

University of Reading

The Role of Strategic Leaders in International Business: Competitive Strategies and International Complexity

By

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Thesis Submitted in Partial Fulfilment of the Requirements for the Degree of Doctor of Philosophy

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Declaration of Original Authorship

I confirm that this is my own work and that the use of all material from other sources has been properly and fully acknowledged

State of the thesis chapters

Chapter "International complexity and the demand for generalists and specialists in executive selection" is under review at the Global Strategy Journal (Revisions to be submitted after the second R&R)

Chapter: "Top management team experience diversity and the Foreign Investment Location Complexity: An empirical analysis of UK firms" has been submitted to the Journal of Business Research

Chapter: "Top management teams in international business: Taking stock and looking ahead" is still in preparation for Journal submission

Chapter: "How the top management team's composition influences the foreign establishment mode choice deviation of UK manufacturing firms" is still in preparation for Journal submission

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This research investigates the role of the top management teams (TMT), their composition and past experiences in international strategic decision-making. Specifically, the empirical chapters of this thesis posit their attention on the influence of group and individual executives' demographics and career experiences on firms internationalisation decisions. In the first theoretical chapter, I take stock of the existing strategic leadership (SL) literature that has dealt with international business (IB) phenomena and thus contributed to IB research. Drawing on some of the identified research gaps, I¹ then develop three empirical studies. The first two empirical chapters examine how TMT composition and work experiences can shape and influence two crucial IB choices, i.e. the establishment mode strategy and the foreign investment location choice. The last empirical chapter takes a different perspective, and it considers how the country environment complexity faced by the firm in its international environment influences the background of newly appointed executives. Broadly, these three studies investigate how TMT members' experience and backgrounds, at an individual and group level (team composition), shape the firm propensity to engage with complex international competitive strategies and environments and thus help the firm navigate and handle the information demands complexity associated with the latter at the subsidiary and company portfolio level.

The systematic review of the literature is timely and important as the literature has substantially developed in the last two decades to allow such investigation. By implementing a rigorous and structured methodological approach, I identify 114 empirical papers published in scientific outlets ranked in the Academic Journal Guide (2018) of the Chartered Association of Business Schools as three stars (*) and above between 1984 and the beginning of 2019. I develop an organising framework to assist me in reviewing the literature, which I argue investigates four main broad IB outcomes: international strategic decisions, global strategic posture, international competitive moves and firm performance. The literature shows that TMT composition, individual executives' characteristics, experiences, and economic incentives influence strategic decision-making; therefore, it contributes to shaping the firm internationalisation process, its related strategic decisions and, in turn, company financial and non-financial performance. However, I point out that literature has not uniformly developed across the four IB outcomes, and limited theoretical integration has occurred among different SL's theoretical perspectives and between SL and IB theories. I conclude by suggesting

¹ I use pronoun "I" in the abstract, introduction and conclusion sections. However, the pronoun "we" is used in the thesis chapters to comply with the academic journals standard.

some critical unanswered research questions and methodological enhancements that would advance SL's theoretical and empirical contribution to the IB research.

In the first of my three empirical chapters, I investigate the entry mode misalignment phenomenon for the first time in the establishment mode choice (EMC) context. Establishment mode deviation² (ESMD) is defined consistently with the existing literature, i.e., the governance strategy misalignment between the theoretically predicted establishment mode strategy and the actual one. This study contributes to the emerging entry mode deviation³ (EMD) research maintaining that ESMD may not simply result from ineffective decision-making but rather the result of a more exhaustive and non-stereotypical managerial research process for new and alternative solutions to the theoretically predicted establishment mode strategy. Certain managerial factors will be needed to prompt and enable this search, and I identify them at the TMT level. I argue that TMT diversity is instrumental to generating and executing the ESMD strategy. Nonetheless, team-level diversity is a complex phenomenon. I distinguish between two different sources of diversity, i.e. deep-level and surface-level diversity. I contend that they are likely to produce opposite effects on the probability of adopting ESMD. Additionally, I explore the impact of specific organisational and environmental conditions, i.e. firm declining and industry declining performance, on the relationship between TMT deep-level and surface-level diversity and the ESMD.

The second empirical chapter deals with the foreign investment location complexity decision. In this study, I investigate how the TMT's work experience diversity can differently influence the location of foreign market investments. Specifically, this research piece examines foreign locations in respect to different dimensions of IB complexity, which I call institutional and economic complexity. The former refers to the challenges associated with weak and low quality national institutional environments. The latter reflects the difficulties of operating in highly innovative and diversified national production systems. This conceptualisation of host-country complexity contributes to IB research by unravelling some decision-specific mechanisms that can influence TMT preferences for one or the other location complexity type. Drawing on the Upper Echelons Theory (UET), this research maintains that company executives will more likely invest in those countries whose institutional and knowledge environment, and thus their related information-processing demands, constitute a better fit with their expertise and capabilities. I hypothesise that TMT work

² ESMD refers to the specific entry mode deviation phenomenon in the specific context of the establishmen mode strategy, i.e. decision between greenfield and acquisition investments.

³ In this thesis when we discuss about EMD, we refer to the broader entry mode deviation literature without discerning the context in which deviation has been studied (e.g. ownership choice, equity vs non-equity market entry strategies, greenfield vs acquisition market entry strategies etc.).

experience diversity, i.e. international, functional and industry work experience, will be positively associated with the choice of investing in institutional complex countries but negatively associated with economic complex locations.

The third empirical study takes a different perspective from the previous two chapters. It investigates how the complexity of the country environments that compose firm IB operations influences the background of newly appointed executives. Drawing on the concept of executive job demands, I maintain that distinct sources of country environment complexity will generate demands for different types of executives' backgrounds, i.e. generalist vs specialist. SL literature has suggested that task demands are one of the main drivers of executive appointments; thus, by arguing that institutional and economic complex environments will be associated with different task and job demands, I explain how different country environment complexity will lead to appointing executives with distinct backgrounds. Specifically, high institutional complexity will increase the chances of selecting a generalist executive, while high economic complexity will prompt the need to hire a more specialist executive. Some supplementary analyses explore the interaction effect between the two sources of complexity and contingent effects of the firm and industry-level performance.

The econometrics analyses are performed on a sample of 116 UK-based public manufacturing firms, with a number of employees between 50 and 1000⁴, whose information was collected for the 2010-2016 period. However, empirical chapter five leverages an extended version of the database for which companies up to 2000 employees were added (i.e. reaching 144 companies), and the sample period was also extended to 2008-2018. For all the companies, I retrieved various firm and industry-level information. I hand-collected in-depth information on TMT members' characteristics and experiences and firm internationalisation data concerning their foreign investments and subsidiaries.

Overall, the systematic literature review and the empirical chapters' findings suggest that there are significant advantages in more consistently accounting for the role and influence of the firm's

⁴ I clarify that the theoretical development of the empirical papers included in this thesis are not intended to be specific to SMEs as the company size range clearly overcomes the 250 employees SMEs upper threshold. First, it is not uncommon to consider similar firm size ranges in the strategic leadership literature (i.a. Boone, De Brabander, & Van Witteloostuijn, 1996; Buyl, Boone, & Hendriks, 2014; Elia, Greve, Vallone, & Castellani, 2021; Villagrasa, Buyl, & Escribá-Esteve, 2018). while the firm size range adopted in the empirical studies of this thesis does not make a specific case for SMEs or large MNEs, companies included in such range are particularly likely to be dependent on their human and social capital because of their centralised decision-making structure and more limited human and financial resources (Boone, De Brabander and Van Witteloostuijn, 1996; Buyl, Boone and Hendriks, 2014; Elia et al., 2021). Additionally, in each empirical paper, I have run robustness checks concerning firm size in order to assess whether the statistical empirical effects hold across the two samples (i.e. 50-250 and 251-2000 employees). Specifically, I interacted the key explanatory variables of each study with a dummy variable, which is equal to 1 when the firm number of employees is lower than 250 and 0 otherwise (Elia et al., 2021). The statistical insignificance of these interactions suggests that our hypotheses have general validity across firms of different sizes.

decision-makers in companies' internationalisation process and strategic decisions, both in theoretical and empirical development. Deeper integration of the SL managerial perspective into IB research could complement and strengthen the explanatory power of macro and meso IB theories by generating a more comprehensive understanding of the mechanisms underlying the formulation and execution of firms' internationalisation strategies.

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1 Introduction

1.1 Background, Motivation and Scope of the study

In the IB literature, different theories have explained the reasons behind the existence and expansion of multinational enterprises (MNEs) and the most relevant aspects of firms' internationalisation. International strategic decisions, e.g. foreign market entry modes (Brouthers and Hennart, 2007; Dikova and Brouthers, 2015), have been studied and explained leveraging different economic and strategy theories. Among the most relevant and frequently adopted, we find the transaction cost theory, the Uppsala model, institutional theory, knowledge and resource-based views of the firm and the OLI framework, which integrates multiple IB theoretical perspectives (Barney, 1991; Benito, Petersen and Welch, 2009; Cantwell, 1995; Casson and Buckley, 1976; Dunning, 1977; Johanson and Vahlne, 1977; Kostova, Roth and Dacin, 2008; Kostova and Zaheer, 1999). Drawing on the previous and few other theoretical perspectives, the great majority of the IB literature has investigated the firm's internationalisation process and its strategic decisions predominantly by looking at firm, industry and home/ host country-level factors. Indeed, IB research has dealt mainly with the "macro" and "meso" level antecedents of firm internationalisation decisions (Aharoni, 2010; Devinney, 2011; Hitt et al., 2006; Hitt and Tyler, 1991). Not surprisingly then, the dominant view in IB literature states that strategic decision-making is almost exclusively the outcome of a cost-benefit assessment analysis, which aims at identifying the economically optimal level of control, scale, and scope of a firm's international operations.

IB theories and literature leave very little room for managerial discretion and the role of the knowledge, experience, and idiosyncrasies of firms' decision-makers, e.g. CEOs, top managers, and board of directors (Aharoni, 2010; Maitland and Sammartino, 2015a). In this context, several IB scholars have claimed that both behavioural and managerial factors have been largely overlooked within the IB literature (Aharoni, Tihanyi and Connelly, 2011; Hutzschenreuter, Pedersen and Volberda, 2007; Williams and Grégoire, 2015). They also hinted that this might be one of the leading causes of mixed evidence and misalignments between predicted and revealed internationalisation choices (Benito, Petersen and Welch, 2009; Buckley, Devinney and Louviere, 2007; Maitland and Sammartino, 2015a). Decision-makers innate dispositions, experiences and capabilities may at least be partially responsible for the heterogeneity of firms' internationalisation strategies that, differing from IB rational economic models predictions, cannot entirely be explained by macro and meso level

factors (Aharoni, Tihanyi and Connelly, 2011; Devinney, 2011; Foss and Pedersen, 2019; Hutzschenreuter, Pedersen and Volberda, 2007).

However, an increasing amount of research has started filling this gap by delving into the influence of managerial aspects, e.g. managers' characteristics, cognitions, global mindset, incentives etc., over different firm internationalisation outcomes (e.g. Herrmann and Datta, 2006; Jiang, Ananthram and Li, 2018; Levy et al., 2007; Maitland and Sammartino, 2015; Nielsen and Nielsen, 2011; Pisani, Muller and Bogătan, 2018). The growing interest in the role of company decisionmakers within the IB literature is also likely to have been propelled by the unprecedented expansion of SL research within the broader strategic management literature. SL research embraces all the literature investigating the functions performed by the firm decision-makers (CEO, top management members, directors, general managers) that are expected to have an effect on firm strategic actions and direction (Samimi et al., 2021). SL scholars delve into the functions, attributes and interactions of those organisational leaders and focus on explaining what they do and how they do it, and especially how they influence firm strategic decisions and outcomes (Finkelstein and Hambrick, 1996). The number of literature reviews dealing with strategic leaders and their impact on different firm strategic outcomes (e.g. firm innovation, diversification, competitive moves) witnesses the rise and progress of the SL literature in the last two decades (See Bromiley and Rau, 2016; Carpenter, Geletkancz and Sanders, 2004; Cortes and Herrmann, 2020; Finkelstein, Hambrick and Cannella, 2009; Hambrick, 2007; Nielsen, 2010; Samimi et al., 2020; Whitler et al., 2020). This literature has evolved not only by touching upon a vast set of managerial factors (e.g. executives' demographics, experiences, team composition, diversity, structure, disparity, incentives), investigated with respect to a wide range of organisational outcomes but also through embracing a plurality of theoretical approaches. While traditionally, this literature has drawn on the UET (Hambrick and Mason, 1984), multiple other theoretical perspectives have been leveraged, i.e. Agency Theory, Resource Dependence Theory, Resource-Based view, Behavioural Theory, Human and Social Capital, to explain the influence of managerial factors over different firm strategic outcomes

The systematic review of the literature and the three empirical chapters, developed at the intersection of these two research fields, aim to contribute to the development of SL research within the IB field. Stimulating managerial-driven IB research is critical to complement the explanatory power of "meso" and "macro" level theories and research as it allows to incorporate managerial aspects in IB strategising. This doctoral dissertation follows the suggestion and recommendation of many IB scholars that argue for greater integration of the managerial perspective into the IB literature (Bouquet and Birkinshaw, 2011; Buckley et al., 2016; Foss and Pedersen, 2019; Hutzschenreuter,

Pedersen and Volberda, 2007). Doing so could help unravel the micro-level antecedents and mechanisms underlying the formulation and execution of firms' internationalisation strategies.

1.2 **Primary research contributions**

This thesis aims to contribute to both IB and SL research. Existing literature at the intersection of these two research areas has provided an indisputable contribution to the IB field by shedding light on the role of managerial experiences, characteristics, incentives and other team-level and governance mechanisms in the firm internationalisation process, strategic decisions and related performance outcomes. However, as pointed out in my systematic review of the literature, certain IB phenomena have received far less attention. In the empirical chapters of this thesis, I investigate how TMT members' experience and backgrounds, at an individual and group level, play a critical role in shaping firm internationalisation outcomes that reflect the complexity of cross-border competition and the complexity of foreign institutional and economic environments.

The systematic literature review broadly responds to the following research questions (RQ):

- *RQ*: What is the extent and what are the *IB* phenomena investigated by *SL* research? What are the most recurrent theoretical frameworks and mechanisms used to explain the influence of strategic leaders over firm internationalisation strategies?
- *RQ*: What are the main findings within each one of the four main IB research avenues identified? Which research questions have not yet been addressed, and which are the methodological improvements that can increase SL contribution to IB research?

The first empirical chapter contributes to the foreign market entry literature and, specifically, to the emerging EMD research (Elia et al., 2019; Benischke et al., 2020). This work adopts SL microlevel lenses to ascribe a new meaning to the entry mode misalignment phenomenon, which I examine for the first time within the EMC context. I contend that ESMD should be regarded as the result of a wider and non-stereotypical managerial research process that leads to a disruptive and nonconformist strategic initiative. Doing so, this study shifts scholarly attention from those factors predicting the theoretically optimal foreign market entry strategy to those motivating and explaining EMC theoretical misalignment. EMD is a factual and recurrent phenomenon whose meso and micro-level antecedents are still largely unknown (Elia, Piscitello and Larsen, 2019); therefore, this research addresses the following research gaps:

- RQ: What is EMC deviation, and which are its macro, meso and micro-level antecedents?
- *RQ*: How does TMT composition influence the propensity to deviate from the theoretically predicted foreign market entry strategy, and are there any firm and industry-level contingency factors affecting this relationship?

In the other two empirical chapters, one of the key contributions is disentangling two distinct IB complexity sources associated with different aspects of the host country environments, i.e. institutional and economic complexity. This country-level conceptualisation of IB complexity contributes to the IB literature that has captured complexity primarily through the degree of firm internationalisation (DOI) (e.g. foreign sales, number of international operations, geographic scope), thus underplaying the complexity of the host country environments in which the firm operates. One study draws on this new conceptualisation of IB complexity to explain TMTs' preferences towards one over the other location complexity type. This study contributes to the location choice literature by exploring the decision-making team and individual level (micro-level) factors that shape the managerial perception of complexity associated with foreign investment location decisions. In the second empirical study, the conceptualisation of IB complexity helps define executive job demands generated by different country environments. I draw on executive job demands theory to microfound MNEs' organisational response to country-level IB complexity. The study contributes to the microfoundation of IB strategies (Contractor et al., 2018) and the executive's appointment literature by identifying and explaining how different sources of environmental complexity can influence the background of newly appointed executives. Overall, these studies address the following research questions:

- *RQ*: What are the country-level sources of environment complexity in which IB complexity can be disentangled?
- *RQ*: How does TMT composition influence the degree of institutional and economic complexity of foreign investment location decisions?
- *RQ*: How can firms respond to different sources of country-level environment complexity at the meso and micro-level?
- *RQ*: How do firm and industry-level contingency factors influence the executive job demands associated with different country environments?

In Table 1.1, I summarise and compare the three empirical chapters research objectives, results and theoretical and empirical contributions. In addition, Table 1.2 provides a graphical representation of the key relationships examined in the three empirical chapters.

Areas	Chapter #3	Chapter #4	Chapter #5
Title	How the top management team's composition influences the foreign establishment mode choice deviation of UK manufacturing firms	Top management team experience diversity and the foreign investment location complexity: An empirical analysis of UK firms	International complexity and the demand for generalists and specialists in executive selection
Purpose	To investigate the managerial antecedents (i.e. TMT composition diversity) of nonconformist IB competitive strategies (i.e. ESMD) and the influence of firm and industry declining performances contextual factors	To examine the managerial antecedents (TMT work exp. diversity) of firm foreign investment location decisions with respect to the country institutional and economic complexity	To explore how firms can respond to the environmental complexity demands faced in their portfolio of operations through the appointment of executives with a certain background (i.e. generalist vs specialist)
Results	 TMT compositional diversity influences the likelihood to undertake ESMD, and we find no evidence that ESMD corresponds to lower subsidiary performances (i.e. subsidiary survival) (**we consider TMT diversity as a team-level concept as we capture team-level mechanism**) TMT deep-level diversity (i.e. work exp. diversity) increases the likelihood of undertaking ESMD, while TMT surface-level diversity (i.e. age and nationality diversity) decreases the likelihood of deviating from the theoretically predicted establishment mode choice. Organisational and industry performance decline reduces the likelihood to deviate for both deep- level and surface-level diverse TMTs 	 TMT individual member's work experience background diversity shapes the perception of complexity in foreign investment location decisions (** we average individual-level background diversity to capture the average managerial perception of complexity**) TMT members' international and industry work experience background diversity is positively related to the level of institutional complexity of the chosen foreign investment location, while negatively related to its level of economic complexity. Opposing evidence is found for functional work experience diversity. Functional work experience diversity evidence is reconciled by discerning between Output and Throughput functional experiences; TMT 	 Executive background selection (i.e. generalist vs specialist) is influenced by the type of environmental complexity (i.e. institutional and economic complexity) faced by the organisation in its subsidiary locations (**we consider newly appointed executive intrapersonal career diversity to measure its degree of generalist exp.**) Subsidiary location high institutional complexity (high economic complexity) is positively (negatively) related to the appointment of a generalist executive The presence (interaction) of high institutional and high economic complexity will increase the likelihood to appoint a generalist executive; we find

Table 1.1 – Summary and Comparison of the potential contributions of the three empirical chapters

					Output (Throughput) functional career		additional evidence on the moderating
					experience is positively (negatively) to the		effect of organisational and industry
					level of institutional complexity, while		performance decline, which broadly
					negatively (positively) related to the level of		intensify the need to hire a generalist
					economic complexity.		(specialist) in case of high institutional
					(** institutional and economic complexity		complexity (economic complexity)
					related to the new foreign market entry**)		(**institutional and economic complexity
							associated with existing firm
							subsidiaries**)
Contributions	Theoretical Contributions	1)	Shed light on the ESMD phenomenon,	1)	Contribute to the microfoundation perspective	1)	Contribute to IB research by showing how
			contributing to the largely overlooked EMD		in international decision-making, specifically		MNEs can develop a microfoundational
			research, by arguing that deviating from the		concerning the foreign investment location		response - by appointing managers with a
			theoretically predicted foreign establishment mode		decision		certain background - to the external
			choice is not necessarily a managerial mistake but	2)	Apply Upper Echelons theory to explain how		environmental complexity demands
			can be regarded as the result of a wider and non-		TMT members' knowledge and experience	2)	Leverage Executive Job Demands theory
			stereotypical managerial research process that		will shape the managerial perception of		to explain how distinct sources of
			leads to a complex, experimental and possibly		institutional and economic complexity and		environmental complexity demands will be
			disruptive strategic initiative		thus the likelihood to invest in such locations		reflected in newly appointed executive's
		2)	Adopt strategic leadership theoretical lenses,	3)	Distinguish between two sources of IB		background. Thus, providing additional
			drawing on social identity theory and information-		complexity associated with the host country		evidence that executive job demands are
			processing theory in the context of TMT diversity		environment; one related to the uncertainty of		influenced by multiple factors, at the
			literature, to explain the misalignment between		the country formal institutions, the other		macro (country-level demands), meso
			theoretically predicted and actual		concerning its knowledge complexity		(industry and firm-level demands) and
			internationalisation outcomes		(*Overlapping with Chapter 5*)		micro (individual-level factors) level of
		3)	Show the importance to look at the firm and				analysis (* Partially overlapping with
			industry contingencies that can enhance or weaken				Chapter 3 – the role of contextual
			the influence of TMT characteristics and				factors*)
			experiential factors by affecting managerial			3)	Distinguish between two sources of IB
							complexity associated with the host

		latitude of action (* <i>Partially overlapping with</i> <i>Chapter 5</i> * – <i>the role of contextual factors</i>)		country environment; one related to the uncertainty of the country formal institutions, the other concerning its knowledge complexity (* <i>Overlapping</i> <i>with Chapter 4</i> *)
Methodological Contributions	Sample	267 foreign market entries undertaken by 79 (out of 116, which is entire dataset) UK-based public manufacturing companies with 50-1000 employees, observed between 2010 and 2016; observations related to joint ventures are excluded (i.e. 31 deals) (*Same sample used in Chapter 4*)	298 foreign market entries undertaken by 79 (out of 116, which is entire dataset) UK-based public manufacturing companies with 50-1000 employees, observed between 2010 and 2016 (*Same sample used in Chapter 3*)	436 executives' appointments occurring in 133 UK-based public manufacturing companies with 50-200 employees companies between 2008 and 2018; the original number of appointments was 478, but for methodological reasons, we did not consider appointments in 2008 (* <i>Extension of the sample used in Chapter 3</i> <i>and 4</i> *)
	Analysis	 The first stage and second-stage analysis are run using Probit regression analysis (Stata); robustness check on ESMD subsidiary performances is run through Cox's Proportional Hazard model Foreign market entries are the unit level of analysis 	 Tobit and multiple linear regression analyses are used to test our hypotheses Foreign location investments are the unit level of analysis 	 Tobit and multiple linear regression analyses are used to test our hypotheses MNEs subsidiary locations are the unit level of analysis

Figure 1.1 – Graphical representation of the key relationships examined in the three empirical chapters

Chapter 3 — — —

Chapter 4 — Chapter 5



Moderating Effect Direct Effect

8

1.3 Structure and outline of the thesis

This thesis commences with a systematic review of the literature. I identify over hundred empirical studies published in highly reputed academic journals that leverage SL theoretical lenses and deal with IB-related outcomes. The literature review has allowed me to identify four main research avenues concerning different groups of outcome variables along which this literature has evolved and developed over time: International strategic decisions, Global strategic posture, International competitive moves, and Firm performances. Such effort has allowed me to gather substantial evidence on the role of managerial experiences, characteristics, and incentives over firm internationalisation strategies and companies' financial and non-financial performance. Literature has also stressed the importance of considering organisational and environmental factors as contingencies of managerial influence. Most importantly, critically reviewing the literature has helped me identify future research opportunities and gaps that I have leveraged to develop the empirical chapters of this thesis. As you will see, the empirical studies of this thesis share a common denominator: the role of individual and TMT experiential and background diversity either as antecedents of firm internationalisation strategies or as a reflection of the IB complexity faced by the organisation.

In the first empirical chapter, I examine a foreign market entry phenomenon that has received scant attention from the IB literature, namely *establishment mode deviation* (Brouthers, 2002; Brouthers and Brouthers, 2003; Leiblein et al., 2002; Shaver, 1998; Tan, 2009). EMD occurs whenever a firm implements a foreign market entry strategy misaligned with the theoretically predicted one. Recent research has provided evidence that EMD could be more complex than simple strategy misalignment resulting from managerial miscalculation (Albertoni et al., 2018; Elia et al., 2014). Indeed, companies often break with their investments path dependency (e.g. entry mode switches) and adopt complex entry mode arrangements which are not purely economically driven (Barkema and Vermeulen, 1998; Benito, Petersen and Welch, 2011; Gao and Pan, 2010). Additionally, some studies have hinted that EMD could be a particularly suitable setting to investigate the influence of behavioural and managerial factors on entry mode decision-making (Benischke et al., 2020; Elia, Piscitello and Larsen, 2019). Thus, for the first time within the context of the EMC, this research investigates the effect of TMT compositional diversity distinguishing between the effect of "deep-level" diversity and "surface-level" diversity (Harrison et al., 1998; Van Knippenberg and Schippers, 2007; Srikanth et al., 2016) on the probability to undertake EMD.

In the last two empirical chapters, I disentangle two distinct sources of IB complexity associated with firm subsidiary country environments, which I refer to as *institutional* and *economic complexity*.

While the former captures the challenges faced by the firm in weak and low-quality institutional environments (Kostova and Zaheer, 1999; Cuervo-Cazurra et al., 2019), economic complexity reflects the difficulties of operating in highly innovative, competitive and diversified national production systems (Hidalgo and Hausmann, 2009). The two empirical studies, however, take two distinct perspectives. In the first study, drawing on the UET, I consider TMT career experience diversity (in terms of international, functional and industry work experience) as a key antecedent of the company foreign investment location complexity type. I maintain that top managers will most likely invest in those country environments where their expertise and capabilities represent a better fit with the knowledge and information-processing demands associated with the host country environment. In the second study and last empirical chapter, I draw on the concept of executive job demands to predict the influence of country environment complexity type on the background of newly appointed executives. Specifically, I argue that high institutional complexity associated with subsidiary country environments will increase the chances to hire generalist executives; on the contrary, high economic complex country environments will prompt the need to employ specialist executives. Finally, the study examines the demands generated by the interaction between the two types of country environment complexity, it investigates the contingent effects of the firm- and industry-level performances.

2.1 Introduction

2.1.1 A critical reflection on International Business theory

IB theory has gradually acknowledged the importance of the strategic decision-making perspective (Aharoni, 2010; Brouthers & Hennart, 2007), recognising the role of firms' decisionmakers and the influence of managerial discretion on IB outcomes (Aharoni, Tihanyi and Connelly, 2011; Maitland and Sammartino, 2015a). Indeed, it has been argued that one of the key reasons for mixed evidence in IB research and observed misalignment between predicted and actual internationalisation outcomes could be the lack of attention to managerial and behavioural influences (Benito, Petersen and Welch, 2009; Buckley, Devinney and Louviere, 2007; Maitland and Sammartino, 2015a). The origins of IB theory may explain why individual decision-makers have received scant attention in the past. At its core, IB theory is a reconciliation of transaction cost theory, institutional theory, and knowledge and resource-based views of the firm brought together in the OLI framework (Benito, Petersen and Welch, 2009; Brouthers and Hennart, 2007). Leveraging these theoretical frameworks, firms' internationalisation processes and strategies have been predominantly explained by looking at the firm-, industry-, and home/host country-level factors (Hitt et al., 2006). Despite the evolution and refinement of IB theories over time, the literature remains dominated by "macro" and "meso" level antecedents and rational economic explanations of firms' internationalisation decisions and strategic outcomes (Aharoni, 2010; Devinney, 2011; Hitt et al., 2006; Hitt and Tyler, 1991).

The dominant view in IB research remains that strategic decision-making is the outcome of cost-benefit assessments, aiming to identify the economically optimal level of control, scale, and scope of a firm's international operations. However, scholars increasingly recognise the role and importance of managerial choice in IB theory (Buckley et al., 2016). Some IB scholars have suggested that the heterogeneity of IB strategies adopted by similar firms in similar industries may at least be partially understood by examining the different intrinsic characteristics, experiences and capabilities of its decision-makers (Aharoni, Tihanyi and Connelly, 2011; Devinney, 2011; Hutzschenreuter, Pedersen and Volberda, 2007). Confirming this intuition, Kirca and colleagues' (2012) meta-analysis

of 145 IB studies showed that the antecedents of firm multinationality (i.e. the DOI) reside at different organisational levels, including firms' previous international experience and the international experience of firms' top managers.

Based on a systematic review of the relevant literature, we contribute to IB theory development by outlining a research agenda that accounts for managerial discretion and top management characteristics' impact on IB decision-making. Our review offers a widening of the current research and encourages scholars to engage with the complexity associated with the influence of managerial experiences, preferences, and perceptions on firms' internationalisation strategies. By stimulating manager-focused research in IB, we intend to complement the explanatory power of 'macro' IB theories by incorporating managerial aspects and thereby develop a deeper understanding of observed deviations from predicted internationalisation strategies. As noted by several IB scholars (Bouquet and Birkinshaw, 2011; Buckley et al., 2016; Hutzschenreuter, Pedersen and Volberda, 2007), the integration of a managerial perspective into the IB literature can lead to a more comprehensive understanding of the underlying mechanisms behind the formulation and execution of firms' internationalisation strategies.

Several SL reviews have been published recently (See Bromiley and Rau, 2016; Carpenter, Geletkancz and Sanders, 2004; Cortes and Herrmann, 2020; Finkelstein, Hambrick and Cannella, 2009; Hambrick, 2007; Nielsen, 2010; Samimi et al., 2020; Whitler et al., 2020), however, none of them specifically target this literature at the intersection between SL and IB research. Subsequently, conducting a systematic review of the literature is timely and valuable for the following reasons. First, a steadily increasing amount of literature has been published, making the literature sufficiently mature (see Figure A1). We identified 114 empirical papers⁵ published between 1984 and 2018. The majority of these papers were published in the last decade. Secondly, SL studies' contribution to the IB literature is fragmented and overly concentrated on explaining certain IB phenomena (e.g. DOI) while paying less attention to others. Eventually, we detect a persistent lack of theoretical integration with the broader IB literature. A systematic literature review on the SL literature within IB could help tie up the many loose ends in existing empirical contributions and help reconcile and consolidate gaps between 'micro', 'meso' and 'macro' perspectives in existing IB literature.

⁵ Criteria concerning papers selections are extensively explained in the methodology section

2.1.2 Strategic Leadership perspectives in IB research

Research on managers' characteristics, incentives, cognitions, global mindset and cultural intelligence have made important contributions to the IB literature (Herrmann and Datta, 2006; Jiang, Ananthram and Li, 2018; Levy et al., 2007; Maitland and Sammartino, 2015; Nielsen and Nielsen, 2011; Pisani, Muller and Bogățan, 2018). At an increasing rate⁶, IB scholars have started to account for behavioural and managerial factors to explain firm internationalisation strategies as well as international performance outcomes (Buckley, Devinney and Louviere, 2007; Le and Kroll, 2017; Nadkarni and Perez, 2007; Schotter and Beamish, 2013; Williams and Grégoire, 2015).

This growing interest in the role of strategic leaders (i.e. CEO, executives, TMT and Board of directors) and their influence on firms' strategic outcomes (es. firm innovation, diversification, competitive moves), also in the international context, is partially the result of the growing "Strategic Leadership" research. SL literature is defined as the research that investigates "the functions performed by individuals at the top levels of an organisation (CEOs, TMT members, Directors, General Managers) that are intended to have strategic consequences for the firm" (Samimi et al., 2020, p. 3). In this sense, SL is a theoretically plural research area that embraces all the literature dealing with the influence of firm strategic leaders.

Our review and analysis of the SL literature intersecting with IB research reveal that multiple theoretical perspectives have explained managerial influence within IB decision-making. However, as shown in Table 2.1, some theoretical approaches have been more frequently applied than others.

Existing literature has unequally drawn on five main theoretical perspectives, whose logics and theoretical mechanisms have been scarcely integrated. Five theoretical approaches are Upper Echelons Theory, Behavioural Agency Theory, Institutional Theory, Resource-based view and Resource dependence theory (Aharoni et al., 2011). We now briefly explain how these theoretical approaches have contributed to building the managerial foundation of IB research by highlighting the key aspects and logic that underpin these theories and how they have been linked to IB decisions.

⁶ See Figure A1 in the Appendix section

Theory	Primary theoretical framework	Percentage		
Upper Echelons theory	65	57.1%		
Behavioural Agency theory	11	9.6%		
Institutional theory	11	9.6%		
Resource-Based View	9	7.9%		
Resource Dependence theory	8	7.0%		
Others (& unclassifiable)	10	8.8%		

Table 2.1 - Top Five Strategic Leadership Theories adopted in SL articles within IB research,published in management and international business outlets between 1984 - 2018

We start from what is, arguably, the dominant theory in the SL literature; *The Upper Echelons Theory*. (Hambrick & Mason, 1984; Finkelstein, Hambrick and Cannella, 2009; Samimi et al., 2020). UET draws on the assumption that decision-makers are boundedly rational individuals (Cyert and March, 1963), which mean they do not possess all the information required to make fully rational and optimal decisions. Instead, the decision-makers filter, process and interpret information through their own lenses (Hambrick and Mason, 1984). Idiosyncratic individual characteristics and experiences, as well as team-level compositional factors (e.g. size, diversity, faultlines, etc.), can complement IB findings solely based on rationally economic-driven strategic decision-making (Aharoni, Tihanyi and Connelly, 2011; Buckley, Devinney and Louviere, 2007; Hutzschenreuter, Pedersen and Volberda, 2007). UET offers explanations on how managers and decision-making teams can differently perceive and identify IB opportunities due to their characteristics and past experiences.

SL studies have also drawn on the *Behavioural Agency theory* to describe how managerial incentives (e.g. compensation level, structure, pay-gaps, ownership) and governance factors (e.g. CEO duality, Board independence, monitoring role, executives' succession) can influence executives' risk-taking propensity and perception. The majority of the studies in this vein investigate how CEOs' and top managers' compensation features, especially its key constituents (fixed vs variable pay, long-term pay), can influence managers' risk-bearing and align executives' goals with those of the firm. Alignment of goals contributes to shaping firm IB strategies such as the extent of its international involvement or specific investment decisions (e.g. entry modes). Other studies instead consider the board's monitoring role by examining the board composition (es. duality, presence of outsiders, family company members). The underlying argument is that greater board

independence ensures tighter control over the management's actions and, possibly, increases executives' risk propensity, complying with shareholders' interests.

Studies also draw on institutional theory and the concept of distance to explain how formal and informal institutions condition TMT international strategizing (Kostova et al., 2019; Stahl et al., 2016; Wright et al., 2021). On the one hand, studies have investigated the fundamental legitimising role that TMT members play through their knowledge, experience, networks and identity enabling MNEs to adapt and respond to multiple institutional pressures, which are both internal and external to the MNE (Gong, 2006). Especially, subsidiary top managers are tasked with the challenging role of establishing and maintaining the MNE subsidiary's legitimacy in the host country environment while also ensuring internal legitimacy within the MNE. On the other hand, host country formal and informal institutions and, particularly, their differences and distance from the MNE home country institutions influence the perception of risk and uncertainty of decision-makers towards investing and managing operations in that host country environment, rendering them more cautious and risk-averse (Barkema and Shvyrkov, 2007; Laufs, Bembom and Schwens, 2016; Pisani, Muller and Bogățan, 2018). However, objective institutional differences (also referred to as psychic distance stimuli) will produce subjective perceptions of distance as the latter is influenced by several factors such as managers' idiosyncratic givens (e.g. characteristics, experiences, cognitions etc.), top management team characteristics and processes (e.g. team diversity, experiences, tenure etc.) and the organisational context (Piaskowska, 2017). For instance, internationally experienced managers or managers with experience in host countries will perceive risk and complexity associated with foreign investment decisions differently from managers or TMTs with limited experience.

The fourth most prominent theoretical approach adopted by SL studies in IB views top managers and board of directors as firm resources. Consistently with this perspective, managers are deemed essential resources to sustain the company growth and generate competitive advantages, as explained by the *Resource-based view* of the firm (Barney, 1991) and *Resource dependence theory* (Haynes and Hillman, 2010; Salancik and Pfeffer, 1978). Strategic leaders' knowledge, experiences, capabilities and networks constitute a source of human and social capital, which firms leverage in domestic and international markets to enhance their firm-specific advantages and design strategies to outperform the competition (Castanias and Helfat, 1991, 2001). Firms capitalise on their top managers' and directors' past experiences and networks to identify and exploit IB opportunities. SL studies have resorted to "managerial resources" arguments, especially when examining performance-related outcomes, either financial or international performance. This is consistent with the view that managerial resources are to be considered a valuable and rare resource that, when missing or scarce, would slow down or even constrain the profitable growth of the firm (Kor and Mahoney, 2004;

Rugman and Verbeke, 2002; Tan et al., 2020). In the studies reviewed, we notice an overlap between resource dependence theory and resource-based view arguments because of the directors' resource provision role; indeed, board of directors are valued as a source of human and social capital to their firms and specifically "advise and counsel, bring legitimacy and access to important constituents outside the firm, serve as channels of communication between the firm and the environment, and aid in strategy formulation" (Haynes and Hillman, 2010, p. 1146). The main difference between resource dependence theory and resource-based view within the SL-IB literature concerns the focus on the Board of directors over CEOs and top executives.

As you will see in the methodology, our literature review is not limited to CEOs and top managers but also involves the board of directors. While differences exist between top executives and board of directors in respect to some of their functions (i.e. monitoring and controlling role) as well as their goals (e.g. agency theory) (Carpenter et al., 2004), literature has not always treated directors (including independent directors) and top managers as distinct groups of decision-makers. Quite symbolic is the term coined by Finkelstein and Colleagues (1996, 2009) of "supra-TMT", which aggregates members of TMT and directors into one single unit. This phenomenon might indeed be particularly relevant for those countries where a one-tier board structure is in place (e.g. United Kingdom, United States, Italy etc.), as for those countries some of the key members of the management team (if not all of them) sit in the Board of directors. While acknowledging their differences, it is also important to notice that Boards and TMTs fundamentally overlap in their resource provision function. Our review will thus take into account both differences and similarities between these two (possibly overlapping) groups of decision-makers.

2.2 Methodology of the literature review

To comprehensively review the existing SL literature in the IB context, we undertake a systematic literature review, as it is one of the most rigorous and structured methodological approaches to achieve a comprehensive collection of papers relevant to a specific research area (Tranfield, Denyer and Smart, 2003). This choice is particularly suitable for this research area given the considerable number of articles published and the lack of systematic integration characterising this literature.

In respect to the previous literature reviews, we have not limited ourselves to a specific set of journals but searched through all the peer-reviewed journal articles in the EBSCO-host database that satisfy a specific set of keywords. Similarly to previous literature reviews (Bromiley and Rau, 2016; Georgakakis et al., 2019; Menz, 2012; Nielsen, 2010a), we use the following keywords "upper

echelons", "top management team", "top management", "top manager", "TMT", "board of directors", "corporate boards", "CEO", "chief executive officer".

As "board of directors" and "corporate boards" keywords search produced an exceptionally large amount of papers, we inserted an additional criterion that constrains the research to those articles mentioning the word "international" throughout their text. Finally, for our search, we consider the period starting from 1984 up to December 2018. The year 1984 acts as the starting point as it is the year of publication of the seminal work by Hambrick and Mason (1984), first conceptualising the UET.

Executing the aforementioned strategy, we obtain a list of 2554 papers through the EBSCOhost database. At this stage, two authors have manually screened all the papers' titles and abstracts. Only those papers investigating IB related outcomes or including IB related variables (e.g. international experience, comparative studies, parent-international subsidiary relationship etc.) were included. This first screening phase led to the identification of 168 papers.

After classifying these articles by methodology⁷ and journal⁸, we limit our review to only those empirical papers published in journals ranked as "three stars" and above by the Academic Journal Guide 2018 of the Chartered Association of Business Schools. We make the exception of three outlets known to publish relevant IB and management research⁹ (see Table A4 Appendix section). Subsequently, we thoroughly reviewed all the remaining papers (114) and decided to exclude additional 27 papers unfit for the criteria of the review. Of these 27 excluded papers, seven were deemed irrelevant for the review after a more accurate examination. The remaining 20 studies were excluded because of their different focus compared to the other articles of the review. The vast majority of the SL studies in IB explains how individual and TMT characteristics and compositional factors influence international firm-level outcomes. A more limited number of papers (20 studies) investigates the effect of company global strategic posture and its internationalisation strategies on the composition of the TMT and the appointment of new executive members (e.g. Conyon et al., 2018; Georgakakis, Dauth and Ruigrok, 2016; Georgakakis, Greve and Ruigrok, 2018; Greve, Biemann and Ruigrok, 2015; Hamori and Koyuncu, 2011; Kunisch, Menz and Cannella, 2017; Nielsen, 2009; Peng, Sun and Markóczy, 2015; Schmid and Wurster, 2017; Collings, Morley and Gunnigle, 2008). While we deem this research avenue to hold great potential, especially as a

⁷ Papers have classified as descriptive, qualitative, quantitative and theoretical.

⁸ We have classified papers according to the journal ranking reported in the academic journal guide 2018. Specifically, we have looked at the number of stars attributed to each journal by the Chartered Association of Business Schools (ABS) in December 2018. We are aware that the journal ranking may change over time.

⁹ We have selected three "two stars" journals that are Multinational Business Review, European Management Journal and Thunderbird International Business Review due to their contribution to the literature at the intersection of SL and IB research.

complement to the existing research, we decide to exclude these studies to avoid broadening the scope of our review too much.

Finally, we employed a snowballing technique and searched through all the references of the selected papers and the articles citing the selected papers in Google Scholar (Aguilera, Marano and Haxhi, 2019). The snowballing process has brought us to consider additional 27 papers, which yield a final number of 114 empirical papers.

To provide more clarity about our research strategy and its stages, we invite the reader to inspect Figure A2 situated in the Appendix section.

The review consists of two parts; in the first part, we take stock of the existing literature, outlining the main contributions and limitations. The second part develops recommendations for future research and proposes a detailed research agenda.

2.3 Reviewing strategic leadership research in international business literature

Through the identified papers, we develop an organising framework showing the key tendencies in the literature (see Figure 2.1). This comprehensive multi-level framework serves two primary purposes. First, it aims to reconcile and consolidate SL literature within IB research. Secondly, the framework helps us visually summarise the multi-level relationships and interactions affecting IB outcomes and firm performance.

Leveraging this framework, the authors showcase relevant research avenues along which the SL literature within IB has developed in the last thirty years (see Table 2.2). The identification of such research clusters meets the following two criteria. The first one deals with the specific research question/s answered by each study by assessing the focus outcome variable. The second criterion concerns the key theoretical contribution/s of the study; specifically, we identify the theoretical rationales on which scholars draw to explain the influence of SL variables on the study focal outcome.

After an initial individual screening, the authors independently code the positioning of every single paper included in the review before discussing any disagreements occurring. In those papers where a disagreement occurred, the third author weighed in to ensure the accurate positioning of each study. This approach led to an agreement on the existence of four different research areas dealing with distinct, albeit interrelated, groups of outcomes: (1) International strategic decisions, (2) Global strategic posture, (3) International competitive moves and (4) Firm performance. In the following section, we present these in turn.

Figure 2.1 Organising framework for strategic leadership literature in international business research



Table 2.2 – Extant literature research questions and representative paper

Key research questions	Representative papers
 Strategic leadership influence on location choice and entry mode decision How do CEO and TMT characteristics influence foreign investment location choice? How do CEO and TMT characteristics affect equity vs non-equity entry mode strategies? How do CEO and TMT characteristics influence exporting propensity and intensity? How do CEO and TMT characteristics affect the degree of control in entry mode decisions? What boundary conditions strengthen/ or weaken the impact of CEO and TMT characteristics on entry mode decisions? How do strategic leaders' economic incentives and firm ownership influence entry mode strategies? 	 Buckley et al, 2007; Barkema Shvyrkov, 2007; Schotter Beamish, 2013 Laufs Bembom Schwens, 2016; Filatotchev et al., 2009; Ganotakis and Love, 2012; Agnihotri and Bhattacharya, 2015 Datta et al., 2009; Musteen et al., 2009; Lai Chen Chang, 2012; Ilhan-Nas et al., 2018 Xie, 2014; Laufs et al., 2016; Piaskowska Trojanowski, 2014; Lai Lin Chen, 2017; Datta et al., 2009; Musteen et al., 2009; Lai Chen Chang, 2012; Hou Li Priem, 2013; Ilhan-Nas et al., 2018
 Strategic leadership influence on Global strategic posture (7) How do strategic leaders' characteristics influence the extent of firm internationalisation? (8) How do CEO personality traits influence the DOI? (9) How does CEO succession affect the DOI? 	 (7) Sambharya, 1996; Tihanyi et al., 2000; Herrmann Datta, 2005; Piaskowska and Trojanowski, 2014; Lee et al., 2016; Pisani et al., 2018; Barroso et al.,2011; Rivas, 2012; Chen Chang Hsu, 2017; Carpenter and Fredrickson, 2001; Lee Park, 2006; Jaw Lin, 2009; (8) Adomako et al., 2017; Oesterle et al., 2016 (9) Lin Liu, 2012; Elosge et al., 2017
 Strategic leadership influence on international strategic change and competitive behaviour (10) How do CEO and TMT characteristics affect the speed of firm internationalisation? (11) How do decision-makers economic incentives influence the speed of firm internationalisation? How do CEO and TMT characteristics influence firms' international competitive behaviour? (12) How do CEO and TMT characteristics enable innovation performance? 	 (10) Reuber Fischer, 1997; Musteen et al., 2010; Mohr and Batsakis, 2018; (11) Carpenter et al., 2003; George et al., 2005; Alessandri Seth, 2014; Chittoor et al., 2015; Strike et al., 2015; Dutta et al., 2016; Singh Delios, 2017; (12) Mihalache et al. 2012; Yeoh, 2014; Dauth et al, 2017; Shin et al., 2016; Nuruzzuman et al., 2018;
 Strategic leadership influence on MNEs' performance outcomes (13) How do strategic leaders' characteristics influence firm (international) performance? (14) What boundary conditions strengthen/or weaken the relationship between strategic leaders' characteristics and firm performance? How do CEO and TMT characteristics influence the relationship between firm internationalisation and performance? (15) How does the degree of internationalisation mediate the relationship between CEO/TMT characteristics and firm financial performance? 	 (13) Agnihotri Bhattacharya, 2015; Ganotakis Love, 2012; Carpenter et al., 2001; Díaz-Fernández et al., 2015; Le Kroll, 2017; Nielsen Nielsen, 2013; Estélyi Nisar, 2016; Frijns et al., 2016; Waldman et al., 2006; Slater and Dixon-Fowler, 2009; Dauth et al., 2014; (14) Nielsen Nielsen, 2013; Díaz-Fernández et al; 2015; Singh. et al., 2010; Hsu et al. 2013; (15) Carpenter, 2002; Kaczmarek & Ruigrok, 2013; Ruigrok et al., 2013;

2.3.1 Strategic leadership influence on location choice and entry mode decisions

The decision of where and how to invest in a foreign market is one of the most critical IB decisions (Brouthers and Hennart, 2007). Entry mode decisions are costly, hard to reverse, and directly impact the firm and its subsidiary performance (Brouthers, 2013; Shaver, 1998). When organisations want to enter and serve a new foreign market, they can choose between different entry-mode strategies. A first relevant distinction is between equity and non-equity entry modes, and within these two macro-categories, different options are available (Pan and Tse, 2000). Non-equity entry modes are those investments established through the development of relationships and contracts with specific stakeholders in the target market and include various forms of export, licensing and franchising. Equity entry modes (i.e. foreign direct investment (FDI)) can take the form of full ownership (acquisitions and greenfield investment) and shared ownership (joint ventures) (Brouthers and Hennart, 2007; Slangen and Hennart, 2007).

IB literature has extensively examined the economic and strategic factors influencing the selection of entry mode strategies to reach overseas customers or access specific resources. Within the fully rational domain, several IB theories have comprehensively accounted for the firm resources and "experiences", industry and home/ host-country factors that feed executives' decision-making on entry mode strategies. To this extent, the IB literature has assumed that entry mode decision - as much as the investment location choice - results from a rational cost and benefits assessment, aiming to maximise organisational efficiency, profitability, and control.

However, research has shown that managerial factors can impact the entry mode and location choice decision-making process and the subsequent outcome (Buckley, Devinney and Louviere, 2007). Several SL studies, drawing from different theoretical perspectives (mainly Upper Echelons and Agency theory), find evidence of the impact of managerial characteristics, ownership and incentives on the foreign market entry mode decision.

Strategic leaders' influence on Entry Modes

Upper Echelon studies have found that managers with specific characteristics and career experiences develop preferences for certain entry mode types. Among all the managerial dimensions, literature sees executives' international work experience as, perhaps, the most relevant managerial aspect in global strategic decision-making. International experience endows managers with knowledge and expertise on how to plan and execute international operations and competencies concerning foreign markets, institutions and cultures. Moreover, international human resource management research has shown that managers that are exposed to various cultural environments are likely to develop a so-called "global mindset" that enable them to "think locally and act globally" (Earley, Murnieks and Mosakowski, 2007; Gupta and Govindarajan, 2002; Levy et al., 2007). Extant research has commonly agreed that executives who are more internationally experienced have a greater likelihood to opt for full-control entry mode strategies rather than shared-control (Herrmann and Datta, 2002, 2006; Lai, Chen and Chang, 2012; Nielsen and Nielsen, 2011; Piaskowska and Trojanowski, 2014; Xie, 2014). IB research argues that full-control market entry strategies are generally riskier as they demand a higher level of financial and organisational commitment (Brouthers and Hennart, 2007); hence, more internationally experienced managers will possess the knowledge and expertise to devise and execute such strategies. Their international experience reduces their perception of risk towards committing a greater amount of resources in the foreign country (Buckley, Devinney and Louviere, 2007; Maitland and Sammartino, 2015b).

Seemingly opposing previous findings on the effect of executives' international experience, two studies suggest that CEO host-country experience and senior managers' global mindset are associated with a lower level of ownership in foreign market entries (Jiang, Ananthram and Li, 2018; Lai, Lin and Chen, 2017). However, managers' international experience cannot be equated to the more specific host-country experience and not even to the global mindset construct. Country-specific experience provides managers with greater awareness about the potential risks and uncertainties of the target market and direct networks used to partner locally (Lai, Lin and Chen, 2017). On the other hand, a global mindset refers to a set of managerial qualities and predispositions towards firm international affairs that go beyond managers' international experience (i.e. Ananthram and Nankervis, 2016; Levy et al., 2007). All in all, these results highlight the importance to clarify the construct and measurements used to capture managers international experience (e.g. foreign studies, host country experience, self-initiated international experience vs ex-pat experience etc.) and examining its influence on different entry modes and international strategic decisions.

Research has provided evidence on the effect of another work experience aspect, i.e. executives' company and position tenure. On the one hand, the literature argues that individualscompany tenure reduces managerial risk-taking propensity and leads to a preference for low commitment market entry strategies (Herrmann and Datta, 2006; Jiang, Ananthram and Li, 2018; Piaskowska and Trojanowski, 2014). On the other hand, executives' position tenure¹⁰ is associated with full-control entry strategies (Herrmann and Datta, 2002; Lai, Lin and Chen, 2017; Xie, 2014). A closer examination of these two aspects of tenure suggests that a distinction is needed. Company tenure can potentially be much longer than position tenure; in those cases, the individual has spent most of his/ her career in that specific firm. Therefore, this career choice can better predict the

¹⁰ Number of years spent by the CEO in his/her position in the focal company.
executive's uncertainty avoidance and proclivity to preserve the status quo. Additionally, a non-linear relationship could better describe the relationship between an executive's tenure and its managerial risk-taking propensity. Thus, its likelihood to pursue high commitment foreign market entry strategies does not follow a linear pattern.

Empirical results concerning the effect of executive education and functional experience are mostly inconclusive; this suggests that these characteristics may not effectively predict CEO and TMT foreign market entry preferences. However, one interesting result is that throughput functional work experience¹¹ increases CEO's willingness to opt for full control entry modes (Herrmann and Datta, 2002, 2006). This is because work experience gained in such functions can grow managers' inclination towards adopting foreign market entry strategies that enhance managerial control and efficiency.

Executives' demographics also play a role in entry mode decision-making. For instance, literature claims that older CEOs are more cautious and risk-averse and, thus, more inclined to choose lower commitment entry mode strategies. The age effect is supported in some studies (Herrmann and Datta, 2006), but it is insignificant in others (Laufs, Bembom and Schwens, 2016; Piaskowska and Trojanowski, 2014; Xie, 2014). These contradicting findings suggest that managerial risk-taking propensity might not be perfectly captured by a linear age relationship (Wang et al., 2016). Surprisingly, teams with foreign nationals manifest a greater preference for shared-control market entry strategies (Nielsen and Nielsen, 2011). Nationality diversity can lead to a higher appreciation for collaborative and inclusive decision-making styles. Furthermore, diversity of national culture backgrounds endows teams with greater cognitive diversity, which enhances managers' awareness about the cultural and institutional risks hidden in the foreign environment. Hence, nationally diverse teams will leverage the opportunity of collaborating with foreign partners as well as reducing company financial exposure related to the FDI.

