis of empirical insights accumulated in a large body of literature, this paper examines multiple firm-, industry-, and country-specific moderators simultaneously. With models tested drawing on data from 102 samples across 114,118 international entry decisions, this meta-analysis finds empirical evidence largely supporting theoretical predictions of firm size, sources of international experience, and economic development stages of host countries that moderate the relationship between international experience and ownership strategy (IE–OS relationship), and this relationship is not contingent upon industries in which a firm resides. In particular, the contingency effect of country-specific experience is more important to the IE–OS relationship than others. This paper demonstrates the contextual nature of the IE–OS relationship and contributes insights into the contingencies that affect the impact of experience-based dynamic capability deployment in an international business setting.

Keywords

International experience, Dynamic capabilities, Ownership Strategy, International entry, Meta-analysis

1. Introduction

A critical issue in international business (IB) research is the investigation of factors that influence firms' strategic decisions in the process of internationalization (Hitt et al. 2015). Previous studies of international entry strategy have contributed significantly to IB literature, with an explicit focus on the relationship between international experience and the ownership strategy at international entry (IE–OS relationship) (Li and Meyer 2009; Nielsen and Nielsen 2011). Over the last decades, an enormous body of research has examined the direct (Padmanabhan and Cho 1996), moderating (Cho and Padmanabhan 2005), linear (Delios and Beamish 1999), and nonlinear (Erramilli 1991) effects of international experience on firms' ownership strategy for small, medium (Erramilli and D'Souza 1993), and large firms (Musteen et al. 2009) in manufacturing (Somlev and Hoshino 2005) and service industries (Blomstermo et al. 2006), as well as for firms entering mature (S.-F. S. Chen and Hennart 2002) and emerging markets (Delios and Henisz 2000). Yet findings on the IE–OS relationship have often been criticized because of the mixed conclusions suggesting positive impacts (Cho and Padmanabhan 2005), negative influences (Maekelburger et al. 2012), and inconclusive effects (Blomstermo et al. 2006) of international experience on firms' ownership strategy at international entry.

Current theoretical perspectives that frame the association between international experience and IB decisions, such as the internationalization process paradigm (e.g., Figueira-de-Lemos and Hadjikhani 2014), institution-based view (e.g., Peng et al. 2008), organizational learning theory (e.g., Hotho et al. 2015), and dynamic capabilities view (Teece 2014), provide reasoning for *how* and *what* international experience may influence firms' ownership strategy in host countries. In addition, a thoughtful investigation of the contextual settings pertaining to the firm, industry, and country contexts would benefit from incorporating *where* the significance of international experience lies and advancing both IB research and practice. This multiple-contingency consideration (i.e., simultaneously examining multiple conditional settings), however, is not commonly presented in existing studies, which suggests the absence of a theoretically grounded and empirically supported explanation of contingencies that moderate the

relationship between international experience and ownership strategies of multinational companies (MNCs). The current paper addresses this gap by employing meta-analytic techniques.

The theoretical framework proposed and tested in this study makes several noteworthy contributions to the extant IB literature. First, this paper answers the call for a more context-based understanding of the IE–OS relationship. Because experience does not always imply learning (Anand et al. 2015), it is crucial to understand whether and under what conditions firms have learned from experience (Hitt et al. 2015; Hotho et al. 2015). Prior studies have raised the concern that contingent considerations are critical for international experience research (Li and Meyer 2009; Liao 2015). However, a theoretically driven framework that illustrates the contingent effects on the IE–OS relationship in consideration of multiple contexts (e.g., firm, industry, country) has not been available. This paper fills this critical gap by conceptualizing IE as dynamic capabilities that enable firms to strategically operate after an international entry and by examining how their impact on ownership strategy is conditional on their context-specificity. This will specifically address the firm's *size* as an indicator of the extent to which firms are able to leverage their experience-based dynamic capabilities, the *sources* from which the firm's international experience is gained as an indicator of the applicability of their dynamic capabilities, the *industry* as an indicator of knowledge-based complexities that further characterize the applicability of the firm's dynamic capabilities, and the *host country* development stage as a proxy for the institutional environment where international experience is used and firms depend on the deployment of dynamic capabilities. Accordingly, dynamic capabilities represent "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat et al. 2007) to compete successfully following an international entry. Yet the success of their deployment is context-dependent (e.g., Easterby-Smith and Prieto 2008).

Second, the body of knowledge about the IE–OS relationship has become fragmented. While some researchers have attempted to connect organizational learning with IB strategies (see Hotho et al. 2015 and the special issue it appears in) and to link the international experience gained during the process of internationalization to firms' dynamic capabilities (e.g., Bingham et al. 2007), an integrated framework

showing what we know about the IE–OS relationship has not been forthcoming. Compared to the number of quantitative reviews of the international experience–firm performance relationship (e.g., Bausch and Krist 2007; Yang and Driffield 2012) and the number of qualitative reviews of experiential learning (e.g., Barkema and Schijven 2008), a meta-analysis of the IE–OS relationship is surprisingly absent in the literature. As one of the critical IB decisions, ownership strategy based on international experience is both an antecedent to effective multinational performance and an outcome of a firm's dynamic capabilities. Thus, it is crucial for IB literature to present an explicit explanation of the IE–OS relationship.

The lack of integration across research findings limits the contributions of current research on experience and strategy to, and its overall impact on, IB literature as well as literature in related disciplines such as management and marketing. Previous meta-analyses have investigated issues related to firms' international entry strategies and contributed a number of insights (e.g., "external antecedents" in Morschett et al. 2010; and "transaction costs" in Zhao et al. 2004). However, none of these either systematically assesses the effects of experiential learning through its dynamic capabilities or offers a comprehensive understanding of the contextual effects on the IE-OS relationship. The study presented in this paper investigates this relationship and provides insightful meta-analytic findings.

Finally, this paper significantly advances the literature by testing the simultaneous effects of essential contingencies on the IE-OS relationship. The findings establish that a firm's international experience positively relates to the firm's ownership strategy at international entry and that this relationship rests on the firm's experience-based dynamic capabilities. Accordingly, this paper reveals that it is the firm's ability to deploy these dynamic capabilities and their applicability that condition this relationship. Specifically, the effect of international experience on ownership strategy is contingent upon firm size, sources of firms' international experience, and host countries' economic development stages. Among these contingencies, experience accrued in host countries is more influential than the others. Furthermore, the meta-analytic assessment reveals an ambiguous effect of industry on the IE-OS relationship and implies that the industry in which a firm resides may not influence its ownership strategy

based on international experience. This paper therefore contributes theoretically insightful and practically useful implications, as elaborated in detail below.

In the following sections, we discuss in detail how the IE-OS relationship is conceptualized and elaborate on the variety of contexts in which international experience affects ownership strategy at international entry. We then develop hypotheses that delineate the moderating effects of these contextual factors on the IE-OS relationship. Following descriptions of data collection and analytic procedures, we present analytic results. The paper concludes with a discussion of implications and limitations that suggest avenues for future research.

2. Theoretical Background

The ownership strategy decision has strategic and long-term consequences because of ensuing path dependencies and affects the foreign subsidiary's performance (Uhlenbruck et al. 2006). In this paper, ownership strategy represents the percentage of ownership at international entry, which can range from sole ventures that are wholly owned subsidiaries to joint ventures with majority or minority ownership. Prior works suggest that firms with greater international experience tend to use wholly owned ventures (Brouthers and Brouthers 2003; Chang and Rosenzweig 2001; Sanchez-Peinado and Pla-Barber 2006). Indeed, Hymer (1960) and Shenkar (2001) have already argued that international entry using a wholly owned venture with the resulting full control allows firms to operate their subsidiaries' businesses as they consider most appropriate, rather than depending on local partners whose strategic intentions and behaviors are little understood and often unpredictable.