Eventually, we observe that more recent SL studies have increased their level of sophistication by accounting for several boundary conditions. Ignoring the internal and external conditions in which decision-making occurs can limit our understanding of the effect of such executives' characteristics and experiences on entry mode decisions. These studies show that the influence of CEO and TMT characteristics (age) and experiences (tenure and international experience) on firm foreign market entry strategies are often contingent on firm and country-level factors. For instance, literature has

¹¹ Experience in those corporate functions which include "production/operations, finance, process R&D and accounting/data processing/information systems, and process R&D" while, "output" functional experience includes experience in the areas of "sales/marketing, product R&D, and entrepreneurship" (Herrmann and Datta, 2002, p. 763).

suggested that strategic leaders' influence could depend on the firm international experience - which acts as a substitute for managers' international experience - (Laufs, Bembom and Schwens, 2016), the degree of managerial discretion (Xie, 2014), the home-host country differences (Lai, Lin and Chen, 2017; Piaskowska and Trojanowski, 2014) and the risk associated with the host country environment (Datta, Musteen and Basuil, 2015; Lai, Lin and Chen, 2017; Laufs, Bembom and Schwens, 2016; Piaskowska and Trojanowski, 2014).

Governance and agency factors effect on Entry Modes

SL scholars have also drawn on agency theory to explain how directors' compensation, ownership and governance structure will influence company entry mode strategies. For instance, SL literature has offered ample evidence that both contingent pay and managerial ownership are associated with a higher likelihood of pursuing full ownership entry modes (Datta, Musteen and Basuil, 2015; Datta, Musteen and Herrmann, 2009; Hou, Li and Priem, 2013; Lai, Chen and Chang, 2012; Musteen, Herrmann and Datta, 2009). Contingent pay and managerial ownership will instil in managers a long-term orientation, leading them to prefer full ownership market entry strategies over shared ones as the former typically generate greater value for the company (Datta, Musteen and Herrmann, 2009; Lai, Chen and Chang, 2012; Musteen, Herrmann and Datta, 2012; Musteen, Herrmann and Datta, 2009).

Inconsistent results are found on the relationship between board independence (i.e. the proportion of outside directors) and entry mode strategising. One study shows that outsiders board representation may step up firm internationalisation commitment through the adoption of full-control entry mode strategies (Datta, Musteen and Herrmann, 2009); other studies present either insignificant (Datta, Musteen and Basuil, 2015; Lai, Chen and Chang, 2012) or negative effect (Ilhan-Nas et al., 2018). Specifically, Ilhan-Nas and colleagues (2018) find that the prominence of the independent directors and their expected positive impact on the management team monitoring and advising activities will depend on the relevance of their experience and the type of organisation (i.e. family vs non-family owned). The role of independent directors in family firms is negligible as the latter must comply and align with the family member directors who have appointed them to the Board (Ilhan-Nas et al., 2018).

Export propensity and intensity

An alternative market entry strategy among the non-equity options is exporting. The level of Export is typically the internationalisation effort of newly formed organisations (e.g. born globals) and small and medium-sized enterprises (SMEs) (Filatotchev et al., 2009; Ganotakis and Love, 2012; Musteen, Francis and Datta, 2010; Reuber and Fischer, 1997). Not surprisingly, the SL studies

examining export-related outcomes have prevalently drawn on SMEs¹² in their empirics. This is consistent with IB research that similarly argues how SMEs, differently from large MNEs, rely more on exporting and other non-equity modes of business in their internationalisation process (Knight and Liesch, 2016).

Existing literature mostly explore the relationship between entrepreneurs and entrepreneurial team members' networks, international experience, returnee status, education level toward the propensity (and intensity) of exporting of their firms (Agnihotri and Bhattacharya, 2015; Filatotchev et al., 2009; Ganotakis and Love, 2012; Musteen, Francis and Datta, 2010). These studies broadly identify a positive effect of these managerial qualities and characteristics on firm exporting activities. Ganotakis and Love (2012) distinguish between experiential (functional and industry-specific industry experience) and human educational capital of the entrepreneurial founding team. The authors find that, while the former increases the likelihood of the firm becoming an exporter, the latter bolsters the firm's export intensity (i.e. degree of export activities). Filatotchev et al. (2009) propose that Chinese entrepreneurs' transferrable knowledge, returnee status and global networks benefit both the propensity and intensity of their firm exports.

Leaving behind the role of entrepreneurs and entrepreneurial teams, Agnihotri and Bhattacharya (2015) show that TMT characteristics influence the export intensity of Indian firms. Specifically, TMT educational level, functional heterogeneity, international exposure (not the same as international work experience) are positively related to firm exports, whereas TMT average age produces an opposite effect. TMT tenure effect on the export performance instead follows an inverted U-shaped relationship.

Future research should clarify the relationship between managerial factors and export propensity and intensity. Ganotakis and Love's (2012) study hints that these two distinct outcomes deserve specific attention. While certain individual and group-level characteristics may be more decisive in pushing firms towards their first foreign market entry (export propensity), others may be more crucial to sustaining international company growth (export intensity). Moreover, it might as well be relevant considering specific contextual dimensions (e.g. home/ host country, industry, firm characteristics, institutional, psychic distance etc.) that can potentially influence the previous-mentioned relationship.

Strategic leaders' influence on the Location Choice

IB literature has also extensively investigated another highly interrelated phenomenon with the foreign market entry decision, the location choice (Boeh and Beamish, 2012; Hutzschenreuter et

¹² In our review only sixteen studies (11%) have considered SMEs firms, see Table A5 in the appendix.

al., 2016). Location choice is the strategic decision of conducting value-added activities outside of the home country (Kim and Aguilera, 2016). Foreign investment location decisions seem to be more behaviourally rooted than other international strategic decisions (e.g. think of the Uppsala Model and the concept of Psychic distance); however, there is a limited amount of literature that accounts for managerial influence in the location choice decision-making process (Buckley, Devinney and Louviere, 2007).

Only a few studies have investigated the foreign location choice from a managerial perspective (Barkema and Shvyrkov, 2007; Schotter and Beamish, 2013). Barkema and Shvyrkov (2007) find a significant positive relationship between TMT tenure diversity and the novelty of the chosen location for foreign investment. Diversity is related to enhanced team cognitive heterogeneity, leading to a more comprehensive and critical decision-making discussion, which increases the chance of investing in new countries or regions. The positive effect of diversity is contingent on team faultlines (triggered by managers' demographic differences) as it hinders communication and interactions among the team members. On the contrary, shared TMT members' tenure smooths communication barriers and reduces conflicts' insurgence.

Schotter and Beamish (2013) consider managerial influence through the "hassle-factor". In the investment decision process, executives will contemplate several different factors related to the country of investment (e.g. quality of transportation, accommodation, food, climate etc.). Ceteris paribus, countries that score lower in terms of "hassle-factor" will be preferred destinations for the decision-makers. These two studies suggest the importance of incorporating managerial factors into location choice research more consistently. More managerial studies should investigate how managers' characteristics, experiences and process-related variables can shape foreign investment location and entry mode decisions.

2.3.2 Strategic leadership influence on Global strategic posture

Most of the existing SL research within IB literature has considered one aspect of firm internationalisation which is the DOI. For many years, this phenomenon has attracted the attention of several IB scholars. Hennart (2007, p. 424) refers to internationalisation as "the extent to which [the firm] undertakes value-adding activities in many different foreign markets" while Johanson and Vahlne (1977, p. 23) define internationalisation as the "process in which the firm gradually increases their international involvement". A multitude of DOI definitions and "labels" have emerged over the years (Contractor, Kundu and Hsu, 2003; Hitt et al., 2006; Sullivan, 1994), and many IB scholars have investigated the antecedents of firm internationalisation, which are found at multiple levels, i.e.

firm, industry, country and regional factors. A comprehensive meta-analysis on the firm degree of internationalisation (or "multinationality" as defined by the authors) written by Kirca and colleagues (2012) have shown that, among the most relevant drivers of firm multinationality, there are the individual and group-level characteristics of the firm decision-makers. Indeed, these results showcase the importance of considering CEOs, entrepreneurs and management teams' characteristics as active components of the firm internationalisation process and its extent.

Strategic leaders' work experiences effect on DOI

Different demographics and work experience dimensions have been shown to influence decision-makers propensity and openness to internationalisation.

TMTs with more internationally experienced executives are better equipped to cope with the complexity involved by the firm internationalisation process, and their diminished perception of risk and uncertainty will lead to higher international ambitions for their firms (Athanassiou and Nigh, 2002; Carpenter and Fredrickson, 2001; Herrmann and Datta, 2005; Lu et al., 2014; Sambharya, 1996; Tihanyi et al., 2000). This is consistent with IB internationalisation theory (Johanson and Vahlne, 1977) which argues that higher foreign market knowledge reduces managers' psychic distance perception between the home and the host country, which leads to higher firm international commitment. More recent studies have questioned this "simplistic" representation of international experience. Indeed, some studies have contended that a high level of international experience makes managers' more aware of the risks and dangers associated with rapid internationalisation and, hence, more conscious about executing a more gradual and sustainable foreign expansion (Mohr and Batsakis, 2019).

Also, managerial tenure is particularly relevant in the firm internationalisation process. The resource-based and capability-based perspectives suggest that company tenure endows managers with tacit knowledge of existing firm-level capabilities and organisational routines. The latter enables them to scan, identify and evaluate emerging international opportunities that are a good fit with the firm internal resources and capabilities (Jaw and Lin, 2009; Kor and Mahoney, 2005). Furthermore, at the group level, longer and shared firm tenure facilitates executives' communication, cooperation and is also associated with higher social cohesion and the creation of shared cognitive mental structures, which can be critical to handle foreign operations complexity (Chen, 2011; Hutzschenreuter and Horstkotte, 2013; Rivas, 2012; Tihanyi et al., 2000).

Nonetheless, there is also a less rosy view of organisational tenure that is grounded on the information processing/ risk propensity argument. Some scholars argue that long tenure renders managers complacent, slower in gathering and processing newer information, more committed to the

status quo and more risk-averse, which leads to less pronounced internationalisation ambitions (Barroso, Villegas and Pérez-Calero, 2011; Herrmann and Datta, 2005). This contradicting evidence can be reconciled by considering a non-linear relationship between the executive tenure and firm DOI. Some studies have pointed that only a moderate level of tenure will be beneficial to the firm DOI; both excessively long tenure or very inexperienced managers will not have the mindset nor the capabilities to develop and sustain the firm international expansion (Agnihotri and Bhattacharya, 2015; Jaw and Lin, 2009; Lee, Kim and Moon, 2016; Li, 2018).

Managers' industry experience within and outside the focal firm's industry provides managers with valuable knowledge, expertise, and networks, which may be pivotal to sustaining overseas company expansion. Managers with abundant industry experience can more easily identify risks and seize opportunities within the industry, both inside and outside the country of origin (Kor, 2003; Kor and Misangyi, 2008). Industry experience is especially relevant in providing managers with valuable connections such as customers and suppliers' networks; the latter are instrumental in overcoming the liability of foreignness and outsidership when operating in multiple foreign countries (Johanson and Vahlne, 2009). It follows that TMTs endowed with greater industry experience can leverage their networks (i.e. social capital) to enable the foreign expansion of their firms (Barroso, Villegas and Pérez-Calero, 2011; Chen, Chang and Hsu, 2017; Lee and Park, 2006; Segaro, Larimo and Jones, 2014).

Strategic leaders' demographics effect on DOI

Some top managers' demographic characteristics have been shown to influence the firm degree of internationalisation. The most relevant characteristics are managers' education, age, nationality and gender. There is extensive literature that examines the impact of age and educational level background on the managers' propensity towards firm internationalisation.

On the one hand, managers' education level is regarded as a source of human capital and a distinctive trait influencing managers' cognitive bases and values. A vast amount of research shows that educational background shapes an individual's cognitive and socio-cognitive skills, enhancing managers' receptivity to change, creativity and tolerance for ambiguity (Herrmann and Datta, 2005; Patzelt, Knyphausen-Aufseß and Fischer, 2009; Ramón-Llorens, García-Meca and Duréndez, 2017; Wiersema and Bantel, 1992). By increasing individual information-processing and decision-making capacity, the majority of these studies have found that high educational levels help managers overcome internationalisation challenges and increase their internationalisation pursuit (Agnihotri and Bhattacharya, 2015; Herrmann and Datta, 2005; Ramón-Llorens, García-Meca and Duréndez, 2017; Tihanyi et al., 2000).

However, some studies have found no significant impact of CEO/ TMT education level on the firm DOI, which suggests that managers' education may not be as decisive as other executives' characteristics (Fernández-Ortiz and Lombardo, 2009; Lee, Kim and Moon, 2016; Mohr and Batsakis, 2019; Wally and Becerra, 2001). Possibly, this is because managers' education experience occurs in the early stage of their life, and subsequent work and life experiences may have a greater impact on their mindset and cognitive capabilities. Moreover, we need to consider that normally top managers become such only after several years of work experience; therefore, while education may be determinant for early practitioners (Piaskowska and Trojanowski, 2014), it may not be as relevant for seasoned professionals.

On the other hand, executives' age has been consistently used to proxy managers' riskaversion and experience. Research has shown that older managers are less willing to take risks and, hence, less inclined to pursue firm overseas expansion (Agnihotri and Bhattacharya, 2015; Chen, 2011; Fernández-Ortiz and Lombardo, 2009; Herrmann and Datta, 2005; Tihanyi et al., 2000). Executives of higher age are reluctant to endanger their power and financial security position by undertaking risky strategic decisions such as foreign investments. Furthermore, foreign expansion increases the pressure on the decision-making team both in terms of information processing capacity and physical demand, and old managers may not have the mental stamina and physical strength to harness this change (Lee, Kim and Moon, 2016; Mohr and Batsakis, 2019). However, it might be worthwhile testing whether a non-linear relationship between executives' age and firm DOI exists. Some studies have suggested that (very) young executives, due to their inexperience and the risk of jeopardising their career, may not be willing to stake their future on risky decisions characterised by highly uncertain outcomes (Serfling, 2014; Yim, 2013). Hence, middle-aged executives may be in the best position to face and handle the complexity and the risk deriving from firm internationalisation.

Only a few recent studies have instead considered the gender and nationality of the firm executives. Studies show that women are, on average, more conservative than men in strategic decision-making; this tendency is driven by the external context (e.g. stereotypes, social norms, etc.) and intrinsic biological differences (Lee, Kim and Moon, 2016). While, the manager's nationality greatly influences his/ her cognitive schemas, cultural values, demeanour, and language (Hambrick et al., 1998). Foreign executives have a deeper understanding of the international environment and are more aware of cultural and institutional differences. Moreover, foreign executives are more confident in operating in a global environment and more capable of developing trustworthy relationships with foreign customers and suppliers (Pisani, Muller and Bogățan, 2018). Given the importance of these factors, it is startling that they have been scarcely considered in DOI research.

Additionally, we have noticed that no studies have gone deeper than distinguishing between local and foreign executives. For instance, no distinction is made about executives' ethnicity which may provide a more punctual explanation of managers' cultural values, cognitive schemas and risk preferences.

Top Management Team diversity effect on DOI

A relevant number of studies have gone beyond considering individual executives' characteristics or averaging executives' attributes at the group level by investigating the TMT's composition diversity. The bottom-line argument is that more diverse teams, both in terms of demographic and work experience background, possess a greater and diverse pool of knowledge, experiences and perspectives. Utilising the additional expertise can improve a team's decision-making capability to solve complex problems and handle the increasing complexity of the firm's internationalisation process (Agnihotri and Bhattacharya, 2015; Carpenter and Fredrickson, 2001; Rivas, 2012; Tihanyi et al., 2000). However, a high level of team diversity may not always be beneficial to the effectiveness of team decision-making. Excessive diversity can generate conflicts, disagreements, and mistrust within the group, leading to inefficient decision-making and more limited information-processing capacity (Elron, 1997).

Some studies have indeed recognised the existence of a double-sided argument; thus, they have theorised and empirically tested a non-linear relationship (i.e. inverted U-shape) between the TMT diversity and the level of firm internationalisation. The logic is that excessive diversity may hamper the team decision-making capacity and slow down its decision-making process (Carpenter and Fredrickson, 2001; Jaw and Lin, 2009; Lee and Park, 2006). While the importance of diversity is not questioned here, the concept of diversity should be dealt with more prudence and less superficiality, particularly in the firm internationalisation context. Therefore, a more accurate investigation of the mechanisms underlying team compositional diversity is required. For instance, SL literature has suggested that pronounced demographic and background differences among the firm's executives can generate faultlines and subgroups within the decision-making team (Lau and Murnighan, 1998; Thatcher and Patel, 2012). However, diversity does not always lead to the generation of faultlines, and future research should consider the effect of team diversity on DOI conditional to the emergence of faultlines. It would also be beneficial to examine the different impacts of demographic and knowledge-based faultlines that can trigger different group-level mechanisms (Georgakakis, Greve and Ruigrok, 2017; Hambrick et al., 1998).

Strategic leaders' personality traits effect on DOI

A couple of studies have instead examined more psychological *executives' traits* such as CEO narcissism and CEO promotion and prevention focus (Adomako, Opoku and Frimpong, 2017; Oesterle, Elosge and Elosge, 2016). Specifically, Oesterle and colleagues (2016) find that narcissistic CEOs, driven by a lower risk-perception and strive for publicity and reputation, are likely to pursue more aggressive internationalisation strategies. Similarly, CEO regulatory focus (i.e. promotion and prevention focus) will drive a firm's internationalisation behaviour (Adomako, Opoku and Frimpong, 2017). On the one hand, CEO promotion focus, i.e. hunger for personal growth and higher status, increases the CEO's risk-taking behaviours and his/ her propensity to pursue firm internationalisation. On the other hand, the CEO's prevention focus enhances his/ her risk aversion, rendering an individual more vigilant and conscious about undertaking potentially damaging activities for their firms.

Governance and agency factors effect on DOI

Other studies investigate how corporate governance aspects including CEO succession, managers' compensation and ownership and their beneficial or detrimental effect on firm internationalisation. Two studies have examined the phenomenon of CEO succession in respect to DOI (Elosge et al., 2017; Lin and Liu, 2012). Lin and Liu (2012) find that differences between the newly appointed CEO and the Chairman's characteristics and outside CEO succession both positively impact the DOI. Demographic dissimilarities can spur greater discussion and offer diverse views on business decisions. In this context, a change in the internationalisation strategy is more likely to occur. Similarly, the arrival of a new CEO is likely to be associated with a significant change in the firm strategy. Elosge and colleagues (2017) have instead argued that frequent CEO successions will have an initial short-term positive impact but will long-term have a disruptive influence on the firm's degree of internationalisation. Every CEO has their personal view and goals that will shape the firm international strategy. All in all, empirical evidence from CEO succession literature shows how changes at the top of the firm can affect the firm internationalisation process.

Firm internationalisation is a perilous and uncertain strategic process that involve risky decisions that can backfire on its decision-makers. Firms that want to pursue more aggressive internationalisation strategies should motivate their executives to increase their risk-bearing. Aligning the interest of the senior managers with the firms is of utmost importance when dealing with corporate governance issues (Jensen and Meckling, 1976).

Traditional agency theory arguments state that greater equity ownership and long-term compensation would increase executives' alignment with the company's shareholders and, hence, encourage risk-taking endeavours (Hoskisson et al., 2017). On the other hand, behavioural theory

(prospect theory) suggests that high managerial ownership decreases managers' risk propensity; decision-makers become more concerned with potential company losses that can endanger their wealth (Wiseman and Gomez-Mejia, 1998). Empirical evidence finds support for both perspectives, making for an interesting debate. Some studies find that *managerial ownership* is associated with lower levels of DOI (Alessandri and Seth, 2014; George, Wiklund and Zahra, 2005; Lee, Kim and Moon, 2016) - other papers show the contrary (Carpenter, Pollock and Leary, 2003; Zahra, Neubaum and Naldi, 2007). Literature offers greater convergence on the positive effect of stock options and, generally, long-term compensation on executives' risk propensity. Long-term compensation seems a more effective instrument to incentivise managerial risk-taking in internationalisation (Alessandri and Seth, 2014; Lee, Kim and Moon, 2016; Sanders and Carpenter, 1998; Wang, Chung and Lim, 2015).

This lack of clarity on the effect of managerial ownership may depend on the different measures and contexts where these effects have been studied (Driver, Grosman and Scaramozzino, 2020; Grosman, Aguilera and Wright, 2019). For instance, Carpenter et al. (2003) consider the exante directors' ownership before the company initial public offering (IPO) in the context of high-tech firms. Zahra et al. (2007) does not consider a direct measure of firm internationalisation but rather the hoarding of specific firm resources (i.e. human capital, proprietary and relational) instrumental to firm internationalisation. The cumulation of these resources may be a pre-emptive mechanism adopted by firms' executives to reduce the risk associated with the internationalisation of their firms and, hence, it could be interpreted as an indicator of managerial risk aversion. While directors' exante ownership before the company IPO may trigger different mechanisms compared to the equity held by the managers in already public and more "mature" companies.

2.3.3 Strategic leadership influence on international strategic change and competitive behaviour

Speed of Internationalisation

Speed of internationalisation constitutes one of the three dimensions that describe a company internationalisation process, while the other two are the extent and scope of internationalisation (Casillas and Acedo, 2013). In the IB literature, the speed of internationalisation research is relatively limited and fragmented (Acedo and Jones, 2007; Casillas and Acedo, 2013; Mohr and Batsakis, 2017). The multiple constructs and conceptualisations of "speed of internationalisation" could have slowed down the literature's progress (Chetty et al., 2014). International entrepreneurship literature has initially defined internationalisation speed as the time between the firm's foundation and its first

international activity (Oviatt and Mcdougall, 1997; Zahra, Ireland and Hitt, 2000). In the context of mature MNEs organisations, literature has proposed a more dynamic conceptualisation of speed. Studies have examined different aspects of the firm's internationalisation process, such as its pace, breadth and scope (Casillas and Acedo, 2013; Chetty, Johanson and Martín Martín, 2014; Hilmersson and Johanson, 2016; Vermeulen and Barkema, 2002).

Strategic leaders' influence on Speed of internationalisation

Given the limited amount of literature and the multitude of speed constructs, it is not surprising that only a few studies have incorporated managerial factors in the theorising and empirical testing of this emerging IB concept.

Musteen, Francis and Datta (2010) and Reuber and Fischer (1997) have studied the company internationalisation speed as the time (number of years) occurring before the first international venture in the context of SMEs firms. Language congruency between SME CEOs and their international (personal) ties increases firm internationalisation speed (Musteen, Francis and Datta, 2010). Reuber and Fischer (1997) instead focus on the CEO and founding teams international experience; the authors show that greater international experience at the CEO and management team level fosters higher speed of firm internationalisation and benefits the firm global strategic posture. Likewise, Hsieh and colleagues (2019) study found that entrepreneurs' international experience increases firm internationalisation earliness, similar to a high speed as it makes the firms internationalise at an earlier stage of their business.

In the context of mature and large companies, Mohr and Batsakis (2018) and Elosge et al. (2017) investigate two other distinct aspects of company internationalisation speed. Specifically, Mohr and Batsakis (2018) investigate the role of TMT international experience on the number of retail stores opened by multinational retail companies. TMT international experience enhances managers' awareness of time-compression diseconomies associated with rapid internationalisation strategies. An inverted U-shape relationship between TMT international experience and company internationalisation speed exists. Elosge and colleagues (2017) show that CEO succession influences the company internationalisation rhythm. First, the number of CEO successions negatively affects the (rhythm) regularity of the company internationalisation process. Secondly, internal CEO successions rather than external succession reduce the irregularity of the firm internationalisation process.

We also identify another group of studies related to the speed of internationalisation construct. These studies largely focus on the characteristics of the CEO (e.g. international experience, personality, ownership etc.) and their foreign acquisitions propensity. The number of foreign deals is certainly positively correlated to the firm internationalisation speed. The higher the number of acquisitions, the faster the firm internationalisation expansion. An interesting argument suggested by these studies is that a short CEO career horizon (years left before retirement age), except for family firms (Strike et al., 2015), will enhance executives' risk aversion and lead to a lower number of cross-border acquisitions (Matta and Beamish, 2008). Managers' wealth preservation tendencies drive this behaviour.

On the contrary, CEO overconfidence, narcissism, and international experience generate a high number of foreign investments (Chittoor, Aulakh and Ray, 2015; Dutta, Malhotra and Zhu, 2016; Ferris, Jayaraman and Sabherwal, 2013; Zhu and Chen, 2015). Additionally, Singh and Delios (2017) show that board resource provision and advisory roles help firms to expand significantly faster internationally through acquisition investments. Similarly, CEO duality will speed up the decision-making process, reducing discussion and inaction time.

All in all, TMT literature has only touched upon some of the critical aspects concerning the firm internationalisation speed. First, only a few internationalisation constructs have been studied. For instance, no research investigates how executives' knowledge, experiences and networks can shape the foreign resource commitment (e.g. foreign assets) and the dispersion of the firm international expansion process (e.g. depth and breadth of the company internationalisation speed). Similarly, only one study has examined the effect of individual-level antecedents on the relationship between firm internationalisation speed and firm performance (Musteen, Francis and Datta, 2010). Future research should more extensively delve into those team-level compositional factors (e.g. team diversity, faultlines, CEO-TMT interface etc..) and the effect of their underlying mechanisms (team conflicts, cohesiveness, behavioural integration etc.) on the firm internationalisation speed (Chhabra and Popli, 2019).

Drawing from Penrose's (1959) arguments, the limited availability of managerial resources (e.g. limited foreign market knowledge, experience or firm/ industry expertise) represents a major constraint to the firm sustainable growth both domestically and internationally (Rugman and Verbeke, 2002). Furthermore, Kor and Mahoney (2004, p. 184) maintain that "the speed at which a firm can take advantage of emerging opportunities in its domain of business" will depend on the knowledge possessed by its managers. In this sense, we expect managerial resources and capabilities to be key drivers of the firm internationalisation process.

2.3.4 Strategic leadership influence on MNE performance outcomes

The following section presents studies looking at the managerial impact on firm performance in the international sphere. If firms fail to achieve performance from the efforts mentioned prior in this paper, such efforts will be worthless. Unsurprisingly, performance is a crucial area of interest, primarily given the fiduciary duties to generate value for shareholders (Young and Lorsch, 1990) but also because performance variables are easy to obtain and interpret. Notwithstanding, a recent trend to measure firms based on more than just shareholder value creation focuses on how the firm influences its broader stakeholders (Freeman, 1999).

Performance can be either financial or non-financial. The former cluster use measures such as return on equity, return on assets (Carpenter, Sanders and Gregersen, 2001; Daily, Certo and Dalton, 2000) and export intensity (Agnihotri and Bhattacharya, 2015; Ganotakis and Love, 2012). Alternative non-financial performance measures include social performance (Slater and Dixon-Fowler, 2009; Waldman et al., 2006), improvements of operations (Dauth, Pronobis and Schmid, 2017; Shin, Seidle and Okhmatovskiy, 2016) and innovation (Mihalache et al., 2012; Yeoh, 2014).

The following sections present the extant research on these different types of performance from an international perspective. The performance itself is not per se an international factor, albeit some studies utilise international performance measures. Incorporating the international aspect further can be done in two different ways at the managerial level; First, some studies look at the managers' direct impact on performance through the characteristics and composition of the TMT, typically measured through international experience and nationality diversity. The second cluster of studies looks at indirect managerial performance, such as how the international operations can mediate and moderate relationships from TMT traits towards better performance. To advance the understanding, we look at both direct and indirect performance measures in our sample studies.

In the review, discretion is given towards the distinction between overall firm performance and the specific factors within international joint ventures and subsidiaries. They differ conceptually, as overall firm performance includes the whole business group, whereas the subsidiary/joint ventures performance focuses on a specific, measurable part of the holistic firm.

Financial performance

Despite the increasing focus on non-financial performance, such as general societal and environmental performance (Freeman, 1999), financial performance remains essential for the business as it needs to generate money to be going concerned. Various studies seek to understand which factors lead to financial performance- both in classic SL studies as well as classic IB studies. In the IB literature, financial performance is normally studied in relation to the international strategies adopted by the companies. In this regard, the literature suggests that firms following the strategies predicted by IB theories (e.g. internalisation theory, resource-based view, Uppsala model) will tend to perform better (Brouthers, 2002).

Likewise, SL studies show that factors such as insider succession (Georgakakis and Ruigrok, 2017), charisma (Wowak et al., 2016) and longer tenure (North, 2019) are positively related to performance. Combining the IB perspectives with SL, the potential factors leading to performance is more limited, albeit with some studies looking at direct relationships. The contextual and indirect factors matter a lot to fully cover the importance of managers' influence on financial performance. Regarding the different performance measures, both return on equity, return on asset, and other accounting-based measures are considered similar. While clarity might be of interest on this matter, it is generally outside the scope of this paper to understand the individual performance measures. Instead, we seek to contribute to understanding the managers' impact in the international context.

Direct influence on performance:

International experience remains a key variable in the extant literature when it comes to firm performance. There is consensus in the literature that international experience, ceteris paribus, positively impact performance at both CEO- (Daily, Certo and Dalton, 2000; Georgakakis and Ruigrok, 2017; Le and Kroll, 2017), TMT- (Díaz-Fernández, González-Rodríguez and Simonetti, 2015; Schmid and Dauth, 2014), and board-level (Giannetti, Liao and Yu, 2015). CEO international experience is found to have a stronger impact when the firm also has internationally experienced TMTs making it desirable to have international experience throughout the senior leadership (Carpenter, Sanders and Gregersen, 2001). International experience increases the information processing capabilities of key decision-makers, which explain the established link between the specific experience and the firm performance as the firms with such capabilities can better take advantage of their already established position in the foreign markets (Dragoni et al., 2014). Furthermore, longer international experience generally leads to more complex schemata (cognitions regarding local environments) (Takeuchi et al., 2005), allowing the managers to make better decisions and adjust to specific countries, regardless of whether they are in the specific location or at the HQ location. Collectively, these studies show how international experience goes well in line with the resource-based view (RBV) of the firm (Barney, 1991; Penrose, 1959), a theoretical perspective widely applied in IB research.

While the international experience and performance link dates back to the early start of the international SL literature (Roth, 1995), it has increased in sophistication since its initial inception. Typically, international assignment experience, international education and exposure to foreign countries in the formative years are considered essential for international experience variables (Piaskowska and Trojanowski, 2014). Initially, the positive link between international experience and firm performance were found using a measure combining the number of international assignments

and the length of these assignments (Daily, Certo and Dalton, 2000) or measuring international experience as the number of calendar years spent internationally (Carpenter, Sanders and Gregersen, 2001). Attempting to disentangle the impact of international experience further, studies utilise a measure combining the length of international experience, the number of countries and the cultural distance to the countries the international experience is conducted in (Le and Kroll, 2017). Especially the measure of the latter is relevant to be incorporated in the literature going forward, considering that factors such as cultural, institutional (DiMaggio and Powell, 1983), and psychic distance (Johanson and Vahlne, 1977, 2009) remains at the centre of much IB research.

Managers' ability to cope with these factors through experience will remain highly relevant as it is a crucial determinant of the ability to generate successful business in different countries (Vahlne and Johanson, 2020). One of the core aspects of IB theory is the impact of cultural and institutional diversity (Verbeke, 2013). Knowledge regarding whether managerial experience can solve such issues remain scarce. For example, research has not explained whether a rich set of experiences in the TMT will allow firms to successfully have a genuinely transnational nature or remain international within their home region triad (Rugman and Verbeke, 2004, 2008).

These first studies deal with a classic entity within IB literature, the MNE. International experience is also found influential in the context of export for SMEs, as it leads to greater export intensity when the managers also contain high-level education and relevant functional experience background (Agnihotri and Bhattacharya, 2015; Sousa, Ruzo and Losada, 2010). Looking further indepth, international experience appears more relevant in emerging markets than in developed countries in the context of SMEs. In developed markets, international experience is only found to increase the level of export, not per se the performance (Ganotakis and Love, 2012), whereas in emerging markets, returnee entrepreneurs with extensive international experience lead to better performance (Filatotchev et al., 2009), especially if the appointment happened openly, and not just through closed networks (Wei and Ling, 2015) reflecting whether the government impact the decision in their Chinese sample.

A second influential variable for direct financial performance in the international context is nationality diversity. Nielsen and Nielsen (2013) finds that nationality diversity in the TMT is positively related to firm performance, showing the importance of both individual characteristics and the composition of TMTs. They further find that TMT moderates the relationship through shared tenure, added complexity (i.e. higher DOI) and munificence of the industry (Nielsen & Nielsen, 2013). Nuances are added to the literature as a different study finds that diversity is only positively related to performance when DOI is added as a moderator (Kaczmarek and Ruigrok, 2013; Ruigrok, Georgakakis and Greve, 2013). The high complexity of international exposure is necessary for

exploiting the full resources in the TMT and avoiding disputes that can happen per social identity theory (Jackson et al., 1995), where team members identify themselves as in-group or out-group.

The whole debate on nationality diversity has not been solely focused on the TMT level. Nationality diversity at the board level yields inconclusive findings. In some studies, there is found support for a positive impact on firm performance (Delis et al., 2016; Estélyi and Nisar, 2016; Miletkov, Poulsen and Wintoki, 2017), while other scholars find support for a negative impact (Frijns, Dodd and Cimerova, 2016). Like for TMTs, Frinjs et al. (2016) acknowledge that greater organisational complexity (administrative and DOI) would help the team reap diversity benefits. Moreover, it is worth noting the differences in the way these studies measure diversity. Future studies should address this lack of consistency in the variable operationalisation as well as examine the conceptual differences among these distinct constructs.

To further develop the debate, internationalisation of the boards by including Anglo-American board members to Scandinavian firms enhances the performance of the firm (Oxelheim and Randøy, 2003), and the experience of the firms' directors leads to higher productivity (Giannetti, Liao and Yu, 2015). The findings suggest that overall, even at the board level, a diversity of nationalities and international experience is favourable for enhancing performance, particularly when the firm faces international complexity. Nevertheless, regardless of whether TMT- or Board level, the research going forward needs to consider the context when researching international diversity measures.

Indirect influence on performance:

Mentioning the importance of context, Roth (1992, 1995) offers an early way of thinking of both the traits of the managers and the specific context. These foundational studies for international traits and management studies take a strong RBV perspective. They show how several noninternational variables (albeit including international experience) at the CEO level will only positively impact when the firms are showing high international interdependence. The first study shows how internal locus of control, good intuition, generalised functional experience and international experience lead to openness in decision making and more risk-taking (Roth, 1992). The second study shows that similar variables lead to greater income growth when the international interdependence is high. When international interdependence is low, it will lead to a negative relationship (Roth, 1995). These studies are supported by Carpenter (2002), showing how DOI is an essential moderator for the executives' characteristics-performance relationships. Altogether, these studies substantiate the positive indirect effect of managerial resources on firm performance, which increases with the high level of international company operations. Further indirect effects of managers occur in general executive pay and performance studies (Jensen and Murphy, 1990). As established, more information processing capacity is needed when the firm faces a high DOI. In such a situation, it is preferable to structure the compensation scheme to avoid sizeable CEO-TMT pay gaps in an attempt to increase the shared impact of the TMT rather than causing frictions and reliance on the CEO (Carpenter and Sanders, 2004). In many ways, these studies link to the ongoing debate in the literature about making sure TMTs can work together in cohesiveness and avoid conflicts (Barkema and Shvyrkov, 2007). Generally, diversity is essential, and significant pay gaps can lead to an overreliance on the CEO, which means fewer contributions and motivation from the non-CEO TMT members. This, in turn, hampers the performance (Johnson, Kolasinski and Nordlund, 2018; Shin, Seidle and Okhmatovskiy, 2016).

Dealing with indirect measures, the moderating or mediating factors of either the TMT characteristics or the context remains focal. For example, product- and market differentiation has an inverted U-shape relationship towards performance, which is positively moderated by TMT experience and education level, both domestically and internationally (Hsu, Chen and Cheng, 2013; Singh, Gaur and Schmid, 2010). Further, a positive relationship between international diversification and firm performance is positively moderated by managerial experience (functional and industry) and educational level of managers (Díaz-Fernández, González-Rodríguez and Simonetti, 2015). The interaction and joint decision-making occurring when TMTs are behaviourally integrated moderates the relationship between foreign sales growth and total sales growth, which will lead to better performance (Reuber and Fischer, 2002).

For what concerns the mediating effects, the extant literature offers an ample number of studies showing how managers lead to better performance through their strategic decision. Internationally experienced members take more rational decisions, leading to better performance (Azam, Boari and Bertlolotti, 2017). TMT international experience allows firms to succeed when expanding into culturally different markets (Hutzschenreuter and Horstkotte, 2013). Additionally, TMT members with experience across different regions positively shape the performance in firms with inter-regional strategic focus (Ruigrok, Georgakakis and Greve, 2013).

A final key factor often underestimated for performance is the networks of the firms (Johanson and Vahlne, 2009). One of the most reliable ways to develop networks is through executives. For example, in the case of SMEs, it is found that a geographically diverse network of the CEO is essential for the performance (Musteen, Francis and Datta, 2010). Working and living abroad allows executives to gain broad international networks that increase firm international exposure and indirectly affect performance. In the comments on their JIBS decade award-winning paper, Vahlne and Johanson (2019) call for integrating managerial traits and microfoundational research into the

concepts of networks and liability of outsidership. We support this call as the role of international managerial networks are understudied towards performance measures.

Non-financial performance

Despite increasing interest in the broader academic literature and the business world (Orlitzky, Schmidt and Rynes, 2003; Slater and Dixon-Fowler, 2009; Wood, 1991), studies looking at non-financial performance through the SL lenses remain scarce compared to financial performance. The studies presented here clearly show room for further research understanding how the corporate structure, including the managers, can yield substantial contributions to the field of SL studies, but also IB. By undertaking studies with performance measures different from financial measures, the studies can vastly contribute to academia while also being highly important for practitioners. As the extant literature on non-financial performance is less researched than financial performance, the following section will concurrently present both direct and indirect effects.

Looking at social performance, Waldman et al. (2006) show how the country- and cultural background of the executives' matter as firms with TMTs containing managers from wealthier countries are more likely to engage in corporate strategy responsibility (CSR) than their lower-income country peers, leading to better social performance. The background alone is, however, not the only characteristic studied. Slater & Dixon-Fowler (2009) find that CEO international experience is positively related to corporate social performance. The relationship is further positively moderated by managers with functional experience in output functions (sales and marketing). On the contrary, Liao and colleagues (2016) find that foreign CEOs and directors in China are less likely to assure their CSR reports. Albeit referring to a different CSR outcome, this contradicting finding signals the importance of understanding each study-specific geographical and cultural context. Indeed, similar executives' experiences can produce opposite CSR outcomes in distant and dissimilar contexts such as the United States and China. Therefore, taking notions from these studies, future research could clarify whether CEO and executives' foreignness has a similar impact in high- and low-income countries. Furthermore, studies should look into how managers can moderate more established relationships within the CSR literature.

An alternative mean of non-financial performance looks at improvements in the operations. Dauth, Pronobis and Schmid (2017) show that internationalising the board and having a chief financial officer (CFO) with international experience leads to improvements in the accounting quality. Interestingly, the relationship between CEO international experience and accounting quality is insignificant, leading us to propose that studies increasingly consider the managers relevant for the measure in focus rather than necessarily relying too much on the CEO. Another study looking at improvements in the context of SMEs is (Yeoh, 2014) finding CEO international experience moderating an established relationship between technology sourcing and process upgrading in the firm.

The final measure of non-financial performance in our sample is innovation. Mihalache et al. (2012) find that TMT diversity gives more knowledge and experience within the TMT, which moderate the inverted U relationship between offshoring of primary activities and innovations, suggesting that managers have a crucial role in ensuring successful innovation through a firm's international activities. By having such an effect, reversed knowledge sharing (Hennart, 2009) is becoming increasingly possible, allowing further perspectives to impact the overall firm, which in the long run leads to better overall performance. Understanding how to tap into the subsidiaries' knowledge is already at the centre of IB research, leaving ample room for incorporating an SL perspective (Foss and Pedersen, 2019). One of the few studies attempting to do so finds that prior MNE work experience at the managerial level in the subsidiaries can lead to better innovation performance (Nuruzzaman, Gaur and Sambharya, 2019). More studies are needed to fully understand how managers can tap into the knowledge of their subsidiaries and ensure improvements of the firm and the innovation they are engaging in.

2.4 Drawing conclusions and moving forward

Existing literature has covered a lot of ground by shedding light on how managers, through their personal experience, characteristics and incentives, can shape the firm internationalisation process, strategic decisions and, in turn, firm financial and non-financial performance. Literature offers ample proof about companies seeking specific managerial capabilities and executives' characteristics to address organisational and environmental complexity and their related challenges. Executives' backgrounds influence on global strategic decision-making could depend on the organisational context (e.g. TMT composition, SMEs versus MNEs, firm ownership, firm past experiences etc.); industry and institutional pressures (e.g. industry dynamism, munificence, institutional differences etc.) shape managerial discretion and managerial risk and opportunity's perception.

Despite the considerable number of studies and its undisputed contribution to the IB literature, SL research in the international sphere has not developed uniformly across the four research areas identified in the review section, as is shown in Table A6. The majority of the literature focuses on explaining firm internationalisation and performance outcomes (i.e. DOI and firm international financial performance) rather than firm intermediate outcomes (i.e. entry mode strategies, innovation, strategic change). This more pronounced attention towards company degree of internationalisation and performance is not surprising as both outcomes are at the heart of IB theory and literature (Kirca et al., 2012; White et al., 2016). However, as we discuss in the future research section, this leaves substantial room for future research to investigate further the role of managerial characteristics and related factors on firm international strategic intermediate outcomes.

Furthermore, research has drawn on a multitude of theoretical perspectives, sometimes using a combination of them, to explain the influence of managerial factors on firm-level outcomes. However, we notice few studies have attempted to integrate and complement findings from different theoretical perspectives within the SL approach. Moreover, we ascertain that several studies do not present a strong and clear theoretical framework. Many studies struggle to integrate and reconcile their findings within IB theorising. In this regard, future research should more systematically leverage the SL theoretical perspective to contribute to IB theorising.

In the following section, for each of the research areas identified in the review, we discuss some of the key unanswered questions and those yet not clear answers that future research should address and develop further.

2.4.1 Synthesis and relevant gaps on SL influence on location choice and entry mode decision

Especially in the last decade, IB literature has seen a surge of studies focusing on the managerial antecedents of firm international strategic choices, i.e. entry mode strategies, location choice, export intensity. Through their work experiences and intrinsic characteristics - e.g. demographics, personality traits and mindset - executives develop preferences towards certain entry mode strategies. Literature also pinpoints the role of economic incentives. Aligning managers' self-interests with those of the firm owners' influences managers' preferences in terms of foreign market entry strategies. Despite the existing research's numerous insights, we identify manifold research opportunities targeting entry mode research and other firm international strategies.

First and foremost, we recommend future SL research shift its attention from basic demographic characteristics and unidimensional work experience variables to more complex measures, which can better capture the decision-making process and the mechanisms underlying the adoption of a certain entry mode strategy. Team composition diversity and the formation and interactions between sub-groups (or coalitions) (Hambrick, 2007) could more precisely explain top managers' preferences and inclination (e.g. firm path dependency) towards specific entry modes and

location strategies (Georgakakis, Greve and Ruigrok, 2017; Simsek, Heavey and Fox, 2018). For instance, observed entry mode strategies and location choices could only reflect the preferences of the most powerful coalitions.

Also leveraging these individual and team-level factors, we maintain that a promising avenue within the entry mode research consists in the EMD phenomenon (Brouthers, Brouthers and Werner, 2003; Elia, Piscitello and Larsen, 2019) and the study of its behavioural and managerial antecedents. Entry mode research offers ample evidence that firms do not always choose the governance arrangements that align with the market entry strategies predicted by IB theory. Companies often break their investments path dependency and adopt complex entry mode arrangements, which are not purely economically driven (Barkema and Vermeulen, 1998; Benito, Petersen and Welch, 2011; Gao and Pan, 2010). In many cases, entry mode misalignments and entry mode switches may occur due to behavioural factors affecting the firm decision-making level (Elia, Piscitello and Larsen, 2019). Future research should delve into those behavioural factors and attempt to predict in which circumstances CEOs and top executives will be more likely to pursue entry mode strategies that are not consistent with IB theories or firm past international strategies.

Our review also highlights a dearth of research concerning foreign location choice. While local regulations and informal institutions can somewhat constrain the ownership of entry mode decisions, the choice to enter a specific geographical market can largely reflect managerial preferences, whims, prejudices, and even fears. The foreign investment location choice is strongly interrelated with the concept of distance. Having learnt from literature that managers may perceive distance differently and often not rationally, managerial factors are likely to play a substantial role in the foreign investment location decision (Boeh and Beamish, 2012; Williams and Grégoire, 2015). In this regard, SL literature can play a much more decisive role in explaining how managers' characteristics, experiences and networks can influence managers' perceptions and decisions towards investing in certain regions or countries (Piaskowska, 2017).

Relatively few studies within the SL literature have dug into the antecedents of firm exporting activities. This is the case as only a small number of SL studies have considered SMEs and entrepreneurial firms as a context to study the influence of strategic leaders on firm international outcomes. The differences in terms of organisational context between SMEs and large firms might influence the role of managerial resources on firm outcomes. Therefore, scholars should be careful in generalising the theoretical and empirical SL-IB findings, which have been drawn from large-sized enterprises (Knight and Liesch, 2016; Laufs and Schwens, 2014). For instance, we contend that entrepreneurial and SMEs firms are more likely to rely on their founders and executives experience, knowledge and networks for their international expansion. Less human and financial resources are

available to this type of firm that could face greater challenges and risks when pursuing internationalisation. In this sense, the SL perspective could greatly contribute to the international entrepreneurship and SMEs literature by investigating other individual and group-level characteristics and phenomena in relation to the firm export propensity and intensity.

2.4.2 Synthesis and relevant gaps on SL influence on Global strategic posture

As witnessed by the high number of articles, research has vastly explored the managerial antecedents of the DOI. It has been found that top managers intrinsic preferences and capabilities can shape firm internationalisation ambitions. The extensive research undertaken would suggest limited scope for further research, however, we contend there are several aspects concerning this outcome variable that could benefit from further research.

For instance, our analysis shows that studies have adopted distinct approaches to operationalise firm DOI. Some studies have used unidimensional scales (e.g. foreign sales, foreign assets ratios), others have adopted composite constructs such as Sullivan's (1994), which incorporates both performances, structural and attitudinal dimensions of firm internationalisation. It is not straightforward comparing the influence of distinct managerial factors on firm DOI; hence, the proliferation of DOI measurements may have led to many insignificant findings concerning specific managerial aspects.

An even greater risk of adopting different DOI composite constructs derives from the underlying assumption that distinct internationalisation dimensions are comparable, which is often not the case (Vallone et al., 2019). The IB theory has taught us that it is crucial to differentiate among distinct foreign operation modes as managers strategically select them, pondering on multiple rational economic factors and driven by less rational behavioural components (Brouthers and Hennart, 2007; Buckley and Casson, 2019). For instance, it is reasonable to assume that export activities entail different risks from equity-based entry mode strategies. Likewise, different foreign business locations, due to home-host country differences, will involve different levels of organisational and environmental complexity that the company management team must handle. In this sense, we recommend future research to explore further how diverse sets of managerial capabilities and experiences could help firms sustain greater IB complexity (Marshall, Brouthers and Keig, 2020; Miller, Lavie and Delios, 2016; Vallone et al., 2019).

Furthermore, we observe that factors such as gender and national culture of the individual managers and top teams receive limited attention within SL research in the international sphere. Several studies argue that TMT female members can increase the level of communication and information-sharing within a team, subsequently enhancing the team's decision-making capabilities

(Dezsö and Ross, 2012; Keck and Tang, 2018; Triana, Richard and Su, 2019). Hence, gender-diverse teams may be better equipped to navigate their firms through the multifacetedness and intricacies of the IB environment. Moreover, few studies have investigated individual intrapersonal national culture diversity and team multiculturalism's role in firm internationalisation (Nielsen and Hillman, 2019; Vora et al., 2019). Multicultural individuals can leverage national culture knowledge, bilingualism, group affiliations, network ties to broker between different international players, generate new global business flows and avoid cultural stereotyping and prejudices (Vora et al., 2019). In this regard, nationality diversity, individual and team multi-culturalism can provide new fruitful research avenues within firm internationalisation research.

2.4.3 Synthesis and relevant gaps on SL influence on international competitive moves

A company internationalisation aspect that has received scant attention from the SL literature is the speed of firm internationalisation. IB research has often treated firm internationalisation as a cross-sectional phenomenon. However, internationalisation is a process rather than an outcome as it should reflect the company's "motion" across national boundaries. As initially suggested by the internationalisation process model and later refined by other IB theories (Santangelo and Meyer, 2017; Vahlne and Johanson, 2017), companies tend to gradually expand beyond their domestic borders, adopting different international configurations across space and time. In the different stages of firm growth and internationalisation, distinctive managerial capabilities may be needed (Ganotakis and Love, 2012). The managerial knowledge and capabilities required to undertake the first internationalisation step can differ from those needed by an already internationally established player, which instead struggles to process an increasingly large amount of diverse information (Ganotakis and Love, 2012). Going from domestic to international is a risky affair, the entrepreneur and the top managers use their contacts and wisdom to devise and implement the first company international strategy. Instead, sustaining a vast and ramified network of international operations require extensive information processing capabilities and experiential knowledge.

Future research should investigate further which and how managerial characteristics, capabilities, and economic incentives can speed up firm internationalisation. The concept of speed of internalisation has recently gained new impetus, and little research has examined its managerial antecedents. This is at odds with the Penrosean intuition that internationalisation strains the firm's human and financial resources to the point that scarce managerial capabilities would represent a limit to the firm international expansion (Mohr and Batsakis, 2017; Tan and Mahoney, 2005). As mentioned in the relevant review section, we maintain that it would be beneficial to study those

managerial factors that can provide a better and closer explanation of the mechanisms that occur in the international decision-making process. Examples of these factors would be TMT composition diversity, TMT knowledge and demographic faultlines, team behavioural integration and TMT interfaces. (Carmeli and Halevi, 2009; Georgakakis, Greve and Ruigrok, 2017). These phenomena can better describe those decision-making mechanisms that drive the speed of the internationalisation process and its different components (pace, breadth and scope).

2.4.4 Synthesis and relevant gaps on SL influence on MNEs' performance outcomes

Existing literature has advocated a positive impact of managers' international experience and team nationality diversity over firm performance, both purely financial and international. These findings are further enriched by the study of several contextual factors which may increase or reduce the managerial effect on firm performance. The display of many different moderating factors shaping firm performance highlights the importance of considering the context. Despite the wealth of research, we observe that studies largely consider moderators at the firm and industry level, which leaves considerable room for future research looking at more micro-level factors. Few studies investigate how power dynamics among the company executives can affect managerial and firm economic rents in the IB context. Power distribution among top executives (disparity) can produce different mechanisms, e.g. hurting team cohesion, reducing information sharing, but also bringing more order within the team and enhancing team decision-making effectiveness (Bunderson and Van der Vegt, 2018; Li and Jones, 2019). It is paramount studying how these mechanisms interact with the role of managers' experience and TMT composition to influence firm financial and international performance.

We contend that another important step in the performance literature is to consider relative rather than absolute firm performance; researchers should assess the executives' international background effect on the firm performance deviation from its competitors and the industry average (Quigley et al., 2019). Executives holding extensive knowledge, expertise and networks can spot more advantageous IB opportunities, optimally allocate firm resources and adapt the company's business models to meet local needs to achieve greater value for the firms (Castanias and Helfat, 2001; Meyer-Doyle, Lee and Helfat, 2019).

Another fruitful research avenue concerns the relationship between the company HQ and the multitude of its subsidiaries. Few studies have examined the role of subsidiary top management team composition (STMT) and their members' experiential knowledge on subsidiary performance and other strategic outcomes that may affect its performance. Albeit limited, extant research has provided evidence on the strategic role of STMTs, which represent company business operations frontlines in

often hostile and complex environments. STMTs work experience at the company HQ and their host country experience positively impact local subsidiaries performance and their ability to expand further and generate innovation (Elron, 1997; Gong, 2006; Lee et al., 2021; Nuruzzaman, Gaur and Sambharya, 2019; Sekiguchi, Bebenroth and Li, 2011). Future research can build upon existing literature to explore further the role of subsidiary executives, both as a team or single boundary-spanning individuals, on diverse subsidiary outcomes such as knowledge sharing across different parent company entities and between the HQ and its subsidiaries. In this regard, Foss and Pedersen (2019) lament that too little IB research has adopted micro-level explanations to investigate phenomena such as HQ-subsidiary knowledge transfer effectiveness, knowledge-sharing flows, resources allocation to subsidiary entities, new product development etc.

Eventually, we contend that more SL research should be investigating the influence of international managerial experiences over firm non-financial performance outcomes. CSR performance and practices have gained increasing attention among SL scholars, who have adopted a wide range of micro-level factors to explain different levels and types of CSR practices adoption and performance across firms. Some of these factors are CEO greed, narcissism, political orientation, compensation and executives' values (Chin, Hambrick and Treviño, 2013; Jeong, 2019; Tang et al., 2015).

However, there is still limited and contradictory evidence regarding the influence of executives' international backgrounds on their firms' CSR practices and performance. Only two CSR outcomes are studied in respect to managers' international background; this leaves plenty of room to investigate other CSR related aspects, which are not exclusive to the organisational level (Mazutis and Zintel, 2015; Paik, Lee and Pak, 2019). Future studies could examine how foreign working (and life) experiences, gained within specific contexts (e.g. developing vs developed countries, corporate vs NGOs work experiences) and through different types of experience (e.g. self-initiated or corporate assignment experience), could instil in managers a genuine interest in CSR initiatives and performance (Pless, Maak and Stahl, 2012).

2.4.5 New Methods

In the final section, we discuss some methodological challenges and suggest future enhancements that SL research should consider advancing the theoretical and empirical contribution to the IB research field. We pinpoint some of the empirical limitations of the existing studies and suggest some methodologies that have been scarcely applied. Greater adoption of sophisticated methodologies can advance our understanding of IB phenomena, especially of the managers. Within the two greater SL research avenues in IB, DOI and performance literature, we notice a considerable improvement in the quality and robustness of the methodology. Especially in the last decade, more studies have shifted from cross-sectional to longitudinal samples, allowing scholars to undertake more panel data analyses with their implicit advantages. In fairness to past research, this change is primarily explained by the greater data availability through secondary databases and internet-based platforms, which has simplified data collection on companies and executives. However, the latter remains troublesome and manually intensive when readily available secondary databases do not exist, especially considering top executives' exceptionally low average survey response rate (Cycyota and Harrison, 2006).

Despite recent methodological strides, firm internationalisation and performance outcomes literature continues to be afflicted by endogeneity problems. Panel data analyses are not enough to address issues related to inconsistent estimates caused by omitted variables, measurement errors, simultaneity and sample selection bias (Antonakis et al., 2010, 2014). A limited number of studies try to address these critical issues by adopting methods (e.g. two-stage least squares) that help control for different endogeneity sources (Elosge et al., 2017; Li and Cui, 2018; Pisani, Muller and Bogățan, 2018). We recommend future studies to more systematically adopt methods such as instrumental-variable estimation, propensity score analysis, Heckman selection models to purge their models from endogeneity, thus strengthening the causality inference of the relationships examined (Antonakis et al., 2014; Certo et al., 2010; Reeb, Sakakibara and Mahmood, 2012). Employing more robust methodologies will help SL researchers increase their research's impact from both an empirical and theoretical standpoint.

Other than endogeneity issues, existing research has only partially leveraged multi-level model theorising and empirical investigation. This is rather surprising as decision-making occurs at different levels (individual and team-level) and across different organisations, industries and countries. We expect the presence of cross-level direct effects between variables at different levels of analysis. Previous research shows that firm and industry level characteristics affect relationships occurring at a lower level of analysis, such as team and individual level (Georgakakis and Ruigrok, 2017; Greve, Biemann and Ruigrok, 2015; Nielsen and Nielsen, 2013). For instance, evidence suggests that individuals within management teams and firms are more likely to be similar to each other (Nielsen, 2009), and likewise firms within similar industries or countries. Nonetheless, existing SL research in IB largely accounts for meso and macro-level influences through rather simple manners such as industry dummies, moderating factors or other ex-post analyses (e.g. splitting samples etc.). But only multi-level analytical techniques allow to correctly account for cross-level interaction effects (Nielsen, Eden and Verbeke, 2020).

Nowadays, scholars can take advantage of multiple techniques and use different statistical software according to their specific needs and preferences. Simple rules of thumb concerning sample size, the number of observations within groups or intraclass correlations coefficients are available to scholars and support them in the definition and execution of multi-level analyses (Aguinis and Molina-Azorín, 2015; Peterson, Arregle and Martin, 2012). SL and IB scholars should more extensively leverage multi-level modelling to enhance their research's theoretical and empirical contributions. Multi-level theorising can especially be fruitful to tease out the cultural and institutional influence of host country factors and home-host country distance on the HQ-subsidiary relationship (Foss and Pedersen, 2019; Meyer, Li and Schotter, 2020). For instance, multi-level modelling could help to unravel how host-country characteristics or specific subsidiary roles can influence meso and micro-level factors, e.g. international knowledge sharing, subsidiaries practices, subsidiary TMT composition, individual executives' appointments, individual cognitions etc. Multi-level theorising and testing do not give any primacy to any specific unit level of analysis, either micro, meso or macro-level. This means that also micro-level factors can potentially influence variables at the higher levels (Felin, Foss and Ployhart, 2015).

Another methodology that has received limited attention from SL researchers dealing with IB outcomes is crisp and fuzzy-set qualitative comparative analysis (QCA/ FCQA). We recall only two studies among those reviewed that apply these methodologies (Lo and Fu, 2016; Su, Fan and Rao-Nicholson, 2019). IB scholars rarely use comparative qualitative analysis techniques despite the intrinsic configurational nature of many IB phenomena (Fainshmidt et al., 2020). Foreign market entry strategies, for instance, are complex strategic decisions involving both strategy and economic drivers (e.g. resource-based view and transaction cost factors). The latter should be embedded in managerial risk-taking and opportunity perception (e.g. UET, Agency theory etc.), which are in turn influenced by the decision-makers characteristics, experiences and incentives (Aharoni, Tihanyi and Connelly, 2011; Dow, Liesch and Welch, 2018). In this sense, the multifaceted nature of IB strategies and performance provides fertile ground for configurational analyses.

Although this methodology does not allow to infer complete causality, it helps researchers describe complex multidimensional causal relationships and provides scholars with certain advantages over standard regression analysis (Fainshmidt et al., 2020; Fiss, 2011). First, QCA analyses do not need a large sample, which is often a problem given the difficulty of acquiring executives' primary data. Secondly, QCA analyses permit the identification of multiple configurations sufficient for the specific outcome to occur. This is linked to another advantage related to QCA analysis, the equifinality of different configurations of causal conditions. Conditions that per se would not lead to a specific outcome, they might do so when combined with others. Su and

colleagues (2017) find that in Chinese banking financial institutions, TMT educational diversity could foster company internationalisation performance if complemented by Chairman's political ties, but not in the presence of TMT age diversity. The latter is more likely associated with conflicts and dysfunctional team behaviours. Furthermore, in none of the solutions (paths) identified by the authors, the simultaneous presence of all the TMT diversity components (i.e. functional, education and age) is beneficial to the company's internationalisation performance. This hints that an excess of team compositional diversity may harm the team decision-making process and, consequently, affect firm international performance.

Finally, another significant advantage concerns the asymmetry of the solutions identified through the QCA analysis (e.g. see Fainshmidt et al., 2020). This means that while the presence of a causal condition can be related to a specific outcome, its absence will not necessarily lead to its non-occurrence. In Su and colleagues' (2017) article, the chairman's foreign experiences lead to greater internationalisation performance in solutions 3 and 4, while not in solutions 1 and 2.

Concluding, we contend that this methodology holds great potential for future SL research investigating various IB outcomes (e.g. firm internationalisation process, performance, entry mode strategies, location choice etc.). Future studies can examine how different TMT's configurations (including CEO-TMT and CEO/TMT-Board interfaces) (Lo and Fu, 2016), complemented by distinct firm resources or strategic needs, could lead to specific internationalisation outcomes in terms of process (i.e. speed, breadth and scope) or strategies (e.g. full vs partial market entries, similar or dissimilar location from the home country etc.).

Table 2.3 – Examples of future research opportunities

Examples of future research opportunities Strategic leadership influence on location choice and entry mode decision

- a. Examine TMT (CEO) process-oriented variables (e.g. intrapersonal/ team-level diversity, TMT faultlines, behavioural integration, power dynamics, personality traits etc.) to shed light on the entry mode decision-making process; very little is known on how managers plan and execute entry mode strategies
- b. Future research should consider how the TMT can influence CEO's entry mode preferences (i.e. CEO-TMT interface); for instance, CEO-TMT complementary skills and experiences and bio-demographic similarities/ dissimilarities can influence firm entry mode strategies
- c. How firm path dependency (experience) and CEO/TMT/ Board members' personal experiences and characteristics can reinforce, weaken or complement each other to determine a company's entry mode strategy
- d. Investigate the behavioural antecedents of EMD phenomenon: why firms might choose an entry mode strategy that differs from the theoretical predicted one or from previously adopted strategies (entry mode switch)

- e. Study other entry mode phenomena: entry mode combinations (operations flexibility) and FDI ambidexterity (balance of exploitative and explorative international market entries)
- f. The role of managerial preferences and experiences in the location choice research and interrelated distance literature is largely unexplored; location choices are very likely to be influenced by managerial perception (i.e. psychic distance), which largely depend on managers' past experiences, characteristics, and cognitions
- g. Limited research considers Non-equity entry mode strategies such as licensing, franchising, international alliances; these forms are increasingly adopted by firms that internationalise, but little is known on how and when managerial factors would influence these strategies

Strategic leadership influence on Global strategic posture

- a. Distinguish among different aspects of the DOI (breadth, scope etc.), e.g. different levels of organisational complexity may require distinct managerial capabilities and experiences. Which types of TMT characteristics and experiences are most relevant at the early stages of firm internationalisation or in highly mature firms
- b. Study the effect of TMT (CEO) process-oriented variables (e.g. intrapersonal/ team-level diversity, TMT faultlines, behavioural integration, power dynamics, personality traits etc.) on the firm internationalisation process
- c. Gender research can expand our understanding of firm internationalisation behaviours, which genderrelated phenomena (e.g. Token, glass ceiling, glass cliff and Queen B effect) could influence the firm internationalisation process
- d. Bi-culturalism and Country of Origin: going beyond the foreign and domestic directors' duality; how bicultural individuals/ multicultural teams can facilitate/ enable firm internationalisation process
- e. Future studies should also consider the potential simultaneous and combined effect of managerial personal characteristics and experiences and firm economic incentives on the firm internationalisation process

Strategic leadership influence on international strategic change and competitive behaviour

- a. Research shall distinguish among different aspects of firm internationalisation Speed: Pace, Breadth and Scope; these aspects could be driven by different goals and have distinct managerial antecedents
- b. More research should investigate the role of economic incentives (e.g. compensation structure, ownership, pay comparison etc.), especially how the latter can bolster managers' international risk endeavours and, thus, firm internationalisation speed
- c. Study how TMT composition variables (e.g. average, complementarity and diversity of characteristics and experiences) and team process-oriented variables (e.g. behavioural integration, power distribution, faultlines etc.) can influence firm internationalisation speed process and its different aspects

Strategic leadership influence on MNEs' performance outcomes

- a. Research should explain how micro-level mechanisms shape (and mediate) the impact of managerial characteristics and experiences on firm international performance, e.g. what role managerial networks play
- b. More research should examine the role of subsidiary STMT and how their members' characteristics and experiences can enable greater subsidiary performance mediated by local subsidiary strategic outcomes
- c. Research can investigate further the relationship between HQ TMT and STMTs; executives' demographics similarities and work experience overlaps, HQ-Subsidiary board interlocks, STMT members' prior HQ experience etc. should be considered with respect to different subsidiary outcomes, e.g. innovation, knowledge sharing, STMT turnover, and their potential influence of firm performance

- d. More SL research should investigate non-financial performance (e.g. CSR, ESG indicators etc.) from an international perspective; distinguish among different CSR-level outcomes at the executive and organisational level. How self-initiated or corporate assignment experience can promote CSR practices and performance.
- e. New performance outcomes as firm (financial) performance deviation from its competitors or industry average should be studied
- f. Distinguish between first order and second order TMT competitive advantages; it can be interesting examining which CEO/ TMT characteristics are more likely to have a direct or indirect (second-order) effect on firm international and performance

2.4.6 Conclusions

We have systematically reviewed the extant SL literature within IB research by developing a multi-level organising framework. We contend that existing literature has largely developed within three main research avenues conveniently placed in our framework. However, SL literature has not developed uniformly and many research questions, also overlapping across these areas, remain unresolved or unanswered (see Table 2.3). We provide scholars with a comprehensive overview of the managerial-driven IB research and several research opportunities to be investigated further. We recommend SL scholars to more robustly ground their research in the IB literature and jointly draw on SL multiple theoretical perspectives and IB theories. Eventually, we suggest some methodological enhancements that, if adopted consistently, would substantially increase SL contribution to IB research from both theoretical and empirical perspectives. We hope our work can guide SL and IB scholars to develop theoretically and empirically sound research at the intersection of these two pieces of literature.

Appendix - Tables

Table A1. - Top Strategic Leadership Theories adopted in SL articles within IB research, publishedin management and international business outlets between 1984 - 2018

Theory	Primary theoretical framework	Total theoretical frameworks ¹³
Upper Echelons theory	48	81
Agency theory	11	18
Resource-Based View	9	17
Resource Dependence theory	8	18
Network Theory	6	13
Behavioural Theory	5	10
Prospect Theory	1	2

Table A2 - Adoption of Upper Echelons Theory in SL articles within IB published in managementand international business outlets between 1984 - 2018

Time Interval	Upper Echelons adoption	Total theories	UET adoption proportion
1990-1995	2	4	50.0%
1996-2000	11	14	78.6%
2001-2005	15	23	65.2%
2006-2010	22	37	59.5%
2011-2015	30	3069	43.5%
2016-2018	33	60	55.0%

¹³ Several studies have adopted more than one theoretical framework. Examining each study (e.g. keywords, arguments, jargon, study focus etc.) we have determined the primary theoretical framework adopted by each single study.

Table A3 - Dependent variables in SL articles within IB published in management andinternational business outlets between 1984 - 2018

Dependent variables	Total number of articles published
Firm performance	28
Degree of Internationalisation (DOI)	28
Entry Modes	13
International diversification	8
Speed of Internationalisation	7
Export factors	5
Innovation	5
Subsidiary performance	3
TMT Cognition	3
CSR	3
International alliances and Joint Ventures	2
TMT Network	2
Role Conflict	2
Location Choice	2
Operations Improvements	2
Stock market reaction	1

Table A4.- List of journals including SL articles within IB published between 1984 – 2018

Academic journal	Total number of articles published	Stars
International Business Review	13	***
Journal of International Business Studies	11	****
Strategic Management Journal	10	****
Journal of World Business	10	****
Management International Review	8	***
Journal of Management Studies	5	****
Journal of Management	5	****
Journal of International Management	5	***
International Journal of Human Resource Management	4	***
British Journal of Management	4	****
Academy of Management Journal	3	****
Journal of Business Research	3	***
Leadership Quarterly	2	****
Corporate Governance: An International Review	2	***
Global Strategy Journal	2	***
Multinational Business Review	2	**
International Marketing Review	2	***
Journal of Corporate Finance	2	****

Journal of Business Ethics	2	***
Journal of Banking and Finance	1	***
European Management Journal	1	**
Administrative Science Quarterly	1	****
Journal of Organisational Behavior	1	****
Journal of Financial and Quantitative Analysis	1	****
Entrepreneurship and Regional Development	1	****
Journal of Finance	1	****
Management Science	1	****
Journal of Applied Psychology	1	****
Group and Organisation Management	1	***
Journal of Accounting and Economics	1	****
Business Strategy and the Environment	1	***
Entrepreneurship Theory and Practice	1	***
Journal of International Marketing	1	***
Small Business Economics	1	***
International Journal of Contemporary Hospitality	1	***
Management		
Management and Organisation Review	1	***
Thunderbird International Business Review	1	**
Journal of Business Venturing	1	****

Table A5 - Firm Size: Strategic Leadership articles within IB published in management andinternational business outlets between 1984 – 2018

Firm average Size ¹⁴ of the sample	Total number of articles published
Large Companies	67
Medium Companies	25
Small Companies	16
Different sizes	6

¹⁴ Firm average size within sample of the articles included in our literature review has been determined by adopting European Union criteria which involve firms' total sales, total assets and number of employees. However, many studies do not report information on all the three dimensions, so the classification has been made on the criterion/a made available by the study. The criteria adopted for the firm size classification are the followings:

Firm size	Total sales	Total Assets	Number of employees
Large companies	X > 500 \$ mm	X > 50 \$ mm	X>1000
Medium companies	$50 < X < 500 \ mm$	10 < X < 50 \$mm	250 < X <1000
Small companies	X < 50 \$ mm	X < 10 \$ mm	X < 250

Table A6 - Strategic Leadership Articles reviewed in this paper and allocated to each ReviewSection

Section name	Total number of articles published
(1) Location choice and entry mode decisions	22
(2) Global strategic posture	32
(3) International Strategic Change and Competitive behaviour	16
(4) Firm Financial & Non-financial Performance	36
Others	8

Table A7 - Country of sample origin: SL articles within IB published in management andinternational business outlets between 1984 – 2018

Country of Origin	Total number of articles published
United States	42
Multiple countries ¹⁵	16
China	9
Taiwan	7
Germany	7
Spain	5
India	4
United Kingdom	4
Switzerland	3
Japan	3
South Korea	2
Canada	2
Netherlands	2
Finland	1
Ghana	1
Israel	1
Turkey	1

¹⁵ Multiple Countries category refers to those samples where firms are located in different countries within the same region or in different regions (e.g. Europe, North America etc.).

Czech Republic	1
Pakistan	1
Sweden	1
Malaysia	1

Table A8 - Region of sample origin: Strategic Leadership articles within IB published inmanagement and international business outlets between 1984 – 2018

Region of origin	Total number of articles published
North America	44
Europe	30
Asia	26
Multiple Regions ¹⁶	10
Middle-East	3
Africa	1

 Table A9 - The 20 most cited papers in our list of reviewed articles

Ranking	Author	Year	Journal	Title
1	Hambrick, DC Mason, PA	1984	Academy of Management Review	Upper Echelons - The Organisation as a reflection of its top managers
2	Sambharya RB	1996	Strategic Management Journal	Foreign experience of top management teams and international diversification strategies of US multinational corporations
3	Sanders WG Carpenter, MA	1998	Academy of Management Journal	Internationalisation and firm governance: The roles of CEO compensation, top team composition, and board structure
4	Wiersema, MF Bantel, KA	1992	Academy of Management Journal	Top Management Team Demography and Corporate Strategic Change

¹⁶ Multiple Regions category refers to those samples where firms are located in different regions.

5	Carpenter, MA Sanders, WG Gregersen, HB	2001	Academy of Management Journal	Bundling human capital with organisational context: The impact of international assignment experience on multinational firm performance and CEO pay
6	Tihanyi, L Ellstrand, AE Daily, CM Dalton, DR	2000	Journal of Management	Composition of the top management team and firm international diversification
7	Johanson, J Vahlne, JE	1977	Journal of International Business Studies	Internationalisation Process of Firm - Model of Knowledge Development and Increasing Foreign Market Commitments
8	Carpenter, MA Fredrickson, JW	2001	Academy of Management Journal	Top management teams, global strategic posture, and the moderating role of uncertainty
9	Daily, CM Certo, ST Dalton, DR	2000	Strategic Management Journal	International experience in the executive suite: The path to prosperity?
10	Sullivan, D	1994	Journal of International Business Studies	Measuring the Degree of Internationalisation of a Firm
11	Bantel, KA Jackson, SE	1989	Strategic Management Journal	Top Management and Innovations in Banking - does the Composition of the Top Team Make a Difference
12	Carpenter, MA Geletkanycz, MA Sanders, WG	2004	Journal of Management	Upper echelons research revisited: Antecedents, elements, and consequences of top management team composition
13	Michel, JG Hambrick, DC	1992	Academy of Management Journal	Diversification Posture and Top Management Team Characteristics
14	Roth, K	1995	ACAD MANAGE J	Managing International Interdependence - CEO Characteristics in a Resource-based Framework
15	Carpenter, MA Pollock, TG Leary, MM	2003	Strategic Management Journal	Testing a model of reasoned risk-taking: Governance, the experience of principals and agents, and global strategy in high-technology IPO firms
16	Hitt, MA Hoskisson, RE Kim, H	1997	Academy of Management Journal	International diversification: Effects on innovation and firm performance in product- diversified firms
17	Herrmann, P Datta, DK	2002	Journal of International Business Studies	CEO successor characteristics and the choice of foreign market entry mode: An empirical study
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18	Kogut, B Singh, H	1988	Journal of International Business Studies	The Effect of National Culture on the Choice of Entry Mode
19	Finkelstein, S Hambrick, DC	1990	Administrative Science Quarterly	Top-Management-Team Tenure and Organisational Outcomes - the Moderating Role of Managerial Discretion
20	Miller, D	1991	Management Science	Stale in the Saddle - CEO Tenure and the Match Between Organisation and Environment

Appendix - Figures

Figure A1 – Number of SL Studies within IB published in management and international business outlets between 1984 – 2018



Figure A2 – Search strategy, sampling frame and selection process



3 How the top management team's composition influences the foreign establishment mode choice deviation of UK manufacturing firms

3.1 Introduction

The choice between greenfield and acquisition, i.e. Establishment Mode Choice (EMC), has been widely investigated within the entry mode research (Dikova and Brouthers, 2015). Distinct firm resources and capabilities (e.g. R&D intensity, international experience, prior investment experience etc.) along with institutional and cultural factors of the respective home and host country (e.g. language, religion distance, host-country political risk etc.) are key predictors of the EMC (Dikova and Brouthers, 2015). However, existing literature has offered evidence that firms do not always adopt the theoretically recommended establishment mode strategy (Dikova and Brouthers, 2015; Shaver, 1998; Tan, 2009). While past literature has mainly focused on the performance implications of entry mode misalignment leading to mixed evidence (Albertoni, Elia and Piscitello, 2018; Brouthers and Brouthers, 2000; Elia et al., 2014; Tan, 2009), our research takes a step back and focuses on the antecedents of entry mode deviation (EMD) (Elia, Piscitello and Larsen, 2019). Drawing from SL and Competitive Strategy literature, we propose that establishment mode deviation (ESMD) can be regarded as an innovative and nonconformist strategy resulting from a greater and wider managerial research process, where managers decide to break with the conventional entry mode view on how to optimally enter and serve a foreign market.

Certain factors will prompt this search for new and alternative solutions compared to the theoretical predicted one; specifically, we argue that one relevant factor resides in the composition and experiences of the company executive's team (Ferrier, 2001; Finkelstein, Hambrick and Cannella, 2009; Ndofor, Sirmon and He, 2015). An increasingly popular argument in the IB literature states that the oversight of managerial and behavioural factors is likely to be among the chief causes of mixed evidence and misalignment between predicted and actual internationalisation outcomes (Brouthers and Hennart, 2007; Buckley, Devinney and Louviere, 2007; Devinney, 2011; Maitland and Sammartino, 2015a).

This article investigates how TMT compositional aspects are among the antecedents of the EMSD. Building on SL and team research literature, we argue that TMT diversity is instrumental in triggering that creative, innovative, cognitive complex thought process that leads to the ESMD

decision (Mathieu et al., 2019; Nielsen and Hillman, 2019; Srikanth, Harvey and Peterson, 2016). Furthermore, we point out that TMT diversity should not be considered as a homogeneous concept, but it is crucial distinguishing between team "deep-level" and "surface-level" diversity (Harrison, Price and Bell, 1998; van Knippenberg and Schippers, 2007; Srikanth, Harvey and Peterson, 2016).

On the one hand, we contend that the TMT's "deep-level" diversity, by enhancing the team's information-processing capacity, the novelty of its strategy formulation and the confidence in its decision-making ability will increase the likelihood of undertaking ESMD. On the other hand, TMT "surface-level" diversity will be associated with more prudent and cautious strategic decision-making. These individual-level qualities are more likely to spark social categorisation processes and generate cognitive-affective conflicts among the management team members (Harrison, Price and Bell, 1998; Nielsen and Hillman, 2019; Simons, Pelled and Smith, 1999). Hence, team surface-level diversity will decrease the likelihood of choosing ESMD as a market entry strategy. Additionally, we consider the role of organisational and industry contexts, named firm performance and industry performance decline, and assess their influence on the relationship between top management diversity and the ESMD. We suggest that both firm and industry poor performance, through different mechanisms, reduce the probability of heterogeneous teams deviating from theoretically predicted foreign market entry strategies.

To test our hypotheses, we leverage a two-step methodology used in prior EMD literature (Brouthers, 2002; Castaner et al., 2014; Elia et al., 2014; Shaver, 1998). In the first stage, we developed an "extended" resource-based view model to predict the theoretical optimal establishment mode strategy. The estimates related to the dependent variable of the first stage are used to compute the ESMD variable. In the second stage, we examine the influence between the TMT-level variables and the ESMD. Our analyses are carried out on a unique dataset containing both TMT-level and deals-level data of 79 manufacturing, public, medium-sized UK-based firms that have undertaken 267 deals (i.e. greenfield and acquisitions) in seven years (i.e. 2010 to 2016).

Our study provides three main contributions. We contribute to the entry mode literature and, more specifically, to the emerging EMD research (Benischke et al., 2020; Elia et al., 2019) by extending its current findings on the managerial antecedents of this phenomenon. In this regard, we also give a new impetus to the entry mode research by suggesting that it is worthwhile investigating not only when firms select the theoretically optimal entry mode strategy but also when they do not comply with it. Eventually, we argue for the importance of considering managerial-related factors to investigate IB phenomena such as the EMD. The role played by managers' experiences, characteristics and intrinsic preferences have been underspecified in IB theorising (Aharoni, Tihanyi

and Connelly, 2011; Devinney, 2011; Hutzschenreuter, Pedersen and Volberda, 2007), and this paper represents one concrete effort to integrate SL theory with IB theorising.

3.2 Theoretical background

3.2.1 Choosing the mode of establishment: greenfield or acquisition?

Whenever a firm seeks to enter a new foreign market and thus expand its international presence through an equity entry mode, decision-makers are left with two primary options: Greenfield and acquisition entry mode strategies. The latter differs in several aspects; particularly, greenfield investments involve establishing a new subsidiary in a foreign market. They allow companies to exploit their firm-specific advantages in new markets by transferring and replicating organisational routines and capabilities across borders (Barkema and Vermeulen, 1998; Vermeulen and Barkema, 2001). They also grant more control over the subsidiary entity through expatriates and the hiring of a new selected labour force (Brouthers and Brouthers, 2000; Hennart and Park, 1993). On the other hand, by purchasing an existing entity through acquisition, firms can get their hands on an existing operating entity with knowledge and experience of the local market and established linkages and legitimacy with local stakeholders (Datta, Musteen and Basuil, 2015).

Both establishment modes also present several risks, which we could argue are to a large extent complementary to each other advantages. Greenfield investments are more greatly affected by uncertainty, i.e. the liability of foreignness and newness, and they also have longer payback periods (Datta, Musteen and Basuil, 2015), while acquisitions usually are more afflicted by high integration and monitoring costs, which arise due to organisational, technological and cultural differences between the two entities (Slangen and Hennart, 2008).

Different theoretical perspectives have been leveraged to predict companies foreign establishment mode strategies and among those, the resource-based view (RBV) and knowledgebased view (KBV) are, perhaps, the most commonly adopted theoretical lenses (Choi and Parsa, 2012; Dikova and Brouthers, 2015; Dow and Larimo, 2011; Lee and Lieberman, 2010; Meyer et al., 2009; Slangen and Hennart, 2007; Vermeulen and Barkema, 2001). Accordingly, firms will choose the governance strategy that is more closely aligned with their firm-specific resources and capabilities and assess whether the latter should be exploited or augmented in the target country.

However, while current literature has almost exclusively focused on explaining and predicting the theoretically optimal EMC (Dikova and Brouthers, 2015), a very limited amount of research has

investigated when firms could choose an establishment mode strategy that is not aligned with the theoretically predicted one (Tan, 2009). Understanding what drives companies to misalign their foreign market entry strategy would produce important theoretical and empirical implications for the whole establishment mode literature (Dikova and Brouthers, 2015) and, above all, it might help to shed light on the large inconclusive findings concerning the performance implications of the establishment mode strategies (Dikova and Brouthers, 2015; Georgopoulos and Preusse, 2009; Moatti et al., 2015; Slangen and Hennart, 2008; Tan, 2009)

3.2.2 Reviewing the entry mode deviation literature

Literature has presented important evidence that firms do not always comply with the entry mode strategy predicted by the IB models, e.g. resource-based view, knowledge-based view theory, internalization theory etc. (Brouthers, 2013; Dikova and Brouthers, 2015; Hennart and Slangen, 2015). Existing entry mode deviation (or misalignment) research has focused on its performance implications and hinted that governance strategy alignment with classical IB theories might lead to superior post-entry mode performance (Brouthers, 2002; Brouthers and Brouthers, 2003; Leiblein et al., 2002; Shaver, 1998; Tan, 2009).

However, more recent findings have shown that EMD could be a more complex phenomenon than simple strategy misalignment (e.g. ineffective decision-making), offering mixed evidence on EMD performance implications (Albertoni et al., 2018; Elia et al., 2014). Elia and colleagues (2014) have unravelled an interesting asymmetric relationship between EMD and firm performance. Entry mode misalignment is only detrimental to firm performance if the company fails to undertake a captive rather than outsourcing governance model; furthermore, deviation negatively affects quality but not cost-saving performance indicators. Albertoni et al. (2018), distinguishing between inertial and mindful entry mode strategies, shows that companies can still benefit from entry mode misalignment (i.e. inertial foreign market entries) as long as it concerns specific types of market entries (i.e. captive entry modes). This evidence points out that EMD might be a more complex and less intuitive phenomenon than previous studies have suggested (Albertoni, Elia and Piscitello, 2018; Elia et al., 2014).

In this study, we choose to take a step back and focus our attention on the antecedents of EMD; we do not intend to undermine the importance of previous studies, but we argue that a deeper understanding of this phenomenon is required. Considering both the complexity of the relationship between EMD and firm performance and the limited research examining its root causes, we contend it would be beneficial for this newly emerging literature to shed light on some of the EMD

phenomenon antecedents. We cannot claim to understand a phenomenon and its implications without first identifying its potential triggers (Felin, Foss and Ployhart, 2015; Foss and Pedersen, 2019). The investigation of the latter is instrumental not only to understanding the causes of the establishment mode misalignment but also to unravel the complexity of its performance implications as different sources of deviation can lead to distinct performance outcomes (Powell, 2017).

To the best of our knowledge, only two studies in the entry mode literature have investigated the antecedents of EMD (Benischke et al., 2020; Elia, Piscitello and Larsen, 2019). Adopting a behavioural perspective, Elia and colleagues (2019) propose that cognitive biases arising from entry mode past experience, i.e. performance salience and timing of prior investments, are the most critical factors to influence firms' entry mode decisions (between market and hierarchy) and, hence, the likelihood to undertake EMD. Past investments' experience will influence executives' decisionmaking through two behavioural mechanisms, i.e. the representativeness and availability bias (Elia, Piscitello and Larsen, 2019). Although this research has not empirically tested its propositions, it has the merit to open to the possibility that managers' experiences and characteristics might play a decisive role in the execution of EMD. This theoretical possibility is also supported by Benischke and colleagues al. (2020) study; the authors show that CEOs might intentionally consider equity stakes in foreign ventures that are not aligned with the average stakes taken by the industry peers in the host country. Executives would deliberately defy industry norms on foreign market entries to decrease their company business risk in the host country environment and, consequently, reduce their equity risk-bearing. Therefore, this study shows how equity stake deviation can be a direct consequence of managerial risk reduction behaviour.

3.3 Hypotheses Development

With few notable exceptions, existing EMD literature has largely ignored the antecedents of entry mode misalignment (Benischke et al., 2020; Elia, Piscitello and Larsen, 2019). Existing literature tends not to consider EMD as a stand-alone phenomenon. This may be due to the underlying assumption that sees entry mode misalignment simply as the result of ineffective decision-making. This tacit assumption, which can be drawn by the recurrent association between EMD and suboptimal performance outcomes (Brouthers, 2002; Brouthers, Brouthers and Werner, 2003; Tan, 2009), could be indeed one of the chief causes of the lack of theoretical investigation on the EMD and its antecedents.

Our study claims that ESMD could be a conscious managerial decision (Benischke et al., 2020), and it can be regarded as an innovative outcome resulting from a greater and wider research

process (Miller and Chen, 1996a). When choosing a deviating market entry strategy, managers decide to break with the conventional entry mode view on how to expand and serve a new market optimally. Faced with dynamic and ambiguous environments, executives are increasingly likely to widen their research for solutions and strategic options outside the common practices to solve complex problems and seize fleeting business expansion opportunities. In today's fast-changing business environment, conventional approaches may not be as effective as in the past, especially not in the long term (Connelly et al., 2017). While conventional (simple) strategies can lead to better performance in the short term, research shows that complex and distinctive strategies can benefit long-term business viability (Chen and Miller, 2015; Connelly et al., 2017; Li and Jones, 2019). Likewise, Tang and colleagues (2011) have found that deviating industry strategies can generate even greater performance than conformist strategies, especially when companies are led by dominant CEOs monitored by powerful and independent boards.

Implementing such deviating strategies sends strong signals to the firm's shareholders and its competitors about the company mix of resources and capabilities and the quality of its management (Ferrier, 2001; Miller and Chen, 1996b). By undertaking such initiatives, company executives manifest to their competitors their urge to expand to new markets and foster their company's international business growth at any cost, such as choosing foreign market entry strategies that are not aligned with local institutional requirements or with the firm-specific resources and capabilities. In light of this, ESMD will be perceived as an aggressive strategic initiative that aims to exploit emerging foreign market opportunities (e.g. availability of acquisition target, market deregulations, filling market gaps, etc.) and pre-empting competitors' entrance and expansion within the host country market. Company executives shall continuously scan the external environment to identify such opportunities and must make decisions in a narrow temporal window to capitalise on them (Nadkarni, Chen and Chen, 2016).

In this sense, a deviating strategy can be construed as a complex and unpredictable action that signals a firm's competitive aggressiveness and potentially disrupts the status quo of competition in a certain industry/ or market. While establishment mode alignment can be related to competitive simplicity, ESMD should be seen as an example of competitive complexity (i.a. Ferrier, 2001; Ndofor, Sirmon and He, 2015; Connelly *et al.*, 2017). Drawing on an organisational learning perspective, Vermeulen and Barkema (2001) refer to "progressing simplicity" (and complexity) when describing the company expansion strategy through the EMC. The authors argue that decision-makers would choose between greenfield and acquisition investments, respectively, to exploit or revitalise a company's knowledge, resources and capabilities. Instead, our study considers a new dichotomy between the EMC alignment and misalignment, which we argue are respectively associated with

competitive simplicity or complexity. Although ESMD may potentially lead to legitimacy problems and initial unsatisfactory performance, ESMD should be seen as a complex, experimental and, potentially disruptive strategic initiative that will enable firms to seize and leverage foreign business opportunities as well as to develop and augment company and managerial resources and capabilities.

This study investigates the managerial factors that might prompt executives to initiate a search for alternative and nonconformist foreign market entry strategies. Managers are boundedly rational individuals, which means they have limited access to information and finite information processing capacity (Cyert and March, 1963; March and Simon, 1958). Consequently, executives often draw from their prior knowledge and experiences to make decisions rather than relying on externally acquired information sources, which are less readily available and more time-consuming to use (Shane, 2000). Moreover, the literature suggests that managerial influence is likely to be greater when executives are faced with a considerable amount of uncertainty and complexity, which is typical of IB decisions (Aharoni et al., 2011; Buckley et al., 2007; Carpenter and Fredrickson, 2001; Kirca et al., 2012). In this regard, we argue that the composition and characteristics of the decision-making team could be instrumental to the generation and execution of the ESMD strategy. Specifically, diverse TMTs will be more likely to devise and implement complex nonconformist strategies such as the ESMD. Nonetheless, team diversity is a complex phenomenon that necessitates more in-depth investigation as different aspects of diversity can trigger different team-level mechanisms (van Knippenberg and Schippers, 2007; Milliken and Martins, 1996; Srikanth, Harvey and Peterson, 2016), as we will discuss in our hypotheses.

3.3.1 Team Diversity

Team-level diversity has been found to influence different organisational outcomes (e.g. performance, strategic change, innovation etc.); in fact, executives' characteristics and background diversity shape *individual* and *team-level cognitive capabilities*, e.g. information-processing capacity, creativity, openness to change and experimentation etc., as well as *team-level mechanisms*, e.g. decision-making quality, comprehensiveness, knowledge sharing, team conflicts etc. (Mathieu et al., 2019; Nielsen and Hillman, 2019; Srikanth, Harvey and Peterson, 2016).

Heterogeneous top management teams benefit from greater and diverse cognitive capabilities which enhance their information-processing capacity and, hence, enable them to process a larger amount of complex and fragmented information in a timely manner (Finkelstein et al., 2009; Mathieu et al., 2019; Tihanyi and Thomas, 2005). By prompting constructive conflicts, team-level cognitive breadth fosters knowledge sharing and the creation of divergent thought processes; the latter can lead

to both creative thinking and improved decision-making (Hoever et al., 2012a; Olson, Parayitam and Bao, 2007; Simons, Pelled and Smith, 1999).

However, diversity has been often referred to as a "double-edged sword" and, hence, it may not always be desirable for the team and its performance (Hambrick, Cho and Chen, 1996; Van Knippenberg et al., 2011). For instance, individual-level and between-groups differences can lead to discrimination, tensions, subgroups formation and less frequent intergroup interactions, which can reduce team cohesion, behavioural integration and its consensus on strategic decision-making (Hoever et al., 2012b; Srikanth, Harvey and Peterson, 2016; Stahl et al., 2010).

For this reason, examining the effects of team heterogeneity on organisational outcomes without distinguishing between different aspects of diversity, i.e. executives' demographics and work experiences, may come at the expense of our understanding of the diversity phenomenon (Stahl and Maznevski, 2021). This is likely one of the key contributing factors to the large number of mixed findings that have plagued this literature (Lee and Park, 2006; Pelled, 1996; Webber and Donahue, 2001). Our study distinguishes between executives' work experience and demographic diversity. The former is also referred to by the literature as "deep-level" diversity, while the latter as "surface-level" diversity (Harrison, Price and Bell, 1998; van Knippenberg and Schippers, 2007; Milliken and Martins, 1996; Srikanth, Harvey and Peterson, 2016). We propose that these two sources of diversity will differently influence top management team propensity to devise and undertake ESMD.

3.3.2 Team deep-level diversity

TMT members' job-related diversity ("deep-level diversity") results from different work experiences gained by the executive during their careers. Career variety provides individuals and their teams with a broad range of knowledge, skills and capabilities, and a variety of cognitive lenses and different perspectives to process information, recognise problems, identify opportunities, and devise creative solutions and strategies for them (Crossland et al., 2014).

Individual and team-level work experience diversity refers to aspects such as international, functional and industry experience diversity. We have learnt from literature that exposure to a multitude of foreign markets, cultures and institutions helps managers to develop more sophisticated cognitive schemas which help them to plan, implement and coordinate company international business operations (Dragoni et al., 2014; Hamori and Koyuncu, 2011; Le and Kroll, 2017). Likewise, cross-functional experience shape individuals' cognitive bases and mental maps (Bantel and Jackson, 1989) and, by endowing managers with a wealth of technical knowledge and skills, enhance individuals and team's information-processing capacity and its ability to interpret complex problems

and find effective solutions to them (e.g. Bunderson and Sutcliffe, 2002; Cannella, Park and Lee, 2008). Indeed, studies have also shown that functional diversity may result in task conflicts (i.e. cognitive conflicts), yet not in affective conflicts, which are detrimental to the group functioning and decision-making (Pelled, Eisenhardt and Xin, 1999). Task-conflicts increase TMT's ability to implement potential conflicting strategies and their quest for new knowledge and experimentation (García-Granero et al., 2018; Qian, Cao and Takeuchi, 2013). Executives with broader and diverse international and industry experience can better identify, assess and seize new business opportunities (e.g. foreign investment opportunities, technological innovations, industry changes etc.) and utilise their international and industry ties to devise and implement non-conformist industry strategies and bring about more change to the company resources and practices (Geletkanycz and Hambrick, 1997; Haynes and Hillman, 2010).

Overall, career experience diversity enhances TMT information processing capacity, its decision-making comprehensiveness and creativity thereby, it has been positively linked to firm internationalisation, company innovation and strategic change (Cannella et al., 2008; Oehmichen et al., 2016; Qian et al., 2013; Rivas, 2012; Talke et al., 2010). Individuals and team's cognitive heterogeneity (gained through wealth and variety of career experiences) allows them to conceive more extensive and comprehensive arrays of strategic options (Bhandari and Deaves, 2006; Haynes and Hillman, 2010; Le and Kroll, 2017; Naranjo-Gil, Hartmann and Maas, 2008). Executives' intrapersonal career variety has also been linked with dispositional attributes that stimulate them to pursue change within their careers and in their strategic decision-making, favouring strategic novelty and deviating industry strategies (e.g. Crossland et al., 2014; Custódio, Ferreira and Matosc, 2019). In fact, executives' career breadth endows the team with a greater ability to generate complex and unpredictable strategies thanks to their cognitive and experiential variety (Ferrier, 2001; Ndofor, Sirmon and He, 2015). Building on similar arguments, Hambrick and colleagues (1996) also show that the TMT's experience heterogeneity is positively related to the variety and aggressiveness of the strategic actions undertaken by the firm.

Eventually, TMT's knowledge and experience diversity provide managers with greater confidence in their decision-making and capability to cope with the uncertainty and complexity of deviating strategic initiatives (Adidam and Bing, 2000; Heavey et al., 2009). All in all, we argue that TMT deep-level diversity will enhance the team's *information processing capacity*, intensify the *novelty of its strategy formulation* and boost its *confidence in its decision-making ability*. Therefore, those firms whose TMTs are endowed with greater deep-level diversity are more likely to choose ESMD over theoretically recommended foreign market entry strategies.

Hypothesis 1: Top management teams endowed with greater deep-level diversity are more likely to undertake establishment mode deviation

3.3.3 Team surface-level diversity

Prior research investigating team demographics composition has found that "surface-level" diversity is more likely to trigger social categorisation processes and the insurgence of affective conflicts (Harrison, Price and Bell, 1998; Nielsen and Hillman, 2019; Pelled, Eisenhardt and Xin, 1999). Social categorisation theory argues that individuals tend to classify themselves and others based on social categories, e.g. race, gender, nationality, education status etc. (Tajfel, 1981; Turner, 1987); research has consistently found that individuals will show preferences for similar individuals, i.e. similarity-attraction paradigm (Byrne, 1971), and thus more frequently interact with members of their own social group rather than "outgroup members" (Nielsen and Hillman, 2019; Tsui, Egan and Reilly, 1992). In this sense, demographic differences provide managers with the basis to identify themselves with similar others and group together in the decision-making process (Phillips and O'reilly, 1998).

Despite all sources of diversity will endow teams with informational and attitudinal diversity, surface-level differences within groups are more likely associated with lower team cohesion, less frequent intergroup communication and the emergence of demographic faultlines. On the other contrary, the literature has more firmly suggested that individual intrapersonal career and group-level work experience diversity, being less visible in nature and more closely linked to the knowledge bases, perspectives and information possessed by the managers (i.e. "deep-level diversity"), is less likely to produce such implications (Harrison and Klein, 2007; Homan et al., 2007; Srikanth, Harvey and Peterson, 2016; Stahl et al., 2010).

In this study, we consider two sources of "surface-level diversity": education level and nationality diversity. These two aspects significantly affect different facets of information use such as range, depth and integration. Research has shown that education level and nationality diversity can increase the range and depth of information exchange but negatively affect the integration of knowledge and information (Bell et al., 2011; Dahlin, Weingart and Hinds, 2005). Stereotyping, frictions and mistrust between different members and groups decrease communication and collaboration in the management team, slowing down decision-making and decreasing the novelty of its strategy formulation (Ndofor, Sirmon and He, 2015). The team's broader range of information and cognitive perspectives can generate consensus for exploring and experimenting with nonconservative behaviours and decisions only when the group's members can make connections across different

domains and develop a shared and collective understanding, which can be turned into action (Dahlin, Weingart and Hinds, 2005; Faems and Subramanian, 2013; Haas and Nüesch, 2012). In this regard, social categorisation interferes with the ability of the team to access and leverage their aggregated knowledge, experience and different perspectives.

Consequently, these teams are less likely to develop creative, innovative actions and nonconformist strategies that are shared and supported by all the team members (Nielsen, 2010; Stahl et al., 2010). For the reasons explained above, surface-level diversity will also decrease managerial overconfidence in its decision-making capabilities (Meissner, Schubert and Wulf, 2018), prompting more careful and error avoiding behaviours and decisions and thus preferring more established foreign market entry practices.

Team diversity literature has also stressed the importance of considering tasks, communication and coordination requirements of the strategic decision examined. A decision-making task that demands strong collaboration and exchange of views among the team members is characterised by a high level of interdependence. In highly interdependent tasks, social categorisation negative effects are more likely to manifest (Ndofor, Sirmon and He, 2015; Nielsen and Hillman, 2019; Richard et al., 2019). Entry mode decision involves several decision-makers who belong to different functions and business units which have different responsibilities and interests, which may be conflicting with each other (Roth, 1992, 1995). In this sense, internationalisation decisions demand a lot of cross-functional interactions, owing to data gathering, elaboration, planning and coordination activities, where every member of the executive's team is expected to bring his/ her perspective and experience to the decision-making table.

In light of these arguments, we argue that surface-level diversity will render top management teams more careful and rigorous in their decision-making, thus, less likely to deviate from the institutional and organisational requirements associated with establishment mode strategy alignment.

Hypothesis 2: Top management teams endowed with greater "surface-level" diversity, i.e. are less likely to undertake establishment mode deviation

3.3.4 The moderating effect of firm and industry performance decline

Consistently with existing team diversity research, we contend that the organisational and environmental context can shape the mechanisms involved and triggered by TMT diversity, e.g. knowledge and information sharing, decision-making comprehensiveness, team conflicts etc. (Cortes and Herrmann, 2021; Joshi and Roh, 2009; Nielsen, 2010a). Thus, depending on the context (es. firm and industry characteristics), team composition diversity could lead to different organisational

outcomes. In this study, we consider two important aspects concerning the firm and industry-level performance, firm and industry declining performance. Specifically, we contend that both firm and industry declining performance present TMTs with different challenges and difficulties concerning firm long-term business viability and its position within a stagnating or shrinking industry.

Poor performance is an important cue for managers, their own capabilities, and those of their organisation (Chatterjee and Hambrick, 2011; Verver et al., 2019; Villagrasa, Buyl and Escribá-Esteve, 2018). Managers are likely to internalize these signals by questioning their own capabilities, decisions, and the organisation's capacity to overcome such difficulties. Literature has argued that performance shortfalls might indeed be perceived as a threat by the firm decision-makers and lead to feelings of anxiety and distress in individuals (Staw, Lance and Dutton, 1981). The mounting pressure faced by the executives is likely to have repercussions on the way they process information by narrowing their perceptual field, their use of cognitions and finally, by leading them to stick to the more traditional and dominant responses.

On the one hand, at the team level, poor performance is likely to increase the social bonds and the liking between homogeneous individuals, both with respect to demographic and work experience backgrounds. On the other hand, performance decline will enhance social categorisation processes, which increase the formation and division between the subgroups in the management team. Such organisational contexts ramp up the tension and competition between the different subgroups, reducing collaboration and open-hearted discussion and exchanging perspectives among the team members. In these circumstances, more powerful groups and individuals will likely impose their views and opinions on the remaining team members, and divergent and nonconformist ideas are likely to be self-censored and discarded because of the groupthink syndrome (Staw, Lance and Dutton, 1981).

Considering all the above, we conclude that declining performance can reinforce the possible negative implications associated with TMT diversity (i.e. lower cohesion, behavioural integration and the insurgence of conflicts etc.), thus reducing the team's decision-making confidence and the novelty of its strategic formulation (Carmeli and Schaubroeck, 2006; Kerr and Tindale, 2004). Complex organisational conditions decrease the likelihood that the management team will unanimously decide to pursue a controversial and non-conformist strategy such as ESMD, which lacks any organisational and institutional legitimacy by breaking with the conventional view on how to enter foreign markets optimally.

Hypothesis 3a: Organisation performance decline will weaken the positive relationship between top management teams "deep-level" diversity and the likelihood to undertake establishment mode deviation Hypothesis 3b: Organisation performance decline will strengthen the negative relationship between top management teams "surface-level" diversity and the likelihood to undertake establishment mode deviation

Literature has also investigated the influence of industry conditions on the perception and decision-making of TMTs and, ultimately, their influence on firm strategic outcomes (Cortes and Herrmann, 2021; Nielsen and Nielsen, 2013; Yamak, Nielsen and Escribá-Esteve, 2014). In particular, multiple studies have shown how munificent industry environments (i.e. growing industries) can shape strategic decision-making by providing executives with a buffer from external threats and allowing them to operate with fewer constraints (Yamak, Nielsen and Escribá-Esteve, 2014). In fact, growing industries unleash greater potential for companies competing in such environments to develop new products, discover new markets and increase their product and geographic scope to enhance their competitive position (Andrevski et al., 2011). In these industries, the competition is generally less fierce, and top managers have greater managerial discretion to experiment with new strategies and other forms of company innovation (Finkelstein, Hambrick and Cannella, 2009; Richard and Murthi, 2007). Literature has offered substantial evidence of how munificent industries, as resource-abundant environments, represent the right setting for heterogenous decision-making teams to leverage their different knowledge, experiences and perspectives to promote innovative and disrupting strategies (Andrevski et al., 2011; Nielsen and Nielsen, 2013; Richard and Murthi, 2007; Roh et al., 2019).

On the contrary, less munificent environments are likely to increase the pressure on the executives and their performance achievements in the short run. This poses serious threats to TMT behavioural integration and cohesiveness and may also affect the level of collaboration and communication among the team members (Carmeli and Schaubroeck, 2006). Time and efficiency pressure push executives to work and cooperate with similar others rather than engaging in task-based conflicts and fully leverage managers' informational and experiential diversity. In this sense, resource scarcity hinders heterogenous teams from translating the variety of experiences and perspectives into decision-making experimentation and strategic novelty (Roh et al., 2019). Therefore, in less munificent environments, because of the competitive pressures and limited managerial discretion owing to the scarcity of slack resources, TMTs are more likely to be cautious and conservative in their decision-making, thus opting for more legitimate and conventional strategies (Wiersema et al., 1993).

Hence, we predict:

Hypothesis 4a: Industry performance decline will weaken the positive relationship between top management teams "deep-level" diversity and the likelihood to undertake establishment mode deviation

Hypothesis 4b: Industry performance decline will strengthen the negative relationship between top management teams "surface-level" diversity and the likelihood to undertake establishment mode deviation

3.4 Methods

3.4.1 Sample and data

To test our hypotheses, we built our own dataset on a specific set of companies for which we have collected in-depth information about their financials, subsidiaries, deals and characteristics of their TMTs for the period occurring between 2010 and 2016.

We obtained from Orbis, a database provided by Bureau Van Dijk, a sample of 116 companies. Our selection criteria¹⁷ are the following: firms must be headquartered in the United Kingdom, publicly listed throughout the period considered, operating within the manufacturing industry (i.e. company core sector must be between 10 to 32 NACE Rev.2 industry codes), and its number of employees comprised between 50 to 1000 employees at the end of the period considered (i.e. 2016).

We selected global ultimate owners' companies to ensure that their TMTs represent the key company decision-makers rather than mere executors. Public companies are legally obliged to generate and disclose a greater amount of information on a regular basis (e.g. annual reports, communication to shareholders etc.), which is vital for the reliability and completeness of our data. We restricted our sample only to manufacturing firms to reduce the potential industry effects on firm strategic choices and the composition of its TMT. Eventually, we considered medium-sized enterprises as in the latter managers would enjoy greater managerial discretion (Jansen et al., 2011; Laufs, Bembom and Schwens, 2016). Yet, we stretched out the standard classification of SMEs to ensure that our firms have the financial and human capabilities to engage frequently enough in internationalisation activities.

¹⁷ The following mentioned criteria must be verified at the beginning of the period considered (i.e. 2010), except for the company status as public which is valid throughout the whole period;

Company subsidiaries and deals data were manually retrieved by reviewing firm annual reports. Financials data were largely obtained from Orbis and Fame databases (also a Bureau Van Dijk data source). At last, we collected the TMT data for each firm and every year of the period. The firm TMT has been defined as the executive members of the board of directors. This definition aligns with the existing SL research (Nielsen and Nielsen, 2013; Nielsen, 2009; Piaskowska and Trojanowski, 2014) and allows us to have a consistent definition of the executive team throughout all the firms of our dataset. In this regard, focusing on one specific country, i.e. the United Kingdom, serves our purpose as in different countries firms observe different governance practices and, thus, TMTs will be differently defined (Greve, Nielsen and Ruigrok, 2009).

Top managers' career data were gathered from different sources, including bios reported in the company's annual reports, corporate websites, public statements and internet sources such as Companies House (i.e. UK governmental website), Bloomberg, Thomson Reuters, and LinkedIn. The information collected was coded consistently with the SL literature (Finkelstein, Hambrick and Cannella, 2009; Finkelstein and Hambrick, 1996).

As this study deals with the ESMD, we consider those firms that have undertaken at least one establishment mode entry in the period considered. Specifically, 79 firms out of the 116 have undertaken either foreign greenfield or foreign acquisition in the sample period. The same firms have carried out 267 deals, where 159 deals are acquisitions (59.5%), and 108 are greenfield investments (39.5%). Acquisition investments involve the purchasing of a firm that is headquartered in the target country. This was checked to ensure that the investment's strategic goal mostly dealt with the entrance into the host country market.

These investments involve 55 different target countries; more than half of the deals occur either in the United States, i.e. 24%, or in continental Europe (i.e. Germany, Netherlands, Sweden, France etc.), i.e. 33%. Not surprisingly, other common destinations are Anglophone countries such as Australia, Canada, Ireland and New Zealand, altogether representing 10.5% of the deals. Eventually, China, Hong Kong, Singapore and India collect more than 15% of the overall deals, with China taking half of them.

3.4.2 Analytical Strategy

Drawing from prior EMD studies (Brouthers, 2002; Castaner et al., 2014; Elia et al., 2014; Leiblein, Reuer and Dalsace, 2002; Shaver, 1998), we adopt a two-stage methodology. In the first stage analysis, we rely on a set of explanatory and control variables, grounded on an "extended" resource-based view model (Cheng, 2006; Dow and Larimo, 2011; Klier et al., 2017; Padmanabhan and Cho, 1999) to predict the theoretically optimal establishment mode strategy.

Establishment Mode Choice = f(R&D intensity, international experience, establishment mode experience, other explanatory variables, controls, error term) (1)

Afterwards, we computed the misalignment between the actual EMC and the theoretical prediction generated by the model (1). ESMD represents the extent to which the adopted EMC differs from the estimates predicted by the model (1). In the second stage analysis, we test our hypotheses and we regress the establishment mode misalignment (i.e. deviation), including in our model the TMT composition variables

Establishment Mode Deviation = f(TMT deep-level diversity, TMT surface-level diversity, controls, error term) (2)

We now discuss the models and variables included in the first and second stage analyses with greater detail.

3.4.3 First-stage variables

For our first stage analysis, we have developed a model to predict each firm's theoretically recommended foreign establishment mode strategy. Our *dependent variable* is the foreign *establishment mode choice*, and it is equal to 1 when the firm undertakes a greenfield investment and 0 otherwise, i.e. acquisition. We investigate the EMC by developing an "extended" resource-based view model that combines firm resources' role with the institutional and cultural factors related to the host country market (Dikova and Brouthers, 2015; Meyer et al., 2009).