These unclear intentions and hard-to-predict behaviors of foreign partners imply uncertainty and risk for firms entering a foreign market. For example, potential appropriation risk of a firm's capabilities reconfigured with host-country resources in a foreign subsidiary leads the firm to maintain independence for the control over the subsidiary (Lu and Hébert 2005; Hennart 2009). Therefore, although situational conditions may influence a firm's collaborative endeavors, as a rule, a firm tends to choose the least-constraining approach to managing relations with business partners and maintaining autonomy in

partnerships because independency allows for minimizing uncertainty (Davis and Cobb 2000) and maximizing the firm's influence over crucial external forces (Santos and Eisenhardt 2005), unless uncertainty of foreign partners and the firm's influence are well managed in other interdependent ways.

However, how international experience helps firms do so effectively is not fully understood. From a dynamic capabilities view, firms search for and develop new opportunities in international markets (Teece 2014), whereas international opportunities are seized through foreign subsidiaries that require international experience to control their endeavors (Meyer and Wang 2015). The reasoning that provides the basis for this paper rests on the following assumptions: first, all else being equal (e.g., similar resource constraints, comparable institutional restrictions), firms at international entry seek to remain independent; second, greater independence can be maintained as long as greater ownership at international entry is kept (Pfeffer and Salancik 1978, 2003); third, operating independently requires possession and use of dynamic capabilities that enable the effective setup of foreign operations; and fourth, dynamic capabilities develop through firms' international experience. Thus, greater international experience should correspond with greater ownership (i.e., a larger proportion of ownership in a foreign subsidiary).

Following the extant literature, this paper defines *international experience* as a firm's knowledge accrued from previous international activities (Johanson and Vahlne 1977) and considers it an outcome of organizational learning (Argote 2013). From a dynamic capabilities view, a firm needs to sense international opportunities that emerge in a foreign market, seize appropriate opportunities via making country-specific strategic decisions, and reconfigure intangible and tangible assets for developing or maintaining the firm's competitive position in the market (Teece et al. 1997). In this sense, the firm engages in sensing, seizing, and reconfiguring processes to specify and implement an appropriate business for the foreign subsidiary (Teece 2014) such that the subsidiary can operate effectively. The implementation of these processes is supported by organizational routines that make up the firm's dynamic capabilities. These routines emerge and are learned from accumulated experience (Karna et al. 2015; Zollo and Winter 2002). Hence, experience underpins the development of dynamic capabilities (e.g., Teece et al. 1997; Eisenhardt and Martin 2000), and learning facilitates the creation of dynamic

capabilities (Easterby-Smith and Prieto 2008). Accordingly and in leaning on Zollo and Winter (2002), dynamic capabilities developed from experience affect the firm's efforts to shape and implement its business model and operations at international entry. Indeed, firms with greater international experience are better at recognizing business opportunities (Barkema and Vermeulen 1998; Delios and Beamish 1999), evaluating risk (Chang 1995; Chang and Rosenzweig 2001), and operating independently in a foreign market (Agarwal and Ramaswami 1992; Brouthers and Brouthers 2003). Thus and in leaning on Li and Meyer (2009), firms that have developed greater dynamic capabilities through accumulating international experience are more likely to have a greater ownership strategy; that is, without international experience fundamental to the firms' needed dynamic capabilities, firms entering an international market are more likely to partner with a local firm.

However, the relevance of experiential learning varies across contexts such that the applicability of the firm's dynamic capabilities varies accordingly. Previous studies have found that internationalization decisions are inevitably influenced by firm-, industry-, and country-specific situations. Experiential knowledge learned in one context may not be relevant and transferable to another (Li and Meyer 2009) because both a firm's capabilities and organizational learning are context-specific (Van de Ven 2004; Argote 2013). More specifically, the effectiveness of a firm's dynamic capabilities is mainly associated with a particular set of circumstances in which certain context-specific dynamic capabilities are particularly effective. Thus, the extent to which firms can adopt greater ownership (e.g., to establish a wholly owned subsidiary) varies among situational settings, and a firm's ownership strategy decision under a set of situations differs from that under another set (Yiu et al. 2007; Luo 2001; Cuypers and Martin 2010). Furthermore, the organizational learning—through which the routines that make up firms' dynamic capabilities develop—is influenced by the contextual determination of active components such as a firm's members (e.g., managers, executives, other decision-makers), tasks that these members undertake (e.g., international expansion), and methods that the members use to complete the tasks (e.g., an international entry strategy) (Argote 2013).

Despite the realization of the country-specific contingency (e.g., Li and Meyer 2009), IB researchers have largely ignored the implications of multiple contextual influences on the IE-OS relationship (Hitt et al. 2015; Hotho et al. 2015). By making the assumption that context matters, we discuss in the following sections how various aspects of the context may affect the relationship between international experience and ownership strategy. According to previous context-specific studies (e.g., Luo 2001; Kirca et al. 2012; Jung et al. 2010), we consider the essential context variables that may affect the magnitude of the IE-OS relationship relating to three elements: firm, industry, and country (Figure 1). We propose that firm, industry, and country characteristics may moderate the IE-OS relationship because these contextual elements have a critical role in how a firm's dynamic capabilities are applicable or can be applied at international entry and affect the strength of their effects in internationalization. Drawing on this logic, we argue that these contextual elements represent specific conditions that either strengthen or weaken the impact of international experience on ownership strategy, as delineated subsequently.

Insert Figure 1 about here
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3. Hypotheses

3.1. Firm Context

The dynamic capabilities view considers a firm's international expansion to be a joint result of an evolutionary path that the firm adopts and an international opportunity that the firm identifies and embraces in the international market (Teece et al. 1997; Teece 2014). As an important decision within the process of international expansion, a firm's ownership strategy in an international operation increases together with the firm's dynamic capabilities that can be internationally exercised and internally possessed (Luo 2000), suggesting that firms with greater dynamic capabilities should have a greater ownership strategy at international entry.

The firm itself, however, is a contextual element that conditions the extent to which dynamic capabilities are applied at international market entry. Specifically, we argue that the size of a firm matters

such that small firms are characterized by better leverage of experience-based dynamic capabilities than large firms are tend to be, because small firms are less formalized and less bureaucratic than large firms are (Daft 2010; Whetten 1987). Faced with less inertia (i.e., inadequate or slow adaptation to change or resistance to change in conducting business) (Miller and Ming-Jer 1994; Wilden and Gudergan 2015), small firms are more likely to reconfigure host-country resources swiftly (M.-J. Chen and Hambrick 1995; Tushman and Romanelli 1985). Quick response to market dynamics requires a greater level of independence and control in a foreign market. In contrast, large firms commonly come with rigid structures and bureaucratic procedures (Nelson and Winter 1982; J. V. Singh et al. 1986). Particularly in those centralized large firms, the greater inertia associated with large organizational size may often constrain the leverage of dynamic capabilities (Huff et al. 1992), a crucial feature of reconfiguration. In large firms, the effect of international experience is thus weakened by the inertia-constrained leverage of dynamic capabilities. Thus, not only are small firms nimbler when dealing with external demands for environmental actions (Jones and Klassen 2001), but also experience-based dynamic capabilities can be applied more effectively for small firms than for large firms with inertia that makes change more costly and harder to achieve (Starbuck 1985). We therefore hypothesize:

Hypothesis 1 (H1): Firm size moderates the relationship between international experience and ownership strategy such that this relationship is stronger for small firms.

Besides the size of a firm, sources where the firm accrues international experience may also moderate the IE-OS relationship (Clarke et al. 2013; Cho and Padmanabhan 2005). This moderation effect is rooted in the experiential applicability and concerns the homogeneity of foreign entry decisions (Zollo and Winter 2002). For a better understanding of the applicable impact of international experience on ownership strategy in substantive terms, this paper follows previous research and identifies three major experience sources: (1) *host country*, meaning specific foreign countries in which a firm learns country-specific experiential knowledge about foreign cultures, economic and social environments, business practices, and government regulations (e.g., Delios and Beamish 1999; Luo 2001); (2) *previous entry*

decision, meaning a firm's previous strategies for entering international markets, from which the firm gains decision-specific experience regarding differences among international entry strategies, such as different ownership strategy requirements and potential outcomes of selected international ownership strategy decisions (e.g., Chan and Makino 2007); and (3) *international operation*, meaning a firm's ongoing operations out of its home country, from which the firm accrues general international experience in diverse foreign markets over time (e.g., Delios and Beamish 1999; Erramilli 1991). Experiential applicability varies among the three sources when a firm enters a foreign market with ownership in a foreign subsidiary because of the varying contexts.