Resource-based view literature distinguishes between *Knowledge-based* and *Experience-based resources* of the firm (Cheng, 2006; Dow and Larimo, 2011; Klier et al., 2017). To assess *Knowledge-based resources*, we look at firm technological resources, which we estimate through the firm *R&D intensity*, i.e. the ratio of research and development expenses to total sales (Brouthers and Brouthers, 2000; Harzing, 2002; Klier et al., 2017). Literature has widely supported that knowledge abundant firms will prefer greenfield over acquisition investments. Greenfield investment allows companies to take greater advantage of their firm-specific assets, which can be more easily transferred and redeployed in the target market (Chang and Rosenzweig, 2001; Choi and Parsa, 2012; Klier et al., 2017).

Experience-based resources are mostly of three types: *firm international experience, host country experience*, and *establishment mode experience* (Klier et al., 2017). Establishment mode literature maintains that firms with greater *international experience* have less need to acquire (through acquisitions) the international experience required to efficiently and effectively run international

business operations (Arslan and Larimo, 2011; Brouthers and Brouthers, 2000; Meyer et al., 2014). Hence, we argue that internationally experienced firms would, on average, prefer greenfield establishments over acquisitions for foreign market expansion. We measure firm international experience through the dispersion¹⁸ of their subsidiaries (Blau, 1977) across different cultural clusters (Ronen and Shenkar, 2013). We contend that our operationalisation of international experience is quite remarkable as it captures cultural, institutional, and geographical dimensions.

Firm host-country experience captures a specific aspect of firm international experience, which we compute as a dummy that is equal to 1 whenever the firm is already operating in the target country, 0 otherwise (Datta, Musteen and Basuil, 2015; Estrin, Baghdasaryan and Meyer, 2009; Meyer et al., 2009; Slangen, 2011). Host-country experience provides the firm with knowledge about the specific country's market, customers, suppliers, and formal and informal institutions. As the liability of foreignness faced by the firm in the new market decreases thanks to its existing market knowledge, the firm would be more eagerly seeking to acquire local skills and country-based advantages by pursuing acquisitions over greenfield investments (Demirbag, Tatoglu and Glaister, 2008).

Finally, another essential source of firm experiential knowledge derives from its prior investment experience. Organisational learning and RBV scholars affirm that *establishment mode experience* either in *acquisitions* or *greenfield investments* is likely to be reflected into a certain degree of path dependency. This occurs as firms develop routines and capabilities in relation to a specific establishment mode strategy which help them overcome its challenges and leverage its advantages (Dikova and Van Witteloostuijn, 2007; Padmanabhan and Cho, 1999; Vermeulen and Barkema, 2001). Consequently, firms have an incentive in repeating past establishment mode strategies as they can capitalise on the knowledge and capabilities gained through their experience (Slangen and Hennart, 2008; Padmanabhan and Cho, 1999). We operationalised the two variables: *foreign acquisition experience* and *foreign greenfield experience* by counting the number of prior acquisitions and greenfield initiatives from 2005 (included) till the year of the focal investment (excluded) (Dikova and Van Witteloostuijn, 2007; Slangen and Dikova, 2014).

Literature also suggests that the characteristics of the host country and the differences between the home and the target country will also play a decisive role in the strategic decision between

¹⁸ Blau's index is an heterogeneity index, which mirrors Herfindahl Hirschman concentration index. Ronen and Shenkar (2013) have identified ten different clusters in which countries can be grouped. The Authors consider three country-level aspects: religion, language and geography to create different clusters. The clusters are the following: Arab, Near East, Latin America, East Europe, Latin Europe, Nordic, Germanic, African, Anglo, Confucian and Far East. To compute our variable, we classify each subsidiary host country location into the corresponding cultural cluster and then we apply Blau's index formula: $1 - \sum P_K^2$. P is the proportion of the subsidiaries in the Kth cultural cluster. The index ranges from 0 to 1, where higher values indicate a more even distribution (higher dispersion) across the categories.

greenfield and acquisition. The *geographical distance* between the acquiring firm home country and the country of investment enhances the uncertainty perceived by the company and its managers and increases the agency and transaction costs related to an acquisitive expansion strategy (Boellis et al., 2016; Slangen and Dikova, 2014). Geographical distance is measured using country distances provided by the CEPII database (i.e. capital city to capital city).

Similarly, cultural differences such as *linguistic* and *religious differences* affect managers' communication capabilities, risk perception and constrain managers' legitimacy and understanding of the local environment (Slangen, 2011, 2013). Language barriers affect the communication, coordination and monitoring activities between the parent and subsidiary company (Slangen, 2011), while religious differences may generate misunderstandings and reduce the legitimacy of the parent company in the target country (Slangen, 2013). Research has found that firms would choose greenfield market entry strategies over acquisitions in the presence of high language and religious differences (Slangen, 2011, 2013). *Language* and *religion distance* between countries is operationalised through the Dow psychic distance dimensions (i.a. Dow and Karunaratna, 2006; Slangen, 2011, 2013; Dow, Baack and Parente, 2018).

Eventually, we consider the *host country political risk*, which we estimate through the political uncertainty value provided by the POLCON database at the country level. We constructed our explanatory variable by reversing the scale reported in the POLCON dataset. Country political instability increases the uncertainty perceived by foreign investors, which may decide to reduce their exposure in the host country by gradually committing their financial and human resources by establishing a greenfield investment (Rienda, Claver and Quer, 2013; Slangen, 2013).

We add to our model some important *control variables* that might affect the establishment mode decision. We control for the *company experience* and its *number of employees*. These are standard controls for company age¹⁹ and size. We include company *cash flow to total assets ratio* and its *financial leverage* in terms of firm financials. Companies generating higher cash flows may find it easier to acquire foreign firms given their availability of financial resources. Conversely, firms characterised by high leverage hold a greater amount of borrowed capital (debt) and therefore, they may prefer greenfield investments over acquisitions (Datta, Musteen and Basuil, 2015; Boellis *et al.*, 2016).

The level of *industry diversification* of the acquiring firm is measured by counting the number of NACE Rev.2 industry codes in which the firm is doing business. Existing literature argues that more diversified firms may be more inclined to undertake acquisitions over greenfield investments

¹⁹ Company age has been computed relying on the company foundation year difference between the current year and the company foundation date;

(Hennart and Park, 1993; Larimo, 2003). The level of *ownership* of the *new entity* (either acquired or newly established) is another important control (Brouthers and Dikova, 2010; Chen, 2008). We also include an industry control that indicates the level of *technology intensity* of the firm's sector²⁰ in which the firm primarily operates. Eventually, we introduce some traditional EMC controls related to the target country of investment, i.e. *Host Country Market Growth*, *Host Country Gross Domestic Product (GDP) per Capita* and *Time to Start a New Business* (Boellis et al., 2016; Dikova and Van Witteloostuijn, 2007; Meyer et al., 2009; Yamanoi and Asaba, 2018)

3.4.4 Second stage variables

In the second stage of analysis, we test our hypotheses. In this step, our *dependent variable* is no longer the EMC, but it is the *Establishment Mode Deviation*. The latter is defined as the extent to which the firm deviates from the predicted EMC that has been computed, relying on the model and variables described in the previous section. This variable has been constructed following the Leiblein et al. (2002) governance misfit approach. Specifically, we first obtained a continuous variable (ranging from 0 to 1) that is equal to the estimates of our dependent variable related to model (1), where we computed the probability of a company to undertake a greenfield investment ($Y_i = 1$)

Prob (
$$Y_i = 1$$
) = $\Phi(\beta X_i)$

Y_i is the EMC for the *ith* observation, X_i is the vector comprising the explanatory and control variables of the model (1), β is the vector of estimated coefficients of our explanatory and control variables, while Φ (·) is defined as the standard normal cumulative distribution function. ESMD is equal to 1 - Φ ($\beta'X_i$) when the EMC is equal to 1 (greenfield investment), while ESMD is equal to Φ ($\beta'X_i$) when the EMC is equal to 0 (acquisition investment). As the next step, in line with the literature, we transformed our EMD continuous variable into a dichotomous variable by defining 0.5 as our deviation threshold (Brouthers and Brouthers, 2000; Elia et al., 2014). Specifically, ESMD dichotomous variable will be equal to 1 when our ESMD continuous variable is greater than 0.5, while it will be equal to 0 when ESMD continuous is lower than 0.5.

In model (2), we retain some of the key explanatory and control variables employed in the models (1 and 2), and we add the main variables related to our hypotheses, i.e. TMT's characteristics and compositional factors.

Now, we describe the additional *explanatory variables*. We start with the TMT diversity variables; as discussed in our hypotheses section, we distinguish between two different types of

²⁰ We have referred to the Eurostat classification on the high-tech manufacturing industries to create four distinct dummies (i.e. High Technology, Medium/High Technology, Medium/Low Technology, and Low Technology);

diversity: "deep-level" diversity and "surface-level" diversity (van Knippenberg and Schippers, 2007; Srikanth, Harvey and Peterson, 2016). TMT "*deep-level" diversity* has been computed by aggregating three different executives' work experience dimensions, namely international, functional²¹ and industry work experience diversity. We have constructed this variable in two distinct steps. First, we have computed the three distinct dimensions by aggregating individual-level experiences at the team level²² and applied Blau's (1977) index formula²³ for each one of them (i.a. Nielsen and Nielsen, 2013; Georgakakis, Dauth and Ruigrok, 2016; Georgakakis, Greve and Ruigrok, 2018). Secondly, we normalised the three variables (as their standard deviations are not comparable) before combining them into the TMT deep-level diversity variable.

We followed a similar procedure also for *TMT "surface-level" diversity*. Two TMT demographic dimensions are considered: TMT nationality diversity and education level²⁴ diversity (Dahlin, Weingart and Hinds, 2005). First, we computed the two distinct diversity variables applying Blau's index formula (Blau, 1977) consistently with the existing literature (Boone et al., 2018; Faems and Subramanian, 2013; Nielsen and Nielsen, 2011, 2013). Secondly, after normalising them, we have aggregated the two variables into the TMT surface-level diversity variable.

As regards the moderating variables, *Firm performance decline* is computed as the difference between a firm's ROA recorded in year t and ROA recorded in t-1 (Mueller et al., 2020). Higher values correspond to greater firm performance decline. *Industry performance decline* is instead calculated by reversing the industry munificence measure. The latter is computed for each industry²⁵ as the regression coefficient of time on the annual average sales in a three-year moving period (e.g. from 2006 to 2008, 2007-2009 etc.) divided by the average sales of the industry in the same period (Nielsen, 2009)

²¹ We have identified nine distinct functional areas drawing from Cannella et al. (2008). The functional categories are the following: general management (MNAT), production/operation divisions (PROD), research, technology, clinical (RESE), marketing, sales, commercial, corporate roles (MASA), manufacturing, design and engineering (ENMA), finance and accounting (FACC), personnel/HR (PERS), law (LEGA), strategy and corporate development (STRA) and others (OTHE);

²² Specifically, we summed up together similar individual-level experiences (e.g. work experience in the same country, function, industry etc.) and computed diversity at the team level;

²³ To compute each dimension of team work experience diversity (i.e. international, industry and functional work exp.) we have gathered the career experiences of each individual TMT member and we pool them together at the team level. For instance, for the functional experience diversity dimension, let's assume that TMT members of company A have worked in 5 different functional areas throughout their careers (e.g. PROD, RESE, STRA, LEGA and MNAT). We sum up the years of experience of all the TMT members for each functional area and then apply Blau's (1977) formula. Blau's index formula is the following: $1 - \sum P_K^2$. P is the proportion of total years of experience in the Kth functional area. The index ranges from 0 to 1, where higher values indicate a more even distribution (higher dispersion) across the categories. We apply the same logic also for team international and industry work experience diversity.

²⁴ We have identified the following educational: high school diploma or its equivalent (1), vocational qualification (2), executive programme (3), bachelor level (4), graduate master level (5), postgraduate master level (6) and finally, doctoral level (7). For each executive we consider only his/ her highest educational level;

²⁵In this computation we classify industries by their first 2 digits of NACE Rev. 2 (Georgakakis and Ruigrok, 2017).

We added several *control variables* concerning other managerial and governance factors that the literature has found to influence strategic change, team's decision-making ability, managerial risk propensity and managerial discretion. We have included the following control variables: average TMT age, TMT international experience, TMT male proportion, Board nationality diversity, Board tenure diversity, CEO outsider, CEO newness, CEO duality, Board independence, TMT size and current ratio.

Controversial strategic actions could badly reflect on the company executives and, possibly, result in involuntary changes at the top of the firm (Louca, Petrou and Procopiou, 2020; Tang, Crossan and Rowe, 2011). In this regard, we control for some top managers' characteristics such as age, gender and international experience that have been found to influence managers' risk perception and, hence, their decision-making on entry mode strategies (Buckley, Devinney and Louviere, 2007; Herrmann and Datta, 2006; Lee, Kim and Moon, 2016; Nielsen and Nielsen, 2011; Pergelova et al., 2018). *TMT average age* is computed by averaging the age of the management team members, while *TMT male proportion* is the proportion of TMT male members over the total size of the team. Finally, we construct *TMT international experience* as the percentage of TMT members holding international work experience (Nielsen and Nielsen, 2011).

We also add some Board controls. We consider Board nationality diversity and Board tenure diversity, respectively constructed applying Blau's index and standard deviation formula to the board of directors' nationality and tenure (Oehmichen et al., 2017; Rivas, 2012). The Board of directors could also influence strategic decision-making by promoting and supporting less or more conventional strategies. Moreover, we consider two CEO variables, i.e. *CEO outsider* and *CEO Newness*. These two are dummy variables; CEO external hiring is equal to 1 if the CEO has been externally appointed, 0 otherwise (Elosge et al., 2017; Georgakakis and Ruigrok, 2017; Lin and Liu, 2012). CEO Newness is equal to 1 whenever the CEO has been appointed one or two years before the ESMD occurs, 0 otherwise.

We also include two corporate governance variables: *CEO duality* and *Board independence*. The former is equal to 1 when the CEO is also the chairman of the Board (0 otherwise), while the latter represents the ratio of the non-executive directors to the total number of directors (Chen, 2011; Lai, Chen and Chang, 2012; Singh and Delios, 2017). Moreover, we control for *TMT size*, which is equal to the total number of executives' directors.

Eventually, we add company *current ratio* financial indicator; the latter can influence managers' latitude of action (Nielsen and Nielsen, 2013; Tabesh, Vera and Keller, 2019; Wangrow, Schepker and Barker Iii, 2015), and it is computed as the ratio between current assets and current liabilities (Tabesh, Vera and Keller, 2019).

Tables 3.3 and 3.4 reports the correlation matrix and descriptive statistics of the variables employed in our main models. Given the high correlation among a few of the variables in our two models (e.g. TMT size and Board independence: -0.76), we tested for multicollinearity and inspected the values of Variance Inflation Factor (VIF). For both our key models, the highest VIF factor recorded is equal to 3.8, which is way below the suggested maximum threshold of 10 (Belsley et al., 1980).

Table 3.1. – Summary of all the variables employed in the Probit regression analysis in the FirstStage model

Variable Name	Operationalisation	Role	References
Establishment Mode Choice	The variable is equal to 1 when the investment is a	Dependent	(Dikova & Brouthers,
	greenfield, 0 when it is an acquisition.	variable	2015)
R&D intensity	The ratio of research and development expenses to	Explanatory	(Brouthers and
	total sales.	variables	Brouthers, 2000)
Firm international	It captures the dispersion of firm subsidiaries in the		(Ronen and Shenkar,
experience	Ronen and Shenkar (2013) cultural clusters by		2013)
	applying Blau's (1977) index heterogeneity.		
Host country experience	It is a dummy variable equal to 1 whenever the firm		(Datta et al., 2015;
	is already operating in the target country prior to the		Slangen, 2011)
	firm investment, 0 otherwise.		
Foreign greenfield	We count the number of prior greenfield initiatives		(Dikova and Van
experience	from 2005 till the year of the focal investment.		Witteloostuijn, 2007;
Foreign acquisition	We count the number of prior acquisitions from		Slangen and Dikova,
experience	2005 till the year of the focal investment.		2014)
Religion distance			(Dow and Karunaratna,
-	Religion and language distance are operationalised		2006; Slangen, 2011,
Language distance	through the Dow psychic distance dimensions.		2013; Dow et al., 2018)
Host country political	It is estimated through the political uncertainty index		(Rienda et al., 2013;
distance	by reversing the scale reported in the POLCON		Slangen, 2013)
	dataset.		
Company experience	It is computed through the difference between the	Control	(Reuber and Fischer,
	company foundation year and the current year of the	Variables	1997)
	sample.	. 41140100	
Firm size (number of	It is measured through the number of employees of		(Boellis et al., 2016)
employees)	the firm at year t.		

Ownership	The degree of ownership of the newly acquired / or	(Brouthers and Dikova,
	newly established entity.	2010; Chen, 2008)
Cash Flow to Total Assets	It is calculated as the ratio between cash flows from	(Boellis et al., 2016;
	operations and the total firm assets.	Datta et al., 2015)
Financial Leverage	It is defined as total company assets divided by total	(Boellis et al., 2016;
	shareholders' equity.	Datta et al., 2015)
Industry diversification	It is the number of NACE Rev.2 industry codes in	(Hennart and Park,
	which the firm is doing business.	1993; Larimo, 2003)
Industry technology level	We have used the Eurostat classification on the high-	
	tech manufacturing industries to create four ordinal	
	categories that capture the level of technological	(Rabbiosi, Elia and
	intensity of the firm core industry (i.e. High	Bertoni, 2012)
	Technology, Medium/High Technology,	
	Medium/Low Technology, and Low Technology).	
Geographical distance	Geographical distance is measured using country	(Boellis et al., 2016;
	distances provided by the CEPII database (i.e.	Slangen and Dikova,
	capital city to capital city).	2014)
Host country market growth	The rate at which the host country GDP	(Boellis et al., 2016;
	changes/grows from one year to another.	Dikova and Van
Host country GDP per capita	It captures the host country national GDP per capita	Witteloostuijn, 2007;
	in thousands of dollars (rescaled).	Meyer et al., 2009;
Time to start a new business	Proxy of the difficulty of establishing a new business	Yamanoi and Asaba,
WB	in the host country, taken from the Ease of Doing	2018)
	Business indicator of the World Bank.	

Table 3.2. – Summary of all the variables employed in the Probit regression analysis in the SecondStage model

Variable Name	Operationalisation	Role	References
Establishment mode deviation	It is computed using the Leiblein et al. (2002) governance misfit approach. The estimates of the first stage model (where the probability of undertaking a greenfield investment is computed) correspond to a continuous variable ranging from 0 to 1. In the second stage, we use the estimates to compute the extent of ESMD, considering whether the actual investment is a greenfield or an acquisition. Finally, ESMD dichotomous variable will be equal to 1 when our ESMD continuous	Dependent variable	(Brouthers and Brouthers, 2000; Elia et al., 2014)

	variable is greater than 0.5, while it will be equal to		
	0 when ESMD continuous is lower than 0.5.		
TMT deep level diversity	It is constructed by aggregating three different	Explanatory	
	TMT member work experience dimensions: TMT	variables	
	international experience, TMT industry experience		
	and TMT functional experience. In the first step,		
	we apply Blau's (1977) index formula at the team		(Crossland et al., 2014;
	level for each work experience dimension. For each		Georgakakis et al.,
	top executive, we classify its international, industry		2016; Mueller et al.,
	and functional experience and the length of each of		2020)
	them. Secondly, we normalise each variable TMT		
	work experience diversity dimension before		
	summing them up into one single variable.		
TMT surface level diversity	This variable considers TMT nationality diversity		
	and TMT education level. We gather data for each		(D. (1.0019
	top executive about its nationality and its highest		(Boone et al., 2018;
	education level. We apply Blau's (1977) index		Nielsen and Nielsen,
	formula to compute TMT nationality diversity and		
	TMT education level. We normalise the two		al., 2021)
	dimensions before summing them up.		
Industry performance decline	It is computed by reversing the industry munificence	Moderating	(Haynes and Hillman,
	measure. First, we compute industry munificence at	Variables	2010; Nielsen and
	the two digits UK SIC code industry level. Industry		Nielsen, 2013;
	munificence is computed as the regression		Georgakakis et al.,
	coefficient of time on the annual average sales in a		2017)
	three-year moving period (i.e. 2006-2008, 2007-		
	2009 etc.) divided by the average sales of the		
	industry in the same period. This measure is then		
	reversed to obtain industry performance decline.		
Firm performance decline	It is computed as the difference between a firm's		(Mueller et al., 2020)
	ROA recorded in year t and ROA recorded in t-1.		
TMT average age	It is computed as the average age of TMT members,	Control	(Agnihotri and
	where each TMT member age is computed from the	Variables	Bhattacharya, 2015;
	date of birth to the year of reference.		Tihanyi et al., 2000;
			Triana, Richard and Su,
			2019))
TMT international	International experience is computed for each TMT		(Nielsen and Nielsen,
experience	member as a dummy variable equal to 1 when the		2013; Tihanyi et al.,
	manager has gained international experience, 0		2000)
	otherwise. The measure is then averaged at the team		
	level.		
TMT male proportion	It is computed as the percentage of male executives		(Frijns, Dodd and
	over the total team.		Cimerova, 2016; Orser
			et al., 2009)

Board nationality diversity	Domestic and foreign executive are respectively categorised as 1 and 0, and Blau's (1977) index is	(Frijns, Dodd and Cimerova, 2016; Rivas,
Board tenure diversity	applied to these two categories Board member tenure is measured for each Board member, and then Board tenure diversity is	2012) (Oehmichen et al., 2017)
CEO outsider	It is a dummy variable equal to 1 if the CEO has been externally appointed, 0 otherwise.	(Elosge et al., 2017; Georgakakis and
CEO newness	It is a dummy variable equal to 1 whenever the CEO has been appointed one or two years before the foreign investment occurs 0 otherwise	Ruigrok, 2017; Lin and Liu, 2012)
CEO duality	It is a dummy variable equal to 1 when the CEO is also the Chairman of the Board, 0 otherwise.	(Georgakakis and Ruigrok, 2017; Singh and Delios, 2017)
Board independence	This variable represents the ratio of non-executive directors to the total number of directors.	(Chen, 2011; Singh and Delios, 2017; Lai et al., 2012)
TMT size	It captures the number of executive directors sitting on the Board of directors, which is consistent with our definition of the top management team	(Finkelstein and Hambrick, 1990; Haleblian and Finkelstein, 1993; Piaskowska and Trojanowski 2014)
R&D intensity	The ratio of research and development expenses to total sales	(Brouthers and Brouthers, 2000;
Firm international experience	It captures the dispersion of firm subsidiaries in the Ronen and Shenkar (2013) cultural clusters by applying Blau's (1977) beterogeneity formula.	Ronen and Shenkar, 2013)
Host country experience	It is a dummy variable equal to 1 whenever the firm is already operating in the target country prior to the firm investment 0 otherwise	(Datta, Musteen and Basuil, 2015; Slangen, 2011)
Foreign greenfield experience	We count the number of prior greenfield initiatives from 2005 till the year of the focal investment	(Dikova and Van Witteloostuijn, 2007; Slangen and Dikova, 2014)
Foreign acquisition experience	We count the number of prior acquisition initiatives from 2005 till the year of the focal investment	(Dikova and Van Witteloostuijn, 2007; Slangen and Dikova, 2014)
Company experience	It is computed through the difference between the company foundation year and the current year of the	(Reuber and Fischer, 1997)
Number of employees	It is measured through the number of employees of the firm at year t	(Boellis et al., 2016)
Ownership	The degree of ownership of the newly acquired or established entity	(Brouthers and Dikova, 2010; Chen, 2008)

Cash flow to total assets	It is calculated as the ratio between cash flows from	(Boellis et al., 2016;
	operations and the total firm assets	Datta, Musteen and
		Basuil, 2015)
Financial leverage	It is defined as total company assets divided by total	(Boellis et al., 2016;
	shareholders' equity	Datta, Musteen and
		Basuil, 2015)
Industry diversification	It is the number of NACE Rev.2 industry codes in	(Hennart and Park,
	which the firm is doing business	1993; Larimo, 2003)
Industry technology level	We have used the Eurostat classification on the high-	
	tech manufacturing industries to create four ordinal	
	categories that capture the level of technological	(Rabbiosi, Elia and
	intensity of the firm core industry (i.e. High	Bertoni, 2012)
	Technology, Medium/High Technology,	
	Medium/Low Technology, and Low Technology);	
Current ratio	It is computed as the ratio between current assets and	(Tabesh, Vera and
	current liabilities.	Keller, 2019;
		Wangrow, Schepker
		and Barker Iii, 2015)

	Variables	1	2	3	4	5	6	7	8	9	10	11	12
1	Establishment Mode Choice	1.00											
2	R&D Intensity	0.15	1.00										
3	Firm International Experience	0.03	-0.22	1.00									
4	Host Country Experience	-0.38	-0.01	0.07	1.00								
5	Foreign Greenfield Experience	-0.06	-0.06	0.56	0.08	1.00							
6	Foreign Acquisition Experience	-0.16	-0.09	0.42	0.13	0.56	1.00						
7	Company Experience	0.05	-0.09	-0.16	0.02	-0.30	-0.20	1.00					
8	Number of Employees	-0.14	-0.09	0.45	0.08	0.58	0.73	-0.10	1.00				
9	Ownership	0.17	0.04	-0.03	-0.04	-0.06	-0.14	0.00	-0.19	1.00			
10	Cash Flow Total Assets	0.05	-0.55	0.26	-0.03	-0.02	-0.17	0.24	0.01	0.04	1.00		
11	Financial Leverage	0.10	-0.05	-0.11	-0.12	0.03	-0.11	-0.11	-0.08	0.03	0.08	1.00	
12	Industry Diversification	0.21	-0.06	0.00	-0.06	-0.22	-0.14	0.44	-0.10	0.07	0.16	-0.09	1.00
13	Industry Technology Level	-0.07	0.03	0.17	0.03	0.31	0.22	-0.40	0.29	-0.08	-0.02	-0.06	-0.33
14	Geographical Distance	0.13	-0.03	0.08	-0.06	0.11	0.10	-0.01	0.03	-0.01	0.06	0.04	0.03
15	Language Distance	0.19	-0.07	0.14	-0.32	0.03	-0.04	0.09	0.08	0.00	0.13	0.10	0.03
16	Religion Distance	0.34	-0.07	0.05	-0.16	-0.01	0.02	0.04	0.02	0.02	0.09	0.05	0.10
17	Host Country Political Risk	0.24	-0.03	-0.10	0.00	-0.11	-0.04	0.07	-0.09	0.03	0.09	0.15	0.05
18	Host Country Market Growth	0.27	-0.06	0.00	-0.15	-0.10	-0.13	0.10	-0.08	-0.05	0.09	0.14	0.06
19	Host Country GDP per Capita	-0.26	0.10	-0.09	0.26	0.01	0.09	-0.11	-0.06	-0.01	-0.11	0.00	0.00
20	Time to Start a New Business WB	0.26	-0.07	0.05	-0.17	-0.04	-0.13	0.16	0.02	0.04	0.14	0.05	0.03
	Obs	223	223	223	223	223	223	223	223	223	223	223	223
	Mean	0.38	0.73	0.50	0.35	1.91	2.56	31.59	795.70	0.94	0.06	1.12	1.37
	Std. Dev.	0.49	5.44	0.29	0.48	2.28	3.59	31.97	1123.86	0.17	0.13	2.67	0.77
	Min	0.00	0.00	0.00	0.00	0.00	0.00	4.00	32.00	0.15	-0.58	-11.09	1.00
	Max	0.00	0.00	0.00	0.00	0.00	0.00	4.00	32.00	0.15	-0.58	-11.09	1.00

Table 3.3 – Correlation matrix and descriptive statistics of variables employed in our establishment mode choice model

	Variables	13	14	15	16	17	18	19	20
13	Industry Technology Level	1.00							
14	Geographical Distance	0.06	1.00						
15	Language Distance	-0.06	-0.33	1.00					
16	Religion Distance	-0.05	0.28	0.28	1.00				
17	Host Country Political Risk	-0.05	0.36	0.06	0.56	1.00			
18	Host Country Market Growth	-0.17	0.32	0.17	0.65	0.56	1.00		
19	Host Country GDP per Capita	-0.02	-0.18	-0.52	-0.57	-0.30	-0.53	1.00	
20	Time To Start a New Business WB	-0.09	0.02	0.43	0.31	0.23	0.38	-0.62	1.00
	Obs	223	223	223	223	223	223	223	223
	Mean	3.01	5107.18	-1.53	-0.28	0.58	2.96	40768.32	0.13
	Std. Dev.	1.09	4373.47	1.91	0.67	0.15	2.35	19895.74	0.15
	Min	1.00	323.78	-3.87	-1.03	0.29	-3.24	1452.20	0.01
	Max	4.00	19147.14	0.53	1.27	1.00	11.11	101668.20	1.22

Table 3.3 – Correlation matrix and descriptive statistics of variables employed in our establishment mode choice model

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Establishment Mode Deviation	1.00												
2	TMT Deep Level diversity	0.12	1.00											
3	TMT Surface Level Diversity	-0.05	0.39	1.00										
4	TMT average age	-0.09	-0.29	0.14	1.00									
5	TMT international experience	-0.01	0.27	0.38	0.16	1.00								
6	TMT male proportion	0.03	0.36	0.14	-0.15	-0.20	1.00							
7	Board Nationality Diversity	0.00	0.05	0.50	0.36	0.52	-0.31	1.00						
8	Board Tenure Diversity	0.02	-0.14	0.24	0.45	0.07	-0.11	0.10	1.00					
9	CEO Outsider	0.05	0.13	0.17	-0.15	0.20	-0.10	0.11	-0.29	1.00				
10	CEO Newness	0.11	0.18	0.01	-0.25	-0.05	-0.01	0.03	-0.23	0.12	1.00			
11	CEO Duality	-0.12	-0.49	-0.01	0.39	0.04	-0.26	0.12	0.21	0.05	-0.15	1.00		
12	Board Independence	0.12	-0.09	-0.02	0.15	0.23	-0.22	0.33	-0.02	-0.05	0.10	-0.05	1.00	
13	TMT Size	-0.02	0.10	0.20	-0.07	-0.21	0.20	-0.22	0.17	-0.02	-0.03	0.04	-0.76	1.00
14	R&D Intensity	-0.05	0.12	-0.01	-0.06	0.04	0.03	-0.07	-0.07	-0.09	-0.05	-0.05	-0.02	0.02
15	Firm International Experience	-0.03	0.10	0.09	-0.02	0.08	-0.08	0.03	0.01	0.27	-0.05	0.20	-0.11	0.02
16	Host Country Experience	-0.18	0.10	0.02	-0.03	0.05	0.17	-0.03	-0.10	0.18	-0.15	0.00	-0.13	0.09
17	Foreign Greenfield Experience	-0.13	0.30	0.17	-0.26	0.14	0.01	0.20	-0.23	0.30	-0.05	-0.15	-0.01	-0.12
10	Company Experience	-0.06	-0.33	-0.00	-0.29	-0.00	0.19	-0.11	-0.29	-0.29	-0.03	-0.10	-0.09	-0.03
20	Number of Employees	-0.09	0.18	-0.02	-0.41	-0.02	0.11	-0.12	-0.25	0.24	0.05	-0.06	-0.17	-0.06
20	Ownership	0.05	0.06	0.09	0.13	0.08	-0.02	0.06	0.11	-0.06	0.11	-0.01	0.00	-0.01
21	Cash Flow Total Assats	-0.11	-0.30	-0.02	0.31	0.05	-0.24	0.17	0.30	-0.17	-0.26	0.13	0.07	-0.05
22	Eingneigh Lewergee	0.02	0.01	0.13	-0.08	0.05	0.10	0.17	-0.10	0.00	0.20	-0.16	0.07	-0.12
23 24	Industry Diversification	-0.01	-0.09	0.05	0.00	-0.01	-0.02	-0.03	0.10	-0.16	0.00	0.13	0.02	-0.03
2 4 25	Firm performance decline	0.01	0.05	0.01	0.02	0.01	0.02	0.09	-0.05	0.07	0.07	-0.13	0.02	-0.06
23 26	Industry parformance decline	0.04	0.02	0.01	0.02	0.02	-0.14	0.07	0.05	0.07	0.17	0.15	0.12	0.00
20	Industry Technology Level	0.04	0.02	0.01	-0.01	0.13	-0.20	-0.01	0.01	-0.16	-0.05	-0.04	0.00	0.13
21	Current Patio	-0.11	-0.30	-0.02	0.01	0.05	-0.20	0.01	0.10	-0.17	-0.26	0.04	0.00	-0.05
20		222	222	20.02	222	222	227	222	20.00	222	2020	222	222	222
	Ubs	222	1 40	0.71	222 51 54	0.27	222	0.17	222 A A 5	222	0.15	222	222	222
	Mean	0.22	1.40	0.71	51.54	0.37	0.94	0.17	4.45	0.60	0.15	0.12	0.53	2.83
	Std. Dev.	0.41	0.35	0.38	6.23	0.36	0.16	0.23	3.66	0.47	0.36	0.32	0.12	0.88

Table 3.4 – Correlation matrix and descriptive statistics of variables employed in our establishment mode deviation model

Min	0.00	0.48	0.00	41.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.17	2.00
Max	1.00	2.02	2.00	66.50	1.00	1.00	0.67	22.22	1.00	1.00	1.00	0.75	6.00

Table 3.4 – Correlation matrix and descriptive statistics of variables employed in our establishment mode deviation model

	Variables	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
14	R&D Intensity	1.00														
15	Firm International Experience	-0.23	1.00													
16	Host Country Experience	-0.01	0.06	1.00												
17	Foreign Greenfield Experience	-0.06	0.56	0.07	1.00											
18	Foreign Acquisition Experience	-0.09	0.42	0.13	0.56	1.00										
19	Company Experience	-0.09	-0.15	0.02	-0.30	-0.20	1.00									
20	Number of Employees	-0.09	0.45	0.07	0.58	0.73	-0.10	1.00								
21	Ownership	0.04	-0.03	-0.04	-0.06	-0.14	0.00	-0.19	1.00							
22	Cash Flow Total Assets	-0.55	0.26	-0.03	-0.02	-0.17	0.24	0.01	0.04	1.00						
23	Financial Leverage	-0.05	-0.11	-0.12	0.02	-0.11	-0.11	-0.09	0.03	0.08	1.00					
24	Industry Diversification	-0.06	0.00	-0.06	-0.22	-0.14	0.45	-0.10	0.07	0.16	-0.09	1.00				
25	Firm performance decline	-0.04	0.02	-0.08	0.03	0.10	-0.05	0.02	0.02	0.04	0.18	-0.05	1.00			
26	Industry performance decline	-0.04	0.06	-0.11	-0.09	-0.18	-0.05	-0.14	0.02	0.06	-0.01	-0.03	0.06	1.00		
27	Industry Munificence	0.03	0.18	0.03	0.31	0.22	-0.41	0.29	-0.08	-0.02	-0.06	-0.33	-0.01	0.04	1.00	
28	Current Ratio	0.39	-0.31	0.01	-0.20	-0.28	0.03	-0.20	-0.05	-0.15	-0.16	-0.04	-0.15	-0.04	0.10	1.00
	Obs	222	222	222	222	222	222	222	222	222	222	222	222	222	222	222
	Mean	0.73	0.50	0.35	1.91	2.56	31.32	798.23	0.94	0.06	1.12	1.37	0.02	0.90	3.01	1.99
	Std. Dev.	5.45	0.29	0.48	2.28	3.60	31.77	1125.76	0.17	0.13	2.67	0.77	0.06	8.94	1.09	1.38
	Min	0.00	0.00	0.00	0.00	0.00	4.00	32.00	0.15	-0.58	-11.09	1.00	-0.26	-33.33	1.00	0.29
	Max	51.18	0.87	1.00	9.00	24.00	126.00	4249.00	1.00	0.30	15.77	5.00	0.13	51.41	4.00	11.18

3.5 **Results**

Given the binary choice of the EMC (Table 3.5) and the ESMD (Table 3.6) for both stages and models, we have employed a Probit²⁶ estimation model. Table 3.5 shows the results of the Probit regression analysis for our first stage model, while Tables 3.6, 3.7, 3.8 and 3.9 show the results of our second stage analyses, which concern the ESMD. Results of Table 3.5 largely confirm the assumptions developed in our "extended" resource-based view model, thus corroborating EMC literature prior findings. Specifically, *R&D intensity* and *Firm international experience* are both positively²⁷ and significantly related to EMC (p<0.01). Moreover, *Firm host-country experience* is negatively and significantly related to EMC (p<0.01). These results suggest the importance of distinguishing between generic and country-specific international experience as they represent two distinct sources of market knowledge (Dow and Larimo, 2011).

Moreover, both *religion distance* and *host-country political risk* increase the probability of undertaking greenfield investments (p<0.01). However, establishment mode experience variables (i.e. greenfield and acquisition experience) are not significant, which suggest that investments path dependency may not be as strong as suggested, and more complex dynamics may occur (Barkema and Vermeulen, 1998; Chang and Rosenzweig, 2001). *Language distance* is also not significant, yet this finding could be explained by the increasing widespread knowledge of the English language that reduces the barriers posed by national local languages.

Table 3.6 presents the results of our main model, i.e. model 2. The results of our Probit regression analyses confirm our hypotheses. *TMT deep-level diversity* is positively and significantly correlated with EMD (p<0.01), thus confirming hypothesis 1. Instead, as proposed in hypothesis 2, *TMT surface-level diversity* negatively influences the firm probability of undertaking ESMD (p<0.01). Among our control variables, *TMT Average age* is negatively related to ESMD, which means that older executives are less likely to undertake deviation. This is not surprising as ESMD is an uncertain and controversial strategic alternative. Additionally, we find that the board's tenure and nationality diversity (p<0.01) increase the probability of undertaking ESMD. Diverse Boards will more openly support strategic change and novelty in strategic decision-making (Padilla-Angulo, 2019; Rivas, 2012). It is less likely to trigger team diversity dysfunctional behaviours as directors' interactions are less frequent. *CEO outsider* and *CEO newness* are respectively positively (p<0.05)

²⁶Standard errors are clustered by the target country. Robustness checks confirm the same results also when standard errors are clustered by the company name.

 $^{^{27}}$ In the first stage model, a positive relationship indicates a higher probability to undertake a greenfield investment over an acquisition investment. This is the case as our first stage dependent variable EMC is equal to 1 when it is a greenfield, 0 when it is an acquisition.

and negatively correlated (p<0.10) with our ESMD dependent variable. Perhaps, newer CEOs may be less inclined to undertake strategic actions because of the risks involved and lack of influence and power in the decision-making team. Eventually, our results suggest that more independent Boards, i.e. board independence, are more likely to undertake ESMD (p<0.01). More independent boards could increase the pressure on the management team to undertake international risk-taking strategic initiatives.

Tables 3.7, 3.8 and 3.9 report the results of our empirical testing concerning our hypotheses 3a and 3b and 4a and 4b. To test our moderating hypotheses, we decide to mean-centre all the variables in our model with the exception of our dependent variable (Dawson, 2014). To ensure our moderating effects exist, we look at our interaction terms' statistical significance and coefficients; results reported in Tables 3.7 and 3.8 would mostly confirm our moderating effects' statistical significance and direction. Industry performance decline negatively moderates the effects of both TMT deep level and TMT surface-level diversity (p<0.05), as suggested by hypotheses 4a and 4b. Likewise, Firm performance decline reduces the likelihood of undertaking ESMD by deep level diverse TMTs (p<0.05), confirming hypothesis 3a. However, Dawson (2014) suggests that moderating effects can be definitively confirmed when all interaction terms are reported into the equation as in Table 3.9. Hence, empirical results presented in Table 3.9 provide conclusive evidence for hypotheses 3a (p<0.5) and 4b (p<0.1), while no support is found for hypotheses 3b and 4a. We further investigate these moderating effects through a visual examination by implementing the common method of selecting moderators' values at one standard deviation above and below the mean (Figures are reported in the Appendix section); visual representations further support our empirical findings.

Variables	Establishment Mode Choice	
	Est	P-Value
R&D Intensity	0 300***	0.000
	(0.051)	0.000
Firm International Experience	0.886***	0.001
	(0.277)	0.001
Host Country Experience	-1 299***	0.000
	(0.157)	0.000
Foreign Greenfield Experience	0.037	0.418
	(0.037)	0.110
Foreign Acquisition Experience	-0.031	0 595
	(0.051)	0.575
Company Experience	-0.003	0.410
	(0.003)	0.710
Number of Employees	-0.000	0 228
	(0, 000)	0.220
Ownership	1 801**	0.040
	(0.879)	0.040
CashFlowTotalAssets	1.036	0 297
	(0.995)	0.277
Financial Leverage	0.039	0.184
	(0.03)	0.104
Industry Diversification	0.454***	0.000
	(0.128)	0.000
Industry Technology Level	0.001	0.088
	(0.002)	0.900
Geographical Distance	0.000	0.635
	-0.000	0.055
Language Distance	0.042	0.436
	(0.054)	0.430
Religion Distance	0.536***	0.001
	(0.156)	0.001
Host Country Political Risk	(0.130)	0.026
	(0.550)	0.020
Host Country Market Growth	0.030	0.655
	(0.056)	0.055
Host Country GDP per Capita	0.000	0.740
	(0,000)	0.740
Time to Start a New Business WB	(0.000)	0.005
Thile to Start a New Busiliess wB	(0,600)	0.005
	(0.099)	0.001
Constant	-3.531***	0.001
	(1.065)	
	0.200	
rseudo K2	0.329	
Jbservations	223	

Table 3.5 – *The antecedents of the Establishment Mode Choice, Probit regression analysis on the establishment mode strategies undertaken by UK firms between 2010 and 2016*
Table 3.6 – Top Management Team composition as antecedent of the Establishment ModeDeviation Strategy, Probit regression analysis on the establishment mode deviation strategiesundertaken by UK firms between 2010 and 2016

Variables	Establishment N	Iode Deviation	Margina	l Effects
	Est	P-Value	dy/dx	P-Value
TMT Deep Level diversity	1.405***	0.000	0.273***	0.000
1	(0.320)		(0.060)	
TMT Surface Level Diversity	-1.694***	0.001	-0.329***	0.001
	(0.523)		(0.101)	
TMT average age	-0.050***	0.006	-0.010***	0.005
	(0.018)	0.156	(0.003)	0.174
TMT international experience	-0.575	0.176	-0.116	0.174
	(0.425)	0.112	(0.082)	0.112
IMI male proportion	1.6//	0.112	0.326	0.112
Deand Nationality Discovert	(1.056)	0.000	(0.205)	0.000
Board Nationality Diversity	2.514***	0.000	0.488^{***}	0.000
De and Territer Disconsiter	(0.008)	0.000	(0.488)	0.000
Board Tenure Diversity	(0.047)	0.000	0.044***	0.000
CEO Outridan	(0.047)	0.002	(0.009)	0.001
CEO Outsider	(0.246)	0.002	0.145^{****}	0.001
CEO Name and	(0.246)	0.040	(0.045)	0.022
CEO Newness	-0.789**	0.040	-0.153**	0.032
	(0.384)	0.462	(0.0/1)	0.450
CEO Duanty	-0.442	0.405	-0.080	0.439
Doord Indonondonoo	(0.003)	0.021	(0.110)	0.020
Board Independence	(1, 212)	0.021	(0.390^{**})	0.020
TMT Size	(1.515)	0.040	(0.233)	0.040
I MI Size	(0.202)	0.949	(0.004)	0.949
D&D Intensity	(0.292)	0.000	(0.037)	0.000
K&D Intensity	(0.092)	0.000	-0.018	0.000
Firm International Experience	(0.010)	0.007	(0.003)	0.005
Film International Experience	(0.556)	0.007	(0.104)	0.005
Host Country Experience	0.766**	0.023	(0.104) 0.140**	0.016
Host Country Experience	(0, 336)	0.025	(0.062)	0.010
	(0.550)		(0.002)	
Foreign Greenfield Experience	-0.487***	0.000	-0.094***	0.000
	(0.108)		(0.019)	
Foreign Acquisition Experience	-0.041	0.319	-0.008	0.319
	(0.041)	0.000	(0.008)	0.000
Company Experience	-0.031***	0.000	-0.006***	0.000
	(0.004)	0.050	(0.001)	0.040
Number of Employees	0.000*	0.052	0.000**	0.049
O-manual in	(0.000)	0.075	(0.000)	0.070
Ownersnip	1.301**	0.075	0.204°	0.070
Cont Elementate 1 A secto	(0.766)	0.000	(0.146)	0.000
CashFlow I otal Assets	-4.949****	0.000	-0.901***	0.000
	(1.370)	0.004	(0.255)	0.07
Financial Leverage	0.013	0.004	(0.002)	0.607
Industry Diversification	(0.025)	0.470	(0.005)	0 471
moustry Diversification	0.134	0.470	0.026	0.4/1
Eine Dorformor Dlin	(0.185)	0.074	(0.030)	0.074
FIITIN Performance Decline	0.002	0.874	0.000	0.8/4
Industry Dorformer - Deal's	(0.015)	0.550	(0.003)	0.550
Industry Performance Decline	0.820	0.550	0.159	0.550

	(1.371)		(0.267)	
Industry Technology Level	0.276**	0.017	0.0535**	0.019
	(0.115)		(0.023)	
Current Ratio	-0.002	0.984	-0.000	0.984
	(0.096)		(0.018)	
Constant	-5.031**	0.031		
	(2.332)			
Pseudo R2	0.332			
Observations	222		222	
Robust stan	dard errors in parentheses, *	*** p<0.01, ** p<	0.05, * p<0.1	

Table 3.7 – Firm performance decline Moderating effects on Top Management Team composition as antecedent of the Establishment Mode Deviation Strategy, Probit regression analysis on the establishment mode deviation strategies undertaken by UK firms between 2010 and 2016

Variables	TMT DL Div Performar	ersity X Firm nce Decline	TMT SL I Firm Per Dec	Diversity X formance lline	TMT All I Firm Per Dec	Diversity X formance line
Establishment Mode Deviation	Est	P-Value	Est	P-Value	Est	P-Value
TMT Deep Level diversity	1.273^{***}	0.004	1.251^{***}	0.000	1.298^{***}	0.004
TMT Surface Level Diversity	-2.062*** (0.463)	0.000	-1.743*** (0.483)	0.000	-2.311*** (0.379)	0.000
TMT Deep Level diversity X Firm Performance Decline	-0.152***	0.000	× ,		-0.236**	0.024
	(0.042)				(0.105)	
TMT Surface Level Diversity X Firm Performance Decline			-0.048***	0.002	0.057	0.282
			(0.016)		(0.053)	
TMT average age	-0.056** (0.023)	0.013	-0.051** (0.020)	0.011	-0.056** (0.023)	0.015
TMT international experience	-0.417 (0.453)	0.358	-0.452 (0.390)	0.246	-0.340 (0.443)	0.443
TMT male proportion	2.125* (1.199)	0.076	1.848 (1.202)	0.124	2.194* (1.121)	0.050
Board Nationality Diversity	2.640*** (0.627)	0.000	2.203*** (0.597)	0.000	3.083*** (0.677)	0.000
Board Tenure Diversity	0.239*** (0.053)	0.000	0.232*** (0.050)	0.000	0.243*** (0.052)	0.000
CEO Outsider	0.974*** (0.265)	0.000	0.866*** (0.216)	0.000	0.995*** (0.293)	0.001
CEO Newness	-0.870** (0.379)	0.022	-0.844** (0.388)	0.030	-0.896** (0.388)	0.021
CEO Duality	-0.460 (0.581)	0.429	-0.472 (0.586)	0.420	-0.486 (0.621)	0.434
Board Independence	3.043** (1.359)	0.025	2.862** (1.401)	0.041	3.540**	0.019
TMT Size	-0.029	0.923	-0.038	0.893	0.015	0.960
R&D Intensity	-0.108*** (0.034)	0.001	-0.101***	0.000	-0.121** (0.060)	0.044
Firm International Experience	1.591***	0.002	1.411**	0.015	1.801***	0.004
Host Country Experience	-0.810** (0.353)	0.022	-0.776** (0.338)	0.022	-0.845** (0.383)	0.027
Foreign Greenfield Experience	-0.429***	0.000	-0.428***	0.000	-0.469*** (0.117)	0.000
Foreign Acquisition Experience	-0.031	0.411	-0.040	0.361	-0.035	0.376
Company Experience	-0.030***	0.000	-0.030***	0.000	-0.030***	0.000
Number of Employees	0.000	0.114	0.000	0.177	0.000*	0.071
Ownership	1.899**	0.018	1.502**	0.034	2.099**	0.025
CashFlowTotalAssets	-5.395*** (1.382)	0.000	-5.180*** (1.447)	0.000	(0.954) -5.715*** (1.497)	0.000

Financial Leverage	-0.016	0.665	-0.006	0.847	-5.715***	0.000
	(0.037)		(0.031)		(1.497)	
Industry Diversification	0.077	0.684	0.138	0.475	-0.024	0.531
	(0.189)		(0.193)		(0.038)	
Firm Performance Decline	0.024	0.123	0.018	0.222	0.200	0.196
	(0.016)		(0.014)		(0.015)	
Industry Performance Decline	-0.575	0.726	-0.500	0.738	-0.841	0.629
	(1.641)		(1.490)		(1.743)	
Industry Technology Level	0.165	0.215	0.237**	0.031	0.135	0.383
	(0.133)		(0.110)		(0.155)	
Current Ratio	0.037	0.728	0.017	0.865	0.040	0.715
	(0.108)		(0.100)		(0.108)	
Constant	-1.453***	0.000	-1.426***	0.000	-1.469***	0.000
	(0.115)		(0.093)		(0.125)	
Pseudo R2	0.373		0.351		0.377	
Observations	222		222		222	
Robust sta	ndard errors in pare	entheses, ***	p<0.01, ** p<0	0.05, * p<0	.1	

Table 3.8 – Industry Performance decline Moderating effects on Top Management Team composition as antecedent of the Establishment Mode Deviation Strategy, Probit regression analysis on the establishment mode deviation strategies undertaken by UK firms between 2010 and 2016

Variables	TMT DL I Industry Pe Dec	Diversity X erformance lline	TMT SL E Industry Pe Dec	Diversity X erformance line	TMT All I Industry Pe Dec	Diversity X erformance line
Establishment Mode Deviation	Est	P-Value	Est	P-Value	Est	P-Value
TMT Deep Level diversity	1.514*** (0.367)	0.000	1.864*** (0.400)	0.000	1.736*** (0.329)	0.000
TMT Surface Level Diversity	-1.713*** (0.494)	0.001	-1.868*** (0.480)	0.000	-1.806*** (0.479)	0.000
TMT Deep Level Diversity X Industry Performance Decline	-24.738***	0.002	~ /		-19.669**	0.049
TMT Surface Level Diversity X Industry Performance Decline	(8.020)		-16.582***	0.005	(9.996) -13.130**	0.036
TMT average age	-0.070*** (0.024)	0.003	(5.922) -0.048** (0.020)	0.018	(6.272) -0.063** (0.025)	0.013
TMT international experience	-0.865* (0.510)	0.090	-0.977** (0.456)	0.032	-1.125* (0.614)	0.067
TMT male proportion	2.063* (1.103)	0.061	2.189** (1.116)	0.050	2.246** (1.099)	0.041
Board Nationality Diversity	2.572*** (0.615)	0.000	2.643*** (0.613)	0.000	2.653*** (0.626)	0.000
Board Tenure Diversity	0.261*** (0.052)	0.000	0.247*** (0.050)	0.000	0.264*** (0.051)	0.000
CEO Outsider	0.924*** (0.316)	0.003	0.893*** (0.253)	0.000	0.994*** (0.329)	0.002
CEO Duality	-0.963** (0.435)	0.027	(0.425)	0.011	-1.193** (0.510)	0.019
CEO Duality	-0.725 (0.651) 2.796**	0.207	-0.443 (0.699) 2 703**	0.036	-0.043 (0.730) 2.741**	0.024
TMT Size	(1.343)	0.850	(1.291)	0.050	(1.214)	0.024
R&D Intensity	(0.299)	0.000	(0.267)	0.000	(0.299)	0.000
Firm International Experience	(0.018) 1 570***	0.004	(0.025)	0.012	(0.027)	0.008
Host Country Experience	(0.542) -0.745**	0.031	(0.639)	0.052	(0.637)	0.053
Foreign Greenfield Experience	(0.346) -0.484***	0.000	(0.363) -0.472***	0.000	(0.368)	0.000
Foreign Acquisition Experience	(0.102)	0.000	(0.106)	0.080	(0.120)	0.000
Company Experience	(0.049) -0.033***	0.000	(0.049) -0.029***	0.000	(0.053) -0.031***	0.000
Number of Employees	(0.005) 0.000	0.121	(0.004) 0.000*	0.060	(0.004) 0.000*	0.057
Ownership	(0.000) 1.439*	0.094	(0.000) 1.551**	0.045	(0.000) 1.611*	0.062
CashFlowTotalAssets	(0.860) -5.586***	0.001	(0.774) -6.080***	0.000	(0.863) -6.402***	0.001

	(1.615)		(1.660)		(1.948)	
Financial Leverage	0.023	0.374	0.015	0.577	0.024	0.413
	(0.026)		(0.028)		(0.029)	
Industry Diversification	0.036	0.858	-0.007	0.973	-0.053	0.787
	(0.200)		(0.203)		(0.196)	
Firm Performance Decline	0.006	0.676	0.013	0.427	0.016	0.370
	(0.015)		(0.017)		(0.018)	
Industry Performance Decline	-1.645	0.329	-3.025**	0.048	-3.450**	0.057
	(1.685)		(1.534)		(1.838)	
Industry Technology Level	0.261**	0.020	0.325***	0.003	0.297***	0.007
	(0.112)		(0.109)		(0.110)	
Current Ratio	0.049	0.633	0.103	0.241	0.131	0.235
	(0.102)		(0.088)		(0.111)	
Constant	-1.496***	0.000	-1443***	0.000	-1.524***	0.000
	(0.143)		(0.114)		(0.175)	
Pseudo R2	0.365		0.373		0.386	
Observations	222		222		222	
Robust st	andard errors in pare	entheses, ***	p<0.01, ** p<0).05, * p<0.	.1	

Table 3.9 – Firm Performance decline and Industry Performance decline Moderating effects on Top Management Team composition as antecedent of the Establishment Mode Deviation Strategy, Probit regression analysis on the establishment mode deviation strategies undertaken by UK firms between 2010 and 2016

Variables	Establishment Mode Deviation			
	Est	P-Value		
TMT Deep Level diversity	1.710***	0.000		
	(0.444)			
TMT Surface Level Diversity	-2.457***	0.000		
	(0.447)			
TMT Deep Level diversity X Firm Performance Decline	-0.248**	0.042		
	(0.122)			
TMT Surface Level diversity X Firm Performance Decline	0.067	0.249		
	(0.058)			
TMT Deep Level diversity X Industry Performance Decline	-16.009	0.273		
	(14.593)			
TMT Surface Level diversity X Industry Performance Decline	-13.618*	0.076		
	(7.667)			
TMT average age	-0.066**	0.037		
	(0.032)			
TMT international experience	-0.915	0.212		
L	(0.733)			
TMT male proportion	2.758**	0.013		
	(1.116)			
Board Nationality Diversity	3.327***	0.000		
	(0.637)			
Board Tenure Diversity	0.281***	0.000		
	(0.059)			
CEO Outsider	1.191***	0.003		
CEO M	(0.398)	0.011		
CEO Newness	-1.169**	0.011		
CEO Duality	(0.457) 0.761	0.226		
	-0.701	0.320		
Board Independence	(0.773) 2 000**	0.034		
Board mucpendence	(1 418)	0.034		
TMT Size	-0 173	0.606		
	(0.335)	0.000		
R&D Intensity	-0.139**	0.017		
	(0.058)	····*/		
Firm International Experience	2.004***	0.002		
1	(0.655)			
Host Country Experience	-0.787*	0.053		
	(0.407)			
Foreign Greenfield Experience	-0.511***	0.000		
	(0.137)			
Foreign Acquisition Experience	-0.074*	0.063		
	(0.040)			
Company Experience	-0.031***	0.000		

	(0.005)		
Number of Employees	0.000**	0.037	
	(0.000)		
Ownership	2.253**	0.020	
-	(0.967)		
CashFlowTotalAssets	-7.026***	0.000	
	(1.966)		
Financial Leverage	0.003	0.949	
-	(0.045)		
Industry Diversification	-0.137	0.500	
	(0.203)		
Firm Performance Decline	0.020	0.237	
	(0.017)		
Industry Performance Decline	-3.505	0.127	
	(2.296)		
Industry Technology Level	0.191	0.186	
	(0.144)		
Current Ratio	0.147	0.247	
	(0.127)		
Constant	-1.597***	0.000	
	(0.229)		
Pseudo R2	0.416		
Observations	222		
Robust standard errors in pare	entheses, *** p<0.01, ** p<0.02	5, * p<0.1	
1		-	

Robustness Check

To rule out that ESMD may be simply the result of a managerial miscalculation, we add an important robustness check to our analysis which concerns the subsidiary survival (or exit) of those entities originated from the acquisitions and greenfield investments observed in our sample. Notably, we investigate whether ESMD is detrimental, beneficial or irrelevant to subsidiary performance which we proxy through the survival of the local establishments over time (Gaur and Lu, 2007; Mariotti, Mosconi and Piscitello, 2019). For this purpose, we develop a new model (shown in Table 3.11) where our dependent variable is *Subsidiary Exit*. Consistently with existing literature, subsidiary exit occurs whenever the entity went bankrupt, was liquidated, closed or divested (Garg and Delios, 2007; Li, 1995) by the end of the sample period. Hence, subsidiary exit is a dichotomous variable coded as 1 if the exit occurs within the sample period (considering a two-year lag, i.e. 2018), and 0 otherwise (i.e. subsidiary survival). About 16% of our subsidiaries (35 out of 216) fail by the end of the observation period in our sample.