This paper suggests international experience accrued in host countries (i.e., country-specific experience) to be more strongly associated with ownership strategy than that from other sources because country-specific international experience produces dynamic capabilities that enable a firm to establish operations effectively in a particular country (Delios and Beamish 1999; Luo 2001). While international experience from foreign countries is neither as diverse as experience accrued via international operations nor as relevant as that from previous strategic decisions, the applicability of international experience is strengthened by previous internationalization activities in a host country. The extant literature has demonstrated that lessons learned under the same circumstances are more likely homogeneous and facilitate firms' inferences accordingly; otherwise, experiential heterogeneity may not directly facilitate a firm's ownership decisions (Argote 2013) because homogeneous experience in a host country enables firms to sense a similar market opportunity easily and seize the opportunity with a proper strategy (Li and Meyer 2009; Argote 2013). With more experiential knowledge of setting up a business in a host country, firms will know how to reconfigure their capabilities with certain resources in the host country (Teece 2014). This mechanism indicates that host country-specific experience allows a more applicable deployment of dynamic capabilities, and firms with more host country-specific experience rely less on partnering with another firm than those that lack such experience, notwithstanding greater experience from other sources.

Moreover, when comparing the applicability of dynamic capabilities that originate from ownership decision-specific experience with that of those from general experience, the former may be more important for the IE-OS relationship than the latter for three reasons. First, previous decisions concerning ownership strategy build a firm's dynamic capabilities in response to a specific type of decisions by reducing the marginal costs of finance and management for initiating a particular ownership proportion of an international operation (Cho and Padmanabhan 2005; Chan and Makino 2007). Second, firms tend to repeat successful decisions to accumulate more experience and avoid unsuccessful international activities by selecting (or abandoning) an entry strategy that has led to profitable (or unprofitable) results (Anand et al. 2015). Third, the ownership-decision-specific experience is directly related to ownership strategy, and organizational learning literature has provided considerable evidence that firms learn from direct experience that has accumulated and influences an activity subsequent to previous activities (Argote 2013). Accordingly, firms that have been able to exercise their experience-based dynamic capabilities in prior international market entries are likely to develop greater proficiency in dynamic capability deployment in establishing a business at a new entry.

In contrast to decision-specific experience, international experience from ongoing foreign operations may not be as strongly applicable to ownership strategy as that from other sources because the larger variety of international locations and previously chosen strategies potentially attenuate both applicability and relevance of international experience to ownership strategy. Although Argote (2013) suggested that experience with diverse dimensions (e.g., spatial location, timing, pace, relevance) amounts to the salience of learning effects, the combination of multiple learning effects may not be noticeable to the same extent in a particular decision (e.g., an ownership strategy decision) when compared with country-specific experience (i.e., local knowledge for sensing, seizing, and reconfiguring opportunities in a foreign country) as well as decision-specific experience (i.e., the direct ownership-decision knowledge encapsulated in a firm's proficiency of deploying dynamic capabilities).

Putting these specifics together, this paper suggests that the experience source of host countries will see the strongest impact of international experience on ownership strategy, and the IE-OS relationship

will be more pronounced for experience from previous decisions than that from ongoing international operations. Simply put:

> *Hypothesis 2 (H2): The relationship between international experience and ownership strategy is moderated by the sources from which the firm gains its international experience, such that the relationship is (a) stronger for experience gained in host countries than that from previous ownership strategy decisions and (b) stronger for experience from previous ownership strategy decisions than that from international operations.*

3.2. Industry Context

An industry in which a firm resides has been considered a context that differentiates the effect of international experience on ownership strategy decisions (e.g., Erramilli 1991). The theoretical rationale is that the structure of an industry sector may determine the economic growth of firms in the industry because of its nature of establishment cost and knowledge transfer. A widely accepted industry dimension in IB studies relates to the different characteristics of manufacturing and service firms (Kirca et al. 2012). For example, entry mode literature suggests that an international entry strategy chosen by service firms differs from that by manufacturing firms mainly because service industries demand intangible expertise (e.g., accountancy, hotel management, advertising) that is more likely and easily influenced by foreign environments than tangible business activities and physical products transferred across borders in manufacturing industries (Dikova et al. 2010).

When a service firm establishes its business in a foreign country, it may be difficult for the firm to transfer experiential knowledge (H. Singh and Kogut 1989) and leverage its ensuing dynamic capabilities across borders (Teece 2014) because the experience of serving customers in a market may not be applicable to those in another country. Because of the inseparable nature of providing and consuming services, the geographic fungibility of international experience weakens in service industries (Erramilli and D'Souza 1993). Specifically, multinational service firms are more likely to encounter difficulties in benefiting from an internationally large scale of economies and need to face higher adaptation costs in

new foreign markets (Knight 1999). The higher adaptation costs weaken the service firms' capacity to reconfigure existing capabilities with resources in the foreign country (Teece 2014).

As a result of the idiosyncratic nature of industries, the cross-border learning mechanisms and ensuing dynamic capabilities may vary. Zollo and Winter (2002) propose the three mechanisms of experience accumulation, knowledge articulation, and knowledge codification of organizational learning for the development of dynamic capabilities. They argue that if situations of tasks vary significantly, explicit articulation and codification mechanisms will be more effective than experience accumulation for infrequent decisions. Translated to the context of choosing ownership strategy based on international experience, this argument implies that the accumulation of international experience would be harder for service firms than for manufacturing firms due to the heterogeneity in knowledge-based intricacies and complexities (Bowen and Ford 2002). In other words, international service experience accrued in one country may not be compatible with that in another, suggesting that international experience accrued by service firms may not have the same impact as that by manufacturing firms. Thus, these knowledge-based intricacies and complexities that characterize international experience of a service firm suggest a weaker effect by previous experience on choosing ownership strategy. In this sense, the accumulation of experience into proficient dynamic capabilities that can be effectively deployed in a foreign market is faint in service firms. In contrast, international experience gained by manufacturing firms is more likely to be homogeneous and applicable across countries than that in service firms. When entering a foreign country, manufacturing firms may find that their previous experience is more effective than that of service firms. In this sense, while international experience generally leads to high-level ownership, this association is stronger in manufacturing firms than in service firms due to greater applicability of international experience and thus more proficient dynamic capabilities.

In addition to the varying effects of international experience between manufacturing and service firms, the extant literature provides evidence of stronger learning effects in firms with diversified business, arguing that firms pursing industry diversification may obtain dynamic capabilities that are more proficient and more likely transferable across industries (Nguyen and Cai 2015). Because of the

diversification that helps firms advance their capabilities of multinational operations, firms operating a more diversified business are more likely to exploit their experiential knowledge effectively for entering a new market (Mayer et al. 2015). In this sense, the international experience of business-diversified firms is more effective in ownership decisions. Thus, firms with businesses in different industries may develop dynamic capabilities that allow them to draw on their international experience easily and directly when seizing new businesses opportunities with an optimal ownership strategy. As such, firms operating a diversified business may be more proficient in deploying suitable dynamic capabilities in foreign markets than those firms operating in manufacturing industries, with service firms having the least proficiency in deploying appropriate dynamic capabilities. Weakened dynamic capabilities correspond with a lower level of ownership. Incorporation of these ideas leads to:

> *Hypothesis 3 (H3): The relationship between international experience and ownership strategy is moderated by industries in which the firm resides, such that the relationship is (a) stronger for firms with diversified business than those only in manufacturing industry and (b) stronger for manufacturing firms than service firms.*

3.3. Country Context

The host-country context represents where a firm's international experience may be used. From the dynamic capabilities view, cross-border heterogeneity of economic development is part of the motivation for a firm to develop its dynamic capabilities through an experiential learning process in a global scope (Zollo and Winter 2002; Teece 2014). However, tacit knowledge that is applicable to a foreign country may not always be of use in another foreign market whose economic development stage differs (Li and Meyer 2009) because competitive environments vary dramatically across countries at significantly different stages of economy development (Hitt et al. 2015). It is difficult for a firm to replicate its strategies from one foreign country to another (Augier and Teece 2007), and the environmental difference and learning difficulty are more salient among developing economies than that among developed countries (Luo 2001).