This new model includes our ESMD variable and other classical controls used by prior research to estimate subsidiary exit (or survival) (Dhanaraj and Beamish, 2009; Garg and Delios, 2007; Gaur and Lu, 2007). We do not include CEO, TMT and Board level variables in this model as

there is no existing evidence that such variables, measured at the HQ level, would affect subsidiary survival.

To undertake our survival analysis, we use Cox's proportional hazard model, which is an efficient, non-parametric way to estimate the effect of our independent variables (covariates) on the exit of our subsidiaries. This methodology has been frequently used to study subsidiary survival (Dhanaraj and Beamish, 2009; Gaur and Lu, 2007). This model accounts for the age of the subsidiary in its estimation, which allows for correcting problems such as censored data (not present in our study) and the ageing of the subsidiary that typically increases its exit probability. Results of our analysis are presented in Table 3.11; quite interestingly, subsidiaries that are originated through ESMD tend to outlive the ones that do not (p-value 0.069). The hazard ratio associated with the ESMD variable suggests that subsidiaries established through ESMD deviation are 54.2% less likely to fail (i.e. probability equal to 1-0.458). This result allows us to quite confidently argue that ESMD did not severely impair subsidiaries business operations and their capability to thrive in the local environment. On the contrary, it supports the long-term benefit of complex nonconformist strategies (Connelly et al., 2017; Tang, Crossan and Rowe, 2011).

Table 3.10. – Summary of all the variables employed in the Survival Analysis (Cox's Proportional Hazard model)

Variable Name	Operationalisation	Role	References
Subsidiary Exit	It is a dummy variable equal to 1 when the	Dependent	(Garg and Delios,
	subsidiary was either liquidated, went bankrupt,	variable	2007; Li, 1995)
	closed or divested in the sample period (also		
	considering two-year lag), 0 otherwise (i.e.		
	subsidiary survival).		
Establishment mode	It is computed using the Leiblein et al. (2002)	Independent	
deviation	governance misfit approach. The estimates of the	variable	
	first stage model (where the probability of		
	undertaking a greenfield investment is computed)		
	correspond to a continuous variable ranging from		(Brouthers and
	0 to 1. In the second stage, we use the estimates		Brouthers, 2000;
	to compute the extent of ESMD, considering		Elia et al., 2014)
	whether the actual investment is a greenfield or		
	an acquisition. Finally, ESMD dichotomous		
	variable will be equal to 1 when our ESMD		
	continuous variable is greater than 0.5, while it		

	will be equal to 0 when ESMD continuous is	
	lower than 0.5.	
R&D intensity	The ratio of research and development expenses to	(Brouthers and
	total sales.	Brouthers, 2000)
Firm international	It captures the dispersion of firm subsidiaries in the	(Ronen and
experience	Ronen and Shenkar (2013) cultural clusters by	Shenkar, 2013)
	applying Blau's (1977) index heterogeneity.	
Host country experience	It is a dummy variable equal to 1 whenever the	(Datta et al., 2015;
	firm is already operating in the target country prior	Slangen, 2011)
	to the firm investment, 0 otherwise.	
Foreign greenfield	We count the number of prior greenfield initiatives	(Dikova and Van
experience	from 2005 till the year of the focal investment.	Witteloostuijn,
Foreign acquisition	We count the number of prior acquisitions from	2007; Slangen and
experience	2005 till the year of the focal investment.	Dikova, 2014)
Company experience	It is computed through the difference between the	(Reuber and
	company foundation year and the current year of	Fischer, 1997)
	the sample.	
Number of employees	It is measured through the number of employees of	(Boellis et al., 2016)
	the firm at year t.	
Ownership	The degree of ownership of the newly acquired or	(Brouthers and
	established entity.	Dikova, 2010;
		Chen, 2008)
Establishment mode choice	The variable is equal to 1 when the investment is a	(Dikova &
	greenfield, 0 when it is an acquisition.	Brouthers, 2015)
Cash flow to total assets	It is calculated as the ratio between cash flows	(Boellis et al., 2016;
	from operations and the total firm assets.	Datta et al., 2015)
Industry diversification	It is the number of NACE Rev.2 industry codes in	(Hennart and Park,
	which the firm is doing business.	1993; Larimo, 2003)
Industry technology level	We have used the Eurostat classification on the	
	high-tech manufacturing industries to create four	
	ordinal categories that capture the level of	(Rabbiosi, Elia and
	technological intensity of the firm core industry	Bertoni, 2012)
	(i.e. High Technology, Medium/High Technology,	
	Medium/Low Technology, and Low Technology).	
Industry munificence	We compute industry munificence at the two digits	(Haynes and
	UK SIC code industry level. Industry munificence	Hillman, 2010;
	is computed as the regression coefficient of time	Nielsen and Nielsen,
	on the annual average sales in a three-year moving	2013; Georgakakis
	period (i.e. 2006-2008, 2007-2009 etc.) divided by	et al., 2017)
	the average sales of the industry in the same	
	period.	
Cultural distance	This distance is gauged through the Kogut and	(Chang and
	Singh (1988) formula, considering the four key	Rosenzweig, 2001;
	original dimensions of national cultural distance	Slangen and
	(i.e. power distance index, individualism versus	Hennart, 2008)

	collectivism, masculinity versus femininity and	
	the uncertainty avoidance index)	
Institutional distance	We compute the formal institutional distance	
	between the home and the host country through the	(Dikova, 2012;
	Euclidean distance implemented through the six	Dikova and
	governance dimensions provided by Kaufmann et	Brouthers, 2015)
	al. (2010)	
Host country political risk	It is estimated through the political uncertainty	(Rienda et al., 2013;
	index by reversing the scale reported in the	Slangen, 2013)
	POLCON dataset.	
Host country market growth	The rate at which the host country GDP	(Boellis et al., 2016;
	changes/grows from one year to another.	Dikova and Van
Host country GDP per capita	It captures the host country national GDP per	Witteloostuijn,
	capita in thousands of dollars (rescaled).	2007; Meyer et al.,
Time to start a new business	Proxy for the difficulty of establishing a new	2009; Yamanoi and
WB	business in the host country, taken from the Ease	Asaba, 2018)
	of Doing Business indicator of the World Bank.	

 Table 3.11 – Results of Survival Analysis (Cox's Proportional Hazard model: Exit=1)

Variables	Subsidiary Exit				
	Hazard Ratio	Est	P-Value		
Establishment Mode Deviation	0.458	-0.781* (0.429)	0.069		
R&D Intensity	0.882	-0.125*** (0.045)	0.005		
Firm International Experience	1.435	0.361 (1.137)	0.751		
Host Country Experience	0.494	-0.704* (0.369)	0.056		
Foreign Greenfield Experience	0.891	-0.115 (0.175)	0.511		
Foreign Acquisition Experience	0.611	-0.493*** (0.095)	0.000		
Company Experience	0.999	-0.001 (0.005)	0.775		
Number of Employees	1.001	0.001*** (0.000)	0.000		
Ownership	0.533	-0.629 (0.936)	0.501		
Establishment Mode Choice	1.043	0.042 (0.377)	0.911		
CashFlowTotalAssets	0.033	-3.416 (2.115)	0.106		

Industry Diversification	0.793	-0.231	0.269	
		(0.209)		
Industry Technology Level	0.899	-0.106	0.429	
		(0.134)		
Industry Munificence	0.168	-1.785	0.674	
		(4.243)		
Cultural Distance	0.895	-0.111	0.422	
		(0.138)		
Institutional Distance	1.158	0.147	0.319	
		(0.147)		
Host Country Political Risk	1.286	0.252	0.847	
		(1.304)		
Host Country Market Growth	0.924	-0.079	0.152	
		(0.055)		
Host Country GDP per Capita	1.000	-0.000	0.778	
		(0.000)		
Time to Start a New Business WB	0.190	-1.663	0.273	
		(1.516)		
Observations		216		
Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1				

3.6 Discussion and conclusion

This study investigates the managerial antecedents of the ESMD, which consists of misaligning the choice between greenfield and acquisitions with respect to the theoretically predicted EMC. With a few notable exceptions (Benischke et al., 2020; Elia, Piscitello and Larsen, 2019), existing entry mode literature has only marginally explored the concept of EMD and little is known about the antecedents of this phenomenon. Elia et al. (2019) and Benischke et al. (2020) are the first two articles to hint at a deliberate managerial role in the execution of EMD. Hence, the authors have the merit to shed new light on the antecedents of ESMD "strategy" and provide a new impetus to this research agenda (Elia, Piscitello and Larsen, 2019). Building on this momentum, we investigate the antecedents of the ESMD for the first time and develop a new possibly complementary view on the antecedents of the ESMD phenomenon. Particularly, we argue that ESMD can be regarded as the result of a wider and non-stereotypical managerial research process that leads to a disruptive and nonconformist strategic initiative.

To verify our take on the ESMD, we drew on the SL literature and we investigated the impact of TMT compositional factors (i.e. TMT deep-level and surface-level diversity) on the likelihood of undertaking ESMD. Because of their underlying properties, these managerial factors have been frequently linked with organisational innovation, strategic change and competitive complexity (Ndofor, Sirmon and He, 2015; Norburn and Schoenberg, 1994; Oehmichen, Schrapp and Wolff, 2017; Sherman, Kashlak and Joshi, 1998). In this sense, the statistical significance and direction of the relationships highlighted in our theoretical development and supported by our empirical results provide evidence for our interpretation of the ESMD.

In this study, we make several contributions to the existing entry mode and SL literature. First, we contribute to the entry mode research literature. In the last decade, entry mode research has been criticised for being saturated literature that lacks novelty (Shaver, 2013); in this respect, EMD represents a new potential research avenue that is still largely unexplored. While existing entry mode research has primarily focused on explaining when firms select optimal entry mode decisions (Brouthers and Hennart, 2007; Dikova and Brouthers, 2015; Zhao, Ma and Yang, 2017), our study shifts the scholarly attention to a new research question which is when companies do not comply with the theoretically predicted establishment mode strategy.

In this regard, we contribute to the existing IB literature that examines the impact of managerial factors on the misalignment between predicted and actual internationalisation outcomes (Buckley, Devinney and Louviere, 2007; Elia, Piscitello and Larsen, 2019; Maitland and Sammartino, 2015a). It is puzzling noticing how managerial-related factors have been underspecified in IB theorising even though IB theories (e.g. Internalization theory, Uppsala models) are defined as "theories of managerial choice" (Buckley *et al.*, 2016, p. 319). As previously suggested by other IB scholars (Aharoni, Tihanyi and Connelly, 2011; Hutzschenreuter, Pedersen and Volberda, 2007; Kirca et al., 2012), we encourage future research to more systematically incorporate managerial and behavioural factors within IB literature to gain a more comprehensive understanding of the mechanisms underlying the formulation and execution of firms' internationalisation strategies.

A more specific contribution is to the new emerging EMD research (Elia et al., 2014; Elia, Piscitello and Larsen, 2019). This study investigates new managerial antecedents of EMD within the first-time explored setting of the establishment mode decision, thus the choice between greenfield and acquisition foreign market entry strategies. We add to the few existing studies delving on the managerial antecedents of the EMD (Benischke et al., 2020; Elia, Piscitello and Larsen, 2019); we argue that the source and extent of diversity of the management team experience and composition can play a fundamental role by respectively enabling (deep-level diversity) or stifling (surface-level diversity) strategic decision-making novelty and aggressiveness in firm internationalisation strategies.

Moreover, we show that organisational and industry contexts, named firm performance and industry performance decline, by fostering social categorisation processes and reducing managerial discretion may discourage firms from undertaking ESMD strategies. However, moderating effects are only partially supported, and firm and industry performance decline seem to have differential effects on TMT diversity. The former is more relevant for TMT deep-level diversity, while the latter has a more significant impact on TMT surface-level diversity. For what concerns firm performance decline, we can suppose that the tension and disruption generated by poor performance would not enhance social categorisation processes in demographic diverse teams as much as they would limit creativity and decision-making aggressiveness of work experience diverse teams. On the other hand, a negative industry outlook could further discourage surface-level diverse teams, but not their deeplevel diverse counterparts who are perhaps more capable (or at least more optimistic) and confident in devising and executing nonconformist strategies in a resource-scarce environment. Future studies could explore further the underlying mechanisms which lead to differential moderating effects.

An additional contribution is to the SL literature. Particularly, our study could help to clarify some of the inconclusive evidence concerning the influence of managers' experiences and characteristics over firms entry mode strategies (Herrmann and Datta, 2002, 2006; Laufs, Bembom and Schwens, 2016; Nielsen and Nielsen, 2011; Xie, 2014). Hence, existing contradicting findings could suggest that managerial factors may be particularly decisive in predicting entry mode misalignment rather than explaining entry mode decisions per se. Therefore, we advise future research to investigate further the impact of different TMT's characteristics and experiences on the entry mode and ESMD to verify our assumption. Future studies should also consider different CEO and TMT members' characteristics and experiences and individual dispositional attributes, e.g. TMT faultlines, behavioural integration, CEO-TMT interface, CEO overconfidence and narcissism (Chatterjee and Hambrick, 2011; Galasso and Simcoe, 2011; Simsek, Heavey and Fox, 2018).

Furthermore, while we consider firm and industry performance decline in this study as internal and external contingencies of the relationship between team composition diversity and ESMD, we suggest future research look at additional contingencies, which may enhance or weaken the TMT's influence over firm entry mode misalignment. For instance, in this research, we have controlled for some factors that affect managerial latitude of action (e.g. firm size, industry characteristics, industry performance, governance variables etc.). However, other aspects at the executive, firm and industry level can affect managers' perception of ESMD and the relationship investigated in this study (e.g. CEO power, the concentration and type of firm ownership, firm performance feedback etc.)

Eventually, albeit our main contribution is about the influence of managerial factors on the ESMD, our empirical findings show a significant effect of distinct firm experiences on the likelihood of ESMD. We find an interesting contrast between firm international experience and country-specific experience regarding their influence over firm ESMD. Specifically, the former increases the likelihood of undertaking ESMD, while the latter produces the opposite effect. Also, prior foreign greenfield and acquisition experience decreases the ESMD propensity, but to a different extent. These

different relationships suggest that distinct firm experiences could lead to different ESMD outcomes, as Elia et al. (2019) proposed in the entry mode choice context. We encourage future research to delve into the nuances of firm international experience and its influence on ESMD. Future studies could also distinguish between different types of ESMD (e.g. failure to undertake greenfield vs acquisition investment).

Our article also provides some relevant managerial implications. First, it informs companies about the different implications of TMT diversity. While TMT deep-level diversity is associated with more innovative, creative, and path-breaking organisational strategies, surface-level diversity seems to curb the benefits of managerial work experience diversity. In fact, despite all kinds of diversity bringing some informational benefits, deriving from the multitude and variety of attitudes and opinions, demographic-related aspects of diversity may not produce the level of innovation and strategic experimentation expected by a heterogeneous team. This is due to social categorisation processes which reduce communication and collaboration among team members who are likely to coalesce and form smaller subgroups, fragmenting the strategic decision-making process. Secondly, firms and shareholders interested in pursuing path-breaking and deviating strategies will have to accurately select managers with certain characteristics, keeping in mind who the incumbent team members are (i.e. characteristics and experiences). Attention should be posed to both the human and social capital endowed by the new individual and his/ her fit with the rest of the team; companies should be aware that his/ her appointment will reshape the compositional diversity of the team and, hence, it will influence its decision-making attitude. Overall, these results suggest to practitioners the importance of carefully selecting the characteristics and experiences of the newly appointed managers at the individual and team level, especially considering the long-term strategy envisioned for their firm and the organisational and industrial context.

Appendix - Figures

Figure A3 - *Effects of the interaction between firm declining performance and TMT Deep Level Diversity*



Figure A4 - *Effects of the interaction between industry declining performance and TMT Surface Level Diversity*



4 Top management team experience diversity and the Foreign Investment Location Complexity: An empirical analysis of UK firms

4.1 Introduction

Countries environments are described by multiple factors, such as political and economic institutions, laws, regulations, technology, competition, customers, suppliers, and distributors. Each of these factors and their interaction determines the complexity that a firm faces in that country. When a firm enters a foreign location, the complexity associated with the aforementioned factors increases owing to the liability of foreignness and outsidership (Johanson and Vahlne, 2009), i.e. the additional uncertainty and unfamiliarity associated with the foreign country environment.

The IB literature has widely acknowledged the role of the external environment in multinational enterprises (MNEs) activities. One of the key IB theories explaining how organisations deal with the complexity of host country environments is the institutional theory (Doh et al., 2017; Kostova et al., 2019; Kostova and Zaheer, 1999; North, 1990). Institutional theory has vastly investigated the role of home and host country formal and informal institutions and has provided abundant evidence on how the latter can influence multiple aspects of firms' internationalisation activities, e.g. the relationship between the HQ and its subsidiaries, the local legitimacy of MNEs subsidiaries, its ability to efficiently and effectively adapt to the host country environment and, consequently, their decision to invest and expand to a certain host country environment (Donnelly and Manolova, 2020; Kostova et al., 2019; Sundaram and Black, 1992). The institutional literature also maintains that the institutional challenges and demands faced by an organisation in a certain host country environment will depend on the quality of its formal institutions as much as on the homehost country differing quality of the institutional environments, which increase the difficulty of doing business abroad and obliges companies to develop new strategies and tactics to function in the new institutional context (De Beule, Elia and Piscitello, 2014; Hernández and Nieto, 2015; Schwens, Eiche and Kabst, 2011).

While extant IB literature has mainly focused on the effect of external environment complexity on MNEs' practices, strategic choices and performance, the mechanisms that steer MNEs through the complexity of different foreign market environments have been largely neglected. This is a crucial issue, given that if we accept that the external complexity of the host country environment

affects the MNEs performance, it is necessary to understand what motivates firms to engage with increasing IB complexity. A complex environment implies that a firm gets routinely confronted with decision-making situations that challenge managers' cognitive capabilities, thereby increasing the pressure on the company's top managers, who are responsible for solving problems and making decisions that are outside the organisation's established knowledge and decision-making routines (Thompson, 1967). However, we expect TMT, i.e. the firm's dominant coalition (Prahalad and Bettis, 1986), in charge of overseeing, coordinating and planning strategic firm's domestic and international expansion activities (Finkelstein, Hambrick and Cannella, 2009; Zhang and Greve, 2019) to perceive external environmental complexity differently (Boyd, Dess and Rasheed, 1993; Hambrick and Snow, 1977). Particularly, we argue that the competencies and experiences residing within the firm's TMT members, shaping their risk and opportunity perception, will play an important role in steering the firm's international expansion towards different types of country environment complexity.

We focus on the IB complexity dimension related to the host country environmental complexity and distinguish between the complexity of national institutional environments (Doh et al., 2017; North, 1990, 1991) and the complexity of national knowledge environments (Hidalgo and Hausmann, 2009), i.e. *institutional* and *economic complexity*. Then, we draw on the SL perspective and Upper Echelon Theory (Hambrick and Mason, 1984; Finkelstein et al., 2009) to explain how TMT members' knowledge and experience backgrounds, namely their international, functional and industry work experience (Bunderson and Sutcliffe, 2002; Nielsen, 2009), could be an important antecedent of the type of host country environment complexity the firm will most likely engage in its foreign investments. Indeed, we expect individual executive and team-level work experiences to influence the perception of complexity and risk associated with certain foreign market environments (Ambos et al., 2020; Buckley, Devinney and Louviere, 2007; Piaskowska, 2017) and thus influence the likelihood of investing and expanding in those country environments.

We leverage this dual categorisation of host country environmental complexity to investigate firms' foreign investment location decisions. With institutional complexity, we refer to the uncertainty and ambiguity faced in low quality and weak institutional environments(Doh et al., 2017; Khanna and Palepu, 2000; Li and Filer, 2007), while economic complexity reflects the technological and competitive challenges of doing business in highly innovative and diversified national production systems (Hidalgo and Hausmann, 2009). These dimensions of complexity contribute to the IB literature that examines the influence of host country environment complexity (e.g. formal and informal institutions) on MNEs foreign investment locations (Buckley et al., 2016; Donnelly and Manolova, 2020; Maitland and Sammartino, 2015b; etc.). Hence, in this paper, we investigate the

managerial antecedents of the environmental complexity of firms foreign investment location decisions by examining the influence of TMT members' work experience backgrounds.

We empirically test our hypotheses through a cross-sectional database including 298 foreign investments undertaken by a sample of 79 UK-based medium-size firms during a seven-year period (i.e. 2010 to 2016). Our findings show that diversity in TMT members' international experience and industry background is associated with institutional environment complexity. In contrast, TMT specialisation in international and industry backgrounds is related to economic complexity. Contrary to our expectations, functional generalists value more economically complex locations than institutionally complex ones. However, an ex-post in-depth analysis of executives' functional experience backgrounds provides a more nuanced contribution, as discussed in the results and conclusion section.

Two main contributions can be identified. First, we contribute to the IB literature by disentangling and operationalising an under-researched dimension of environmental complexity, i.e. the economic complexity of host country environments. We contend that IB literature has captured environmental complexity in multiple ways, but largely from an institutional perspective. The economic complexity dimension allows assessing the complexity of a country underlying productive capabilities and the specialisation of its knowledge. Distinguishing between two facets of environmental complexity helps to unravel the decision-specific mechanisms that orient TMTs' preferences for one or the other location complexity type. Secondly, by theorising and empirically verifying how TMT members' knowledge and experience diversity can shape foreign investment location preferences, we add to the limited existing IB literature that considers managerial characteristics as an antecedent of company foreign investment location decisions (Aharoni, Tihanyi and Connelly, 2011; Kirca et al., 2012; Maitland and Sammartino, 2015b). Eventually, we provide some useful managerial implications outlining how firms should compose their TMTs as they plan to invest and expand into different types of IB complex locations.

The following section introduces and describes the two environmental complexity dimensions (i.e. economic and institutional complexity), which are instrumental to our hypotheses theorising concerning the TMT's decision to invest in one or the other location complexity type.

4.2 Theoretical background

4.2.1 Economic complexity

The concept of economic complexity has received increasing attention in the economics literature due to its importance in explaining and predicting countries future economic growth, average wealth and income inequalities (Jara-Figueroa et al., 2017). The core idea is that the complexity of a country's economy resides in the diversity of its non-tradable knowledge and, hence, in the level of diversification of the national export basket (Hidalgo and Hausmann, 2009). Specifically, the differentiation of the products produced by a country requires the differentiation and specialisation of the types of knowledge underlying their development, translating into a higher complexity of the country's economy.

This conceptualisation challenges the traditional perspective of international trade, where the basket of products exported by a country is mostly fixed, and the most effective strategy is specialising in a small set of goods and, hence, in one (or a few) knowledge domains, by importing what is missing. Conversely, the economic complexity literature claims that the most competitive economies are able to evolve their productive system towards an increasingly complex configuration, i.e. that they are able to develop and export new products by accumulating new sets of specialised knowledge or by recombining the available ones (Cristelli et al., 2013; Hidalgo and Hausmann, 2009; Tacchella et al., 2012, 2013). The result is that complex countries trade a vast number of products, and the most complex countries trade complex products (Battiston et al., 2014).

The highly competitive and challenging environments of industrially developed and technologically advanced complex countries are pushing firms to increase their efficiency and to select one (or a few) of the available knowledge domains, to reach a deep specialisation and to be able to develop continuously new products and processes (Hidalgo and Hausmann, 2009; Jara-Figueroa et al., 2018). Firms that cannot innovate their products and production systems through the development of new specialised knowledge (or the recombination of existing knowledge) will eventually be pushed out of the market, as they will not be able to cope with the country's economic complexity where they operate.

This challenge is even more significant when firms invest abroad, as the liability of foreignness and outsidership amplifies the economic complexity of the foreign economy that firms face in the host location (Johanson and Vahlne, 2009). Both the absorption of the external specialised knowledge and its recombination with the internal knowledge owned by the company is, indeed, limited by the cultural diversity between the home and host country environments (Elia et al., 2019).

On the one hand, differences in languages, coding schemes and communication patterns affect the capability to decode and encode the specialised knowledge developed in a different cultural context (Zaheer and Hernandez, 2011), thus reducing the knowledge acquisition effectiveness (Ang and Inkpen, 2008). On the other hand, cross-border diversity reduces the possibility to successfully integrate the specialised externally sourced knowledge with the knowledge base of the firm due to the distant and unintelligible interpretative schemes and cognitive structures (Das and Teng, 1998), which, in turn, lead to difficult reconceptualisation (Huber, 1991) and challenge the cause-effect relationships (Schilling and Green, 2011).

However, in the attempt to define and capture economic complexity, this literature has solely focused on country-level outcomes and overlooked how firms and individuals cope with the complexity of these countries. Company executives, who are in charge of internationalisation decisions, must possess the capabilities and in-depth knowledge required to make sense and effectively operate in these environments; thus, we expect certain managerial profiles to be more well-suited and prone to invest in knowledge complex locations. In this paper, we draw on UET to link TMT knowledge and experiential characteristics with the decision to invest in economic complex environments.

4.2.2 Institutional Complexity

IB research has devoted significant attention to country-level and regional institutions, intending to understand how MNEs deal with different institutional environments (Doh et al., 2017; Kostova and Zaheer, 1999; North, 1991). In this regard, multiple sources of institutional environment complexity have been identified. First, institutional complexity has to do with the quality of the formal institutions, i.e. rules, laws and constitutions, that govern firms economic activities and influence their strategies and operations (Kostova et al., 2019; North, 1990). The lower the quality, the greater will be the institutional complexity, and informal rules and norms will fill the voids left by weak and unstable institutions (Doh et al., 2017; Khanna and Palepu, 2000). Secondly, institutional complexity is correlated with the differing quality of institutions between the home and host country environments and the challenges deriving from adapting company business models and operations to a new institutional environment and gaining local organisational legitimacy (Estrin, Baghdasaryan and Meyer, 2009; Khanna and Palepu, 2000; Meyer, Mudambi and Narula, 2011).

In this paper, we draw on the new institutional economics strand of institutional theory (North, 1990, 1991), and we focus on the first aspect of institutional complexity, which reflects the quality of the institutions of the host country environment. Existing research has shown that low-quality institutional settings present numerous challenges associated with a high level of external uncertainty.

In institutionally complex environments, managers will have to cope with institutional voids, diffused corruption, opportunistic local stakeholders' behaviours, inefficient capital markets as well as weak law enforcement concerning, for instance, property rights infringements and contractual arrangements with local buyers and suppliers (Doh et al., 2017; Slangen and van Tulder, 2009). In these contexts, government policies can frequently and unexpectedly change regulations undermining foreign businesses legitimacy and affecting their position within the competitive environment (Slangen, 2013). These markets often require executives to adjust their company business models to ensure greater flexibility and adaptation of local subsidiary operations (Khanna, Tarun; Palepu, 2010; Schwens, Eiche and Kabst, 2011). Not surprisingly, research has shown that uncertainty concerning the "rules of the game" leads typically foreign entities to limit their financial exposure and FDIs in such locations (Demirbag, Glaister and Tatoglu, 2007; Hernández and Nieto, 2015).

Additionally, considering the high quality of the UK institutional environment, the complexity perceived by the managers in institutionally complex environments is heightened by their relatively limited knowledge and experience of the local context (Kostova et al., 2019; Trąpczyński, Halaszovich and Piaskowska, 2020). In the absence of transparent and rigorous formal institutions, managers will turn to informal rules that are even less intelligible to outsiders because of their social embeddedness (Williamson, 2000). Confusion and tensions may arise in identifying the right institutional actors and the different legitimacy requirements pertaining to the dual institutional pressure of the HQ's country and the host country institutions (Meyer et al., 2011). Therefore, the institutional differences between the home and host country and the actual challenges associated with investing and doing business in low-quality institutional environments will increase the managerial perception of complexity related to these environments.

Existing IB research has largely investigated the role of home and host country institutions in relation to MNEs' strategic decisions (Aguilera and Grøgaard, 2019; Doh et al., 2017; Kostova, Roth and Dacin, 2008). However, limited literature has explained why certain firms will develop preferences for specific institutional environments and hence most likely engage with the latter in their FDIs. Indeed, only a few studies have related institutional factors to the decision-specific mechanisms leading to foreign investment location decisions (Donnelly and Manolova, 2020; Maitland and Sammartino, 2015a, 2015b). When firms invest in a country with lower institutional quality, managers will have to learn how to deal with local institutional voids and adapt the firm resources and business models to match the local institutional strengths (Goerzen et al., 2013; Kostova et al., 2019). For instance, firms investing in China, which relies on a weak intellectual property regime and low business freedom while maintaining strong market potential, might decide

to overcome the institutional voids by adopting strategies to protect their core knowledge while engaging in partnerships with a local firm to gain access to the local market

Company decision-makers have a privileged position within the organisation as they oversee and coordinate the firm's domestic and international strategic activities (Finkelstein et al., 2009). They are in charge of gathering and processing complex and heterogeneous information arising from internal and external sources, which will be used to formulate appropriate foreign investment strategies, i.e. location and entry mode decisions (e.g. Barkema and Shvyrkov, 2007; Buckley et al., 2007; Herrmann and Datta, 2006; Nielsen and Nielsen, 2011). In this regard, the UET can help us explain how TMT members' knowledge and backgrounds can shape the firm's internationalisation process and, specifically, the degree of institutional complexity associated with company FDIs.

4.3 Hypothesis development

Firm internationalisation has been widely associated with increasing complexity in the firm's internal and external environment (Sanders and Carpenter, 1998; Tihanyi et al., 2000). As firms expand their size and their geographical footprint, they incur rising monitoring costs (Fatemi, 1984) as they need to effectively screen and process an increasingly wide range of information to leverage the benefits and mitigate the risks of internationalisation (Eriksson, Majkgård and Sharma, 1997; Sanders and Carpenter, 1998). Therefore, an important determinant of the complexity that a firm can effectively absorb and handle in the internationalisation process is likely to be TMT members' knowledge and experience. Managers' bounded rationality, i.e. finite information processing capacity and limited access to information (Cyert and March, 1963; March and Simon, 1958), often leads executives to draw on their knowledge and prior experience, as well as those of their colleagues, to process and interpret information and make decisions. Externally acquired information can be both difficult to access and time-consuming to use (Shane, 2000). In this sense, decision-making will be inevitably influenced by executives' experiences and backgrounds, which have been found to be a valid proxy of executives' cognitions, attitudes and values (Bromiley and Rau, 2016; Finkelstein, Hambrick and Cannella, 2009; Hambrick and Mason, 1984).

Existing SL research has suggested that TMT characteristics and experiences will play an even more important role in firm internationalisation decisions as the latter entail a considerable amount of uncertainty and complexity (Hitt *et al.*, 2006; Buckley et al., 2007; Kirca *et al.*, 2012; Chen et al., 2017). TMTs' characteristics and composition have been linked to different firm internationalisation outcomes such as its international performance (Ruigrok et al., 2013), the exporting level (Agnihotri and Bhattacharya, 2015), foreign market entry mode strategies (Herrmann and Datta, 2005; Lee and

Park, 2008; Nielsen, 2010b; Jiang et al., 2018), and, most importantly for our study, the location choice of FDIs (Barkema and Shvyrkov, 2007; Buckley et al., 2018; Hutzschenreuter and Horstkotte, 2013).

SL literature investigating the foreign location choice has found that executives' social capital, network ties, past experiences and cognitions play a relevant role in the decision-making of company foreign location decisions. For instance, studying the Muslim's diaspora Schotter and Abdelzaher (2013) pinpoint the interrelatedness and tightness of Muslim communities in Western countries as a driving force of the firms' internationalisation expansion in the Halal industry. Similarly, Meouloud and colleagues (2019) emphasise the importance of executives' personal and business ties to the foreign growth of Francophone African firms towards other French-speaking countries within Africa and Western countries. Besides executives' networks and ties, other individuals and group-level factors such as managerial cognition and risk-propensity provide additional mechanisms to explain managers' influence in the foreign location choice decision-making process (Buckley et al., 2007; Maitland and Sammartino, 2015; Buckley et al., 2018). Executives' past experiences and knowledge shape managers' risk perception and cognitions and thus their approach and decision-making in IB strategies (Finkelstein, Hambrick and Cannella, 2009). Individuals and team's diverse cognitive capacities and past experiences suggest that decision-makers would assign almost idiosyncratic weights to those risk and complexity-related factors (e.g. institutional barriers, cultural differences, market factors) associated with each foreign investment location (Buckley et al., 2007; Maitland and Sammartino, 2015; Williams and Grégoire, 2015).

While internationalisation is frequently associated with complexity in the extant literature (e.g. Carpenter, 2002; Tihanyi et al., 2000), this study is the first known attempt to disentangle and operationalise different environment complexity types related to foreign investment locations. Drawing on IB literature and UET, this research contends that firm decision-makers will more likely invest in those countries they perceive as less distant and less complex due to their individual and group-level cognition, knowledge, and backgrounds (Piaskowska, 2017; Williams and Grégoire, 2015). Specifically, we contend that managerial perception of complexity will significantly depend on the alignment between the managers' knowledge and capabilities and the information processing demands associated with the institutional and knowledge environment of the host country market (Kaczmarek and Nyuur, 2021; Szilagyi and Schweiger, 1984; Thomas and Ramaswamy, 1996). Greater alignment between managerial knowledge and country environment informational demands would reduce the perception of uncertainty and complexity associated with that specific source of environment complexity (Carpenter, Pollock and Leary, 2003; Piaskowska and Trojanowski, 2014). Moreover, managers would perceive these markets as more pertinent IB opportunities for their firms

and hold greater confidence in successfully addressing the challenges and demands involved by the foreign market expansion in the target country.

4.3.1 TMT international experience diversity

International work experience is one of the most widely studied antecedents of strategy and performance outcomes in the SL literature (e.g. Carpenter, Sanders and Gregersen, 2001; Daily, Certo and Dalton, 2000; Herrmann and Datta, 2005; Le and Kroll, 2017; Sambharya, 1996). International experience provides managers with knowledge, skills, and abilities valuable to internationalising firms (Dickmann and Harris, 2005; Suutari and Mäkelä, 2007). TMT members with extensive exposure to a variety of international environments during their careers are likely to be better equipped to scan and process a wide range of information in the internationalisation process, and thus they are more likely to respond effectively to the challenges of operating in complex institutional environments.

We argue that there are two primary reasons why TMTs with diverse international experience backgrounds are more likely to pursue higher levels of institutional complexity in the internationalisation process; thus, they are more likely to invest in institutionally complex environments. First, exposure to various foreign institutional settings will enhance the strategic capabilities of the TMT (Dragoni et al., 2014); specifically, it will increase the capability to work effectively across institutional boundaries and manage the complexity deriving from a broad array of specific demands, concerning company's international stakeholders as well as multiple and contrasting institutional requirements (Dikova, 2012). Additionally, large and dispersed executives' international networks will help them envision and assess new profitable international investment opportunities and make them more aware of the risks and opportunities lying in institutionally complex complex environments (Tan and Meyer, 2010).

Secondly, internationally experienced TMT members are likely to have – through their previous exposure to different institutional environments – a reduced perception of complexity associated with lower quality institutional environments (Dragoni *et al.*, 2014; Clark et al., 2017). Intrapersonal international career experience variety exposes managers to multiple systems, cultures, ideas and conceptions which can be very dissimilar, and thus provide them with greater cognitive flexibility and tolerance for ambiguity to accommodate and address requirements coming from different and institutionally complex environments (Godart et al., 2015; Le and Kroll, 2017). This means that TMT members are more likely to positively evaluate international opportunities without perceiving the added complexity of increasing international exposure as a significant barrier to further

internationalisation. Thus, we expect to find a positive relationship between the diversity of TMT members' international backgrounds and the level of institutional complexity of the investment location.

H1a: TMT international experience diversity is positively associated with the level of institutional complexity of the foreign investment location.

While diverse exposure to international working environments equips TMT members with knowledge and strategic capabilities that are valuable in the internationalisation process, there are also some potential drawbacks of accumulating vast international experience (Georgakakis, Dauth and Ruigrok, 2016; Suutari and Mäkelä, 2007). For example, studies have argued that extensive international work experience is associated with reduced access to core organisational actors, accumulation of fragmented knowledge, and more peripheral network connections (Georgakakis et al., 2016; Hamori and Koyuncu, 2011). Indeed, while existing research has provided evidence that vast and dispersed international networks can be particularly relevant in fragile and fluid institutions (e.g. institutional complex locations), this might not be the case for more mature and industrially advanced environments. In the latter, network centrality and more embedded ties represent a stronger asset for companies and their managers to overcome the complexity of institutionally advanced and knowledge complex locations (Jackson and Deeg, 2008; Wu et al., 2021).

In fact, there will also be certain benefits associated with dense networks and more specialised executive career backgrounds (Seibert, Kraimer and Liden, 2001), for example, promoting more specialised knowledge accumulation and a greater in-depth understanding of national innovation systems. This, in turn, would imply that executives with geographically dense international careers are more likely to possess the ability to effectively coordinate localised knowledge-intensive activities and identify knowledge recombination opportunities across specialised knowledge domains (Rickley, 2019). Thus, we hypothesise that top managers with less diverse international backgrounds are more comfortable with managing the complexity associated with knowledge-intensive environments, and – vice versa – that firms with more TMT international experience diversity are more likely to focus on internationalisation into countries with a lower level of economic complexity.

H1b: TMT international experience diversity is negatively associated with the level of economic complexity of the foreign investment location.

4.3.2 TMT functional experience diversity

The functional background of TMT members is widely employed as a proxy for the knowledge and expertise that each individual brings to the team (Bunderson, 2003). A TMT member with diverse functional experience is associated with a broad cross-functional knowledge base and an enhanced ability to leverage opportunities and solve organisational challenges across different knowledge and functional domains within the organisation (Cannella, Park and Lee, 2008). TMT members with a high level of functional background diversity are likely to be considered important assets for large and complex organisations.

As a firm expands internationally, we argue that TMT members with diverse functional career backgrounds are advantageous to the firm. Different functions within an MNE face varying economic integration and local responsiveness pressures (Bartlett and Ghoshal, 1989). Such pressures are likely to differ in line with the complexity of the institutional environments in which the firm operates. Hence, if the firm operates in complex institutional environments, this is likely to exacerbate the challenge of achieving an appropriate strategy-structure fit due to the cross-national heterogeneity of function-specific demands, affecting the complexity of inter-unit structural integration. Additionally, host countries characterised by weak and low-quality institutions present numerous challenges across different functional areas. Issues such as marketing campaigns, distributors' identification and selection, local financing are pivotal to the success of the newly established venture in such ambiguous and unstable environments (De Beule et al., 2014). Functional experience heterogeneity helps individual executives and the overall team scan, search and process large amounts of ambiguous and fragmented information and find effective solutions to different functional and cross-functional problems arising from institutional voids in the host country market (Qian et al., 2013).

Under these circumstances, we expect that firms with TMT members with more diverse functional backgrounds will be able to more effectively respond to the challenge of integrating different functional domains in a multi-country setting and address the task demands engendered by these precarious and hazardous contexts. Thus, we hypothesise that a higher presence of TMT members with diverse functional backgrounds is positively related to the level of institutional complexity associated with the chosen host-country environment.

H2a: TMT functional experience diversity is positively associated with the level of institutional complexity of the foreign investment location.

The degree of functional background diversity is closely associated with the notion of whether an individual team member is a broad generalist or a narrow functional specialist (Bunderson and Sutcliffe, 2002). While functional generalists are more likely to be adept at solving complex coordination and integration tasks across functional domains, functional specialists provide the firm with the in-depth knowledge and expertise required to leverage opportunities and mitigate risks in more knowledge-intensive environments (Teodoridis, Bikard and Vakili, 2018). Functional generalists might be bewildered and discouraged by the cognitive complexity of economic complex environments, attributable to the level of sophistication and continuous technological improvements of the organisations competing in such environments (Child and Rodrigues, 2011); on the other hand, functional specialists due to their specialised experience and cognitions will be more comfortable in information gathering and decision-making in those environments.

While TMTs dominated by functional specialists are likely to lack the required breadth of knowledge to pursue international expansion that entails high institutional complexity, they are more likely to thrive under conditions of high economic complexity, as specialised TMT members will be able to combine their domain-specific knowledge and expertise in novel ways to create new opportunities. Moreover, their deeper understanding of their subject matter allows them to better spot and seize emerging opportunities within the target market (Li and Patel, 2019). Additionally, in technologically advanced and knowledge complex environments, speed of decision-making can be critical not to miss out on significant business opportunities or industry technological changes. In this sense, less heterogeneous and specialised teams are more likely to achieve strategic consensus and swiftly implement the innovations and changes required to be competitive in such markets (Kanadlı, Bankewitz and Zhang, 2018).

Hence, we suggest that TMTs consisting of narrow functional specialists, because of their specialised knowledge and the challenges related to knowledge-intensive environments, are more likely to favour investments in countries associated with high economic complexity; indeed, they will perceive these locations as less ambiguous and uncertain, thus more valuable business opportunities due to their specialised cognitions. Accordingly, we hypothesise functionally diverse TMTs to be less likely to choose economically complex locations:

H2b: TMT functional experience diversity is negatively associated with the level of economic complexity of the foreign investment location.

4.3.3 TMT industry experience diversity

Industry experience is another important aspect of TMT members' experience portfolios (Nielsen, 2009). In past research, TMT members' industry backgrounds have been primarily associated with the ability of firms to capitalise on entrepreneurial growth opportunities (Eisenhardt

and Schoonhoven, 1990; Kor, 2003). Advantages of diverse industry backgrounds in TMTs include the ability to consider a wider range of strategic options, a higher propensity to engage in constructive conflict, and the avoidance of groupthink in strategic decision-making processes (Eisenhardt and Schoonhoven, 1990). Given these advantages, TMT members with diverse industry backgrounds are likely to add value in the process of dealing with complex institutional environments.

First, the ability to consider a wide range of opportunities and engage in effective informationprocessing across different industry contexts is likely to be of relevance in the context of high institutional complexity. Diverse industry backgrounds are likely to promote a flexible mindset and a more open and lateral approach to new opportunities (Gabaldon, Kanadlı and Bankewitz, 2018; Prahalad and Bettis, 1986). Therefore, complex institutional environments are more likely to be viewed in terms of the opportunities they offer rather than the barriers they present (Lee and Park, 2006). Second, TMT members with diverse industry backgrounds are more likely to possess industryspecific knowledge that is at least partially transferable across institutional contexts. The presence of a wider range of industry-specific knowledge within the TMT may reduce the perceived difficulty of entering and establishing a business in a complex institutional environment. All things considered, these arguments suggest that a TMT with diverse industry backgrounds will be more willing to expand firm international activities into institutionally complex countries.

H3a: TMT industry experience diversity is positively associated with the level of institutional complexity of the foreign investment location.

While we have so far emphasised the advantages of TMT members' exposure to different industries, there can also be potential advantages of having TMT members with less diverse industry backgrounds. For example, Nielsen (2009) argues that top managers with shared industry backgrounds are more inclined to find common ground in handling opportunities and threats facing the firm. Indeed, top managers with in-depth industry experience can be more efficient and effective in making decisions and understanding medium and long-term technological, regulatory and competitive trends in economic complex environments (Castanias and Helfat, 2001; Judge and Miller, 1991).

Less exposure to different industry backgrounds is likely to reinforce established dominant logic among TMT members. This can serve as a potential advantage in the identification and exploration of complex opportunities, as a TMT consisting of industry specialists is more likely to possess the detailed knowledge and understanding required to identify new knowledge creation and recombination opportunities in advanced knowledge-intensive environments (Oehmichen, Schrapp and Wolff, 2017). Conversely, a team of industry generalists is more likely to overlook opportunities under conditions of high economic complexity, as their fragmented and diversified industry knowledge is most likely insufficient to identify and leverage opportunities in a highly knowledge-intensive environment. Furthermore, top managers with greater industry-specific experience are more likely to possess the relevant knowledge and networks required to overcome the liability of outsidership in the host country market (Cooper et al., 1994; Kor and Misangyi, 2008). The depth and breadth of their relationships with the industry stakeholders help them to startup and effectively run their companies operations in highly competitive and fast-changing technological foreign environments (Kor, 2003; Kor and Sundaramurthy, 2009).

Hence, we expect TMTs with more specialised industry experience to be more confident in handling the challenges and informational demands associated with highly developed and industrially advanced environments, thus preferring destinations characterised by a higher level of economic complexity. Therefore,

H3b: TMT industry experience diversity is negatively associated with the level of economic complexity of the foreign investment location.

4.4 Methods

4.4.1 Sample and data

To test our hypotheses, we collected detailed information on a set of companies, their subsidiaries, foreign market entries and the characteristics of their TMTs during a seven-year period, from 2010 to 2016.

As a first step, we obtained from Orbis, a database provided by Bureau Van Dijk, a sample of 116 companies. The selection was made respecting the following criteria: firms had to be global ultimate owners based in the United Kingdom, listed on a stock exchange, operating in the manufacturing sector (classified with a NACE Rev.2 comprised between 10 to 32), and with a number of employees between 50 to 1,000. The selection of solely global ultimate owners ensures that the TMT is responsible for the firm strategy decision-making, while TMTs of controlled companies may be the simple executors of someone else's decisions. The requirement of including only listed companies was motivated by two reasons. First, public listed companies have better access to financing; thus, they are more likely to have the financial resources necessary to internationalise. Second, public companies have a legal obligation to produce and disclose certified financial

documents such as firm annual reports on a regular basis, which facilitate our data collection and guarantees more reliable and higher-quality data.

Furthermore, we only selected firms from manufacturing industries to avoid confounding industry effects on the internationalisation process. Additionally, compared to service sectors, manufacturing firms are more likely to internationalise through FDIs. We selected 1000 employees as our firm size upper threshold; this sample choice is not uncommon in SL and IB microfoundational studies that examine the relationship between executives' characteristics and firm organisational outcomes (Buyl et al., 2014; Villagrasa et al., 2017). At the same time, we exclude firms with less than 50 employees as they are less likely to internationalise through equity mode investments due to their limited financial and human resources (Gerschewski, Rose and Lindsay, 2015; Knight and Liesch, 2016). Finally, we consider the United Kingdom as the country of our sample as it is one of the largest outbound foreign investors in the World, ranked as the fourth largest only after the US, Japan and China in 2017 (Ward, 2019). However, much less empirical research has focused on the UK context than on other prominent foreign investors.

We acquired financial data mostly from Orbis and Fame databases, both provided by Bureau Van Dijk, while we hand-collected subsidiaries data and equity-based investments largely from companies annual reports and companies websites. Finally, we collected information regarding the TMT of each firm for each year. We defined the TMT as the executive directors of the board of directors drawing on existing literature examining UK companies (Nielsen and Nielsen, 2013; Nielsen, 2009; Piaskowska and Trojanowski, 2014). Demographic data and detailed career information were gathered for every member of the company executive team. Managers' data were collected from company annual reports, company websites, public statements and internet sources such as UK government pages, Companies House, Bloomberg, Reuters, and LinkedIn. The information collected was coded consistently with the SL literature (e.g. career length, company tenure, board tenure, educational level, functional experience, international experience etc.) (Finkelstein et al., 2009; Finkelstein and Hambrick, 1996).

As in our study, we examine the influence of TMT composition over the IB complexity of firm foreign investment locations, our sample includes only those firms that have undertaken FDIs in the period considered. Hence, our final sample includes 79 UK firms undertaking 298 equity mode investments. On average, firms undertake 3.8 FDIs in the seven years considered, while the standard deviation is equal to 3.9. More than half of the foreign market entry strategies adopted are majority stake (i.e. 90% ownership and above), and about 57% of the investments are acquisitions, while the remaining (43%) are greenfield investments. The United States is the most frequent location of investment (22%), Germany and China follow (each one 8%), then Australia, Canada, Sweden and

Netherlands counting each one 4% of the total investments whereas Indonesia, Singapore, Hong Kong, France, Spain and Brazil account on average 3-2% each. Overall, foreign investments took place in 56 different countries.

4.4.2 Dependent variable

As stated in the hypothesis development section, our research examines the relation between TMT knowledge and experiences and the type of complexity of the host country environment. We analyse two different aspects of complexity, both related to the investment location chosen by our companies: *institutional complexity* and *economic complexity*.

To measure the IC, we employ the Economic Freedom Index (EFI) measured by the Heritage Foundation that accounts for 12 institutional factors grouped into four categories: the rule of law, government size, regulatory efficiency, open markets. We contend that economic freedom is a strong and accurate indicator of a country's institutional complexity. It accounts for heavily regulated environments, weak enforcement of property rights, burdensome tax rates, inefficient legal systems, diffused corruption, frequent government interferences, strict labour laws etc. These factors capture the degree of institutional complexity the firm and its decision-makers face (Bjornskov and Foss, 2016; Gwartney and Lawson, 2003).

The EFI ranges from 0 to 100, and higher scores are associated with higher economic freedom. Thus, we decided to rescale and reverse the measure to obtain a continuous variable (i.e. institutional complexity) that ranges from 0 to 1, where 1 is theoretically the highest possible complexity associated with a country environment.

Economic complexity has been measured through the Economic Complexity Index (ECI) obtained from the Observatory of Economic Complexity²⁸. ECI measures the relative knowledge intensity of an economy through the diversity and knowledge intensity of the products in the country's export basket (Hidalgo, 2021; Hidalgo and Hausmann, 2009). ECI can be either positive or negative and is higher for those countries that are more knowledge-intensive. In 2016 Japan scored the highest, the United States was ranked in the 10th position, and China was ranked 31st. ECI can assume both positive and negative values, so we decided to normalise ECI metrics for each country. We obtain a continuous variable with values ranging from 0 to 1, where 1 is the highest theoretical possible economic complexity and 0 is the lowest.

²⁸ Economic Complexity legacy rankings can be viewed at the Observatory of Economic Complexity website

4.4.3 Main Explanatory variables

In line with our hypotheses, we have three explanatory variables related to the TMT's previous working experiences. All three variables measure the average TMT members' intrapersonal career diversity (Bunderson and Sutcliffe, 2002) and are operationalised through the Blau (1977) heterogeneity construct consistently with previous studies (Georgakakis, Dauth and Ruigrok, 2016; Georgakakis, Greve and Ruigrok, 2021; Nielsen and Nielsen, 2013; Nielsen, 2010a). We apply Blau's heterogeneity index to assess each individual's career experience diversity and then compute the average value at the team level. Therefore, we have constructed the following three variables: *TMT International Experience Diversity*²⁹, *TMT Functional Experience Diversity*³⁰ and *TMT Industry Experience Diversity*³¹.

4.4.4 Control variables

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Our models include the following control variables: TMT average education level, TMT age diversity, TMT tenure diversity, the proportion of foreigners in the TMT, TMT size, CEO experience, CEO duality, ROA, operating revenue, number of employees, firm diversification, international diversification, R&D intensity, industry technology level, cultural distance, geographic distance, ownership, country-specific experience, establishment mode choice, Average institutional complexity, Average economic complexity, year dummies.

TMT average education level is measured by assigning each TMT member a score from 1 (school) to 7 (PhD) based on his/ her highest achieved degree³²; then, the average of the TMT is computed. *TMT age diversity* and *TMT tenure* diversity are operationalised with the respective coefficient of variation of age and tenure (Barkema and Shvyrkov, 2007; Oehmichen et al., 2017). Like education, age affects individuals' cognitions, information-processing capabilities and risk perceptions. Age diverse teams can draw from the combination of older members, who have greater

²⁹ To measure TMT international work experience diversity, we consider the number of foreign countries and the years spent in each of them by every manager of the top management team. This variable takes into account executives' international work experience which must have a minimum duration of 6 months to be considered.

³⁰ To construct TMT functional experience diversity, we have identified ten functional areas based on Cannella et al. (2008), with slight adaptations to account for contextual differences. The coding manual, which is available upon request, includes a detailed description of the functional domains and a list of job titles associated with each functional area. Functional categories examples are FACC, MNAT, PROD, MASA and they refer to functional work experiences within the areas of finance and accounting, general management and entrepreneurship, production and operations and marketing and sales respectively.

³¹ To measure the TMT Industry Experience Diversity, we rely on the first 2 digits of the primary NACE Rev.2 industry code of each company where the executive has worked and the length of experience in each industry code.

³² Educational qualifications are ranked as following: high school diploma or its equivalent (1), vocational qualification (2), executive programme (3), bachelor level (4), graduate master level (5), postgraduate master level (6) and finally, doctor level (7). For each executive we consider only his/ her educational level.

knowledge and experience, and younger members, who usually are more creative and have better information-processing capabilities (Herrmann and Datta, 2006; Tihanyi et al., 2000). Likewise, TMT tenure diversity may enrich team discussion with different individuals' perspectives, personal networks and firm experiences (Barkema and Shvyrkov, 2007). We also control for the *TMT size*, which is defined as the number of executive directors within the board of directors (Nielsen and Nielsen, 2013; Nielsen, 2009; Piaskowska and Trojanowski, 2014).

Although firm strategic decisions are likely to be the result of a shared decision-making process, the CEO is the most powerful and influential actor within the TMT (Hambrick, 2007; Hambrick and Quigley, 2014); therefore, we control for CEO effects. *CEO experience* is defined as the number of years of previous experience as a CEO of a company. CEO duality is a dummy variable equal to 1 if the CEO is also the chairman of the board of directors. CEO duality may increase the CEO's power and influence over the remaining directors (Krause, Semadeni and Cannella, 2014).

We also included several firm-level variables to account for different firm effects. We adopt the return on assets ratio (ROA) to measure the firm's profitability and company operating revenues as an additional performance control. Instead, the logarithm of the firm number of employees is used as a proxy of company size. We also control for the firm *industry diversification* defined as the number of different NACE Rev. 2 industry codes in which the firm operates. Furthermore, R&D intensity is considered as a proxy of the knowledge intensity and complexity of the firm (Markarian and Parbonetti, 2007). R&D intensity is computed through the ratio of R&D expenditures to operating revenue. Additionally, we include *industry technology intensity*, an ordinal variable that indicates the level of technology intensity of the sector in which the firm primarily operates. We have referred to the Eurostat classification³³ on the high-tech manufacturing industries to create four distinct technology levels (i.e. High Technology, Medium/High Technology, Medium/Low Technology, and Low Technology). International diversification captures the firm's international experience and refers to the dispersion of firms' international activities across multiple host countries. It is operationalised through Blau's (1977) index as in previous studies (Miller, Lavie and Delios, 2016). Moreover, we compute the *average economic* and *institutional complexity* associated with the portfolio of countries where the firm does business in the year prior to the deal. The average was weighted by the number of firm-operated subsidiaries in each country.

Finally, we add some important controls concerning the type of investment and the host country environment. We measure the level of *ownership* in the new entity and the type of *establishment mode choice*. The latter is equal to 1 when the newly established entity is a greenfield

³³ Classification is based on NACE Rev.2 2-digit Sic Codes. Specifically, 21 and 26 are classified as High-Technology; 20, 27, 28, 29, 30 Medium-High-Technology; 19, 22, 23, 24, 25, 33 Medium-Low-Technology; 10, 11, 12, 13, 14, 15, 16, 17, 18, 31, 32 Low-Technology

and 0 when it is an acquisition. *Geographic distance* is measured relying on country distances provided by CEPII database (i.e. capital city to capital city), while *cultural distance* is gauged through the Kogut and Singh (1988) formula, considering the four key original dimensions of national cultural distance. *Host Country Market Growth* is measured through the GDP growth of the target country as it is meant to capture the attractiveness of the host country market (Brouthers and Brouthers, 2000). Eventually, we computed *country-specific experience* through a dummy variable which is equal to 1 if the firm has previously invested in the target country and 0 otherwise. Eventually, we include *time dummies* for each year of the period considered.

Table 4.1. – Summary of all the variables employed in the Tobit regression analysis in the FirstStage model

Variable Name	Operationalisation	Role	References
Institutional Complexity	We employ and reverse the Economic Freedom	Dependent	(Bjornskov and
Economic Complexity	Index measured by the Heritage Foundation. EFI	variable	Foss, 2016; Boellis
	ranges from 0 to 100, where higher scores are		et al., 2016;
	associated with higher economic freedom.		Gwartney and
	Reversing this measure and rescaling it (dividing		Lawson, 2003)
	by 100), we obtain a continuous variable ranging		
	from 0 to 1. Higher scores correspond to higher		
	institutional complexity levels. This measure is		
	computed for each host-country investment.		
	This variable uses the Economic Complexity		(Hidalgo, 2021;
	Index obtained from the Observatory of		Hidalgo and
	Economic Complexity. ECI can be either positive		Hausmann, 2009)
	or negative and is higher for more knowledge-		
	intensive countries. We normalise the variable		
	ranging from 0 to 1, where 1 is the highest		
	theoretical possible economic complexity. This		
	measure is computed for each host-country		
	investment.		
TMT international	For each TMT member, we have gathered data	Independent	(Nielsen and
experience diversity	about its past international, functional and	variables	Nielsen, 2013;
TMT functional experience	industry experience. We apply Blau's (1977)		Nielsen and
diversity	index formula at the individual level and measure		Hillman, 2019;
TMT industry experience diversity	each TMT member intrapersonal international,		Georgakakis et al.,
	functional and industry career experience		2016; Mueller et al.,
	diversity. We then compute the average		2021)
intrapersonal career diversity at the team level for each work experience dimension.

TMT We classify executives' TMT members' (Herrmann Output and career functional work experiences in two (mutually Datta, 2006; experience exclusive) categories: input and output functional Heyden, Sidhu and experience. We measure for each TMT member Volberda, 2018; the proportion of career experience in output Reimer, Van Doorn functions. Output functions are defined according and Heyden, 2017) to the SL literature.

		Control	
		Variables	
TMT age diversity	It is computed by dividing the standard deviation		(Rivas, 2012;
	of TMT members' age (where each TMT member		Oehmichen et al.,
	age is computed from the date of birth to the year		2017; Vallone et al.,
	of reference) by the average team age.		2019)
TMT tenure diversity	Tenure diversity is measured by dividing the		(Barkema and
	standard deviation of TMT members' position		Shvyrkov, 2007;
	tenure by the average TMT position tenure.		Oehmichen et al.,
TMT avanage advection level	We identify the highest education level for each		2017) (Bantal and Jackson
TWT average education level	TMT member, which is classified following Upper		(Danter and Jackson,
	Echolons tradition		Triana and Li 2020)
TMT size	It captures the number of executive directors		(Finkelstein and
TWT SIZE	sitting on the Board of directors which is		Hambrick 1990:
	consistent with our definition of a top management		Haleblian and
	team		Finkelstein, 1993:
			Piaskowska and
			Trojanowski, 2014)
CEO experience	CEO experience is defined as the number of years		(Hamori and
	of previous experience as a CEO of a company.		Koyuncu, 2015)
CEO duality	It is a dummy variable equal to 1 when the CEO is		(Georgakakis and
	also the Chairman of the Board, 0 otherwise.		Ruigrok, 2017;
			Singh and Delios,
			2017)
ROA	It stands for return on assets, and it measures the		(Barkema and
	firm profitability. It is calculated as the ratio of the		Shvyrkov, 2007;
	net income from operating revenues and the total		Elia et al., 2021)
	company assets.		
Operating revenues	It is the rescaled measure (divided by a million) of		(Elia et al., 2021)
	the total company operating revenues.		
Number of employees	It is measured through the logarithm of the number		(Barkema and
	of employees of the firm at year t.		Shvyrkov, 2007;
			Boellis et al., 2016)

Industry diversification	It is the number of NACE Rev.2 industry codes in which the firm is doing business.	(Hennart and Park, 1993; Larimo, 2003)
International diversification	The variable captures the firm's international experience through the dispersion of firms' international activities across multiple host countries. It is operationalised through Blau's (1977) index, where the categories are the n th country location and p is the proportion of subsidiaries in the i th country of the n th country locations.	(Miller, Lavie and Delios, 2016)
R&D intensity	It is the ratio of research and development expenses over the total sales.	(Brouthers and Brouthers, 2000)
Industry technology intensity	We have used the Eurostat classification on the high-tech manufacturing industries to create four ordinal categories that capture the level of technological intensity of the firm core industry (i.e. High Technology, Medium/High Technology, Medium/Low Technology, and Low Technology).	(Rabbiosi, Elia and Bertoni, 2012)
Cultural distance	This distance is gauged through the Kogut and Singh (1988) formula, considering the four key original dimensions of national cultural distance (i.e. power distance index, individualism versus collectivism, masculinity versus femininity and the uncertainty avoidance index)	(Chang and Rosenzweig, 2001; Slangen and Hennart, 2008)
Geographic distance	It is operationalised using country distance measures provided by the CEPII database (i.e. capital city to capital city).	(Boellis et al., 2016; Håkanson and Ambos, 2010)
Host country market growth	The rate at which the host country GDP changes/grows from one year to another is meant to capture the attractiveness of the host country.	(Boellis et al., 2016; Dikova and Van Witteloostuijn, 2007)
Ownership	The degree of ownership of the newly acquired or established entity in the foreign investment location.	(BrouthersandDikova,2010;Chen, 2008)
Country specific experience	It is a dummy variable equal to 1 whenever the firm is already operating in the target country before the firm investment, 0 otherwise.	(Datta et al., 2015; Slangen, 2011)
Establishment mode choice	The variable is equal to 1 when the investment is a greenfield, 0 when it is an acquisition.	(Dikova & Brouthers, 2015)
Portfolio average institutional complexity	We adopt the institutional complexity index and compute it for each subsidiary location in the year before the focal foreign investment. Then we take the average institutional complexity at the company portfolio level.	

Portfolio average economic	We adopt the economic complexity index and		
complexity	compute it for each subsidiary location in the year		
	before the focal foreign investment. Then we take		
	the average economic complexity at the company		
	portfolio level.		
Year dummies	We construct year dummies for each year of the	(Barkema	and
	sample period.	Shvyrkov,	2007;
		Elia et al., 20	21)

Tables

Table 4.2 – Correlation matrix and descriptive statistics of variables employed in our models

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1	Institutional complexity	1.00																									
2	Economic complexity	-0.34	1.00																								
3	TMT International Exp. Diversity	0.12	-0.10	1.00																							
4	TMT Functional Exp.	0.11	0.11	0.12	1.00																						
_	Diversity TMT Industry Exp.	-0.11	0.11	0.12	1.00																						
5	Diversity	0.11	-0.06	0.13	-0.21	1.00																					
6	TMT Output Functional	0.07	0.05	0.01	0.00	0.1.1	1 00																				
	Career Exp. TMT Average	-0.06	0.05	-0.21	-0.02	-0.14	1.00																				
7	Education Level	0.05	0.00	0.16	-0.03	0.26	-0.27	1.00																			
8	TMT Age Diversity	-0.01	0.02	-0.36	-0.28	0.03	-0.13	-0.16	1.00																		
9	TMT Tenure Diversity	0.00	0.16	-0.13	0.13	-0.15	0.19	-0.22	0.20	1.00																	
10	TMT Size	-0.09	0.08	-0.22	-0.02	-0.27	-0.20	-0.11	0.45	0.37	1.00																
11	CEO Experience	-0.18	0.10	-0.17	-0.10	0.13	-0.14	-0.09	0.39	0.17	0.29	1.00															
12	CEO Duality	0.07	-0.01	-0.21	0.07	-0.25	0.00	-0.10	0.35	0.15	0.24	0.28	1.00														
13	ROA	0.10	-0.01	-0.04	-0.14	-0.04	0.08	-0.35	0.02	0.14	0.07	0.13	-0.04	1.00													
14	Operating Revenues	-0.13	0.10	0.12	-0.15	0.08	0.04	-0.10	0.12	-0.03	-0.01	-0.02	-0.08	0.19	1.00												
15	Number of Employees	0.05	0.04	-0.02	-0.43	0.28	-0.04	-0.19	0.28	-0.09	0.06	0.09	-0.02	0.39	0.26	1.00											
16	Industry Diversification	0.01	-0.01	0.02	0.05	-0.25	0.19	-0.21	0.11	0.13	0.06	-0.12	0.00	0.10	0.12	0.04	1.00										
17	International diversification	0.01	-0.10	0.29	-0.29	0.25	-0.17	-0.03	0.22	-0.02	0.05	0.28	0.00	0.32	0.14	0.37	-0.12	1.00									
18	R&D Intensity	-0.04	0.10	0.00	0.09	0.04	-0.07	0.12	0.01	-0.14	-0.01	-0.02	-0.03	-0.46	-0.07	-0.23	-0.05	-0.30	1.00								
19	Industry Technology Intensity	-0.04	0.02	0.10	-0.17	0.14	-0.42	0.20	0.12	-0.14	0.00	0.12	-0.14	-0.17	-0.08	0.05	-0.35	0.12	0.04	1.00							
20	Cultural distance	0.48	-0.20	0.10	-0.10	-0.02	0.12	-0.08	0.01	0.04	-0.08	-0.10	0.05	0.09	0.02	0.04	0.04	0.11	-0.10	-0.04	1.00						

22 Host Country Market Growth 0.33 -0.17 -0.02 0.08 0.08 -0.01 0.04 0.09 -0.05 0.00 -0.16 0.28 0.32 1.00 23 Ownership 0.04 0.07 0.11 0.02 -0.01 0.06 0.09 -0.05 0.01 0.04 0.09 -0.05 0.00 -0.16 0.28 0.32 1.00 24 Country Specific Experience 0.13 -0.23 0.12 0.01 0.06 0.09 -0.05 0.01 -0.05 0.00 -0.01 0.04 0.09 -0.05 -0.01 0.00 -0.01 0.00 0.00 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 -0.02 0.00 -0.01 0.01 0.01 0.02 0.01 0.01 0.01 0.02 0.01 0	21	Geographic distance	-0.09	-0.50	0.04	0.06	0.09	-0.03	-0.02	-0.07	-0.05	-0.03	-0.05	-0.10	-0.01	0.04	-0.02	-0.02	0.07	-0.07	-0.02	0.04	1.00					
23 Ownership 0.33 -0.17 -0.02 0.08 -0.01 -0.01 0.04 0.09 -0.05 0.00 -0.16 0.28 0.32 1.00 23 Ownership 0.04 0.07 0.11 0.02 -0.01 0.06 0.09 -0.06 0.03 -0.04 -0.22 0.06 -0.13 0.04 -0.09 0.05 -0.04 -0.02 1.00 24 Country Specific Experience 0.13 -0.23 -0.12 0.01 -0.06 0.12 -0.08 0.00 0.09 -0.05 0.00 -0.06 -0.17 0.05 -0.19 0.07 -0.11 0.30 0.08 0.12 0.06 1.00 25 Stabilishment Mode Choice 0.18 -0.05 0.05 0.14 -0.39 0.18 0.18 -0.19 -0.08 0.12 -0.11 0.05 0.14 0.25 -0.28 0.54 -0.10 0.34 0.03 0.05 -0.11 -0.17 -0.4 0.20 0.66 -0.11 -0.15 0.11 -0.15 0.11 -0.15	22	Host Country Market																										
23 Ownership 0.04 0.07 0.11 0.02 -0.01 0.06 0.09 -0.06 0.10 -0.08 0.05 -0.04 -0.22 0.06 -0.13 0.04 -0.09 0.05 -0.04 -0.02 1.00 24 Country Specific Experience 0.13 -0.23 -0.12 0.01 -0.06 0.12 -0.08 0.00 0.09 -0.05 -0.13 -0.05 0.00 -0.06 -0.17 0.05 -0.19 0.07 -0.11 0.30 0.08 0.12 0.06 1.00 25 Extablishment Mode Choice 0.18 -0.05 0.05 0.14 -0.03 0.10 -0.05 -0.08 -0.06 -0.03 -0.23 0.17 -0.14 0.07 -0.15 0.24 0.12 0.27 0.18 0.37 1.00 26 Portfolio Average Institutional Complexity 0.03 0.04 0.15 0.17 0.03 -0.22 0.03 -0.17 0.04 0.27 0.18 0.37 1.00 27 Portfolio Average Institutional Complexity 0.08		Growth	0.33	-0.17	-0.02	0.08	0.08	-0.01	-0.04	-0.09	0.11	0.00	-0.08	0.08	0.10	-0.01	0.04	0.09	-0.05	0.00	-0.16	0.28	0.32	1.00				
24 Country Specific Experience 0.13 -0.23 -0.12 0.01 -0.06 0.12 -0.05 0.00 -0.06 -0.17 0.05 -0.19 0.07 -0.11 0.30 0.08 0.12 0.06 1.00 25 Establishment Mode Choice 0.18 -0.05 0.14 -0.03 0.10 -0.09 0.01 0.10 -0.05 -0.08 -0.06 -0.03 -0.23 0.17 -0.14 0.07 -0.15 0.24 0.12 0.06 1.00 26 Portfolio Average Institutional Complexity Portfolio Average Economic Complexity 0.03 -0.10 0.36 -0.22 0.40 -0.39 0.18 0.18 -0.19 -0.08 0.12 -0.11 0.05 0.14 0.25 -0.28 0.54 -0.10 0.34 0.33 0.05 -0.11	23	Ownership	0.04	0.07	0.11	0.02	-0.01	0.06	0.09	-0.06	0.10	-0.08	0.05	-0.06	-0.03	-0.04	-0.22	0.06	-0.13	0.04	-0.09	0.05	-0.04	-0.02	1.00			
Experience Establishment Mode Choice 0.13 -0.23 -0.12 0.01 -0.06 0.12 -0.08 0.00 0.09 -0.05 -0.13 -0.05 0.00 -0.06 -0.17 0.05 -0.19 0.07 -0.11 0.30 0.08 0.12 0.06 1.00 26 Establishment Mode Choice 0.18 -0.05 0.05 0.14 -0.03 0.10 -0.05 -0.08 -0.06 -0.03 -0.23 0.17 -0.14 0.07 -0.15 0.24 0.12 0.27 0.18 0.37 1.00 26 Portfolio Average Institutional Complexity Portfolio Average 0.03 -0.10 0.36 -0.22 0.40 -0.39 0.18 0.18 -0.19 -0.08 0.12 -0.11 0.05 0.14 0.03 0.05 -0.11 -0.11 0.10 0.07 -0.11 0.07 0.11 -0.11 0.01 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.11 0.07 0.	24	Country Specific																										
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26 Portfolio Average Institutional Complexity 0.03 -0.10 0.36 -0.22 0.40 -0.39 0.18 0.18 -0.19 -0.08 0.12 -0.11 0.05 0.14 0.25 -0.28 0.54 -0.10 0.34 0.03 0.05 -0.11 -0.07 -0.03 1.0 27 Portfolio Average Economic Complexity 0.08 0.16 -0.16 0.20 -0.19 0.04 0.15 -0.15 0.17 0.03 -0.22 0.03 -0.17 -0.04 -0.20 0.06 -0.47 0.11 -0.15 -0.11 -0.04 0.07 0.21 -0.04 0.07 -0.21 0.04 0.07 0.21 -0.04 0.07 -0.21 0.04 0.10 -0.15 0.11 -0.15 0.11 -0.16 0.07 0.21 -0.04 0.07 0.21 -0.04 0.07 0.21 -0.04 0.07 0.21 -0.04 0.07 0.21 -0.04 0.07 0.24 0.10 0.10	20	Choice	0.18	-0.05	0.05	0.14	-0.03	0.10	-0.09	0.01	0.10	-0.05	-0.08	-0.06	-0.03	-0.03	-0.23	0.17	-0.14	0.07	-0.15	0.24	0.12	0.27	0.18	0.37	1.00	
20 Institutional Complexity Portfolio Average 0.03 -0.10 0.36 -0.22 0.40 -0.39 0.18 0.18 -0.19 -0.08 0.12 -0.11 0.05 0.14 0.25 -0.28 0.54 -0.10 0.34 0.03 0.05 -0.11 -0.11 -0.07 -0.03 1.0 27 Economic Complexity Economic Complexity 0.08 0.16 -0.16 0.20 -0.19 0.04 0.15 -0.15 0.17 0.03 -0.22 0.03 -0.17 -0.04 -0.20 0.06 -0.47 0.11 -0.16 0.07 0.21 -0.04 0.07 -0.4 0bservations (No.) 219 215 219	26	Portfolio Average																										
27 Portfolio Average Economic Complexity 0.08 0.16 -0.16 0.20 -0.19 0.04 0.15 -0.17 0.03 -0.22 0.03 -0.17 -0.04 -0.20 0.06 -0.47 0.11 -0.15 -0.11 -0.16 0.07 0.21 -0.04 0.07 -0.44 Observations (No.) 219 215 219 <td>20</td> <td>Institutional Complexity</td> <td>0.03</td> <td>-0.10</td> <td>0.36</td> <td>-0.22</td> <td>0.40</td> <td>-0.39</td> <td>0.18</td> <td>0.18</td> <td>-0.19</td> <td>-0.08</td> <td>0.12</td> <td>-0.11</td> <td>0.05</td> <td>0.14</td> <td>0.25</td> <td>-0.28</td> <td>0.54</td> <td>-0.10</td> <td>0.34</td> <td>0.03</td> <td>0.05</td> <td>-0.11</td> <td>-0.11</td> <td>-0.07</td> <td>-0.03</td> <td>1.00</td>	20	Institutional Complexity	0.03	-0.10	0.36	-0.22	0.40	-0.39	0.18	0.18	-0.19	-0.08	0.12	-0.11	0.05	0.14	0.25	-0.28	0.54	-0.10	0.34	0.03	0.05	-0.11	-0.11	-0.07	-0.03	1.00
21 Economic Complexity 0.08 0.16 -0.16 0.20 -0.19 0.04 0.15 -0.17 0.03 -0.20 0.04 -0.17 -0.14 -0.15 -0.11 -0.16 0.07 0.21 -0.04 0.07 -0.4 Observations (No.) 219 215 219	27	Portfolio Average																										
Observations (No.) Mean 219 215 219	27	Economic Complexity	0.08	0.16	-0.16	0.20	-0.19	0.04	0.15	-0.15	0.17	0.03	-0.22	0.03	-0.17	-0.04	-0.20	0.06	-0.47	0.11	-0.15	-0.11	-0.16	0.07	0.21	-0.04	0.07	-0.4
Mean 0.30 0.70 0.14 0.27 0.48 0.49 4.45 0.10 0.44 2.74 11.32 0.11 0.01 5 5.95 1.37 0.65 3.92 3.06 1.63 5.47 2.84 0.96 0.67 0.42 0.27 Std. Dev. 0.10 0.15 0.14 0.14 0.20 0.19 0.94 0.07 0.30 0.92 6.63 0.31 0.15 7 1.24 0.78 0.24 3 1.09 1.41 4.17 2.42 0.15 0.47 0.49 0.00 Min 0.10 0.26 0.00 0.00 0.10 1.75 0.00 0.00 1.00 1.00 0.01 2.20 1.00 0		Observations (No.)	219	215	219	219	219	206	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219	219
Std. Dev. 0.30 0.70 0.14 0.27 0.48 0.49 4.45 0.10 0.44 2.74 11.32 0.11 0.01 5 5.95 1.37 0.65 3.92 3.06 1.63 5.47 2.84 0.96 0.67 0.42 0.2 Std. Dev. 0.10 0.15 0.14 0.14 0.20 0.19 0.94 0.07 0.30 0.92 6.63 0.31 0.15 7 1.24 0.78 0.24 3 1.09 1.41 4.17 2.42 0.15 0.47 0.49 0.0 Min 0.10 0.26 0.00 0.00 0.00 1.00 1.00 1.00 0.00 -0.93 0.01 2.20 1.00 0.00 0.08 0.32 -3.55 0.15 0.00 0.00 0.26 0.00 0.00 0.00 1.00 1.00 0.00 -0.93 0.01 2.20 1.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00		Mean														102.8												
Std. Dev. 185.6 34.3 0.10 0.15 0.14 0.14 0.20 0.19 0.94 0.07 0.30 0.92 6.63 0.31 0.15 7 1.24 0.78 0.24 3 1.09 1.41 4.17 2.42 0.15 0.47 0.49 0.00 Min 0.10 0.26 0.00 0.00 0.00 1.00 1.00 0.00 -0.93 0.01 2.20 1.00 0.00 0.08 0.32 -3.55 0.15 0.00 0.00 0.28 1.419. 11.1 11.1 0.56 1.00 0.67 0.71 0.78 1.00 6.50 0.28 1.42 6.00 36.00 1.00 0.22 23 8.35 5.00 0.95 50 4.00 5.09 5 1 1.00 1.00 0.33			0.30	0.70	0.14	0.27	0.48	0.49	4.45	0.10	0.44	2.74	11.32	0.11	0.01	5	5.95	1.37	0.65	3.92	3.06	1.63	5.47	2.84	0.96	0.67	0.42	0.28
Min 0.10 0.15 0.14 0.14 0.20 0.19 0.94 0.07 0.30 0.92 6.63 0.31 0.15 7 1.24 0.78 0.24 3 1.09 1.41 4.17 2.42 0.15 0.47 0.49 0.00 Min 0.10 0.26 0.00 0.00 0.10 1.75 0.00 0.00 1.00 1.00 0.01 2.20 1.00 0.00 0.08 0.32 -3.55 0.15 0.00 0.00 0.28 1.850. 419. 19.1 11.1 11.1 1.00 1.00 0.33 0.22 23 8.35 5.00 0.95 5.0 4.00 5.09 5 1 1.00 1.00 0.33		Std. Dev.														185.6				34.3								
Min 0.10 0.26 0.00 0.00 0.10 1.75 0.00 0.00 1.00 0.00 -0.93 0.01 2.20 1.00 0.00 0.08 0.32 -3.55 0.15 0.00 0.00 0.28 Max 1850. 419. 19.1 11.1 11.1 1.00 1.00 0.36			0.10	0.15	0.14	0.14	0.20	0.19	0.94	0.07	0.30	0.92	6.63	0.31	0.15	7	1.24	0.78	0.24	3	1.09	1.41	4.17	2.42	0.15	0.47	0.49	0.03
Max 1850. 419. 19.1 11.1 0.56 1.00 0.67 0.71 0.78 1.00 6.50 0.28 1.42 6.00 36.00 1.00 0.22 23 8.35 5.00 0.95 50 4.00 5.09 5 1 1.00 1.00 0.3		Min	0.10	0.26	0.00	0.00	0.00	0.10	1.75	0.00	0.00	1.00	1.00	0.00	-0.93	0.01	2.20	1.00	0.00	0.00	1.00	0.08	0.32	-3.55	0.15	0.00	0.00	0.2
0.56 1.00 0.67 0.71 0.78 1.00 6.50 0.28 1.42 6.00 36.00 1.00 0.22 23 8.35 5.00 0.95 50 4.00 5.09 5 1 1.00 1.00 1.00 0.3		Max														1850.				419.			19.1	11.1				
			0.56	1.00	0.67	0.71	0.78	1.00	6.50	0.28	1.42	6.00	36.00	1.00	0.22	23	8.35	5.00	0.95	50	4.00	5.09	5	1	1.00	1.00	1.00	0.38

4.5 Analytical Strategy and Results

Our final database is cross-sectional and consists of 259 observations, which are the number of investments undertaken by 75 firms in the six-year period from 2011 to 2016. We dropped observations related to 2010 as we include one-year lagged variables (i.e. average economic complexity and average institutional complexity).

We have developed two models with two distinct dependent variables (institutional complexity and economic complexity) and tested the same independent and control variables. We aim to understand how international, functional, and industry experience diversity of TMTs, thus the knowledge and experiences of the TMT members influence the level of economic and institutional complexity of the target country of investment. We tested our hypotheses with a Tobit model due to the nature of our dependent variables. As per their construction, these variables are forced to range between 0 and 1, so they have an upper and lower theoretical limit, equal to 1 and 0. Additionally, we test the same model specification with an OLS estimator³⁴ and find no substantial differences between the two models. Furthermore, we clustered standard errors at the firm level, thus allowing standard errors correlation among same firm observations.

Results

Table 4.2 shows the correlation matrix and some descriptive statistics of our models' dependent and independent variables. Correlation coefficients are all relatively small, which suggests that our models are not affected by multicollinearity issues; however, we tested for multicollinearity and inspected the values of variance inflation factors (VIFs). The VIF values range from 1.09 to 2.72, so they are well below the suggested maximum threshold equal to 10 (Guo, Chumlea and Cockram, 1996).

Table 4.3 and Table 4.4 show the results of our Tobit models by reporting the coefficients, standard errors and p-values of our explanatory and control variables. The econometric analyses provide statistical evidence about the relationship between the TMT career experience diversity variables and the level of institutional and economic complexity associated with the foreign market entries. The signs are broadly in line with our hypotheses, positive in the first and negative in the latter. *TMT International Experience Diversity* is confirmed to have a significant positive effect on the propensity to invest in institutionally complex environments (p<0.01), whereas it has a negative

³⁴ Results of the OLS models will be made available upon request

effect on economic complexity (p<0.01). Indeed, hypotheses 1a and 1b are supported by our empirical analyses. Likewise, *TMT Industry Experience Diversity* is positively associated with the level of institutional complexity of the target country where the company foreign investment has occurred (p<0.1), while the effect is negative on the degree of economic complexity (p<0.05), thus mostly³⁵ supporting hypotheses 3a and 3b.

Contrary to our expectations, *TMT Functional Experience Diversity* has a weakly negative significant relationship with the level of institutional complexity of the host country (p<0.1), while results suggest a stronger positive effect on the level of economic complexity (p<0.05). Hence, both hypotheses 2a and 2b are not verified. Later on, we provide an ex-post explanation on why this might be the case.

Our analyses also show that *TMT age* diversity increases the likelihood of entering high institutional complex countries by allowing different perspectives and attitudes within the team (p<0.05), while the opposite relationship is found for economic complexity environments (p<0.05). This result may indicate that in more industrially and technologically advanced economies, managerial experience matters to a greater extent (over the diversity of perspectives), as also supported by the *CEO Experience* effect. The latter has a significant positive effect on the likelihood of investing in an economic complex environment (p<0.01) and is negatively related to institutional complexity (p<0.05). Quite interestingly, *TMT Tenure Diversity* strongly leads to locations with a higher level of economic complexity (p<0.01). This suggests that having different lengths of firm-specific experience within the team could benefit decision-making capability to overcome the challenges posed by economic complex countries.

Looking at firm-level variables, we observe that bigger companies, i.e. high *Operating Revenues* and *Number of Employees*, are endowed with greater capabilities and resources to face economic complex environments (p<0.01). However, the magnitude of the coefficients of these two variables hints that their effects are not particularly relevant. Similar conclusions can be drawn for companies that heavily invest in research and development activities, i.e. *R&D Intensity* (p<0.01). Our analyses also suggest that institutional complex economies are more likely to be located in *culturally distant* countries (p<0.01), while economic complex countries are *geographical* nearer (p<0.01), which is not surprising United Kingdom geographical position. Eventually, *Country*-

³⁵ We interpret our hypotheses by examining the fully specified model which is reported in the far-right column of Tables 4.3 and 4.4. We understand neither hypothesis 2a nor hypothesis 3a are statistically verified when considering TMT functional exp. diversity and TMT industry exp. diversity standalone variables. In this sense, our hypotheses verification is partially weakened by this lack of statistical evidence. However, considering Aguinis et al. (2017) and Busenbark and Lee (2021) recommendations to pose greater attention to the fully specified model for the interpretation of our results as well as the consistency of both magnitude and direction of our key independent variables coefficients, we are confident to argue that hypothesis 1a/b and 3a/b are mostly supported by our empirics.

Specific Experience and *Establishment Mode Choice* are respectively negatively (p<0.01) and positively (p<005) related to the level of economic complexity associated with the target country of investment.

	IC n	nodel						
Variables	Coeff (Std. Err.)	P-value						
TMT International Exp. Diversity	0.141***	0.001					0.156***	0.000
1 2	(0.044)						(0.043)	
TMT Functional Exp. Diversity			-0.058	0.238			-0.089*	0.051
· ·			(0.049)				(0.045)	
TMT Industry Exp. Diversity					0.062	0.125	0.073*	0.073
Thir mausury Exp. Diversity					(0.040)		(0.041)	
TMT Average Education Level	0.009 (0.006)	0.170	0.008 (0.007)	0.230	0.006 (0.006)	0.361	0.005 (0.006)	0.418
TMT Age Diversity	0.367***	0.002	0.197**	0.034	0.187**	0.027	0.335***	0.002
	(0.114)		(0.093)		(0.084)		(0.106)	
TMT Tenure Diversity	-0.015	0.439	-0.014	0.486	-0.013	0.510	-0.016	0.395
	(0.019)		(0.020)		(0.020)		(0.018)	
TMT Size	-0.010	0.198	-0.008	0.308	-0.007	0.384	-0.006	0.472
	(0.007)		(0.008)		(0.008)		(0.008)	
CEO Experience	-0.002***	0.008	-0.002**	0.017	-0.003***	0.009	-0.002**	0.011
I	(0.001)		(0.001)		(0.001)		(0.001)	
CEO Duality	-0.009	0.594	-0.010	0.594	0.010	0.691	0.003	0.899
	(0.017)		(0.019)		(0.024)		(0.024)	
ROA	0.086	0.121	0.070	0.207	0.085	0.164	0.096	0.104
	(0.055)		(0.055)		(0.061)		(0.059)	
Operating Revenues	-0.000***	0.000	-0.000***	0.000	-0.000***	0.000	-0.000***	0.000
	(0.000)		(0.000)		(0.000)		(0.000)	
Number of Employees	-0.000	0.970	-0.003	0.657	-0.002	0.702	-0.006	0.336
	(0.005)		(0.006)		(0.006)		(0.007)	
Industry Diversification	-0.010	0.193	-0.004	0.674	-0.001	0.910	-0.007	0.336
	(0.008)		(0.010)		(0.010)		(0.008)	
International diversification	-0.014	0.667	0.001	0.977	0.006	0.864	-0.025	0.446
	(0.031)		(0.036)		(0.033)		(0.033)	
R&D Intensity	-0.000	0.661	0.000	0.991	0.000	0.893	-0.000	0.486
	(0.000)		(0.000)		(0.000)		(0.000)	
Industry Technology Intensity	-0.005	0.437	-0.004	0.560	-0.000	0.969	-0.005	0.398
	(0.006)		(0.006)		(0.006)		(0.006)	
Cultural distance	0.027***	0.000	0.028***	0.000	0.029***	0.000	0.027***	0.000
	(0.005)		(0.005)		(0.005)		(0.005)	
Geographic distance	-0.005**	0.025	-0.004**	0.028	-0.005**	0.023	-0.005**	0.025
	(0.002)		(0.002)		(0.002)		(0.002)	

Table 4.3 – Managerial Antecedents of firm Foreign Investments in Institutional Complexlocations, Tobit Regression analyses on foreign investments occurring between 2011 and 2016

Host Country Market Growth	0.013**	0.012	0.013**	0.014	0.012**	0.020	0.013**	0.013
	(0.005)		(0.005)		(0.005)		(0.005)	
Ownership	-0.022	0.460	-0.011	0.689	-0.007	0.791	-0.032	0.270
	(0.029)		(0.026)		(0.026)		(0.029)	
Country Specific Experience	-0.000	0.971	0.006	0.612	0.004	0.737	0.001	0.940
	(0.011)		(0.012)		(0.011)		(0.011)	
Establishment Mode Choice	-0.002	0.878	0.001	0.924	0.000	0.976	-0.003	0.850
	(0.015)		(0.015)		(0.016)		(0.014)	
Portfolio Average Institutional Complexity	0.058	0.795	0.296	0.184	0.239	0.262	0.036	0.872
	(0.225)		(0.222)		(0.212)		(0.222)	
Portfolio Average Economic Complexity	0.065	0.199	0.076	0.185	0.078	0.209	0.074	0.194
	(0.051)		(0.057)		(0.062)		(0.057)	
Year Dummies	Yes		Yes		Yes		Yes	
Constant	0.213**	0.015	0.174*	0.059	0.128	0.151	0.267***	0.005
Observations	219		219		219		219	
Prob> F	0.000		0.000		0.000		0.000	
Pseudo R2	0.292		0.278		0.281		0.308	

Standard errors clustered at the level of the acquiring firm in parentheses; *** p<0.01, ** p<0.05, * p<0.1

	EC n	nodel						
Variables	Coeff (Std. Err.)	P-value						
TMT International Exp. Diversity	-0.160**	0.020					-0.191***	0.008
	(0.068)						(0.072)	
TMT Functional Exp. Diversity			0.135**	0.050			0.172**	0.013
			(0.068)				(0.068)	
TMT Industry Exp. Diversity					-0.074*	0.079	-0.099***	0.010
					(0.042)		(0.038)	
TMT Average Education Level	-0.001	0.925	0.000	0.986	0.003	0.762	0.005	0.556
	(0.009)		(0.011)		(0.010)		(0.009)	
TMT Age Diversity	-0.403***	0.004	-0.189	0.116	-0.200*	0.094	-0.363***	0.008
	(0.139)		(0.120)		(0.119)		(0.135)	
TMT Tenure Diversity	0.085***	0.005	0.085***	0.007	0.084***	0.010	0.087***	0.002
	(0.030)		(0.031)		(0.032)		(0.028)	
TMT Size	0.002	0.762	-0.001	0.935	-0.000	0.948	-0.003	0.712
	(0.007)		(0.008)		(0.008)		(0.008)	
CEO Experience	0.002	0.109	0.002*	0.071	0.002**	0.035	0.002*	0.059
	(0.001)		(0.001)		(0.001)		(0.001)	
CEO Duality	-0.015	0.499	-0.009	0.715	-0.037*	0.087	-0.027	0.273
	(0.022)		(0.024)		(0.021)		(0.025)	
ROA	-0.037	0.522	-0.013	0.842	-0.036	0.593	-0.048	0.403
	(0.057)		(0.064)		(0.068)		(0.058)	
Operating Revenues	0.000***	0.000	0.000***	0.000	0.000***	0.000	0.000***	0.000
1 0	(0.000)		(0.000)		(0.000)		(0.000)	
Number of Employees	0.012**	0.040	0.018***	0.005	0.015***	0.007	0.023***	0.001
1 2	(0.006)		(0.006)		(0.006)		(0.007)	
Industry Diversification	-0.003	0.816	-0.010	0.537	-0.013	0.377	-0.007	0.569
2	(0.012)		(0.015)		(0.015)		(0.012)	
International diversification	-0.052	0.138	-0.059	0.103	-0.073**	0.043	-0.030	0.402
	(0.035)		(0.036)		(0.036)		(0.036)	
R&D Intensity	0.000***	0.002	0.000***	0.005	0.000***	0.001	0.000***	0.003
	(0.000)		(0.000)		(0.000)		(0.000)	
Industry Technology Intensity	0.009	0.246	0.011	0.185	0.004	0.615	0.011	0.200
	(0.008)		(0.008)		(0.008)		(0.008)	
Cultural distance	-0.011	0.222	-0.012	0.197	-0.013	0.160	-0.010	0.252
	(0.009)		(0.009)		(0.009)		(0.009)	
Geographic distance	-0.016***	0.000	-0.016***	0.000	-0.016***	0.000	-0.016***	0.000
	(0.002)		(0.002)		(0.002)		(0.002)	
Host Country Market Growth	-0.002	0.746	-0.001	0.778	-0.000	0.924	-0.001	0.815
	(0.005)		(0.005)		(0.005)		(0.005)	
Ownership	0.038	0.480	0.030	0.556	0.022	0.663	0.061	0.328
	(0.054)		(0.051)		(0.051)		(0.062)	
Country Specific Experience	0.072***	0.000	0.062***	0.005	0.067***	0.001	0.069***	0.001
-	(0.020)		(0.022)		(0.020)		(0.020)	

Table 4.4 – Managerial Antecedents of firm Foreign Investments in Economic Complex locations,Tobit Regression analyses on foreign investments occurring between 2011 and 2016

Establishment Mode Choice	0.043** (0.018)	0.020	0.037** (0.018)	0.044	0.039** (0.019)	0.043	0.043** (0.017)	0.013
Portfolio Average Institutional Complexity	0.049	0.863	-0.284	0.337	-0.156	0.616	0.084	0.769
1	(0.286)		(0.295)		(0.310)		(0.286)	
Portfolio Average Economic Complexity	0.008	0.929	0.000	0.997	-0.007	0.944	-0.014	0.885
1 2	(0.090)		(0.103)		(0.105)		(0.096)	
Year Dummies	Yes		Yes		Yes		Yes	
Constant	0.703***	0.000	0.699***	0.000	0.796***	0.000	0.591***	0.002
Observations	215		215		215		215	
Prob> F	0.000		0.000		0.000		0.000	
Pseudo R2	0.509		0.506		0.498		0.544	

Standard errors clustered at the level of the acquiring firm in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Additional Analyses and Robustness Checks

As previously described, the effect of TMT functional experience diversity on our dependent variables is not aligned with our theorising. Hence, we decided to investigate further what types of functional experience could drive these apparent counterintuitive results. Therefore, we adopt a commonly used distinction in the SL literature between output and throughput functional career experience (Hambrick and Mason, 1984; Herrmann and Datta, 2006; Heyden et al., 2018). We classify executives' previous functional experiences following the existing literature³⁶, and we measure their career portion spent in one or the other type of functions for each executive. We then compute the average for the whole management team.

Results presented in Table 4.5 suggest that TMTs with greater career experience in output functions will more likely opt for locations with higher institutional complexity (p<0.01), while the same functional experience decreases the likelihood of investing in high economic complex environments (p<0.05). Overall, these results suggest that it might be more insightful to differentiate between the different functional experience types rather than their aggregate form in relation to the international strategic outcome investigated in this research.

Additionally, to check whether the size of our companies influences the results of our empirical analyses, we constructed a dummy variable that is equal to 1 whenever the firm size is greater than 250 employees and 0 otherwise (62% of the observations of our sample refer to companies who have more than 250 employees). We interacted our key explanatory variables with this dummy variable and found that interaction terms are not significantly related to our dependent variables, and the explanatory variables direct effects remain substantially unchanged³⁷. This robustness check shows that the 250 firm's employees threshold size does not affect the main relationships investigated in our study.

³⁶ TMT member output functional career experience includes work experience in the areas of sales/ marketing, product R&D, general management and entrepreneurship. On the other hand, executives' throughput functional experience refers to the work experience gained in production/operations, finance, process R&D, human resource, accounting/ data processing and information systems (Herrmann and Datta, 2006). The two measures are highly correlated (0.85) as these two categories are for the most cases mutually exclusive, thus only a few types of functional experiences do not fall into one or the other category. Because of the high correlation we can only run one TMT functional experience variable at the time, thus for the sake of space we decide to report only TMT Output functional experience.

	IC n	nodel	EC n	nodel
Variables	Coeff (Std. Err.)	P-value	Coeff (Std. Err.)	P-value
TMT International Exp. Diversity	0.111** (0.045)	0.014	-0.142** (0.069)	0.042
TMT Output Functional Career Exp.	0.082^{***} (0.031)	0.008	-0.114** (0.044)	0.011
TMT Industry Exp. Diversity	0.102**	0.014	-0.084* (0.047)	0.075
TMT Average Education Level	0.007	0.208	(0.047) 0.002 (0.008)	0.763
TMT Age Diversity	0.273**	0.023	-0.275* (0.156)	0.081
TMT Tenure Diversity	-0.006	0.771	0.065**	0.029
TMT Size	-0.004 (0.006)	0.544	0.005	0.542
CEO Experience	-0.003*** (0.001)	0.000	0.002*	0.060
CEO Duality	0.030** (0.014)	0.031	-0.054*	0.090
ROA	0.116** (0.057)	0.043	-0.055 (0.058)	0.344
Operating Revenues	-0.000*** (0.000)	0.000	0.000*** (0.000)	0.000
Number of Employees	-0.003 (0.006)	0.553	0.013** (0.006)	0.033
Industry Diversification	-0.006 (0.007)	0.450	-0.011 (0.012)	0.387
International diversification	-0.031 (0.030)	0.309	-0.039 (0.036)	0.290
R&D Intensity	0.000 (0.000)	0.828	0.000** (0.000)	0.016
Industry Technology Intensity	-0.004 (0.006)	0.492	0.008 (0.009)	0.372
Cultural distance	0.029*** (0.005)	0.000	-0.015 (0.009)	0.110
Geographic distance	-0.004**	0.033	-0.017*** (0.002)	0.000
Host Country Market Growth	0.010** (0.005)	0.044	0.002 (0.005)	0.689
Ownership	-0.019 (0.026)	0.474	0.064 (0.063)	0.310
Country Specific Experience	0.001	0.920	0.074***	0.000

Table 4.5 – Managerial Antecedents of firm Foreign Investments in Economic Complex locations, Tobit Regression analyses on foreign investments occurring between 2011 and 2016, Additional Analysis on TMT Functional Output Experience

(0.012)		(0.020)	
0.003	0.856	0.039**	0.047
(0.016)		(0.019)	
-0.130	0.527	0.304	0.286
(0.205)		(0.284)	
0.048	0.390	-0.008	0.929
(0.056)		(0.088)	
Yes		Yes	
0.213**	0.010	0.692***	0.000
206		202	
0.000		0.000	
0.319		0.577	
acquiring fi	rm in parei	ntheses; *** p	<0.01, **
	(0.012) 0.003 (0.016) -0.130 (0.205) 0.048 (0.056) Yes 0.213** 206 0.000 0.319 acquiring fit	(0.012) 0.003 0.856 (0.016) -0.130 0.527 (0.205) 0.048 0.390 (0.056) Yes 0.213** 0.010 206 0.000 0.319 acquiring firm in paren	(0.012) (0.020) 0.003 0.856 0.039** (0.016) (0.019) -0.130 0.527 0.304 (0.205) (0.284) 0.048 0.390 -0.008 (0.056) (0.088) Yes Yes 0.213** 0.010 0.692*** 206 202 0.000 0.000 0.319 0.577

 $p\!\!<\!\!0.05, *p\!\!<\!\!0.1$

4.6 Discussion and conclusion

We investigate how TMT members' knowledge and experience can influence the type of IB complexity of companies' foreign investment locations. Specifically, we distinguish between institutional complexity, which arises from low-quality and weak institutions, and economic complexity, which arises from the presence of multiple specialised knowledge domains. Drawing on UET and the SL perspective, we argue that diversified TMTs are better equipped to face institutionally complex environments, while more specialised TMT backgrounds will prefer economic complex countries. Our findings show that TMT international experience diversity and TMT industrial experience diversity are positively associated with the level of institutional complexity of the investment country, while they are negatively correlated with the degree of economic complexity.

On the one hand, we provide evidence that past exposure of TMT members to different international institutional environments allows the development of those strategic capabilities required to cope with the complexity arising from weak institutions. For instance, TMTs with high international experience are more likely to be aware that, when entering a country with weak intellectual property regimes, full acquisitions are preferred to partial acquisitions to avoid knowledge leakages risks and opportunistic behaviour from the local shareholder (De Beule et al., 2014). At the same time, TMTs with different industrial experiences are able to develop flexible mindsets and effective information-processing capabilities that enable them to scout business opportunities across countries, thus reducing the fear of the complexity of the foreign institutional contexts.

On the other hand, we show that TMTs with members having homogenous work experience backgrounds are more likely to operate in countries with complex economic systems. Indeed, TMT members who have more specific international experience are those who spend enough time in a foreign environment to understand its complexity and appreciate its differences from their more familiar locations (Rickley, 2019). At the same time, international experience gained in fewer locations but for longer periods can offset traditional expatriates' struggles to build up dense and robust networks (Schmid and Wurster, 2017), which are essential for companies internationalisation, especially when entering very competitive and challenging environments. TMTs with less dispersed international experience can develop more in-depth knowledge and expertise on international markets, which allows them to capture opportunities and mitigate risks in one of the domains of knowledge-intensive environments. Likewise, TMTs with specialised industrial experience are more able to identify and exploit very complex opportunities in their specific knowledge domains. Conversely, generalist TMTs seems to be more appropriate to support operations in countries with high institutional complexity and low knowledge intensity, given that institutional problems are less industry-specific and, hence, requires a lower industrial specialisation.

In contrast with our expectations, we find that TMT functional experience diversity background produces a different preference on the type of IB complexity the firm and its decisionmakers will most likely engage than international and industry experience generalist backgrounds. However, as shown in our ex-post analyses, we contend that this finding may result from the confounding effect of two different types of functional backgrounds, namely output and throughput functional backgrounds (Hambrick and Mason, 1984; Herrmann and Datta, 2006). Existing literature has provided evidence on the influence of managers' functional backgrounds in firm entry mode strategies (Herrmann and Datta, 2002, 2006); however, no studies have investigated its influence on managerial perceptions in foreign investment location decisions. In this regard, our paper provides an interesting contribution to the literature. Specifically, we find that greater functional experience within output functions (e.g., marketing, sales, general management, entrepreneurship, etc.), associated with a more inquisitive, risk-prone, and explorative nature, increases the likelihood of investing in institutionally complex locations. Output functionally experienced executives would regard institutionally complex countries such as China, India and Indonesia, as paramount IB opportunities by positing their attention to factors such as market growth and demand. On the other hand, broad career experience in throughput functions (research, process and efficiency-seeking activities) will be a better asset in economic complex environments where markets are more mature and competitive, and operations efficiency is strategic to ensure company profit margins and its longterm business sustainability.

We believe that our findings can provide at least two contributions to the literature. First, we contribute to the IB literature by disentangling and operationalising an under-researched dimension of environmental complexity, i.e. the economic complexity of host country environments. IB literature has mainly focused on the role of the institutional environment to describe the complexity MNEs face when dealing with foreign external environments. However, along with the institutional environment, the economic complexity of a country presents the MNEs and their top managers with a different set of challenges and demands that companies need to address. By theoretically outlining and operationalising two distinct forms of complexity associated with the host country environment, we show the importance of capturing the institutional and economic facets of complexity, the former being associated with the quality of institutions and the latter with the country knowledge intensity. As discussed in our paper, these two sources of complexity are substantially different from each other as they entail a distinct set of challenges and demands to be addressed and overcome. Managerial knowledge and capabilities suitable for a specific type of complexity might also help maximise firms'

chances of successfully expanding their business operations in the host country environment. Distinguishing between the quality of the institutions and the knowledge complexity of the target country is essential to unravel the decision-specific mechanisms that lead TMTs to prefer one location complexity type over the other (Donnelly and Manolova, 2020). In this sense, our study stresses the importance of considering managers' knowledge and experience derived cognitive constructs in foreign investment location decision-making as they can shape the perception of the complexity associated with institutional and knowledge country environments.

Secondly, we contribute to the microfoundations literature by showing how TMT members' knowledge and experiences, captured through their work experience diversity, shape managerial uncertainty and opportunity perception and thus influence companies' foreign investments location decisions in terms of institutional and economic complexity. Specifically, we add to the existing literature that has considered managerial characteristics (e.g. networks, cognition, etc.) as the antecedents of the foreign location choice (Barkema and Shvyrkov, 2007; Hutzschenreuter and Horstkotte, 2013; Maitland and Sammartino, 2015b). Although IB research has increasingly argued for a more prominent role of managerial and behavioural factors in IB decision-making and thus internationalisation decisions (Aharoni et al., 2011; Niittymies and Pajunen, 2019; Donnelly and Manolova, 2020), only a few studies have really attempted to theoretically and empirically complement firm and industry-level drivers with individual and group-level managerial antecedents. In fact, except for Barkema and Shvyrkov (2007), no other studies have considered TMT composition as contributing factor of foreign location choice decision-making. However, while Barkema and Shvyrkov (2007) investigate the novelty of the location decision, in terms of location culture-related factors, we focus on the complexity of the host country environment discerning between the institutional normative and regulatory aspects and the knowledge and industrial competitive complexity.

Our research findings also allow us to suggest useful implications to the CEO and to the shareholders of the companies that are going to invest abroad or that are willing to improve the ability to manage their international ventures. Our results show that the composition of the TMTs should be designed based on the type of countries where firms are planning to invest and expand. In fact, TMTs with more specialised international and industry experience backgrounds are more prone to engage in the type of complexity concerning foreign advanced knowledge-intensive countries with high-quality institutions. In contrast, TMTs with diversified international working and industrial experience seem to be better equipped to deal and invest in less knowledge-intensive countries with more unstable institutions, as in emerging countries. Companies and their decision-makers should consider these aspects when composing their management teams as well as appointing new members

to them. Moreover, decision-makers responsible for selecting and hiring new executives should also pay attention to the incumbent management team members' characteristics and experiences. Indeed, the human and social capital endowed by the newly appointed individual and the resulting TMT composition could tilt the TMT decision-making preferences and change the firm's internationalisation trajectory.