Previous studies found that institutional gaps significantly delayed the completion of learning activities (Cho and Padmanabhan 2005) and international experience might not come into effect before an entrant firm had learned enough about a foreign environment. In developed host countries, the delay of experiential effects may be brief. A firm can follow relatively similar business practice and apply experience to a developed economy because developed countries are more likely featured with market-oriented (rather than government-controlled) institutions that do not interfere with normal business activities of entering firms (McMillan 2008). In particular, the market-oriented rules are generally consistent across developed countries (Peng et al. 2008). In this context, a firm's control and influence over a foreign subsidiary are protected in the institutional environment of a developed economy, whereby international experience allows the firm to establish its operations in the developed foreign market with relatively smaller ownership in partnership (Li and Meyer 2009). In this sense, a higher level of ownership, indicating greater independence, may be less needed for more experienced firms to enter developed countries.

In developing economies, firms need to acquire local knowledge on strategic and operational requirements to survive and thrive in a more complicated environment (Peng et al. 2008). The heightened complexities in such market environments come from weaker legal systems in developing economies that may make international experience less important than local knowledge of a specific developing country for entering firms because weak legal systems may bring extra costs to foreign entrants who are not familiar with the ambiguous regulations and corruption of bureaucratic systems in the developing country (Li and Meyer 2009). While a developing-market firm may have learned institutional constraints in its home country, the domestic experience may not always apply to another developing foreign country. For example, if a firm cannot obtain sufficient legal protection for its property right and tacit knowledge in a developing foreign economy, the firm may be unlikely to increase ownership levels in the foreign country (Luo 2001). This tendency will change only if the firm has updated its international experience with sufficient knowledge pertaining to the local institutional environment, suggesting the limited effect of international experience that the firm has accrued by the time of entering the developing country.

As such, entering a developing economy may require the firm to learn new of business knowledge because universal practices of business may not apply equally among developing economies. Without refining its dynamic capabilities through updating its international experience with local knowledge, the firm may have difficulty in operating in underdeveloped institutions of host countries (Ando 2011). This difficulty may be alleviated in the learning process, but at the moment of entering a developing market, the dynamic capabilities developed through international experience may not be as applicable as those for entries into developed countries. This paper thus proposes that international experience-based dynamic capabilities are less likely to result in greater ownership (e.g., wholly owned subsidiary, major ownership)—an indication of greater control over a foreign subsidiary—at international entries into developed countries. Moreover, the applicability of international experience is weaker for entries into developing countries because of the institutional diversity across developing economies, implying the more salient effect of local knowledge than international experience in developing countries. Formulating these ideas related to the contextual effects of host countries on the IE-OS relationship leads to:

> *Hypothesis 4 (H4): The relationship between international experience and ownership strategy is moderated by the host country in which the firm will apply its international experience, such that the relationship is (a) negative for international entries into developed countries and (b) insignificant for international entries into developing countries.*

In the interests of parsimony, Table 1 briefly outlines the hypotheses for these contextual effects.

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4. Method

4.1. Data Collection

To construct a representative and comprehensive meta-analytic database, this study followed the common practice suggested by Aguinis et al. (2011). First, databases including ABI, Ebsco, and ProQuest were searched with a combination of search terms such as international experience, internationalization,

international expansion, entry mode, ownership structure, global strategy, and international entry strategy. Then journals in international business, management, and marketing disciplines (Harzing 2015) were searched issue by issue for articles related to international experience and ownership strategy. References of major reviews previously published on the topic of international entry strategy were also examined to identify studies that might have been overlooked in the prior stages (e.g., Magnusson et al. 2008; Morschett et al. 2010; Tihanyi et al. 2005; Zhao et al. 2004; Brouthers and Hennart 2007; Canabal and White III 2008; Malhotra et al. 2003; Werner 2002). Finally, unpublished research was requested via AIB and AOM networks and searched through the eLibrary of Social Science Research Network.

After potential studies were searched for the meta-analysis, they were screened according to the following inclusion criteria. First, only empirical studies were eligible for inclusion because meta-analysis synthesizes quantitative results only. Next, empirical studies to be included reported both sample size and statistical results (e.g., correlation coefficients) that could be integrated into this meta-analysis for effect size computations. Third, studies reporting associations of one or more operationalization of international experience and ownership strategy at international entry were included. For papers that did not report correlations or other information for computing effect sizes and/or moderators, their authors were directly contacted for additional data. Finally, only independent studies were included. These inclusion criteria consequently excluded a number of studies related to the IE-OS relationship because (1) they did not report statistics required for computing effect sizes and/or moderators; (2) their authors were not able to provide necessary information, and (3) they reported correlation coefficients based on identical datasets in other studies. This process resulted in a total of 102 effect sizes obtained from 71 independent studies in 69 papers.

Following a coding procedure recommended by Lipsey and Wilson (2001), the final database was constructed. First, papers retrieved from the previous stage were read to develop a coding protocol to specify the information to be collected from primary studies. Accordingly, a coding form was prepared to allow coders to survey the included studies and extract data for the variables of interest. The data were correlation coefficients between international experience and ownership strategy and the values of

moderators (i.e., contextual variables proposed in the hypotheses). The first and second authors coded the included studies independently. The coders were geographically distant. The inter-coder reliability (Cohen's κ coefficient) was 0.91, indicating a reliable coding result (Cohen 1960). The two coders reached consensus on discrepancies by reviewing the coding protocol and the literature.

4.2. Variable Operationalization

It is essential for a meta-analytic study to operationalize variables meaningfully because how variables are measured reflects the variety of characteristics of different research. Following the extant literature, this paper defines ownership strategy as an entering firm's proportion of equity investment in an international operation (e.g., Li and Meyer 2009; Nielsen and Nielsen 2011). For moderators of the IE-OS relationship, this meta-analysis categorizes the measurements reported in primary studies in groups centered on a common meaning. Regarding *firm size*, one of the two moderators of firm-specific context, this meta-analysis followed previous studies (e.g., Erramilli and D'Souza 1993) and categorized samples of primary studies into small and large firms according to the American Small Business Association definition: firms with fewer than 500 employees, $550 million assets, or $7.5 million annual revenue are small firms, or large otherwise. In accordance with the extant literature (e.g., Clarke et al. 2013), the variable *sources of international experience* was operationalized with three dummies: international experience from (1) international operations, (2) previous ownership decisions, and (3) specific host countries. The experience source of *international operations* refers to an origin of experience from which firms gain general international experience that facilitates international knowledge accumulation in multiple means and provides little specific intelligence about either a particular ownership strategy or a particular host country (e.g., years of business out of the home country, the number of international operations). The source of *previous ownership decisions* provides international experience regarding prior choices of specific entry strategies (e.g., years of choosing joint venture, the number of wholly owned subsidiaries). The source of *host countries* captures experiential knowledge accrued in a specific foreign country (e.g., years in a host country, the number of operations in a host country).

For the *industries* moderator, this meta-analysis categorized the primary studies into three groups (i.e., manufacturing industry, service industry, and diversified business) according to the United Nations' industries classification (i.e., the International Standard Industrial Classification of All Economic Activities, Rev.4). *Diversified business* refers to firms that operate in more than one industry sector. Finally, for the *country* context, this paper categorizes countries reported in the primary studies into either developed or developing economies as per classification of the United Nations and the International Statistical Institute.