Needless to say, our research is not exempt from limitations, which, however, can represent some useful suggestions for future research. First, relying on a sample of UK based companies might reduce the generalisation of our results. Future studies should extend the range of company home countries considered in our analysis. Second, future research could investigate which factors can enhance or weaken the managerial perception of uncertainty and complexity associated with different national environments. For instance, managers and firms positive or negative past experiences associated with one or the other type of environment complexity could increase and decrease the chances to invest in the latter. Thirdly, future studies might explore the role of other TMT characteristics besides the international, functional and industrial experience. Aspects related to group diversity that affect team decision-making could be investigated, i.e. team faultlines (Li and Hambrick, 2005). Alternatively, future studies might even go beyond the use of observable characteristics as a proxy of managers' cognitions by also exploring the role of psychological traits. Psychometric analysis of managers' cognitions might provide additional information on the importance of managers' cognitions and mental maps and how the latter help managers taking complex decisions. Eventually, considering a longer period and, thus, more investments might help better discern executives and companies' investment patterns in high institutional and economic complex countries. It might be possible that firms in their internationalisation process look for a balance between institutional and economic complex locations.

5 International complexity and the demand for generalists and specialists in executive selection

5.1 Introduction

Being a multinational enterprise (MNE) means managing the complexity arising from the coordination of different organisational units embedded in heterogeneous institutional and economic environments (Meyer et al., 2011). This challenge is further exacerbated by the dynamism of different national contexts, which are subject to change over time and, thus, require continuous monitoring and regular adjustments by companies operating across countries (Gupta and Govindarajan, 2002). Whilst complexity is often considered as a source of coordination costs, it can also challenge the information processing capacity of the organisation (Tushman and Nadler, 1978), and this might give rise to decision errors with potentially serious performance implications (Levinthal, 1997).

The literature has shown that contextual factors play a key role in decisions relating to top management team (TMT) composition (Georgakakis, Greve, & Ruigrok, 2021; Nielsen, 2009) and that companies facing increasingly complex international environments endow their executive teams with foreign managers or with managers that bring a wealth of international experience, so as to increase teams' cross-cultural awareness and understanding of the foreign environment (Athanassiou and Nigh, 1999; Greve, Nielsen and Ruigrok, 2009; Kaczmarek and Ruigrok, 2013; Magnusson and Boggs, 2006). However, previous studies have not delved into the different dimensions of complexity associated with the characteristics of country environments in relation to executive job demands. As a result, we still have limited knowledge of how companies adapt and reinforce their management teams to address the job demands arising from the complexity associated with firms' international footprint.

In this study, we contribute to filling this gap by investigating how distinct sources of complexity deriving from the firm international presence influence the hiring of new top managers. In doing so, we combine an international business perspective - disentangling the role of complexity - with a managerial and strategic leadership approach – emphasizing the drivers of executive selection and job demands. Indeed, existing research in the international business realm has broadly focused on the role of the firm degree of internationalisation as an antecedent of executive appointment (Greve, Biemann, & Ruigrok, 2015; Kunisch, Menz, & Cannella, 2017). In particular, it has been found that highly internationalised firms owing to the high levels of complexity resulting from the

firm's internal and external environment, i.e. contexts with high information-processing demands, will seek to match these demands by hiring executives who are either foreign or possess a substantial amount of international experience (Nielsen, 2009; Greve, Biemann and Ruigrok, 2015; Kunisch, Menz and Cannella, 2017). These results are also consistent with the "matching managers to strategy" literature, which highlights the tendency of firms to align their managerial characteristics with the corporate strategy (Szilagyi and Schweiger, 1984; Thomas and Ramaswamy, 1996).

We advance the existing state of research by disentangling the concept of environmental complexity in IB literature and investigate how different types of complexity influence the selection of new appointees to the TMT - namely, the preference for an executive with a generalist or a specialist background. We discuss that environmental complexity in IB research has been attributed to different sources; in this paper, we focus on the environmental complexity associated with national environments and distinguish between two aspects of the host country environmental complexity. One has to do with the institutional quality of the country in which a firm operates, namely the institutional complexity, the other refers to the level of sophistication and advanced specialised knowledge that is required in some countries to compete and innovate, namely the economic complexity. Particularly, the former reflects the extent to which firms need to adapt their capabilities and business models to match the demands and specificities of low-quality institutional environments, dominated by informal rules, norms and often governed through personal and private relationships (Doh et al., 2017; Khanna and Palepu, 2000; Li and Filer, 2007). The latter reflects the need for differentiated and specialised knowledge that underpins a country's economy and the variety of its export basket due to the advanced level of industrial and technological sophistication of its market (Hidalgo and Hausmann, 2009).

Second, building on the strategic leadership theory of executive selection (Chen, 2015; Georgakakis and Ruigrok, 2017; Kunisch, Menz and Cannella, 2019; Mueller et al., 2020), which suggests that task demands are one of the main drivers of executive appointments, we claim that institutional and economic complexity require different managerial skill sets and, hence, prompt different task and job demands. More specifically, institutional complexity is expected to call for the need to navigate through a relation-based governance environment and to build private and multiple relations at local, regional and national levels to govern the rights and interests, without making specialised investment in establishing elaborate legal infrastructures (Alon, Elia and Li, 2020), which is likely to translate into a higher probability to appoint a generalist executive who can draw on a broader international, functional and industry work experience. Conversely, economic complexity is expected to require a more specialised background and in-depth knowledge of the specific competitive and innovative environments in which the firms operate, thus prompting the need to

appoint an executive with a more specialist profile, i.e. with a lower variety in terms of international, functional and industry work experience. Third, we claim that the combined effects of institutional and economic complexity increase the likelihood of appointing specialist executives, given that the institutional demands in economically complex countries are likely to be more specific to each knowledge domain.

We test our framework on a sample of 478 executive appointments occurring in 133 UK companies between the years 2008 and 2018. Our analyses confirm our hypotheses, thus providing evidence that MNEs use different strategies to manage and offset the reduced information-processing capabilities arising from different forms of environmental complexity. More specifically, our results show that multinational firms are more likely to appoint generalist top managers in an environment characterised by high institutional complexity, whilst preferring specialist top managers in the case of high economic complexity as well as when facing high institutional and economic complexity simultaneously.

With these findings, we contribute to the international business and the strategic leadership literature. On the one hand, we emphasise the role of (generalist vs specialist) executive appointments as an individual-level strategy to manage MNEs' country-level complexity, thus contributing to the current stream of international business literature that supports the adoption of a micro-foundational approach to study global strategy (see, for instance, Contractor *et al.*, 2018). On the other hand, we explore and disentangle the sources of international complexity at different levels (i.e. country – in terms of institutional and economic environments – industry and firm – in terms of performance), thus contributing to a deeper understanding of the dynamics and drivers of executive job demands from an international perspective, which remains an under-developed area in the strategic leadership literature (Kunisch et al., 2017).

5.2 Theoretical background

5.2.1 Executive selection in an international business context

Strategic management literature has long acknowledged that the selection of executive leaders is influenced by the external environment, thus placing substantial pressure on firms to change, adapt and evolve. Only by addressing these pressures companies will be able to survive and prosper over time (Hannan and Freeman, 1977; March, 1991). As they adjust to the unstable and complex competitive industry and country environments, firms adapt their structures and resources to match them more suitably with the external environmental demands (Hannan and Freeman, 1984; Miller,

1991; Tushman and Nadler, 1978). In this regard, one of the organisational mechanisms that companies can leverage to deal with such complexity is to act on their managerial resources; specifically, companies can act on their management team structure and composition to enhance their information-processing and decision-making capacity (Keck, 1997; Keck and Tushman, 1993; Wiersema et al., 1993). The notion of aligning managers to the company strategy and its environment is well-established in the managerial literature (Gupta and Govindarajan, 1984; Szilagyi and Schweiger, 1984; Thomas and Ramaswamy, 1996) and has found renewed theoretical support in recent work on executive job demands (Kunisch, Menz and Cannella, 2017).

The concept of executive job demands has increasingly gained attention also by strategic leadership scholars (Chen, 2015; Georgakakis and Ruigrok, 2017; Kunisch, Menz and Cannella, 2017; Mueller et al., 2020). Existing literature has offered important evidence on the macro- and micro-level contextual factors that substantially contribute to the level of executive job demands. For instance, scholars have shown that firm international and product diversification are critical predictors of executive job demands (Wang and Yang, 2015; Kunisch, et al., 2017; Mueller et al., 2020). Such contexts strain managers' information-processing capacity, require major control and coordination efforts and require managers to facilitate communication across multiple firm subunits and subsidiaries. Industry conditions have also been found to influence executives' job demands; Georgakakis and Ruigrok (2017) showed that favourable industry conditions (i.e. munificence) lower the pressure on executive decision-making as they provide companies with greater slack and room for managerial experimentation. On the other hand, Mueller and colleagues (2020) argue that competitive environments intensify job demands as executives need to be agile and swiftly respond to competitors' attacks and strategic initiatives. However, very few studies to date have examined executive job demands from an international perspective (see Kunisch et al., 2017 for a notable exception). This is somewhat surprising, as there is ample evidence of the importance of a company's international footprint as a determinant of the complexity and uncertainty facing top executives at internationalising firms (e.g. Sanders and Carpenter, 1998; Nielsen, 2009).

According to Hambrick and colleagues (2005), executive job demands are largely the result of three sets of factors: task challenges, performance challenges and executives' aspirations. In an IB context, the main source of executive job demands is arguably the challenges associated with operating a complex international organisation in a variety of country environments, as top managers at such firms are likely to deal with a wide range of complex tasks and need to make decisions under conditions of high uncertainty (Hambrick, 2007; Hambrick, Finkelstein and Mooney, 2005). Internationalising firms face, indeed, a number of complex managerial challenges, as they must cope with pressures coming from multiple and possibly different country environments and calibrate effective organisational responses to a wide variety of stakeholder demands (Bartlett and Ghoshal, 1989; Ghemawat, 2011; Prahalad and Lieberthal, 1998).

One way of responding to the challenges of complexity is by recalibrating the team of top managers spearheading the firm (Greve, Nielsen and Ruigrok, 2009), thereby ensuring requisite managerial capabilities to sustain organisational growth (Rugman and Verbeke, 2002). We extend this notion by arguing that the type of environmental complexity is a key driver of executive generalist and specialist hiring preferences, whilst acknowledging that both generalist and specialist executive backgrounds are potentially valuable to large and complex firms (Custódio, Ferreira and Matos, 2013; Mueller et al., 2020). In this context, most existing research has focused on the role and characteristics of subsidiary executives (Gong, 2006; O'Brien et al., 2017; Rickley, 2019; Sekiguchi, Bebenroth and Li, 2011), leaving open the question of how different types of complexities affect top-level executive job demands, and, in turn, MNEs' selection preferences in the hiring of top executives.

Child (1973) suggests that complexity is primarily associated with a need for specialist expertise. Specialists are valued for possessing deep-level knowledge and depth of experience in complex task environments (Simmons and Berri, 2009). As organisations face high levels of complexity, there will be a need for specialist knowledge and advanced expertise to deal with non-routine tasks and external influences affecting the organisation (Smith and White, 1987). However, in line with the notion that organisations face different types of complexity (Damanpour, 1996), which are likely to place a variety of different demands on the organisation and its executives (Hambrick et al., 2005), we contend that some forms of environmental complexity may require more versatile top managers with a predominance of generalist backgrounds. In the next section, we develop our hypotheses by drawing on the IB literature and distinguishing between institutional and economic environments as two main sources of complexity deriving from the countries in which a firm operates.

5.3 Hypotheses development

5.3.1 Environmental complexity

The complexity of companies external environments has been long studied in organisational and international business research. The former literature has commonly referred to environmental complexity as the complexity concerning the specific market/ industry competitive intensity, its product lines and supplier diversity, as well as the technological intensity of the products and processes characterising that specific industry (Cannon and St. John, 2007; Dess and Beard, 1984; Mintzberg, 1979; etc.) Within this literature, environmental complexity is mainly the result of three

components: the number of environmental components to be considered, the dissimilarity between them, and the sophistication and technological knowledge required to engage with them effectively (Cannon and John, 2007). On the other hand, international business research has gauged environmental complexity at the country and regional level, focusing on regional and, primarily, national formal and informal institutions (Aguilera and Grøgaard, 2019; Arregle et al., 2016; Kostova and Zaheer, 1999; etc.). In the IB context, environmental complexity has been frequently associated with the number of country environments or regions in which MNEs operate (i.e. international diversification), the differences between home and host countries formal and informal institutions and eventually, the complexity of national environments, by examining the quality and type of institutions of a certain country environment (i.e. institutional quality, rule vs relationship-based institutions etc.) (Doh et al., 2017; Kostova et al., 2019; Li and Filer, 2007; Wu and Park, 2019).

We have drawn this parallel between two literature streams to emphasise how the environmental complexity concept has been broadly defined and measured in management research. This study focuses on the IB aspects of environmental complexity and, specifically, addresses the third mentioned component of IB complexity, which concerns the characteristics of the national environment. On the one hand, we capture institutional complexity drawing on the new institutional economics literature and explain how the uncertainty and precariousness of formal institutions will pose certain challenges to the organisation, generating specific information-processing demands. On the other hand, we call for greater attention by the IB research to a less studied dimension of a country environmental complexity that captures the complexity of country underlying productive capabilities and the specialisation of its knowledge, and it is measured through the complexity of the products exported by a national economy (Hidalgo and Hausmann, 2009). In fact, the economic complexity dimension could transpose into IB research the environmental complexity facet that organisational scholars associate with the sophisticated technical knowledge required to operate effectively and compete in such an environment (Aldrich, 1979; Cannon and St. John, 2007; Mintzberg, 1979).

In this sense, examining the information-processing requirements of an MNE operating its subsidiary in a highly economic complex environment can contribute to the IB research by advancing a new country complexity dimension that can be studied as a complement to the level of institutional quality of a national economy. In this study, we contend that company decision-makers will have to cope with distinct information processing demands that reflect the complexity of the regulatory and technological/ industrial aspects of the subsidiary country environments (Kostova and Zaheer, 1999; Li and Filer, 2007; North, 1991).

5.3.2 Institutional complexity and executive appointments

Since the development of the institutional theory (Kostova and Zaheer, 1999; North, 1990; Scott, 1995), IB research has endeavoured to understand how MNEs respond to different institutional environments (Aguilera and Grøgaard, 2019; Doh et al., 2017; Xu and Shenkar, 2002). At the heart of the institutional theory, there is an essential need for firms to develop new strategies and tactics and adapt their business models to institutional environments of differing quality, as well as establish and maintain organisational legitimacy across multiple and different institutional settings.

From an institutional perspective, three main factors are believed to influence the degree of institutional complexity faced by an organisation in its institutional environment. The first aspect refers to the quality of the country institutions defined as the rules of the game that govern, through laws and policies, the economic exchanges and interests of organisations (North, 1990, 1991). For example, institutions in less developed countries are often characterised by higher transaction costs, opaque rules and weaker law enforcement, as well as a predominance of informal rules, such as cultural norms and practices, and relational networks which tend to fill the voids left by weak and unstable institutions (Doh et al., 2017; Khanna and Palepu, 2000). Secondly, institutional complexity can be related to the multitude of institutional environments to which the company is exposed (Meyer, Mudambi and Narula, 2011; Wu and Park, 2019); these environments corresponding to the countries and regions where firms do business in can produce conflicting institutional requirements and generate tensions among different MNEs subsidiaries. Third, institutional complexity stems from the institutional differences between home and host country environments (Kostova and Zaheer, 1999; Xu and Shenkar, 2002). Greater differences are associated with higher levels of complexity, as companies would need to make a greater effort by learning new practices and adjusting their operations to effectively and efficiently carry out their business activities in an institutional environment of differing quality. Particularly, literature contends that the companies facing greater challenges are the ones moving from more to less developed institutional environments (Kostova et al., 2019)

In this paper, we focus largely on the first aspect of institutional complexity, i.e. the quality of formal institutions, and we draw on the new institutional economics strand of institutional theory (North, 1990, 1991) as we are primarily interested in how firms adapt their TMTs to institutional quality challenges at the individual country-subsidiary level, which is arguably likely to be the strongest antecedent of specific executive job demands.

Institutional complexity largely depends on the quality of the institutions – including economic, financial, political, and knowledge institutions – in which a firm operates. Companies investing in countries characterised by low-quality institutions need to deal with institutional voids

and must adapt their resources and business models to match local institutional characteristics (Asmussen and Goerzen, 2013; Doh et al., 2017; Khanna and Palepu, 2000). Institutionally complex countries also tend to rely on a more relation-based (as opposed to rule-based) type of governance environment. Such environments are typically characterised by opaque laws with partial and selective enforcement, widespread use of informal and implicit agreements that cannot be verified by a third party, person-specific and non-transferable private connections to ensure the protection of rights and interests, high entry and exit barriers for industry and socioeconomic organisations, and business networks woven together by personal loyalty and private relations instead of general public trust and formal legal procedures (Alon, Elia and Li, 2020; Li and Filer, 2007).

We contend that MNEs will prefer generalists over specialists when they operate in countries characterised by high institutional complexity. Generalists are more likely to have the flexibility and adaptability required to navigate more informal and relation-based institutions effectively. In such environments, MNEs primarily need to develop multiple and multifaceted relations at local, regional and national levels to govern their own rights and interests (Alon, Elia and Li, 2020), rather than emphasizing specialised investments such as the capability to deal with complex legal requirements. Arguably, operating in an institutionally complex country requires a high level of informationprocessing capacity as well as a broad advice network and experience base to deal effectively with the inherent uncertainty and ambiguity of such environments (Athanassiou and Nigh, 1999; Greve, Nielsen and Ruigrok, 2009). Indeed, executives with a broad base of international, functional and industry work experience induce bridge-building effects in teams and organisations (Crossland et al., 2014; Georgakakis, Greve and Ruigrok, 2017), hence they are also likely to respond more effectively to the challenges of integrating different industrial and functional domains in a complex institutional setting. Overall, we argue that a generalist executive, whose background is characterised by greater career variety, is more likely to be appointed by MNEs facing a high level of institutional complexity in its host countries, thus leading to the following hypothesis:

Hypothesis 1. There is a positive relationship between high institutional complexity resulting from a firm's foreign investment and the appointment of a generalist executive

5.3.3 Economic complexity and executive appointments

The concept of economic complexity has received increasing attention in the economics literature as it has been used to explain and predict countries' economic growth, their average wealth, and income inequalities (Jara-Figueroa et al., 2017). The complexity of an economy typically resides in the diversity of its non-tradable knowledge, which is normally associated with the presence of

several specialised knowledge domains (Hidalgo and Hausmann 2009). A higher country product portfolio differentiation requires an industrial ecosystem to develop distinct and specialised types of knowledge underlying the design and development of such products. Hence, the most complex national environments will be those producing and exporting the largest range of products, and the most complex countries will trade complex products (Battiston et al., 2014). These economies are able to upgrade their productive systems to even more complex configurations by recombining their sets of specialised knowledge (Cristelli et al., 2013; Tacchella et al., 2012).

We maintain that industrially developed and technologically advanced environments constitute highly competitive and challenging environments that push firms to increase their efficiency by narrowing down their business activities and selecting one (or a few) of the available knowledge domains. In fact, this type of complexity forces firms to increasingly specialise and develop new products and processes to remain competitive (Hidalgo and Hausmann, 2009). Consequently, companies that are not able to continuously innovate their products and processes by enhancing their pool of specialised knowledge will underperform their international and local competitors and might eventually be pushed out of the market.

If these environments are a significant source of complexity for a company solely competing at the national level, we should expect these challenges to be amplified when firms undertake their operations beyond their domestic boundaries as a result of the liability of foreignness and outsidership faced by companies in foreign locations (Johanson and Vahlne, 2009; Zaheer, 1995). Indeed, cultural, language and communication differences between the home and the host countries will hinder both the codification and absorption of external specialised knowledge and its integration and recombination with the firm's internal knowledge (Elia, Messeni Petruzzelli and Piscitello, 2019; Zaheer and Hernandez, 2011). Furthermore, research has shown that cross-border differences are also likely to generate mistrust and prejudices, which affect the frequency and intensity of interactions with local stakeholders, thus compromising knowledge encoding and acquisition processes (Inkpen, 2002).

As such, executives with a more specialised background, i.e. with more in-depth knowledge of firm resources and core industries, are in a better position to understand these competitive and innovative environments and develop suitable strategies that help the firm to survive and thrive (Li and Patel, 2019; Mueller et al., 2020). In fact, less specialised executives may suffer from the "jack of all trades but master of none" syndrome, as their diversified work backgrounds may not equip them with sufficient knowledge and specific expertise to obtain an accurate and deep understanding of the technology, knowledge and competitive dynamics in economically complex environments. Conversely, executives with more focused and specialised experience backgrounds are likely to thrive

on high levels of economic complexity, allowing such managers to combine their domain-specific knowledge and expertise in novel ways to create new business opportunities in highly sophisticated environments. Hence, we argue that specialist executives are more likely to be preferred by MNEs operating in countries with high levels of economic complexity. Therefore, our second hypothesis is the following:

Hypothesis 2. There is a negative relationship between high economic complexity resulting from a firm's foreign investment and the appointment of a generalist executive

5.3.4 Interaction effect

Finally, a particular set of demands on the hiring of new executives is likely to arise when a firm is facing high levels of institutional and economic complexity at the same time. Georgakakis et al. (2021) show that complexity overall affects the hiring of new executives by opening up the process to a wider range of candidates whose profiles are different from incumbents. Combined with the notion that complexity in general increases the need for advanced specialists to handle non-routine problem-solving and decision-making (Child, 1973; Smith and White, 1987), we contend that institutional and economic complexity is likely to have a mutually reinforcing effect on the need to acquire more specialist expertise in the upper echelons. Indeed, when a firm faces economic complexity in an institutionally complex country, the need for (informal and relation-based) institutions is likely to arise only if the institutional complexity hinders the specific knowledge domains in which the MNEs is focusing its investment. And even if this is the case, the institutional demands stemming from business networks and private connections are likely to be more specific and reflect the economic specialisation of the host country, thus further reinforcing the need for a specialist executive being able to manage not only the economic but also the institutional complexity associated with a given knowledge domain. Hence, whilst acknowledging that generalists are likely to be effective bridge-builders and consolidators under conditions of high institutional complexity, this is most likely to hold if the environment is not simultaneously characterised by a high degree of economic complexity, which typically requires specialist expertise to navigate high levels of knowledge effectively- and technology-intensity in institutionally sophisticated environments combining complexity and specialisation. Other than increasing the depth of team cognitive capabilities, executives' job experience specialisation could have a strong signalling and legitimising effect to the eye of the organisation's stakeholders located in highly economic complex environments, including investors, local partners, suppliers, and final customers (Kacperczyk and Younkin, 2017). Executives' specialised experience could be especially salient in technologically advanced but institutionally uncertain and ambiguous environments as it will help MNEs' mitigating liability of outsidership and organisational legitimacy issues where, due to the importance of informal rules and relational networks, foreign entities may be at even greater disadvantaged compared to local firms. Thus, we expect that a combination of institutional and economic complexity is likely to reinforce the need for executives with specialist backgrounds and expertise. Therefore, our final hypothesis is the following:

Hypothesis 3. The negative relationship between high economic complexity resulting from a firm's foreign investment and the appointment of a generalist executive will strengthen under conditions of high institutional complexity.

5.4 Methods

5.4.1 Sample and data

We test our hypotheses on a sample of 133 UK-based public companies. The sample comprehends detailed data on firm financials, internationalisation, companies' management teams' members and their characteristics for an eleven-year period, from 2008 to 2018.

The sample was constructed in the following manner. We extracted our set of companies from Orbis, a database provided by Bureau Van Dijk, adopting the following criteria. Companies must be global ultimate owners based in the United Kingdom, listed on a stock exchange; its core industry is within the manufacturing sector, and their number of employees ranges between 50 and 2000 at the beginning of our sample. We briefly explain our sample criteria. First, global ultimate owner companies consent to rule out external influences on the executives' hiring process exercised by entities other than the company in our sample. Secondly, we focus on public companies mostly for data collection purposes; indeed, listed companies shall disclose certified financial documents such as annual reports on a yearly basis. This grants us access to reliable and high-quality information in respect to internationalisation (i.e. M&As information and subsidiaries entities) and executives' and directors' data, which is essential to study executives' selection phenomenon.

We chose companies in the manufacturing sector (i.e. first two digits of NACE Rev.2 industry code comprised between 10 and 32) to prevent industry confounding effects on the characteristics of the newly appointed executive. Eventually, the company size of our sample is confined to the previously mentioned numbers as we argue that medium to large companies are often those more in need of human and social capital because of their centralised decision-making structure and their limited human and financial resources (Jansen et al., 2011; Laufs, Bembom and Schwens, 2016). We

stretched the standard classification of SMEs to ensure that the companies included would have some degree of international presence that allows us to investigate our key independent variables.

We obtained company financials from Orbis and Fame databases, both provided by Bureau Van Dijk, and manually collected data concerning company internationalisation and executive teams and appointments. For the latter, we retrieved and integrated data from company annual reports, company websites, public statements, and several internet sources such as UK government pages (e.g. Company House), Reuters, Bloomberg and LinkedIn. The information collected was coded consistently with the SL literature (e.g., company tenure, board tenure, career length, educational level, industry experience, international experience etc.). Eventually, drawing from existing literature, we define the company management team as the executive directors of the Board of directors (Nielsen and Nielsen, 2013; Nielsen, 2009; Piaskowska and Trojanowski, 2014). Hence, executives' appointments are considered as such whenever a new manager is appointed to the executive team.

As the focus of this study is to investigate how country environmental complexity influences executives' appointment strategies, we define the unit-level of analysis of our sample at the subsidiary country-level. Consistently with such dataset structure, each executive appointment in year t will be the reflection of the environmental complexity produced by each country in which the firm subsidiaries are located in year t-1. The decision to define observations at the subsidiary level has been applied by previous studies in the IB field (Elia, Messeni Petruzzelli and Piscitello, 2019). Clearly, the authors will account for repeated firm-level observations in the empirical design of the study.

Our sample originally counted 478 executives' appointments occurring in 133 companies between 2008 and 2018. However, because of the lag of one year between our independent variables and the appointment decision (Greve, Biemann and Ruigrok, 2015), we lose the observations referring to the first year of our sample (i.e. 2008). This leaves us with a sample of 436 executives' appointments associated with 1781 subsidiaries belonging to 132 distinct firms distributed across 72 countries, being the latter the final number of observations of our sample.

Companies appoint on average 3.6 executives in the period that goes from 2009 until 2018. Quite interestingly, this number does not change across the sizes of the firms of our sample, although smaller firms (i.e. 50-100 employees) tend to have a slightly higher appointment rate (about 3.86) in the period considered. Moreover, we notice that executives' appointments occur in a fairly distributed manner over the period, i.e. about 40 appointments every year. Our firms have, on average, subsidiaries located in 5.14 distinct countries with a standard deviation equal to 5.07 countries. Our company subsidiaries are located in 72 distinct countries and distributed across different regions. Not surprisingly, the majority of the subsidiaries are located within Europe (56%); Asia is the second

most represented region (19%), followed by North America (15%), Africa (5%), Latin America and Oceania (3% each).

5.4.2 Dependent variable

To construct our dependent variable that captures the extent of career generalist of the newly appointed executive, we draw from existing relevant literature (Crossland et al., 2014; Georgakakis, Greve and Ruigrok, 2017; Li and Patel, 2019; Mueller et al., 2020). Specifically, we consider three important aspects of every executive's career: their industry, functional, and international experience. Hence, for each of these aspects, we determine the degree of executive's experience diversity (i.e. generalist experience) by applying Blau's index formula in accordance with the prior literature (Ferguson and Hasan, 2013; Mueller et al., 2020). Blau's index (1977) enables to simultaneously capture the breadth and depth of executive's career experience; indeed, Blau's (1977) formula allows to weight each experience³⁸, within its specific domain (i.e. industry expertise, functional areas³⁹ and countries of work experience), by its length (i.e. numbers of years).

Within each experience domain, the term p corresponds to the ratio of the number of years of an experience type l (e.g. industry experience in a particular manufacturing sector) to the executive's career length.

Career Experience_i =
$$1 - \sum_{l=1}^{N} p_l^2$$

The depth of the executives' data in our possession consents us to assess the level of generalism versus specialism by examining executives' careers from their very beginning until the moment they have been appointed to the firm of our sample. Accordingly, observations included in our analysis refer only to those executives' profiles for which we were able to retrieve complete career information. Having computed the three distinct sources of executives' generalist experience, we decided to aggregate them into one composite measure (by summing them up), namely *executive generalist*. Before aggregating them normalise the three variables (Boone et al., 2004). Our dependent variable is normally distributed and ranges between 0 and 2.32; 0 value (less than 3% of our

³⁸ We compute Bula's index (1977) formula for each domain of executive's career experience, i.e. industry, functional and international experience. The subscript *i* refers to the experience domain, while subscript *l* corresponds to the number of experiences for each specific domain.

³⁹ Executives' functional experience was coded consistently with Cannella and colleagues (2008) using nine functional categories. They are the following: production/operation divisions (PROD), research, technology, clinical (RESE), marketing, sales, commercial, corporate roles (MASA), manufacturing, design and engineering (ENMA), finance and accounting (FACC), personnel/HR (PERS), law (LEGA), strategy and corporate development (STRA) and others (OTHE).

observations) represents the extreme case in which the newly appointed executive has worked within the same functional area, industry sector and country for the whole extent of his/her career.

5.4.3 Main Explanatory variables

The two main explanatory variables aim to capture the host countries' institutional and economic complexity. To account for these two different dimensions of environmental complexity, we rely on two main indicators. As regards the institutional complexity, we employ the Heritage Foundation Index⁴⁰, which accounts for 12 different institutional factors that are grouped in four broad categories: the rule of law, government size, regulatory efficiency and open markets⁴¹. Given that the index ranges from 0 to 100, where higher scores correspond to a higher degree of institutional freedom, we reversed the index to obtain a measure of institutional complexity, and we rescaled the value from 0 to 1, where higher values reflect higher institutional complexity. As regards the Economic complexity, we employ the Economic Complexity Index published by the Observatory of Economic Complexity, which estimates the complexity of a country economy by considering the knowledge diversity and intensity of the country exports basket as a reference (Hidalgo, 2021; Hidalgo and Hausmann, 2009). Also in this case, we decided to normalise the index⁴² to obtain a continuous variable with values ranging from 0 to 1, where 1 is the highest level of economic complexity. Our final explanatory variables are two dummies named High Institutional complexity and High Economic *complexity*, each equal to 1 whenever the subsidiary country institutional and economic complexity, respectively, is greater than the median value of each of the above-mentioned indexes. In Figure 5.1, we plot our subsidiary countries with respect to institutional and economic complexity dimensions for the year 2017^{43} .

To test hypothesis 3, we first interact the two variables accounting for the high institutional and high economic complexity to capture those situations in which the firm faces both types of complexities. As an alternative analysis, we also constructed an environmental complexity matrix that reflects the four different combinations of institutional and economic complexity using the

⁴⁰ More specifically, we rely on the compound Index of Economic Freedom, which captures the extent to which the economy of a country is free from restrictions arising from institutional complexity and from the associated challenges that decision-makers have to face in a given environment (Bjornskov and Foss, 2016; Gwartney and Lawson, 2003).

⁴¹ The institutional indicators are the following: Rule of Law (i.e. property rights, government integrity, judicial effectiveness), Government Size (i.e. government spending, tax burden, fiscal health), Regulatory Efficiency (i.e. business freedom, labour freedom, monetary freedom) and Open Markets (i.e. trade freedom, investment freedom and financial freedom).

⁴² For instance, in 2017 ECI country values ranged from 2.36 (i.e. Japan) to -2.18 (i.e. South Sudan).

⁴³ We chose 2017 as a representative year as it is the most recent year in which we measure institutional and economic complexity due to the one-year lag between our independent variables and dependent variable. See the *analytical strategy* and *results* section for more information about the lagging strategy.

median values of these two dimensions for each country and year of our sample. Specifically, accounting for high and low levels of both institutional and economic complexity, we constructed four dummy variables – *High Economic Low Institutional Complexity, High Institutional Low Economic Complexity, High Institutional High Economic Complexity, Low Institutional Low Economic Complexity* - which correspond to each quadrant of the matrix shown in Figure 5.2, where we also report the distribution of our observations among the four alternatives. In many cases (71%), subsidiary countries that score high in economic complexity will score low in institutional complexity, thus they will be found in the top-left corner of the matrix. As regards the remaining observations, the majority (14%) reflects a high complexity in both dimensions, while 8% of observations exhibit a low economic and a high institutional complexity; only in 7% of the cases, the complexity is low for both dimensions. This latter combination is used as the base case when introducing the four dummy variables as an alternative to the interaction between high institutional and high economic complexity.

Figure 5.1 Subsidiary countries positioning in respect to the Institutional Environment Complexity and Economic Environment Complexity dimension in 2017



Figure 5.2. Distribution of our companies Subsidiary Countries in the four quadrants of the Environment Complexity Matrix in the sample period


5.4.4 Control variables

We include several control variables in our models to account for those additional factors that might play a role in executives' appointment decisions. The first batch of variables refers to the characteristics of the executives who have been appointed. Executive age measures the age of the newly appointed executive in the year of the appointment. Executive gender is equal to 1 when the newly appointed executive is a male, 0 otherwise. To our great sorrow, we acknowledge that only 7% of the appointments (i.e. 31) involve female executives. Executive insider appointment says whether the manager has been internally (i.e. variable equal to 1) or externally appointed. External appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment (Kunisch, Menz and Cannella, 2019). In our sample, most of the executives are sourced from outside the firm (about 70% of the cases). Then, we also employ the variable *Executive* dissimilarity, which measures the dissimilarity between the new executive and the incumbent top managers. Dissimilarity has been assessed with respect to three demographic dimensions, often found to prompt social categorisation and similarity attraction mechanisms: age, gender, and nationality (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009). The three attributes have been subsequently aggregated using the distance formula as in Georgakakis and colleagues (2021). To obtain comparable measures and facilitate aggregation, we normalised the age component. Dissimilarity values can range between 0 and 1, but dissimilarity value is below 0.2 in about 60% of the cases. This result seems to suggest incumbent managers' homophily, hence their preference to hire someone demographically similar to themselves.

Other than the individual characteristics of the newly hired executive, it is essential to check for the functional role (i.e. position) the manager has been appointed to. Each position generally requires the manager to possess specific competencies and capabilities; for instance, certain executives' positions (e.g. CEO or CSO) are more likely to be occupied by managers with a more generalist background. Hence, we create a set of dummy variables controlling for the different types of functional roles. Relying on an existing classification of 27 functional areas⁴⁴ (Greve, Biemann and Ruigrok, 2015), we derive four dummy categories. The first one is *Output Function*, which is equal to 1 when the executive performs his/ her role in functions that emphasise growth and search for new domains, 0 otherwise (e.g. Marketing, Sales, R&D, Strategy & Corporate development, investor relations positions etc.). *Throughput Function* is a dummy whose value is 1 if the manager is involved in functional roles that aim at improving the efficiency of company processes and operations (e.g. finance, operations, legal, regulatory affairs etc.). *Regional responsibilities* is a

⁴⁴ The coding of the 27 functional areas can be disclosed upon request.

dummy capturing those positions that imply managing and overseeing business activities within a certain geographical area (e.g. geographical responsibilities, international and regional divisions etc.). Finally, we employed a dummy variable named *CEO function*, which states whether the appointment involves a CEO (equal to 1) or another functional role. About 27%⁴⁵ of the executives' appointed are CEOs.

Additionally, we consider the composition of the incumbent management team and some governance characteristics. First, we compute *TMT tenure diversity* as the standard deviation of the number of years the executives have spent in the company management team (Hambrick, Cho and Chen, 1996). Second, we compute ex-ante *TMT demographic diversity*, which gauges team diversity in respect to four dimensions: age, gender, nationality and education level⁴⁶. Specifically, we applied Blau's index formula (Blau, 1977) to measure team demographic diversity (Boone et al., 2004; Faems and Subramanian, 2013; Nielsen and Nielsen, 2013), and then we aggregated the four components into one variable. Third, we employ the variable *TMT work experience diversity*, which is built combining three individual work experiences dimensions, namely international, functional and industry work experience. This variable is constructed in three steps; in the first step, we apply Blau's (1997) formula at the individual level (similar to our dependent variable construction), then we averaged individual work experience diversity values at the team level. Eventually, we aggregated⁴⁷ the three distinct averages into one variable.

Next, we control for a set of variables capturing the characteristics of the CEO position. First, we control for *CEO career variety*, which is measured applying Blau's index formula (Blau, 1977) to the CEO functional and international work experience. Then, the two dimensions were aggregated (Georgakakis, Greve and Ruigrok, 2017). CEOs with more diverse career backgrounds might prefer, indeed, to appoint executives who have a broader experience, i.e. generalist, over specialised individuals. Second, we control for *CEO tenure*, which is calculated as the number of years since the CEO has been appointed to the firm (Hambrick and Fukutomi, 1991). Literature shows that bigger teams might replace their executives' more frequently (Greve, Biemann and Ruigrok, 2015), while long CEO tenure could be signalling the extent of CEO power, and thus, his/her influence on executives' appointment decisions. *CEO duality* and *Board independence* are two standard corporate governance controls that give us additional information on the balance of power within the executives'

⁴⁵ The 436 appointments are distributed as follows among the different functional areas: Output functions (13%), Throughput functions (48%), Regional responsibility (2%), CEO function (27%) and remaining ones fall into other general management positions.

⁴⁶ We have identified the following educational: high school diploma or its equivalent (1), vocational qualification (2), executive programme (3), bachelor level (4), graduate master level (5), postgraduate master level (6) and finally, doctoral level (7). For each executive we consider only his/ her highest educational level.

⁴⁷ *TMT demographic diversity*, *TMT work experience diversity* and *CEO career variety* measures were aggregated summing up the different components.

team and the degree of external monitoring. The former is coded as one if the CEO is also the board chairman, while the latter measures the proportion of outside directors over the total number of directors (Krause, Semadeni and Cannella, 2014; Thams, Chacar and Wiersema, 2018).

We then include some firm and industry control variables. The variable *industrial diversification* accounts for the different industries of the company and is measured by counting the number of NACE Rev.2 industry codes in which the firm does business (Van Essen, Otten and Carberry, 2015; Ruigrok, Georgakakis and Greve, 2013). We consider industry codes to be different from each other by comparing their first four digits. The variable *Foreign countries* counts the number of foreign countries of operations for each firm of our sample. On average, companies operate in 3.1 countries other than their home country (i.e. the United Kingdom). The variable *Firms size* controls for the dimensions of the firm by employing the log of the number of employees of the company.

We also control for *Firm declining performance* and *Industry declining performance*. The former has been computed by averaging company ROA performance in the three years before the executive appointment and by taking its reverse. ROA is a common accounting-based measure to assess firm performance. We chose a three-year period to ensure that small yearly variation would not bias our analysis and results (Georgakakis and Ruigrok, 2017; Hutzschenreuter and Horstkotte, 2013). The latter is instead calculated by reversing the industry munificence measure. Industry munificence is computed for each industry⁴⁸ as the regression coefficient of time on the annual average sales in a three-year moving period (e.g. from 2006 to 2008, 2007-2009 etc.), divided by the average sales of the industry in the same period (Nielsen, 2009). Both firm and industry declining performance are likely to put pressure on top executives, thus increasing their job demands (Hambrick, Finkelstein and Mooney, 2005). In turn, this could signal the firm the need to appoint executives to the management team that possess the knowledge and experience required to address the company's external environment complexity.

We also include other additional industry environment controls. The *Industry dynamism* variable measures the instability of the sales growth of a specific industry and, thus, reflects the amount of uncertainty faced by the company in its industry environment⁴⁹ (Hambrick and Cannella, 2004). Consistently with prior literature, industry dynamism is estimated as the standard error of the regression slope coefficient of industry sales divided by the average value of sales over a three-year period (Nielsen, 2009; Ruigrok, Georgakakis and Greve, 2013). The *Average industry internationalisation* variable captures the level of internationalisation of the industry, so the extent to which companies sell their products abroad rather than in their domestic market. We aggregate the

⁴⁸In this computation we classify industries by their first 2 digits of NACE Rev. 2 (Georgakakis and Ruigrok, 2017).

⁴⁹ As for industry munificence, we consider the first two primary digits of the NACE Rev 2. industry code of the company.

ratio of foreign sales over total sales for all the companies⁵⁰ operating within the same first two digits NACE Rev 2. industry code (Kunisch, Menz and Cannella, 2019). We control for the *Industry technology intensity* of the sector in which the firm primarily operates. This is an ordinal variable built based on the Eurostat classification⁵¹ of technology intensity of manufacturing sectors and ranging from 1 to 4 (Low Technology=1, Medium/Low Technology=2, Medium/High Technology=3, High Technology=4).

Finally, we add *Country Market Growth* measured through the GDP growth of the subsidiary country (Brouthers and Brouthers, 2000). We expect fast-growing markets to generate additional executive job demands due to the rapidly changing environment and the increasing competition owing to the market allure. Eventually, we include *Year dummies* for each year of the period considered.

Variable Name	Operationalisation	Role	References
Executive Generalist	It is constructed by aggregating three different	Dependent	(Crossland et al.,
	executive work experience dimensions: international	variable	2014; Georgakakis,
	experience, industry experience and functional		Greve and Ruigrok,
	experience. In the first step, we apply Blau's index		2017; Li and Patel,
	formula at the newly appointed executive (individual)		2019; Mueller et al.,
	level for each work experience dimension. We gather		2020)
	data concerning the executive's international,		
	industry and functional experience and the length of		
	each of them. Secondly, we normalise each executive		
	work experience diversity dimension before summing		
	them up into one single variable that describes the		
	extent to which the newly appointed executive is a		
	generalist.		
High economic complexity	It is a dummy variable calculated using the reverse of	Independent	(Hidalgo, 2021;
	the Economic Complexity Index obtained from the	variables	Hidalgo and
	Observatory of Economic Complexity. We adopt the		Hausmann, 2009)
	economic complexity and set the median value of		
	economic complexity as a threshold to construct the		

Table 5.1. – Summary of all the variables employed in the Tobit regression analysis

⁵⁰ We clarify that to construct Industry declining performance, Industry dynamism and Average industry DOI variables, we have collected the information required for a bigger sample of firms than those of our sample. The data were acquired from Fame database, inserting the following criteria: UK-based companies, 50-2,000 employees and NACE Rev ranging from 10-32.

⁵¹ Classification is based on NACE Rev.2 2-digit Sic Codes. Specifically, 21 and 26 are classified as High-Technology; 20, 27, 28, 29, 30 Medium-High-Technology; 19, 22, 23, 24, 25, 33 Medium-Low-Technology; 10, 11, 12, 13, 14, 15, 16, 17, 18, 31, 32 Low-Technology.

	dummy variable. High economic complexity is equal		
	to 1 when the economic complexity value of the		
	subsidiary location is higher than the median value, 0		
	otherwise.		
High institutional complexity	It is a dummy variable calculated using the reverse of		(Bjornskov and
	the Economic Freedom Index measured by the		Foss, 2016; Boellis
	Heritage Foundation. We adopt our measure of		et al., 2016;
	institutional complexity and set the median value of		Gwartney and
	institutional complexity as a threshold to construct the		Lawson, 2003)
	dummy variable. High institutional complexity is		
	equal to 1 when the institutional complexity value of		
	the subsidiary location is higher than the median value,		
	0 otherwise.		
High economic Low	It is a dummy variable equal to 1 when the subsidiary		
institutional complexity	location scores simultaneously high in economic		
I J	complexity and low institutional complexity, 0		
	otherwise.		
High institutional Low	It is a dummy variable equal to 1 when the subsidiary		
economic complexity	location scores simultaneously high in institutional		
······	complexity and low economic complexity, 0		
	otherwise.		
High institutional High	It is a dummy variable equal to 1 when the subsidiary		
0	logation soone simultaneously high in according		
economic complexity	location scores simultaneously high in economic		
economic complexity	complexity and high institutional complexity, 0		
economic complexity	complexity and high institutional complexity, 0 otherwise.		
economic complexity	complexity and high institutional complexity, 0 otherwise.		
economic complexity Executive age	complexity and high institutional complexity, 0 otherwise.	Control	(Georgakakis,
economic complexity Executive age	It measures the age of the newly appointed executive at the appointment year.	Control Variables	(Georgakakis, Greve and Ruigrok,
economic complexity Executive age	It measures the age of the newly appointed executive at the appointment year.	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve,
economic complexity Executive age Executive gender	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male 0 if she is female	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and
economic complexity Executive age Executive gender	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female.	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015)
economic complexity Executive age Executive gender Executive insider	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female.	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and
economic complexity Executive age Executive gender Executive insider	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019)
economic complexity Executive age Executive gender Executive insider	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019)
economic complexity Executive age Executive gender Executive insider	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019)
economic complexity Executive age Executive gender Executive insider	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment.	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019)
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the newly	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis,
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives.	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok,
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen,
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three demographic aspects: age, gender and nationality. For	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009)
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three demographic aspects: age, gender and nationality. For each executive's pair (newly appointed executive –	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009)
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three demographic aspects: age, gender and nationality. For each executive's pair (newly appointed executive – incumbent executive), we compute the matching as a	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009)
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three demographic aspects: age, gender and nationality. For each executive's pair (newly appointed executive – incumbent executive), we compute the matching as a 1 or 0 for each of the previously mentioned	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009)
economic complexity Executive age Executive gender Executive insider Executive dissimilarity	It measures the age of the newly appointed executive at the appointment year. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive is a male, 0 if she is female. It is a dummy variable equal to 1 when the newly appointed executive has been internally hired, 0 otherwise. Internal appointment occurs whenever the executive has two years or less of company tenure at the moment of the appointment. It measures the dissimilarity between the new executive and the incumbent top executives. Dissimilarity has been assessed with respect to three demographic aspects: age, gender and nationality. For each executive's pair (newly appointed executive – incumbent executive), we compute the matching as a 1 or 0 for each of the previously mentioned dimensions. We then take the average for all the	Control Variables	(Georgakakis, Greve and Ruigrok, 2021; Greve, Biemann and Ruigrok, 2015) (Kunisch, Menz and Cannella, 2019) (Georgakakis, Greve and Ruigrok, 2021; Nielsen, 2009)

CEO function	It is a dummy that captures whether the newly	
	appointed executive is a CEO or another top	
	management team function.	
Throughput function	Throughput Function is a dummy whose value is 1 if	
	the manager is involved in functional roles that aim at	
	improving the efficiency of company processes and	
	operations (e.g. finance, operations, legal, R&D	
	process, regulatory affairs etc.), 0 otherwise.	
Output function	Output Function is a dummy equal to 1 when the	
	newly appointed executive performs his/ her role in	(Greve, Biemann
	functions that emphasise growth and search for new	and Ruigrok, 2015)
	domains, 0 otherwise (e.g. Marketing, Sales, R&D	
	output, Strategy & Corporate development, investor	
	relations positions etc.).	
Regional responsibility	Regional responsibilities is a dummy capturing those	
	positions that imply managing and overseeing	
	business activities within a certain geographical area	
	(e.g. geographical responsibilities, international and	
	regional divisions etc.).	
TMT tenure diversity	Position tenure is measured for each TMT member,	(Oehmichen et al.,
	and then TMT tenure diversity is calculated through	2017)
	the standard deviation formula.	
TMT demographic diversity	It is constructed by aggregating three different TMT	(Georgakakis,
y	member demographic dimensions: age, gender,	Greve and Ruigrok,
	nationality and education level. In the first step, we	2021)
	apply Blau's (1977) index formula at the team level by	,
	categorising each TMT member in respect to each	
	dimension. Having computed age, gender, nationality	
	and education level diversity at the TMT level, we	
	normalise each TMT demographic diversity	
	dimension before aggregating them into one variable.	
TMT work experience	It is constructed by aggregating three different TMT	(Crossland et al
diversity	member work experience dimensions: TMT	2014 Georgakakis
diversity	international experience TMT industry experience	et al. 2016: Mueller
	and TMT functional experience. In the first step, we	et al. (2020)
	apply Blau's (1977) index formula for each work	() (iii, 2020)
	experience dimension at the individual level. For each	
	ton executive we classify its international industry	
	and functional experience and their length Secondly	
	we normalise each variable TMT member work	
	experience diversity dimension and compute the	
	average at the team level before aggregating them into	
	one variable	
CEO career variety	It is measured considering two aspects of CEO coreer	(Georgakakis
	experience i.e. functional and international work	Greve and Ruigrob
	experience. We apply Blau's (1977) index formula to	2017)
CEO career variety	one variable. It is measured considering two aspects of CEO career experience, i.e. functional and international work experience. We apply Blau's (1977) index formula to	(Georgakakis, Greve and Ruigrok, 2017)

	compute CEO international and functional work	
	experience diversity. The two measures are then	
	aggregated.	
CEO tenure	The variable counts the number of years since the CEO	(Hambrick and
	has been appointed to the firm.	Fukutomi, 1991)
CEO duality	It is a dummy variable equal to 1 when the CEO is also	(Georgakakis and
	the Chairman of the Board, 0 otherwise.	Ruigrok, 2017;
		Singh and Delios,
		2017)
Board independence	This variable represents the ratio of non-executive	(Chen, 2011; Singh
	directors to the total number of directors.	and Delios, 2017;
		Thams et al., 2018)
Foreign Countries	This variable counts the number of foreign countries	(George, Wiklund
	of operations for each firm in our sample.	and Zahra, 2005;
		Gomes and
		Ramaswamy, 1999)
Firm size	It is measured through the logarithm of the number of	(Barkema and
	employees of the firm at year t.	Shvyrkov, 2007;
		Boellis et al., 2016)
Firm declining performance	e It is computed by averaging company ROA	(Georgakakis and
	performances in the three years before the executive	Ruigrok, 2017;
	appointment and by taking its reverse.	Hutzschenreuter and
		Horstkotte, 2013)
Industrial diversification	It is the number of NACE Rev.2 industry codes in	(Hennart and Park,
	which the firm is doing business.	1993; Larimo, 2003)
Industry dynamism	It measures the instability of the sales growth of a	(Nielsen, 2009;
	specific industry. Industry dynamism is estimated as	Ruigrok,
	the standard error of the regression slope coefficient of	Georgakakis and
	industry sales divided by the average value of sales	Greve, 2013)
	over a three-year period. We consider the first two	
	primary digits of the NACE Rev 2. industry code of	
	the company.	
Industry declinit	It is computed by reversing the industry munificence	(Haynes and
performance	measure. First, we compute industry munificence at	Hillman, 2010;
I · · · · · ·	the two digits UK SIC code industry level. Industry	Nielsen and Nielsen,
	munificence is computed as the regression coefficient	2013; Georgakakis
	of time on the annual average sales in a three-year	et al., 2017)
	moving period (i.e. 2006-2008, 2007-2009 etc.)	
	divided by the average sales of the industry in the same	
	period. This measure is then reversed to obtain	
	industry performance decline.	
Average indust	ry The variable captures the level of internationalisation	(Kunisch, Menz and
internationalisation	of the industry, which is the extent to which companies	Cannella, 2017)
	sell their products abroad rather than in their domestic	
	market. We aggregate the ratio of foreign sales over	

	total sales for all the companies operating within the same first two digits NACE Rev 2. industry code.	
Industry technology intensity	We have used the Eurostat classification on the high-	(Rabbiosi, Elia and
	tech manufacturing industries to create four ordinal	Bertoni, 2012)
	categories that capture the level of technological	
	intensity of the firm core industry (i.e. High	
	Technology, Medium/High Technology,	
	Medium/Low Technology, and Low Technology).	
Country market growth	The rate at which the subsidiary host country GDP	(Boellis et al., 2016;
	changes/grows from one year to another.	Dikova and Van
		Witteloostuijn,

2007)

5.5 Analytical Strategy and Results

In Table 5.2, we report the correlation matrix and the descriptive statistics of all variables included in our models. Pairwise correlations coefficients are relatively small with the exception of two control variables: *Average Industry Internationalisation* and *Industry Technology Intensity*. The two variables are highly positively correlated (0.83), suggesting that high-tech manufacturing sectors are the most internationalised. We tested for multicollinearity and inspected the values of variance inflation factors (VIFs) given the high correlation value. We find that all the values are well below 10, which is the maximum suggested threshold (Belsley, Kuh and Welsch, 1980). The model reported in Table 5.3, referring to the *Environment Complexity Matrix Dummies*, reports the highest correlation values, yet the highest VIF value is equal to 5.6 while the average VIF is 2.4. The correlation values between *High Institutional complexity* and *High Economic complexity* variables and the four dummies associated with the environment complexity matrix of Figure 5.2 should not be considered as these two groups of variables are run in distinct models.

We tested our hypotheses using a Tobit model due to the nature of our dependent variable. In fact, executive generalist value can only range between 0 and 3, as it is the sum of three components (i.e. three domains of experience) that can vary from 0 to 1 (Blau's formula is applied for the three components). In this sense, our dependent variable is censored as it is forced within a range, where its theoretical upper limit is 3, while its minimum value is 0 (Amore and Murtinu, 2019). Additionally, we test the same model specification with an OLS estimator, and we find no substantial differences between the two models⁵². Given the structure of our dataset, which involves repeated firm-level observations (i.e. in the case of multiple firm executives' appointments within the same year or in different years), we cluster standard errors at the company-year level. Our unit level of analysis consists of each executive appointment that is described by the individual (i.e. generalist background, age, gender, dissimilarity) and the role information (i.e. insider, CEO, type of target function). We know that companies need time to adjust to complex environments and identify the organisational and environmental requirements that contribute to the executive job demands. Additionally, executive hiring is a very delicate and long process involving prolonged search, negotiations, and possibly many setbacks for the hiring company. All things considered, we argue that it is important to lag all our independent variables of one year in respect to our dependent variable, except for those variables characterising the specific executive appointment and the characteristics of the new executive, which

⁵² Results of OLS regression analyses will be made available by the authors upon request.

are time-invariant (i.e. executive age, executive gender, executive insider, executive dissimilarity, CEO function, output function, throughput function and regional responsibility).