4.3. Data Analysis

To test the moderating effects hypothesized in the previous section, this study first computed mean effect sizes of the IE-OS relationship as per the meta-analytic procedure suggested by Hedges and Olkin (1985) and Lipsey and Wilson (2001), known as the HOMA procedure. Specifically, the Pearson product-moment correlation coefficient (r) was used. This is useful because r is a scale-free measure of bivariate linear association for examining the IE-OS relationship. If a study reported multiple observations for the IE-OS correlations, this study averaged the observations to yield a single estimate for that study (Hunter and Schmidt 2004) and consequently reduced the sample size to 102 effects. However, if a study reported correlations from several independent samples or distinct constructs of international experience, each sample and/or construct was treated as an independent observation. As the HOMA procedure requires effect sizes to be normally distributed, the correlation coefficient (r) was transformed into Fisher's z-coefficient (Hedges and Olkin 1985).

Then a random effects model was chosen to estimate the mean effect size. This model is appropriate for the current meta-analysis because it attributes effect size variability to both the sampling effort and the population of effects, indicating robust consideration for the meta-analytic data set (Lipsey and Wilson 2001). Subsequently, the z-coefficients were averaged and weighted by an estimate of their inverse variances to account for both the differences of precision across effect sizes and the variability in the population of effects (Hedges and Olkin 1985). The Fisher z-transformed sample size-weighted correlations (z_r) were used to investigate whether the significant variation in the correlations between

international experience and ownership strategy may be attributable to the contextual moderators discussed previously.

In the meta-analytic literature, moderation effects are often tested by two approaches: (a) subgroup analysis, which categorizes mean effect sizes into groups according to the levels of each moderator and then examines the categorized mean effect sizes (e.g., Zhao et al. 2004); and (b) meta-analytic regression analysis (MARA), which uses dummy-coded moderators as independent variables in a regression model to examine how a dependent variable (mean effect size) is explained (e.g., Kirca et al. 2012). This study focuses on the second approach of MARA because it takes all contextual effects into consideration simultaneously, which better reflects the IB reality that multiple factors affect the IE-OS relationship at the same time.

Furthermore, this study conducted a subgroup analysis to evaluate the meta-analytic data set for a comprehensive understanding of the moderating effects. The subgroup analytical procedure tested whether and how an individual moderator may explain the situational effect on the correlations between international experience and ownership strategy. The *z*-coefficients were transformed back to correlation coefficients (*r*), and then the mean correlation coefficients were computed with a random-effects model. In robustness tests, a fixed effect model was used to estimate mean correlation coefficients (see endnote for complementary materials). In the fixed effect model, the homogeneity of the population correlations between international experience and ownership strategy was assessed by the Q-statistic with a χ^2 distribution with n-1 degrees of freedom. A significant Q-statistic indicates a heterogeneous nature of effect sizes, suggesting that a random effects model is more appropriate than a fixed effect model and that a moderator analysis is necessary as well (Lipsey and Wilson 2001).[1]

Finally, using the Fisher *z*-coefficients as values for the dependent variable (i.e., the IE-OS relationship) and taking sample sizes of primary studies into consideration, the firm-, industry-, and

[1] The Q-statistic of the population effect sizes with the fixed effect model is 1481.78 (df=101), *p*-value <0.001. The mean effect size estimated with the fixed effect model is 0.017, standard error = 0.0028, *p*-value <0.001.

country-specific moderators were dummy coded and used as independent variables in the following regression model:

$$z_{E-S} = \beta_0 + \beta_1 x_1 + \beta_2 x_{2a} + \beta_3 x_{2b} + \beta_4 x_{3a} + \beta_5 x_{3b} + \beta_6 x_{4a} + \beta_7 x_{4b} + \varepsilon_I ,$$

where $z_{E\text{-}S}$ is the *z*-transformed correlation between international experience and ownership strategy, β_i are parameter estimates, and x_i are categorical variables shown below with the reference level (dummy-coded '0'):

x_1 – *Firm size*: small firms *vs.* large firms

x_{2a} – *Sources of international experience*: host countries *vs.* previous decisions

x_{2b} – *Sources of international experience*: previous decisions *vs.* international operations

x_{3a} – *Industry*: diversification *vs.* manufacturing

x_{3b} – *Industry*: service *vs.* manufacturing

x_{4a} – *Country*: developed countries (*vs.* others)

x_{4b} – *Country*: developing countries (*vs.* others)

5. Results

Insert Table 2 about here

Table 2 reports mean correlations between the international experience and ownership strategy of all samples (Row 1) and subgroups (Rows 2 and below). The overall mean correlation (ES = 0.069, $p < 0.001$) reveals that international experience is positively associated with ownership strategy. This finding confirms our overarching theoretical prediction that greater international experience corresponds with higher ownership at international entry. After the first row, Table 2 provides the results of the subgroup analysis. It demonstrates intervening effects of individual moderators that in this study are firm, industry, and country contexts and shows that 10 out of the 11 subgroup-analytic results have significantly positive

mean correlations between international experience and ownership strategy, except *service industries* (0.022, p = 0.34) and *developing host country* (-0.023, p = 0.33). This result seemingly suggests that the contextual variables *firm size* and *sources of international experience* may moderate the IE-OS relationship. However, a simple analysis of these individual moderating effects may not reflect realistic business contexts where multiple factors exist simultaneously (as previously mentioned). Also, the subgroup analysis does not disclose the degrees of these moderating effects because unequal subgroup sample sizes do not allow for comparing effect sizes between subgroups. For example, the ES of the *small firms* subgroup is 0.100, estimated with data from 48 primary studies; and the ES of the large firms subgroup is 0.044 from 54 studies. Thus, the subgroup-analytic results are merely considered complementary findings to the meta-analytic regression analysis that this study focuses on and are used to examine the hypothesized effects of firm, industry, and country factors on the IE-OS relationship, as illustrated below.

Insert Table 3 about here

Table 3 summarizes the meta-analytic regression results, showing that the proposed model is significant ($F_{(7, 94)} = 15.24$, $p < 0.001$) and the seven predictors (i.e., contextual moderators) tested in the regression model account for 68 percent of the variance in the IE-OS relationship ($R^2 = 0.677$). This table reports parameter estimates (β) for testing hypotheses and standardized coefficients (β_s) as well. These standardized coefficients enable this study to provide further insight into the contextual effects, as elaborated below.

Focusing on the effect of firm size, H1 posits that for small firms, international experience relates to ownership strategy more strongly than for large firms when making ownership decisions regarding foreign market entries, which indicates a stronger IE-OS relationship for small firms. This argument is based on the assumption that small firms generally rely on experience and face less inertia. These firms can apply their dynamic capabilities developed through previous experience more straightforwardly than large firms can. In Table 3, the coefficient of the variable *firm size* is positive and modestly significant

(0.086, $p < 0.10$), suggesting that firm size moderates the IE-OS relationship and this relationship is stronger in small firms than large firms. Therefore, marginal and weak support is obtained for H1, given the sample size of this study.

H2a and H2b predict that the strength of the IE-OS relationship varies among sources from which a firm acquires its international experience. Specifically, this paper hypothesizes that the IE-OS relationship is stronger when international experience is accrued from previous internationalization activities in host countries (i.e., country-specific experience) than that accumulated via previous ownership decisions (i.e., decision-specific experience) (H2a), and the decision-specific experience has a stronger effect on the IE-OS relationship than experience gained through ongoing international operations (i.e., general experience) (H2b). Results in Table 3 show that the effect of *host countries* is stronger than that of *previous decisions* on the IE-OS relationship (0.122, $p < 0.001$), indicating H2a is supported. Also, the coefficient of the variable *previous decisions* (vs. international operations) is positive and significant (0.092, $p<0.001$), suggesting a stronger effect by the experience source of previous decisions. As such, support is obtained for H2b. Incorporating findings for both hypotheses, this paper notes that the host country is the most influential source for accruing international experience in terms of ownership strategy.

H3a proposes that the IE-OS relationship is stronger for firms with a diversified business than those operating only in manufacturing industries, and this hypothesis is followed by H3b, which predicts that the IE-OS relationship is weaker for firms in service than in manufacturing industry sectors. These are proposed mainly because of the differences in knowledge intricacies and complexities, the proficient dynamic capabilities of a firm with businesses in multiple industry sectors, and the intangible and inseparable nature of services. Turning to Table 3, the variable *diversification* (vs. service) is insignificant and negative (-0.003, $p=0.92$), providing no support to H3a. Moreover, H3b is not supported by the insignificant coefficient of the variable *service* (vs. manufacturing). This insignificant result is consistent with the subgroup analysis that shows an ambiguous IE-OS relationship in the subgroup *service* (0.022, $p=0.344$ in Table 2). Considering both empirical results for testing H3a and H3b shows limited contextual effects of the variable *industry* on the IE-OS relationship. In particular, compared with the significantly

positive mean correlations in the subgroups *manufacturing* and *diversification* in Table 2 (0.071, p<0.001; 0.077, p<0.001, respectively), these industry effects revealed by the meta-analytic regression analysis suggest that industry-specific contingencies may not always affect the IE-OS relationship in the presence of other theoretically relevant moderators, although these contingencies may matter individually.

Finally, H4a and H4b submit that the effects of international experience on ownership strategy are contingent upon the host country into which a firm enters, and the firm's international experience will apply. As Table 3 indicates, the variable *developed host country* has a negative and significant coefficient (-0.123, $p < 0.001$), suggesting that the effect of international experience on ownership strategy is attenuated in developed countries. This result demonstrates a consistent finding with the prediction of H4a.[2] Following this, the variable *developing countries* displays an insignificant negative coefficient (-0.103, $p = 0.15$) in Table 3, offering support for H4b, which predicts an insignificant influence of experience on ownership strategy in developing countries.

While it is not specifically formulated in the form of a hypothesis, comparing the strength among the contextual effects allows additional contributions to the literature because an intuitive question after investigating these contextual factors is, "Which significant factor is more important than others?" This comparison is similar to an approach called *relative importance analysis* (LeBreton et al. 2013) or *dominance analysis* (Budescu and Azen 2004). Specifically, this study followed a procedure recommended by Connelly et al. (2015) and examined the contribution that individual contexts make to the explained variance of the IE-OS relationship by comparing the absolute values of significant coefficients of the four contextual variables (firm size, country-specific experience, decision-specific experience, and developed host countries).[3] Specifically, this study compared the standardized coefficients (β_s) between variables, such as *country-specific experience* (0.503) and *firm size* (0.268),

[2] In the online supplementary appendix, we report a robustness test that included multiple control variables. Although the inclusion of control variables does not improve the regression model, the negative moderating effect of *developed host country* is still confirmed.

[3] Insignificant coefficients are excluded because they do not represent the specific context. Absolute values are used because these are meaningfully comparable.

which demonstrate that a 1 standard deviation change in *country-specific experience* or *firm size* will result in a 0.503 or 0.268 standard deviation increase in the IE-OS relationship. This suggests that the variable *country-specific experience* causes a larger change in the IE-OS relationship than *firm size* if the difference of their standardized coefficients is statistically significant. To test the significance of their difference, this study obtained a critical ratio (z) of 4.707 ($p < 0.001$), where z was the difference between the standardized coefficients divided by an estimate of the standard error of the difference. Given this significant z-score, the difference between the contextual effects of *country-specific experience* and *firm size* is statistically confirmed. This study repeated this process and compared other pairs of significant moderators to find five significant differences (Table 4). Based on these findings, we argue that international experience from host countries (i.e., country-specific experience) has the strongest impact on ownership strategy, followed by decision-specific experience. While the IE-OS relationship is also moderated by firm size and by developed host countries, these two moderating effects are weaker than those related to the sources of international experience.

Insert Table 4 about here
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6. Discussion and Implications

Aiming at a careful examination of the situational setting that moderates the IE-OS relationship, this paper explores the conditions under which a firm's international experience may influence its ownership strategy at international entry and brings reconciliation to the mixed findings of prior IE-OS research. In turn, this paper offers a number of theoretical and empirical contributions to the IB literature. First, using a combination of meta-analytic techniques to review a large body of literature, this paper quantitatively consolidates and systematically integrates findings from a variety of research streams into a coherent body of IB knowledge. This effort provides many intriguing insights. While previous research has for decades examined both *how* and *what* international experience may influence ownership strategy (Erramilli 1991; Cho and Padmanabhan 2005), this paper demonstrates that firm-, industry-, and country-specific factors may provide theoretical explanations for the inconsistent and inconclusive findings in

previous studies. In this sense, *where* firms' international experience is accrued and to be used matter. The extant literature shows that heterogeneity derived from the lack of firm-specific contingencies may act as a source of variation that is likely to bias research findings (Tsai and Cheng 2004). Likewise, the failure to take industry-specific heterogeneity into consideration may lead to contradictory findings of the IE-OS relationship (Delios and Beamish 1999; Erramilli 1991). It has also been accepted that country-specific factors are important issues of the IE-OS relationship because the effectiveness of experience may vary across host countries (Li and Meyer 2009). The current study has investigated these factors simultaneously.

Furthermore, our findings demonstrate that the magnitude of the IE-OS relationship depends on firm size, sources of experience, and a host country's economic development stage. Specifically, firm size moderates the IE-OS relationship in that international experience is more likely to lead small firms to choose a greater ownership strategy for entering an international market than large firms with a similar degree of international experience. This finding confirms the capability-based argument that small firms have a greater ability to leverage experience-based dynamic capabilities at the international market entry to bear risk and deal with uncertainty in a foreign market (e.g., Yiu et al. 2007), implying that small firms may have advantages in deploying their dynamic capabilities in comparison with large firms. Although large firms may be able to access a larger amount of resources, small firms may more easily sense and seize appropriate opportunities, and also more easily reconfigure their resource base.

In addition, our findings show that the impact of international experience accrued from specific host countries is stronger than that from either previous decisions or general international operations. This implies that experiential learning effects are particularly pronounced when firms acquire applicable experience (Delios and Beamish 1999). This finding is not only consistent with organizational learning theory (Argote 2013), but also implies that the experiential applicability may be more likely to influence the effective deployment of dynamic capabilities (e.g., specific and identifiable strategic decision making processes, Eisenhardt and Martin 2000; Zollo and Winter 2002).

This paper also examines the industry context within which firms reside. Industrial factors have been highlighted by previous studies in which researchers either concentrate on a single industry (e.g., Blomstermo et al. 2006) or consider industrial effects by merely controlling for industry features (e.g., Chan and Makino 2007). By investigating multiple industries, the findings reported in this paper reveal that an industry in which a firm resides may not alter the impact of international experience on ownership strategy. This interesting finding is evidenced by the insignificant coefficients of industry-specific variables (i.e., -0,003, $p = 0.92$; -0.014, $p = 0.67$ in Column β, Table 3). Furthermore, standardized coefficients of the two industry-specific variables are relatively small (i.e., -0.011 and -0.059 in Column β_s, Table 3), implying that the industry moderator may not have a substantial effect size (i.e., the magnitude of an influence) because the two variables explain only 1.1% and 5.9% of variance in the IE-OS relationship, respectively. In this sense, even if the two coefficients were significant, industry settings might not materially affect decision-making on ownership strategy based on international experience (Combs 2010). This insignificant and insubstantial effect size challenges the traditional understanding about the role of industry context (Bowen and Ford 2002; Erramilli 1991).

Moreover, the meta-analytic findings indicate that developed countries are more likely to alleviate the influence of international experience on ownership strategy because the institutional environment of developed countries allows a firm to work with a local partner and forego greater ownership, notwithstanding the firm's international experience, because the institutional environment can protect the firm's influence over its foreign subsidiary jointly owned with local partners (Peng et al. 2008). Based on the institution-based studies that disclosed differences between countries, this meta-analysis shows insignificant moderating effects of entries into developing countries. This finding suggests that firms have to update their experience by learning local knowledge for developing countries, so the proficiency of a firm's dynamic capabilities is contingent on the specific context of each developing country (Teece 2014; Zollo and Winter 2002). This result also confirms the difficulty of experiential knowledge transfer in underdeveloped economies (Collins et al. 2009; Augier and Teece 2007) because of the irrelevant and hardly transferable experiential knowledge between highly discrepant environments (Argote 2013). More

specifically, in recognition of the findings concerning H2a (i.e., country-specific experience is the most important), the findings concerning host countries imply that ownership strategy decisions are driven by firms' international experience—particularly their dynamic capabilities accumulated from such experience—and are a result of where experience is accrued (i.e., the sources of experience) and where experience is used (i.e., a host country where the firm enters).

This implication is in line with the dynamic capabilities view. It argues that consistently upgrading capabilities allows firms to identify and exploit opportunities effectively and efficiently with appropriate strategies (Teece 2014). In the international market entry context, this argument is based on the fact that firms' dynamic capabilities are accrued through their international experience. However, beyond establishing that a firm's international experience relates to its ownership strategy at an international entry and that this relationship rests on the firm's experience-based dynamic capabilities, the arguments outlined in this paper and empirical insights produced in this study indicate that it is not the mere existence of dynamic capabilities that matters, but rather the firm's ability to deploy these dynamic capabilities in a particular context. Their distinctive applicability to such a context is thus also crucial. This echoes Teece's (2014) arguments that dynamic capabilities are sticky within a firm's internationalization process and cannot be easily applied across different international markets. This stickiness challenges firms that are less organic and characterized by greater inertia (see also Wilden et al. 2013), as is more commonly the case in large firms. Moreover, our findings imply that a firm's dynamic capabilities applicable to the context of one international entry are not necessarily equally applicable to another international entry. In other words, the proficiency of dynamic capability deployment varies across contexts, and varying international entries imply different contexts. Therefore, a firm's effectiveness of deploying its international experience-based dynamic capabilities is contingent on the foreign market in which the entry occurs. This context specificity of dynamic capabilities also implies that there does not exist one single gestalt of dynamic capabilities that would be uniformly proficient for different international entries. In fact, different gestalts of dynamic capabilities may proficiently yield the same or similar outcomes. This, in turn, offers empirical support for the equifinality argument that

characterizes the dynamic capabilities view (Teece et al. 1997), but has only seen scarce empirical support (Gelhard et al. 2016).

Nevertheless, a large number of missing values of moderators in primary studies did not allow this study to carry out statistically meaningful assessments into cross-country scenarios (i.e., "Non-specified" dominates the meta-analytic dataset, as shown in Country Context in Table 2.). This limitation clearly warrants more comprehensive understanding of various country settings (e.g., cross countries at various economic development stages) and their effects on the IE-OS relationship in future research. The current investigation of developed and developing countries is an important step toward the delineation of country contingencies for understanding where firms' international experience may be more effective and applicable for strategic dynamics.

An additional intriguing finding of this meta-analytic study relates to the relative importance of these contextual factors, which provides insightful implications for the context-related research. Whereas simply comparing standardized coefficients indicates that entries into developed countries may have the least influence on the IE-OS relationship, further computation of critical ratios demonstrates that the difference between the developed-country condition and small-firm setting is not significant (Table 4). This finding reconciles the debate on what context is more important (see, e.g., Luo 2001) by suggesting that the source of international experience is more important for the IE-OS relationship, and firm size and host country, though relevant, are less important. This finding supports the argument that a firm should focus on the reconfiguration of host-country resources through its dynamic capabilities by learning effectively from international experience (Teece 2014; Teece et al. 1997), implying that firms need to develop their dynamic capabilities via a diligent leaning process to leverage experience.

In addition, this meta-analytic study provides useful implications for those managers and practitioners involved in internationalizing activities of their firms. During recent decades, many researchers have obtained mixed findings such as a positive (Cho and Padmanabhan 2005), negative (Maekelburger et al. 2012), and unclear (Blomstermo et al. 2006) relationship between international experience and ownership strategy, as discussed earlier. The current meta-analysis finds an overall

positive association between international experience and ownership strategy, and this association is moderated by multiple contextual factors (i.e., firm-, industry-, and country-specific settings). In particular, simultaneously examining the moderating effects enables this paper to contribute insights to IB practice through showing that multiple factors collectively exert impacts on an IB decision ("ownership strategy decision" in this study). Apart from the simultaneous impacts, our analysis on the relative importance of these contexts implies that firms may benefit from accumulating experience in host countries because the country-specific experience is not only more important for the IE-OS relationship, but also facilitates a firm's continuing expansion in a host country (Swoboda et al. 2015).

In sum, the key implications for managerial practice are that managers leverage their firm's international experience in form of deploying ensuing dynamic capabilities to deal with possible dependencies that can come with shared ownership at international market entry. In doing so, managers should be cognizant that benefits of deploying dynamic capabilities are greater when these capabilities are derived from host country specific experience. Thus, assuming that all experience-based dynamic capabilities are alike when entering international markets would be misleading. Managers therefore should tailor their dynamic capabilities to suit certain international markets, whereby their firms can have different kinds of dynamic capabilities that yield similar outcomes in different markets. Furthermore, managers of larger firms should not assume that, because they possibly are able to access slack resources, they are better in deploying their dynamic capabilities when entering international markets. Indeed, managers of large firms should be cognizant of the fact that dynamic capabilities may be more difficult to leverage in large firms than in small firms.

Finally, several limitations characterize the study reported in this paper, which may suggest directions for future research. The first concern arises from the restricted access to contextual information in primary studies. While more than 100 articles were initially retrieved from databases and screened for inclusion; only 69 articles were included into the meta-analytic data set because of missing values in primary studies. In turn, data drawn on in this current study are not sufficient for examining additional combinations of moderators (e.g., subsectors in the broader manufacturing industries), suggesting that

future research may collect primary data (either qualitative or archived data) to investigate a larger scope of situational settings explicitly. In addition, because of the non-experimental research design in the majority of IB studies, causal inferences from international experience to ownership strategy, or vice versa, should be interpreted with close scrutiny (Shadish et al. 2002). Despite this, the meta-analytic study presented in this paper extends previous understanding of contextual influences by making contributions via an investigation of multiple contexts, and future research may go further along this path to contribute additional insights by testing multiple interactions of contextual variables (e.g., a firm's home-country effect on the contingency effect of host countries). The meta-analysis reported in this paper did not do so for maintaining the focus on disclosing simultaneous effects of the first-level contingencies.

In conclusion, this study investigates the moderating effects of firm-, industry-, and country-specific contexts on the relationship between international experience and ownership strategy by statistically integrating empirical insights accumulated in a large body of literature. In doing so, the paper draws on rigorous meta-analyses to contribute critical insights into the contingencies and mechanisms of organizational learning as an evolutionary approach of dynamic capabilities in an IB setting. By examining ownership strategy decisions at international entries, this paper provides evidence showing under what conditions the experiential learning is associated with firms' ownership strategy for entering a foreign market. This work therefore complements prior research pertaining to the IE-OS relationship as well as to the organizational learning and the impact of dynamic-capabilities through the incorporation of theoretical propositions from the institution-based view and a contingency-based perspective. The empirical results largely support theoretical predictions that firm size, sources of international experience, and economic development stages of host countries may moderate the IE-OS relationship and that this relationship is not contingent upon industries in which firms reside. In turn, this paper posits that a firm's international experience positively relates to its ownership strategy at an international entry and that this relationship rests on the firm's experience-based dynamic capabilities. It is the firm's ability to deploy these dynamic capabilities and their applicability that condition this relationship. These theoretical and

empirical contributions fill some of the critical gaps in the extant literature by accounting for multiple moderators simultaneously and synthesizing diverse findings with a systematic study.

Note

Three appendixes are submitted as supplementary materials, including *Online Resource 1*: an entire reference list of primary studies included in the meta-analytic study; *Online Resource 2*: results of fixed-effect model (e.g., mean effect sizes in subgroups, Q-statistics of subgroups for homogeneous tests, and available bias for the "file drawer" or publication bias analyses); and *Online Resource 3*: analyses including control variables.

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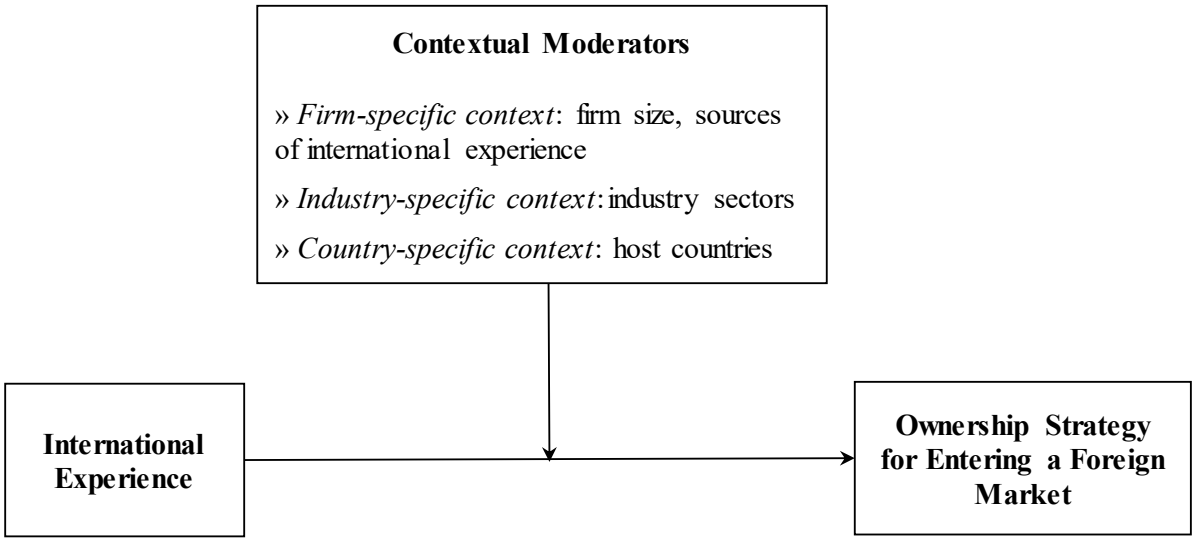

Figure 1. Conceptual Framework

Table 1. Variables and Hypotheses

Moderator		Hypothesized effect on the IE-OS relationship	Rationale in brief
Firm Context			
Firm size	H1	Stronger for small firms	Complicated structures associated with organizational size may constrain the leverage of dynamic capabilities (Huff et al. 1992). Although small firms are nimbler (Jones and Klassen 2001), the inertia that large firms face makes change harder to achieve (Starbuck 1985).
Sources of international experience	H2a	Stronger for experience from host countries than that from previous ownership decisions	Experience of previous business activities in host countries is more applicable (Delios and Beamish 1999; Luo 2001) because experience accrued from similar environments facilitates decision-making inferences (Argote 2013; Zollo and Winter 2002).
	H2b	Stronger for experience from previous decision than international operations	When making a decision, decision-specific experience is more useful and relevant with direct impacts than general experience (Chan and Makino 2007; Anand et al. 2015; Argote 2013).
Industries Context			
industry sector	H3a	Stronger for firms with diversified business than in a manufacturing industry only	Experience gained from a diversified business allows firms to exploit their transferable experiential knowledge obtained in multiple industries and multinational operations (Nguyen and Cai 2015; Mayer et al. 2015)
	H3b	Stronger in manufacturing than in service industries	Experiential knowledge transfer and experience accumulation are more difficult in service industries than in manufacturing industries because of the intangible and inseparable nature of services (Dikova et al. 2010; Knight 1999) and ensuing knowledge complexities.
Country Context			
Between home-host countries	H4a	Negative for entries into developed countries	Relatively similar institutional environments and business practice cause fewer learning restrictions in developed economies (McMillan 2008), and international experience-based dynamic capabilities may be deployed smoothly into developed countries (Li and Meyer 2009).
	H4b	Insignificant for entries to developing countries	Developing countries require entering firms to learn a new set of local knowledge, which suggests the difficulty in using international experience (Peng et al. 2008; Cho and Padmanabhan 2005).

Table 2. Mean Correlation Coefficients and Subgroup Analyses with a Random-Effects Procedure[a]

Relationship and subgroups	n	N	ES		SE_{ES}	95%CI_{ES}	
International experience—ownership strategy (IE-OS) relationship	102	114,118	0.069	***	0.01	0.04	0.09
Firm Context							
Firm size							
Small firms	48	24,015	0.100	***	0.02	0.06	0.14
Large firms	54	90,103	0.044	**	0.02	0.01	0.08
Sources of international experience							
From host countries	37	48,145	0.062	**	0.02	0.02	0.10
From previous ownership decisions	13	9,775	0.059	*	0.03	0.01	0.11
From ongoing international operation	52	56,198	0.075	***	0.02	0.03	0.12
Industry Context (Industry Sector)							
Manufacturing	40	53,276	0.071	***	0.02	0.04	0.10
Service	12	3,474	0.022		0.04	-0.06	0.10
Diversification	50	57,368	0.077	***	0.02	0.03	0.12
Country Context (Host Country)							
Developed host country	20	37,199	0.084	*	0.04	0.01	0.16
Developing host country	12	12,887	-0.023		0.04	-0.10	0.05
Non-specified	70	64,032	0.080	***	0.01	0.06	0.10

[a] n—number of effects; N—cumulative sample size; ES—mean correlations between international experience and ownership strategy; SE—the standard errors of mean correlation coefficients; 95% CI—the 95% confidence interval.

*p<0.05; **p<0.01; ***p<0.001.

Table 3. Results of Meta-Analytic Regression [a]

Predictors	Hypotheses	β		s.e.	[95% CI]		β_s
Firm Context							
Firm size							
Small (vs. large) firms	H1	0.086	†	0.05	0.0	0.2	0.268
Sources of International Experience							
Host countries(vs. previous decisions)	H2a	0.122	***	0.02	0.1	0.2	0.503
Previous decisions (vs. international operations)	H2b	0.092	***	0.02	0.1	0.1	0.401
Industry Context (Industry Sector)							
Diversification (vs. services)	H3a	-0.003		0.03	-0.1	0.1	-0.011
Service (vs. manufacturing)	H3b	-0.014		0.03	-0.1	0.0	-0.059
Country Context (Host Country)							
Developed host country	H4a	-0.123	***	0.03	-0.2	-0.1	-0.306
Developing host country	H4b	-0.103		0.07	-0.2	0.0	-0.207
Intercept		0.055	†	0.03	0.0	0.1	
n					102		
N					114,118		
F(7, 94)					15.240		
p-value					0.000		
R^2					0.677		

[a] β – regression coefficient, s.e. – standard error of coefficient, CI – confidence interval, β_s – standardized coefficient; n – number of effects; N – cumulative sample size; F – the test statistic and *p*-value for the model.
†p<0.10; ***p<0.001.

Table 4. Comparison of the Relative Importance of Contextual Factors

Variables being compared			Δ|βs|	Critical ratio	p-value
Country-specific experience	vs.	Firm size	0.235	4.707	0.000
Decision-specific experience	vs.	Firm size	0.133	2.689	0.011
Developed host country	vs.	Firm size	0.038	0.662	0.320
Country-specific experience	vs.	Developed host country	0.197	20.891	0.000
Decision-specific experience	vs.	Developed host country	0.095	18.674	0.000
Country-specific experience	vs.	Decision-specific experience	0.103	4.014	0.000