Results

We now discuss the results obtained from our main models, which are presented in Table 5.3. Standard errors are reported within brackets beneath the coefficients of the variables. In columns 1, 2, 3 and 4, we test the effect of High Economic complexity, High Institutional Complexity, both complexities and their interaction effect, respectively, on the likelihood of appointing an executive generalist. Econometric analyses show strong support for the negative effect of High Economic *Complexity* on our dependent variable (p<0.01); thus, this result confirms hypothesis 2 and suggests that companies operating in highly economic complex environments will be more greatly seeking specialised executive backgrounds rather than generalists. On the contrary, empirical results hint at the opposite relationship for *High Institutional Complexity* consistently with hypothesis 1. However, High Institutional Complexity variable positive effect is only statistically significant (p<0.05) when we introduce the interaction term concerning the two High Environment complexity variables. We adopt the "marginal effects technique" to interpret High Institutional Complexity direct effect on our dependent variable following Busenbark & Lee (2020) suggestion. We compute the effect of the High Institutional Complexity variable in the case of Low and High Economic Complexity. We find that the positive effect of *High Institutional Complexity* is statistically significant only when *High Economic Complexity* is 0 (i.e. Low level of Economic Complexity), thus confirming only partially⁵³ hypothesis 2. Instead, our analyses fully support hypothesis 3, providing evidence for the negative interaction effect between High Institutional Complexity and High Economic Complexity (p<0.05) on our dependent variable.

Columns 5 of Table 5.3 reports the results of our analyses delving into the different combinations of the *institutional* and *economic complexity* dimensions, reflecting the Environment Complexity Matrix of Figure 5.2. Specifically, country environments combining High Economic and Low Institutional Complexity increase the likelihood of appointing a specialist executive (p<0.05); on the other hand, companies facing simultaneously High Institutional and Low Economic Complex environments are more prone to appoint generalist executives (p<0.05). Finally, hypothesis 3 receives

⁵³ We interpret our hypotheses by examining the fully specified models reported in the far-right columns of Table 5.3. We understand that hypothesis 1 is not statistically supported if considered standalone. In this sense, hypothesis 1 support is certainly weakened. However, considering Aguinis et al. (2017) and Busenbark and Lee (2021) recommendations which emphasise the interpretation of the empirical results concerning the fully specified model, the consistency of both magnitude and direction of our key independent variable coefficients, and the robustness checks presented in Tables 5.6, 5.7 and 5.8, we are confident to argue that hypothesis 1 is at least partially supported by our empirics.

additional support by the negative statistically significant relationship between the dummy *High Institutional High Economic Complexity* and our dependent variable (p<0.05).

Among our control variables, we find that the probability of appointing a generalist is lower when appointing an internal executive (p<0.05) and higher when the appointment involves a CEO (p<0.05) or a regional responsibility function (p<0.01). This latter result could be due to the nature of the role (i.e. its job demands) and the experience required to cover it. CEO role typically requires less specialised knowledge and the job demands associated with it are more general and transferrable across different firms and industries (Bunderson, 2003; Doms and zu Knyphausen-Aufseß, 2014). Indeed, regional roles involve dealing with various tasks such as local customers and suppliers' management, regional market analysis, liaising with local institutions and communicating and coordinating with firm HQ. Interestingly, TMTs who are more demographically diverse are more likely to appoint executive generalists (p<0.01). Diverse teams could have a greater appreciation for managers who have varied work experience (Nielsen and Hillman, 2019), regardless of the environmental conditions faced by their company.

Additionally, board independence, i.e. the presence of a conspicuous number of non-executive directors sitting on the board of the firm, is positively associated with the appointment of a generalist (p<0.05). Finally, we observe that more industrially diversified companies (p<0.05) are more likely to appoint generalist executives. Firms that operate multiple businesses in different industries will tend to value more generalist backgrounds; indeed, generalists could be more effective integrators and are more aware of the needs and interdependencies existing among different organisational functions and business units (Mueller et al., 2020).

	Variables	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	11)	12)	13)	14)	15)	16)	17)	18)	19)	20)	21)
1)	Executive Generalist	1.00																				
2)	Executive Age	0.16	1.00																			
3)	Executive Gender	0.12	0.07	1.00																		
4)	Executive Insider	-0.18	-0.07	-0.04	1.00																	
5)	Executive Dissimilarity	-0.13	-0.19	-0.69	0.12	1.00																
6)	CEO Function	0.15	0.19	0.05	-0.13	-0.22	1.00															
7)	Throughput Function	-0.16	-0.18	-0.17	-0.15	0.13	-0.64	1.00														
8)	Output Function	-0.10	-0.08	0.01	0.14	0.15	-0.23	-0.30	1.00													
9)	Regional Responsibility	0.12	0.07	0.01	0.14	0.00	-0.23	-0.11	-0.05	1.00												
10)	TMT Tenure Diversity	0.12	0.07	0.04	0.10	0.00	0.17	0.03	0.03	0.14	1.00											
11)	TMT Demographic Diversity	0.19	-0.04	-0.11	-0.07	0.27	-0.17	-0.03	-0.03	0.14	0.19	1.00										
12)	TMT Work Experience	0.20	0.01	0.10	0.07	0.00	0.02	0.00	0.00	0.00												
13)	Diversity CEO Career Variety	0.23	0.13	0.12	-0.19	-0.20	0.14	0.08	-0.15	-0.07	-0.26	0.44	1.00									
14)	CEO Tenure	0.09	0.19	0.06	-0.09	-0.18	0.10	0.04	-0.12	-0.05	-0.19	0.03	0.43	1.00								
15)	CEO Duality	-0.17	-0.07	-0.03	0.14	0.19	-0.17	-0.05	0.15	0.05	0.47	0.12	-0.33	-0.17	1.00							
16)	Board Independence	-0.01	-0.06	-0.04	0.00	0.06	-0.05	-0.06	0.03	0.05	0.03	0.04	-0.18	-0.23	0.26	1.00						
17)	Eoreign Countries	0.21	0.20	0.06	-0.14	-0.18	0.20	0.06	-0.24	-0.04	-0.57	-0.25	0.21	0.26	-0.28	-0.09	1.00					
18)	Firm Size	0.20	0.14	0.00	0.01	0.02	0.08	0.06	-0.06	-0.05	0.02	0.19	0.17	0.11	-0.04	0.02	0.15	1.00				
10)	Firm dealining	0.01	0.09	-0.03	0.01	0.03	-0.02	0.05	-0.05	-0.04	0.14	0.03	0.00	-0.04	0.05	0.03	0.04	0.50	1.00			
19)	performance	0.09	-0.02	0.02	-0.06	-0.04	0.14	-0.05	-0.02	-0.05	-0.28	-0.10	0.10	0.06	-0.33	-0.14	0.14	-0.18	-0.47	1.00		
20)	Industrial diversification	0.05	0.00	-0.08	-0.02	0.11	-0.09	0.06	-0.04	0.14	0.05	-0.11	-0.16	0.00	0.09	0.02	0.08	0.05	0.10	-0.07	1.00	
21)	Industry dynamism	-0.10	-0.09	0.00	0.11	0.06	0.06	-0.06	0.00	-0.04	0.14	0.01	-0.11	-0.12	-0.11	-0.04	-0.15	-0.02	-0.11	0.06	0.07	1.00
22)	Industry declining performance	-0.09	-0.10	-0.05	-0.09	-0.01	-0.13	0.07	0.05	0.06	0.03	0.01	-0.13	0.02	0.26	0.09	0.00	-0.11	0.09	-0.07	0.08	-0.16
23)	Average Industry	0.22	0.00	0.00	0.12	0.12	0.08	0.06	0.06	0.06	0.24	0.04	0.17	0.07	0.24	0.10	0.20	0.23	0.07	0.10	0.05	0.15
24)	Industry Technology	0.22	0.09	0.09	-0.13	-0.13	0.08	0.00	-0.00	-0.00	-0.54	-0.04	0.17	0.07	-0.24	0.10	0.20	0.25	0.07	0.10	-0.03	-0.15
	Intensity	0.17	0.09	0.07	-0.12	-0.11	-0.02	0.11	-0.03	-0.04	-0.27	-0.04	0.11	0.02	-0.13	0.11	0.14	0.24	0.03	0.08	-0.06	-0.18

 Table 5.2 – Correlation matrix and descriptive statistics of variables employed in our model

25)	Country Market Growth	-0.06	-0.02	0.01	0.05	0.00	-0.05	0.04	0.04	0.01	0.07	0.01	-0.08	-0.01	0.13	0.01	-0.02	0.03	0.05	-0.06	-0.01	0.00
26)	High Economic Complexity																					
		-0.04	0.03	0.04	-0.09	-0.06	-0.09	0.03	0.05	0.01	0.02	0.05	-0.03	-0.05	0.10	0.06	-0.01	-0.02	-0.04	-0.09	0.09	-0.10
27)	High Institutional Complexity	-0.01	-0.02	-0.01	0.08	0.01	0.03	-0.01	-0.01	-0.03	0.07	0.00	-0.02	0.02	0.00	-0.06	-0.05	0.08	0.11	-0.04	-0.03	0.03
28)	High Economic Low Institutional Complexity	0.00	0.03	0.02	-0.09	-0.03	-0.05	0.02	0.02	0.02	-0.06	-0.01	-0.01	-0.02	0.02	0.07	0.04	-0.09	-0.12	0.04	0.06	-0.05
29)	High Institutional Low Economic Complexity	0.03	-0.04	-0.02	0.09	0.05	0.06	-0.01	-0.05	-0.02	-0.02	-0.07	0.00	0.05	-0.10	-0.05	0.01	-0.02	0.01	0.12	-0.05	0.09
30)	High Institutional High Economic Complexity	-0.02	-0.01	0.00	0.04	-0.01	0.00	-0.01	0.01	-0.02	0.09	0.04	-0.02	0.00	0.05	-0.04	-0.05	0.09	0.11	-0.11	-0.01	-0.02
31)	GEI Indicator																					
32)	Institutional Distance	-0.02	-0.01	0.01	0.08	0.00	0.01	-0.02	0.01	-0.03	0.10	-0.05	-0.09	0.03	0.03	-0.02	-0.05	0.10	0.12	-0.09	-0.02	0.06
33)	Economic Complexity	0.02	-0.05	0.00	0.08	0.01	0.03	-0.01	-0.02	-0.02	0.08	0.01	-0.05	0.04	0.01	-0.02	-0.06	0.24	0.17	-0.10	-0.02	0.06
24)	Distance	-0.01	0.09	0.02	-0.10	-0.05	-0.05	0.02	0.03	-0.01	-0.03	0.02	0.06	0.01	0.06	-0.01	0.07	-0.12	-0.08	-0.01	0.01	-0.17
34)	Distance	0.03	-0.03	-0.01	0.08	0.01	0.03	0.01	-0.03	-0.03	0.05	0.05	0.02	0.05	-0.01	-0.03	-0.05	0.19	0.16	-0.08	-0.04	0.01
	Observations (No.)	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,62	1,628	1,62	1,628	1,628
	Mean	1.13	48.80	0.92	0.34	0.20	0.28	0.50	0.12	0.02	4.11	0.76	1.36	0.65	9.89	0.15	0.53	6.41	6.01	0.03	1.55	0.06
	Std. Dev.	0.57	8.02	0.27	0.48	0.13	0.45	0.50	0.32	0.13	3.84	0.44	0.43	0.42	8.23	0.36	0.16	5.37	1.32	0.26	0.78	0.06
	Min	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	1.39	-0.29	1.00	0.00
	Max	2.32	72.00	1.00	1.00	0.82	1.00	1.00	1.00	1.00	24.28	1.95	2.11	1.75	55.00	1.00	0.83	22.00	8.35	2.36	5.00	0.51

	Variables	22)	23)	24)	25)	26)	27)	28)	29)	30)	31)	32)	33)	34)
22) 23)	Industry declining performance Average Industry DOI	1.00												
,		-0.05	1.00											
24)	Industry Technology Intensity	-0.08	0.83	1.00										
25)	Country Market Growth													
26)	High Economic	0.25	0.01	0.00	1.00									
20)	Complexity	0.09	0.04	0.11	-0.11	1.00								
27)	High Institutional Complexity	0.00	-0.01	-0.03	0.41	-0.24	1.00							
28)	High Economic Low Institutional Complexity	0.02	0.03	0.06	-0.39	0.53	-0.90	1.00						
29)	High Institutional Low Economic Complexity	-0.07	-0.02	-0.08	0.16	-0.69	0.41	-0.37	1.00					
30)	High Institutional High Economic Complexity	0.04	0.00	0.00	0.37	0.09	0.89	-0.80	-0.06	1.00				
31)	GEI Indicator					,								
32)	Institutional Distance	0.01	0.01	0.01	0.50	-0.14	0.70	-0.63	0.26	0.64	1.00			
22)		-0.02	0.02	0.00	0.44	-0.26	0.80	-0.76	0.33	0.71	0.85	1.00		
33)	Economic Complexity Distance	0.05	0.02	0.07	-0.28	0.65	-0.48	0.64	-0.46	-0.30	-0.40	-0.62	1.00	
34)	Institutional Complexity													
	Distance	-0.05	0.01	0.01	0.29	-0.19	0.76	-0.72	0.26	0.70	0.56	0.79	-0.43	1.00
	Observations (No.)	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,628	1,622	1,621	1,628	1,628
	Mean	-0.05	0.42	2.65	2.13	0.95	0.14	0.83	0.03	0.12	0.20	1.39	-0.06	0.05
	Std. Dev.	0.10	0.11	1.14	3.14	0.22	0.35	0.37	0.16	0.32	0.22	1.59	0.12	0.09
	Min	-0.61	0.03	1.00	-7.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.68	-0.16
	Max	0.31	0.60	4.00	25.56	1.00	1.00	1.00	1.00	1.00	1.00	6.61	0.13	0.33

 Table 5.2 – Correlation matrix and descriptive statistics of variables employed in our model

Variables	(1) Ec Cor) High onomic nplexity	(2) High I Comj	nstitutional plexity	(3) Bo Institution Economic	th High al and High Complexity	(4) Interact High Instit High Eo Comp	ion between utional and conomic blexity	(5) Environment Complexity Dummy Matrix		
	Est	P-Value	Est	P-Value	Est	P-Value	Est	P-Value	Est	P-Value	
Executive Age	0.006	0.166	0.006	0.179	0.006	0.164	0.006	0.164	0.006	0.164	
-	(0.005)		(0.005)		(0.005)		(0.005)		(0.005)		
Executive Gender	0.024	0.857	0.022	0.870	0.024	0.854	0.022	0.870	0.022	0.870	
	(0.132)		(0.133)		(0.132)		(0.132)		(0.132)		
Executive Insider	-0.166**	0.019	-0.160**	0.024	-0.166**	0.019	-0.167**	0.018	-0.167**	0.018	
	(0.071)		(0.071)		(0.071)		(0.071)		(0.071)		
Executive Dissimilarity	0.024	0.943	0.036	0.916	0.025	0.940	0.020	0.953	0.020	0.953	
	(0.334)		(0.339)		(0.334)		(0.334)		(0.334)		
CEO Function	0.204*	0.082	0.208*	0.079	0.204*	0.082	0.204*	0.083	0.204*	0.083	
	(0.117)		(0.119)		(0.117)		(0.117)		(0.117)		
Throughput Function	-0.061	0.577	-0.056	0.612	-0.061	0.579	-0.062	0.571	-0.062	0.571	
	(0.110)		(0.110)		(0.109)		(0.110)		(0.110)		
Output Function	0.186	0.128	0.184	0.134	0.186	0.127	0.187	0.127	0.187	0.127	
-	(0.122)		(0.123)		(0.122)		(0.122)		(0.122)		
Regional Responsibility	0.762***	0.000	0.776***	0.000	0.763***	0.000	0.765***	0.000	0.765***	0.000	
	(0.199)		(0.203)		(0.200)		(0.200)		(0.200)		
TMT Tenure Diversity	-0.007	0.564	-0.008	0.509	-0.007	0.563	-0.007	0.563	-0.007	0.563	
,	(0.012)		(0.012)		(0.012)		(0.012)		(0.012)		
TMT Demographic Diversity	0.383***	0.000	0.379***	0.000	0.383***	0.000	0.384***	0.000	0.384***	0.000	
61	(0.098)		(0.099)		(0.098)		(0.098)		(0.098)		
TMT Work Experience Diversity	-0.015	0.910	-0.014	0.912	-0.015	0.908	-0.014	0.915	-0.014	0.915	
I	(0.128)		(0.129)		(0.128)		(0.128)		(0.128)		
CEO Career Variety	-0.072	0.420	-0.070	0.435	-0.072	0.418	-0.074	0.406	-0.074	0.406	
5	(0.089)		(0.090)		(0.089)		(0.089)		(0.089)		
CEO Tenure	-0.008	0.154	-0.008	0.159	-0.008	0.155	-0.008	0.156	-0.008	0.156	
	(0.005)		(0.005)		(0.005)		(0.005)		(0.005)		
CEO Duality	-0.021	0.806	-0.019	0.820	-0.020	0.811	-0.022	0.797	-0.022	0.797	
	(0.084)		(0.085)		(0.084)		(0.084)		(0.084)		
Board Independence	0.595**	0.011	0.587**	0.012	0.596**	0.011	0.596**	0.011	0.596**	0.011	
Bourd macpendence	(0.233)		(0.234)		(0.233)		(0.233)		(0.233)		
Foreign Countries	0.006	0.467	0.005	0.476	0.005	0.472	0.006	0.454	0.006	0.454	
i orongin countries	(0.008)	0.107	(0.008)	0.170	(0.008)	0.172	(0.008)	0.121	(0.008)	0.121	
Firm Size	-0.018	0.477	-0.017	0.522	-0.019	0.469	-0.019	0.459	-0.019	0.459	

Table 5.3 – *High Economic Complexity and High Institutional Complexity as antecedent of Executive Generalist Appointment, Baseline Specification, Tobit Regression analyses on Executives' Appointments occurring between 2009 and 2018*

	(0.026)		(0.026)		(0.026)		(0.026)		(0.026)	
Firm Declining Performance	0.048	0.602	0.062	0.524	0.048	0.602	0.041	0.650	0.041	0.650
C C	(0.092)		(0.098)		(0.092)		(0.091)		(0.091)	
Industrial diversification	0.089**	0.017	0.084**	0.026	0.089**	0.017	0.089**	0.018	0.089**	0.018
	(0.037)		(0.038)		(0.037)		(0.037)		(0.037)	
Industry Dynamism	-0.134	0.840	-0.057	0.931	-0.134	0.840	-0.135	0.838	-0.135	0.838
	(0.660)		(0.667)		(0.660)		(0.660)		(0.660)	
Industry Declining Performance	-0.286	0.475	-0.320	0.429	-0.288	0.473	-0.286	0.475	-0.286	0.475
	(0.401)		(0.404)		(0.401)		(0.401)		(0.401)	
Average Industry Internationalisation	0.707	0.156	0.740	0.138	0.705	0.157	0.701	0.160	0.701	0.160
	(0.498)		(0.499)		(0.498)		(0.499)		(0.499)	
Industry Technology Intensity	-0.001	0.982	-0.008	0.858	-0.001	0.986	-0.000	0.993	-0.000	0.993
	(0.044)		(0.044)		(0.044)		(0.044)		(0.044)	
Country Market Growth	-0.005	0.270	-0.005	0.253	-0.006	0.203	-0.006	0.207	-0.006	0.207
•	(0.004)		(0.004)		(0.005)		(0.005)		(0.005)	
High Economic Complexity	-0.182***	0.002			-0.177***	0.002	-0.117**	0.017		
с і .	(0.057)				(0.057)		(0.049)			
High Institutional Complexity	-		0.045	0.151	0.021	0.485	0.139**	0.030		
			(0.032)		(0.030)		(0.064)			
High Economic Complexity X High							-0.135**	0.044		
Institutional Complexity	-									
							(0.067)			
High Economic Low Institutional Complexity									-0.117**	0.017
									(0.049)	
High Institutional Low Economic Complexity									0.139**	0.030
									(0.064)	
High Institutional High Economic Complexity									-0.113**	0.045
									(0.056)	
Year Dummies	Yes		Yes		Yes		Yes		Yes	
Constant	-0.047		-0.221		-0.053		-0.105			-0.105
	(0.525)		(0.520)		(0.525)		(0.520)			(0.520)
Observations	1,628		1,636		1,628		1,628			1,628
Prob>Chi2	0.000		0.000		0.000		0,000			0.000
Pseudo R2	0.207		0.202		0.207		0.207			0.207
	Dal	unct atom dand		thacac ***	-0.01 ** m -0.0	5 * 0 1				

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Additional Evidence and Robustness Checks

In addition to the direct effect of external environment complexity on executive's selection preferences, we posit that this relationship could be contingent on firm and industry level performance. Prior research has suggested that poor firm performance induce decision-makers to devise and implement corrective actions and can even prompt changes at the TMT level to reverse the negative course of business (Boone et al., 2004; Greve, Biemann and Ruigrok, 2015; Lant and Milliken, 1992). Therefore, declining firm performance is likely to pressure top executives and increase their job demands (Hambrick, Finkelstein and Mooney, 2005). Similarly, literature has drawn on resource dependence theory and the notion of executive job demands to show that specific industry aspects are important contingencies affecting executive selection propensities (Boone et al., 2004; Georgakakis, Greve and Ruigrok, 2021; Kunisch, Menz and Cannella, 2019). A commonly studied contingency in this context is industry munificence, which reflects the performance of an industry over time; better-performing industries are characterised by a higher level of industry munificence. On the contrary, a low level of munificence signals that the industry is stagnating or even shrinking, leading to fierce price competition and a relentless need for efficiency (Hamermesh and Silk, 1979). In such industry contexts, companies are constantly under the threat of competitors' attacks, compelling managers to come up with innovative and unpredictable strategic moves or design retaliation measures in response to the incumbent or emerging market players.

We claim that both *Firm* and *Industry Declining Performance* will increase the amount of internal and external complexity that the firm has to handle and overcome, augmenting the challenges and job demands associated with the two different environmental complexity sources to which the firm is exposed. Hence, we claim that both *Firm* and *Industry Declining Performance* will magnify the main relationship between our variables, reflecting the different combinations of complexities (based on the environmental complexity matrix displayed in Figure 5.2) and the probability to appoint a generalist. To test our moderating effects, we follow Dawson's (2014) advice and we mean-centre⁵⁴ all the variables in our models, except for our dependent variable. Dawson's (2014) states that the first fundamental step to verify the presence of a moderating effect is to look at the interaction term coefficient and statistical significance level.

Tables 5.4 and 5.5 report firm and industry declining performance interaction effects with the *environment complexity matrix* dummies. Results reported in Table 5.4 show that *firm declining performance* increase the need to appoint generalist executives (p<0.01) when firms face High Institutional complex environments while amplifying the likelihood of appointing a specialist in

⁵⁴ Mean-centring consists in subtracting to each variable of our model for every observation its population mean. Hence, every mean-centred variable would have a mean of zero.

companies operating in High Economic complex country environments. A similar trend is confirmed for *industry declining performance*. The relevance of these interaction effects is also confirmed by the magnitude of their coefficients; the latter can be interpreted in a similar manner as in OLS estimators (Amore and Murtinu, 2019), and they are substantially bigger than many of the other variables direct effects. Nonetheless, we do not find a significant moderating effect of firm and industry declining performance on the relationship between High Institutional and Economic Complex environments and our dependent variable. This is probably due to the fact that the presence of a twofold complex environment is already impactful enough to give birth to a strong need for appointing a specialist manager, being the additional complexity arising from the firm or industry declining performance not relevant to reinforce such a need further.

Furthermore, we decided to run some robustness checks concerning the independent variables underpinning our hypotheses. Specifically, we verify whether our empirical analyses are robust to different measures and operationalisations of our institutional and economic complexity variables. In a first robustness check whose results are presented in Table 5.6, we adopt an alternative measure for our institutional complexity variable: the governance environment indicator (GEI) first introduced by Li and Filer (2007). Like the economic freedom index, the GEI indicator builds on the North (1990) tradition of institutional theory, i.e. new institutional economics. Li and Filer (2007) contend that countries' institutions can be classified in a continuum between two contrasting institutional settings, i.e. rule-based governance environment and relation-based governance environment. A society with a rule-based institutional setting is characterised by a transparent body of laws, impartially applied and effectively enforced, that regulate, facilitate, and protect the economic exchanges and interests of organisations and people (Li, 2003; Li, Park and Li, 2003). On the other hand, organisations and people in relation-based societies overcome the uncertainty and ambiguity of opaque legal systems, politically biased courts and weak legal enforcement by conducting social and economic exchanges through informal laws and relational networks (Alon, Elia and Li, 2020; Li and Filer, 2007). We construct the GEI indicator following Li and Filer (2007) and Alon and colleagues (2020) methodology⁵⁵, and we compute the indicator at the starting year of our sample period. We have

⁵⁵Differently from Li and Filer (2007) and Alon and colleagues (2020), we compute the complementary measure of the original GEI indicator as, consistently with our theorising, higher institutional complexity will be found in a relationbased governance environment rather than a rule-based one due to the greater uncertainty and ambiguity of the institutional environment. Additionally, we have implemented two versions of the GEI indicator, one including and the other excluding the "The level of general trust" item retrieved from the World Value Survey. Results are consistent across the two operationalisations of the GEI indicator, and this is not surprising given that the correlation between the two indicators is close to 1. In Table 5.6, however, we have reported only the results that leverage the GEI indicator excluding "The level of general trust" item, as the World Value Survey obtained responses for less than half of our subsidiary host countries: hence, if this item were to be included would lead to a severe drop of our observations and potentially confuse

countries; hence, if this item were to be included would lead to a severe drop of our observations and potentially confuse the reader. We also would like to clarify that the economic complexity variable reported in Table 5.6 has not been dichotomised consistently with the continuous nature of the GEI indicator.

implemented this robustness check as the GEI indicator helps us further disentangle the differences and distinct challenges that are posed by rule-based and relation-based country institutional settings. This testing could provide additional support to our hypotheses as we advance that executive generalists will be more greatly needed in those low-quality institutional environments where institutional voids are largely circumvented and overcome through informal laws and private and personal relations.

Eventually, we extend our robustness checks to another source of environmental complexity concerning the degree of distance (or differences) between the home and host country institutions as well as their technological and industrial advancement. To this end, we have constructed institutional complexity and economic complexity variables as distances rather than the values of the host country environment. These two distance variables have been computed as both absolute and actual values. The latter operationalisation provides an additional piece of information that concerns the direction of the distance⁵⁶. However, as the results do not differ across the two operationalisations, we only report in Table 5.7 the results of the empirical testing concerning the latter formulation of distance for the sake of space. Additionally, we have constructed and tested an alternative institutional distance variable, using Kaufmann et al. (2005) six governance indicators and measured through the Euclidean distance index between the home and the subsidiary host country (Dikova, 2012). Results of the latter testing are reported in Table 5.8.

Overall, the results of the robustness checks reported in Tables 5.6, 5.7 and 5.8 provide interesting additional evidence on the relationship between the type and different degrees of environmental complexity faced by the organisation in its external environment and the type of executive background sought by the companies to help address such environmentally driven challenges and demands. Our results are largely consistent across the different indicators and operationalisations of institutional and economic complexity. However, the sets of environmental complexity dummies constructed for our robustness checks in Tables 5.6, 5.7 and 5.8 do not support our third hypothesis. In this sense, we argue that mixed evidence is found for our third hypothesis.

⁵⁶ The lack of difference between two operationalisations of economic and institutional complexity distance are explained by two factors: our sample draws on companies headquartered in the same home country (i.e. UK) and the characteristics of the home country environment. Particularly, in the sample period the United Kingdom is steadily among the top performers (i.e. top ten countries) for both the Economic Complexity and Economic Freedom Index (which we reverse to obtain our institutional complexity variable). In this sense, being the UK almost at the extremes of both rankings, absolute distances are highly correlated with their corresponding actual distance values, as FDIs in more institutionally or economically developed countries (e.g. Japan, Singapore, United States, Switzerland) will produce very small numbers. Indeed, the two institutional complexity distances will be highly positively correlated (0.792) while Economic Complexity distances are in turn very highly negatively correlated (0.924).

Variables	High Ecor Institutional Firm D Perfor	nomic Low Complexity X eclining mance	High Institu Economic C Firm D Perfor	utional Low Complexity X eclining mance	High Instit Economic (Firm D Perfo	utional High Complexity X Declining rmance	All Environmental Complexity X Firm Declining Performance		
	Est	P-Value	Est	P-Value	Est	P-Value	Est	P-Value	
Executive Age	0.006	0.204	0.006	0.197	0.006	0.190	0.006	0.203	
Executive Gender	(0.004) 0.001 (0.139)	0.995	(0.004) 0.007 (0.140)	0.963	(0.004) 0.005 (0.140)	0.974	(0.004) 0.001 (0.139)	0.997	
Executive Insider	-0.179** (0.078)	0.021	-0.176** (0.078)	0.024	-0.171** (0.078)	0.028	-0.179** (0.078)	0.022	
Executive Dissimilarity	-0.081 (0.355)	0.820	-0.066 (0.356)	0.853	-0.053 (0.357)	0.883	-0.081 (0.354)	0.820	
CEO Function	0.249** (0.124)	0.046	0.250** (0.124)	0.044	0.247** (0.124)	0.046	0.248** (0.124)	0.046	
Throughput Function	-0.008 (0.118)	0.947	-0.004 (0.118)	0.971	-0.005 (0.117)	0.966	-0.008 (0.117)	0.946	
Output Function	0.247* (0.133)	0.063	0.249* (0.133)	0.062	0.245* (0.132)	0.063	0.247* (0.133)	0.063	
Regional Responsibility	0.749*** (0.197)	0.000	0.752*** (0.196)	0.000	0.748*** (0.197)	0.000	0.749*** (0.198)	0.000	
TMT Tenure Diversity	-0.006 (0.013)	0.669	-0.006 (0.013)	0.665	-0.005 (0.013)	0.676	-0.006 (0.013)	0.667	
TMT Demographic Diversity	0.353*** (0.094)	0.000	0.349*** (0.094)	0.000	0.344*** (0.094)	0.000	0.354*** (0.094)	0.000	
TMT Work Experience Diversity	-0.006 (0.135)	0.963	0.001 (0.136)	0.993	0.004 (0.136)	0.975	-0.006 (0.135)	0.964	
CEO Career Variety	-0.054 (0.090)	0.551	-0.059 (0.091)	0.515	-0.055 (0.091)	0.542	-0.054 (0.091)	0.553	
CEO Tenure	-0.007 (0.006)	0.240	-0.007 (0.006)	0.227	-0.007 (0.006)	0.252	-0.007 (0.006)	0.242	
CEO Duality	0.020 (0.083)	0.805	0.023 (0.083)	0.783	0.023 (0.083)	0.780	0.020 (0.083)	0.806	
Board Independence	0.611** (0.249)	0.014	0.611** (0.251)	0.015	0.602** (0.250)	0.016	0.610** (0.249)	0.014	
Foreign Countries	0.012 (0.008)	0.125	0.012 (0.008)	0.123	0.012 (0.008)	0.124	0.012 (0.008)	0.124	
Firm Size	-0.029 (0.024)	0.235	-0.028 (0.025)	0.250	-0.026 (0.025)	0.304	-0.029 (0.025)	0.233	

Table 5.4 – Firm declining performance effects on Environment Complexity as antecedents of Executive Appointment, Tobit Regression analyses on Executives' Appointments occurring between 2009 and 2018

Industrial diversification	0.073**	0.050	0.072^{*}	0.051	0.072*	0.052	0.073**	0.050
Industry Dynamism	-0.695	0.235	-0.709	0.226	-0.736	0.209	-0.696	0.235
Average Industry Internationalisation	(0.585) 0.602 (0.498)	0.227	(0.586) 0.607 (0.501)	0.225	(0.586) 0.626 (0.501)	0.212	(0.585) 0.602 (0.400)	0.227
Industry Technology Intensity	(0.498) 0.001 (0.045)	0.982	0.000	0.999	-0.003	0.955	0.001	0.983
Country Market Growth	-0.006	0.401	-0.007	0.366	-0.006	0.384	-0.006	0.406
Firm declining performance	0.559***	0.000	-0.006	0.946	0.028	0.763	0.677***	0.000
Industry declining performance	-0.403	0.239	-0.370	0.283	-0.321 (0.344)	0.351	-0.402 (0.343)	0.241
High Economic Low Institutional Complexity	-0.103** (0.050)	0.040	-0.117**	0.026	-0.117**	0.024	-0.100** (0.051)	0.050
High Institutional Low Economic Complexity	0.040	0.587	0.042	0.609	0.141**	0.046	0.055	0.479
High Institutional High Economic Complexity	-0.068	0.259	-0.108*	0.079	-0.079	0.197	-0.064	0.284
High Economic Low Institutional Complexity X Firm declining performance	-0.596***	0.000	(0.000)		()		-0.714***	0.000
	(0.163)						(0.198)	
High Institutional Low Economic Complexity X Firm declining performance			0.498***	0.006			-0.173	0.239
			(0.179)				(0.147)	
High Institutional High Economic Complexity X Firm declining performance					0.590*	0.090	-0.093	0.808
Year Dummies	Yes		Yes		Yes (0.347)		Yes (0.385)	
Constant	0.205		0.200		0.178		0.202	
	(0.493)		(0.495)		(0.496)		(0.493)	
Observations	1,628		1,628		1,628		1,628	
Prob>Chi2	0.000		0.000		0.000		0.000	
Pseudo R2	0.192		0.190		0.208		0.192	
	5.1				* 0.4			

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Variables	High Eco Institutional Industry Perfor	nomic Low Complexity X Declining rmance	High Instit Economic C Industry Perfor	utional Low Complexity X Declining rmance	High Institu Economic C Industry Perfor	utional High Complexity X Declining mance	All Environmental Complexity X Firm Declining Performance	
	Est	P-Value	Est	P-Value	Est	P-Value	Est	P-Value
Executive Age	0.006	0.187	0.006	0.188	0.006	0.185	0.006	0.187
	(0.004)		(0.004)		(0.004)		(0.004)	
Executive Gender	0.007	0.958	0.006	0.966	0.008	0.954	0.006	0.966
	(0.141)		(0.141)		(0.141)		(0.141)	
Executive Insider	-0.171**	0.028	-0.173**	0.026	-0.171**	0.028	-0.172**	0.026
	(0.078)		(0.078)		(0.077)		(0.077)	
Executive Dissimilarity	-0.059	0.869	-0.063	0.859	-0.048	0.892	-0.064	0.858
·	(0.357)		(0.356)		(0.357)		(0.356)	
CEO Function	0.249**	0.045	0.250**	0.044	0.247**	0.046	0.249**	0.046
	(0.124)		(0.124)		(0.124)		(0.124)	
Throughput Function	-0.004	0.975	-0.003	0.980	-0.004	0.973	-0.004	0.973
	(0.117)		(0.117)		(0.117)		(0.117)	
Output Function	0.248*	0.062	0.249*	0.060	0.246*	0.064	0.248*	0.062
· F - · · · · · · · · · · · · · · ·	(0.133)		(0.133)		(0.133)		(0.133)	
Regional Responsibility	0.753***	0.000	0.754***	0.000	0.751***	0.000	0.754***	0.000
	(0.196)		(0.197)		(0.197)		(0.196)	
TMT Tenure Diversity	-0.006	0.659	-0.006	0.659	-0.006	0.662	-0.006	0.660
Thir Toharo Diversity	(0.013)	01007	(0.013)	01007	(0.013)	0.002	(0.013)	0.000
TMT Demographic Diversity	0 346***	0.000	0 346***	0.000	0 344***	0.000	0 346***	0.000
Twit Demographic Diversity	(0.094)	0.000	(0.094)	0.000	(0.094)	0.000	(0.094)	0.000
TMT Work Experience Diversity	0.004)	0.967	(0.007)	0.959	0.008	0.953	0.004)	0.962
TWIT WORK Experience Diversity	(0.136)	0.907	(0.135)	0.757	(0.136)	0.755	(0.136)	0.902
CEO Career Variety	-0.061	0 504	-0.061	0.502	-0.061	0.502	-0.061	0 / 98
CEO Career Variety	(0.001)	0.504	-0.001	0.502	(0.001)	0.502	-0.001	0.470
CEO Tanura	(0.091)	0.220	(0.091)	0.220	(0.091)	0.220	(0.091)	0.220
CEO Tellule	-0.007	0.230	-0.007	0.239	-0.007	0.229	-0.007	0.230
CEO Duality	(0.000)	0.760	(0.006)	0.772	(0.006)	0 766	(0.006)	0.760
CEO Duanty	0.024	0.709	0.024	0.772	0.023	0.700	0.024	0.709
	(0.083)	0.016	(0.085)	0.016	(0.083)	0.016	(0.083)	0.015
Board Independence	0.609**	0.016	0.604**	0.016	0.609**	0.016	0.610**	0.015
	(0.252)		(0.251)		(0.252)	0.440	(0.252)	
Foreign Countries	0.012	0.122	0.012	0.124	0.012	0.119	0.012	0.122
	(0.008)	0.005	(0.008)	0.000	(0.008)	0.000	(0.008)	0.000
Firm Size	-0.027	0.285	-0.027	0.282	-0.027	0.280	-0.027	0.280
	(0.025)		(0.025)		(0.025)		(0.025)	

Table 5.5 – Industry declining performance Moderating effects on Environment Complexity as antecedents of Executive Appointment, Tobit Regression analyseson Executives' Appointments occurring between 2009 and 2018

Industrial diversification	0.072* (0.037)	0.053	0.073* (0.037)	0.050	0.072* (0.037)	0.053	0.072* (0.037)	0.052
Industry Dynamism	-0.703	0.226	-0.711	0.227	-0.730	0.210	-0.701	0.229
	(0.580)		(0.588)		(0.582)		(0.582)	
Average Industry Internationalisation	0.602		0.613	0.223	0.612	0.219	0.601	0.227
	(0.498)		(0.502)		(0.498)		0.601	0.227
Industry Technology Intensity	-0.001	0.983	-0.002	0.974	-0.002	0.970	-0.001	0.984
	(0.046)		(0.046)		(0.046)		(0.046)	
Country Market Growth	-0.006	0.446	-0.006	0.384	-0.006	0.395	-0.006	0.429
•	(0.007)		(0.007)		(0.007)		(0.007)	
Firm declining performance	0.021	0.821	0.018	0.841	0.031	0.741	0.016	0.862
	(0.092)		(0.092)		(0.095)		(0.092)	
Industry declining performance	0.049	0.921	-0.379	0.272	-0.350	0.277	-0.297	0.497
	(0.492)		(0.345)		(0.322)		(0.436)	
High Economic Low Institutional Complexity	-0.155***	0.007	-0.115**	0.027	-0.115**	0.028	-0.125**	0.039
	(0.058)		(0.052)		(0.052)		(0.060)	
High Institutional Low Economic Complexity	0.142**	0.041	0.219***	0.006	0.140**	0.048	0.210***	0.007
	(0.069)		(0.079)		(0.071)		(0.078)	
High Institutional High Economic Complexity	-0.127**	0.047	-0.106*	0.084	-0.091	0.169	-0.098	0.177
	(0.064)		(0.061)		(0.066)		(0.073)	
High Economic Low Institutional Complexity X	-0.479*	0.085					-0.133	0.649
Industry declining performance								
	(0.277)						(0.293)	
High Institutional Low Economic Complexity X Industry declining performance			0.796***	0.007			0.718***	0.001
			(0.296)				(0.224)	
High Institutional High Economic Complexity X Industry declining performance					0.346	0.458	0.290	0.560
Year Dummies	Yes		Yes		Yes		Yes	
					(0.466)		(0.496)	
Constant	0.214		0.179		0.176		0.188	
	(0.505)		(0.497)		(0.496)		(0.500)	
Observations	1,628		1,628		1,628		1,628	
Prob>Chi2	0.000		0.000		0.000		0.000	
Pseudo R2	0.189		0.189		0.188		0.189	
	Robust standar	d errors in pare	ntheses; *** p<0.0	01, ** p<0.05, *	p<0.1			

Variables	(1) Economic Complexity		(2) GEI indicator		(3) Both GEI indicator and Economic Complexity		(4) GEI indicator X Economic Complexity		(5) Set of Dummies	
	Est	P-	Est	P-	Est	P-Value	Est	P-Value	Est	P-
		Value		Value						Value
Executive Age	0.007	0.148	0.006	0.165	0.007	0.147	0.007	0.149	0.006	0.158
	(0.005)		(0.005)		(0.005)		(0.005)		(0.005)	
Executive Gender	0.026	0.846	0.026	0.842	0.026	0.844	0.025	0.852	0.024	0.854
	(0.132)		(0.132)		(0.132)		(0.132)		(0.132)	
Executive Insider	-0.164**	0.020	-0.164**	0.022	-0.166**	0.019	-0.168**	0.018	-0.169**	0.017
	(0.070)		(0.071)		(0.071)		(0.071)		(0.071)	
Executive Dissimilarity	0.044	0.896	0.043	0.900	0.039	0.909	0.034	0.919	0.023	0.945
	(0.336)		(0.338)		(0.336)		(0.335)		(0.334)	
CEO Function	0.208*	0.078	0.208*	0.079	0.207*	0.079	0.205*	0.081	0.203*	0.084
	(0.118)		(0.118)		(0.118)		(0.118)		(0.118)	
Throughput Function	-0.059	0.593	-0.055	0.617	-0.058	0.599	-0.059	0.592	-0.061	0.579
	(0.110)		(0.111)		(0.110)		(0.110)		(0.110)	
Output Function	0.187	0.126	0.185	0.132	0.187	0.125	0.187	0.125	0.187	0.126
-	(0.122)		(0.123)		(0.122)		(0.122)		(0.122)	
Regional Responsibility	0.760***	0.000	0.773***	0.000	0.762***	0.000	0.759***	0.000	0.758***	0.000
	(0.197)		(0.201)		(0.197)		(0.197)		(0.198)	
TMT Tenure Diversity	-0.007	0.576	-0.008	0.527	-0.007	0.568	-0.007	0.589	-0.007	0.570
•	(0.012)		(0.012)		(0.012)		(0.012)		(0.012)	
TMT Demographic Diversity	0.381***	0.000	0.382***	0.000	0.384***	0.000	0.385***	0.000	0.388***	0.000
	(0.098)		(0.099)		(0.098)		(0.098)		(0.098)	
TMT Work Experience Diversity	-0.008	0.953	-0.012	0.923	-0.010	0.938	-0.012	0.927	-0.017	0.897
i v	(0.129)		(0.129)		(0.129)		(0.128)		(0.128)	
CEO Career Variety	-0.072	0.420	-0.073	0.415	-0.075	0.401	-0.076	0.395	-0.077	0.391
·	(0.089)		(0.089)		(0.089)		(0.089)		(0.089)	
CEO Tenure	-0.008	0.157	-0.008	0.149	-0.008	0.154	-0.008	0.154	-0.008	0.152
	(0.005)		(0.005)		(0.005)		(0.005)		(0.005)	
CEO Duality	-0.026	0.763	-0.020	0.812	-0.025	0.766	-0.026	0.754	-0.022	0.798
2	(0.085)		(0.085)		(0.084)		(0.084)		(0.084)	
Board Independence	0.604**	0.010	0.582**	0.013	0.601**	0.010	0.611***	0.009	0.600**	0.010
L	(0.234)		(0.233)		(0.234)		(0.235)		(0.233)	
Foreign Countries	0.004	0.554	0.005	0.479	0.005	0.551	0.005	0.511	0.005	0.473

Table 5.6 – Economic Complexity and Governance Environment Indicator (GEI) as antecedent of Executive Generalist Appointment, Baseline Specification, Tobit Regression analyses on Executives' Appointments occurring between 2009 and 2018

	(0.008)		(0.008)		(0.008)		(0.008)		(0.008)	
Firm Size	-0.017	0.506	-0.018	0.493	-0.019	0.471	-0.020	0.444	-0.020	0.449
	(0.026)		(0.026)		(0.026)		(0.026)		(0.026)	
Firm Declining Performance	0.051	0.583	0.050	0.600	0.042	0.651	0.037	0.687	0.036	0.693
ç	(0.093)		(0.096)		(0.093)		(0.092)		(0.091)	
Industrial diversification	0.086**	0.021	0.086**	0.023	0.087**	0.020	0.087**	0.020	0.089**	0.017
	(0.037)		(0.038)		(0.037)		(0.037)		(0.037)	
Industry Dynamism	-0.146	0.827	-0.107	0.872	-0.156	0.816	-0.161	0.809	-0.150	0.820
	(0.666)		(0.668)		(0.667)		(0.666)		(0.662)	
Industry Declining Performance	-0.309	0.443	-0.333	0.411	-0.329	0.417	-0.326	0.421	-0.299	0.458
	(0.403)		(0.405)		(0.405)		(0.404)		(0.403)	
Average Industry Internationalisation	0.706	0.156	0.726	0.150	0.702	0.163	0.704	0.162	0.702	0.163
с ,	(0.498)		(0.504)		(0.503)		(0.503)		(0.503)	
Industry Technology Intensity	-0.002	0.972	-0.006	0.886	-0.002	0.971	-0.002	0.966	-0.001	0.989
5 65 5	(0.044)		(0.045)		(0.045)		(0.045)		(0.045)	
Country Market Growth	-0.007	0.101	-0.008*	0.069	-0.011**	0.032	-0.011**	0.028	-0.007*	0.091
5	(0.005)		(0.005)		(0.005)		(0.005)		(0.004)	
Economic Complexity	-0.328***	0.004			-0.268**	0.022	-0.127	0.260		
1 5	(0.114)				(0.117)		(0.113)			
GEI (Relation based)	· · · ·		0.108**	0.046	0.070	0.220	0.486**	0.031		
			(0.054)		(0.057)		(0.226)			
Economic Complexity – GEI			()		()		-0.573*	0.058		
I S							(0.302)			
High Economic Complexity Low GEI							(*****=)		-0.098*	0.060
8									(0.052)	
High GEI Low Economic Complexity									0.154**	0.024
									(0.068)	0.021
High GEI High Economic Complexity									-0.074	0.212
88									(0.059)	•
									(0.007)	
Year Dummies	Yes		Yes		Yes		Yes		Yes	
Constant	0.013	0.980	-0.234	0.654	-0.029	0.956	-0.133	0.800	-0.125	0.809
	(0.531)		(0.521)		(0.529)		(0.526)		(0.520)	
Observations	1,628		1,625		1,622		1,622		1,622	
Prob>Chi2	0.000		0.000		0.000		0.000		0.000	
Pseudo R2	0.206		0.203		0.206		0.207		0.207	
	Robu	st standard er	rors in parenthe	eses; *** p<().01, ** p<0.05,	* p<0.1				

Variables	(1) Ec Complexi	(1) Economic Complexity Distance		(2) Institutional Complexity Distance		(3) Both Institutional Complexity Distance and Economic Complexity Distance		(4) Institutional Complexity Distance X High Economic Complexity Distance		(5) Set of Dummies	
	Est	P-	Est	P-	Est	P-	Est	P-Value	Est	P-Value	
		Value		Value		Value					
Executive Age	0.007	0.148	0.006	0.168	0.007	0.144	0.006	0.152	0.006	0.166	
	(0.005)		(0.005)		(0.005)		(0.005)		(0.005)		
Executive Gender	0.026	0.846	0.024	0.856	0.028	0.835	0.023	0.861	0.022	0.867	
	(0.132)		(0.133)		(0.132)		(0.132)		(0.132)		
Executive Insider	-0.164**	0.020	-0.162**	0.022	-0.165**	0.019	-0.169**	0.017	-0.168**	0.018	
	(0.070)		(0.071)		(0.070)		(0.071)		(0.071)		
Executive Dissimilarity	0.044	0.896	0.039	0.908	0.047	0.888	0.039	0.906	0.022	0.948	
•	(0.336)		(0.339)		(0.335)		(0.333)		(0.333)		
CEO Function	0.208*	0.078	0.208*	0.080	0.207*	0.078	0.207*	0.079	0.203*	0.084	
	(0.118)		(0.118)		(0.118)		(0.117)		(0.117)		
Throughput Function	-0.059	0.593	-0.056	0.610	-0.058	0.595	-0.059	0.592	-0.062	0.573	
	(0.110)		(0.110)		(0.110)		(0.110)		(0.109)		
Output Function	0.187	0.126	0.186	0.129	0.188	0.123	0.188	0.123	0.187	0.126	
I I I I I I I I I I I I I I I I I I I	(0.122)		(0.123)		(0.122)		(0.122)		(0.122)		
Regional Responsibility	0.760***	0.000	0.773***	0.000	0.761***	0.000	0.765***	0.000	0.766***	0.000	
8	(0.197)		(0.203)		(0.198)		(0.200)		(0.201)		
TMT Tenure Diversity	-0.007	0.576	-0.008	0.529	-0.007	0.583	-0.007	0.580	-0.007	0.559	
	(0.012)	0.070	(0.012)	0.022	(0.012)	01000	(0.012)	0.000	(0.012)	0.0007	
TMT Demographic Diversity	0.381***	0.000	0.378***	0.000	0.380***	0.000	0.383***	0.000	0.384***	0.000	
	(0.098)	0.000	(0.099)	0.000	(0.098)	0.000	(0.098)	0.000	(0.098)	0.000	
TMT Work Experience Diversity	-0.008	0.953	-0.013	0.921	-0.008	0.951	-0.010	0.935	-0.014	0.914	
	(0.129)		(0.129)		(0.128)		(0.128)		(0.128)		
CEO Career Variety	-0.072	0.420	-0.074	0.411	-0.074	0.408	-0.076	0.391	-0.076	0.397	
	(0.089)	01.20	(0, 090)	01111	(0.089)	01100	(0.089)	0.071	(0.089)	0.097	
CEO Tenure	-0.008	0.157	-0.008	0.155	-0.008	0.155	-0.008	0.154	-0.008	0.156	
	(0.005)	01107	(0.005)	01100	(0.005)	01100	(0.005)	0.10	(0.005)	0.120	
CEO Duality	-0.026	0 763	-0.020	0.815	-0.024	0773	-0.025	0 769	-0.021	0.800	
	(0.085)	011 00	(0.085)	0.010	(0.085)	01110	(0.084)	0.1.02	(0.084)	0.000	
Board Independence	0 604**	0.010	0 591**	0.012	0.605***	0.010	0.604***	0.010	0 596**	0.010	
Bourd Independence	(0.234)	0.010	(0.234)	0.012	(0.234)	0.010	(0.234)	0.010	(0.232)	0.010	
Foreign Countries	0.004	0.554	0.005	0.532	0.004	0.582	0.005	0.516	0.006	0.456	

Table 5.7 – Economic Complexity distance and Institutional Complexity distance as antecedent of Executive Generalist Appointment, Baseline Specification, Tobit Regression analyses on Executives' Appointments occurring between 2009 and 2018

	(0.008)		(0.008)		(0.008)		(0.008)		(0.008)	
Firm Size	-0.017	0.506	-0.018	0.495	-0.018	0.484	-0.020	0.447	-0.020	0.444
	(0.026)		(0.026)		(0.026)		(0.026)		(0.026)	
Firm Declining Performance	0.051	0.583	0.062	0.527	0.052	0.579	0.041	0.650	0.039	0.666
C	(0.093)		(0.098)		(0.093)		(0.091)		(0.091)	
Industrial diversification	0.086**	0.021	0.085**	0.024	0.087**	0.020	0.090**	0.016	0.089**	0.018
	(0.037)		(0.038)		(0.037)		(0.037)		(0.037)	
Industry Dynamism	-0.146	0.827	-0.040	0.952	-0.127	0.849	-0.142	0.830	-0.139	0.833
	(0.666)		(0.666)		(0.666)		(0.661)		(0.660)	
Industry Declining Performance	-0.309	0.443	-0.314	0.436	-0.308	0.445	-0.294	0.462	-0.294	0.463
, C	(0.403)		(0.403)		(0.402)		(0.400)		(0.400)	
Average Industry Internationalisation	0.706	0.156	0.747	0.133	0.713	0.152	0.683	0.174	0.699	0.161
	(0.498)		(0.497)		(0.498)		(0.501)		(0.499)	
Industry Technology Intensity	-0.002	0.972	-0.008	0.856	-0.002	0.963	0.000	0.992	-0.000	0.997
	(0.044)		(0.044)		(0.044)		(0.044)		(0.044)	
Country Market Growth	-0.007	0.101	-0.006	0.162	-0.009*	0.059	-0.010**	0.032	-0.008*	0.092
	(0.005)		(0.004)		(0.005)		(0.005)		(0.005)	
Economic Complexity Distance	-0 328***	0.004	` '		-0 282**	0.022	-0 109	0 375	` '	
Leonomie Complexity Distance	(0.114)	0.004			(0.122)	0.022	(0.122)	0.575		
Institutional Complexity Distance	(0.114)		0 310***	0.008	0.122)	0 160	-0.127	0 454		
institutional complexity Distance			(0.117)	0.000	(0.129)	0.100	(0.12)	0.151		
Economic Complexity Distance –			(0.117)		(0.12))		-2 440**	0.016		
Institutional Complexity Distance							2.440	0.010		
institutional complexity Distance							(1.011)			
High Economic Complexity Distance Low							(1.011)		-0 110**	0.022
Institutional Complexity Distance									0.110	0.022
institutional Complexity Distance									(0.048)	
High Institutional Complexity Distance									0 179***	0.007
Low Fconomic Complexity Distance									0.177	0.007
Low Leononne Complexity Distance									(0.066)	
High Institutional Complexity Distance									-0.072	0.212
High Economic Complexity Distance									-0.072	0.212
Then Leononne Complexity Distance									(0.058)	
									(0.050)	
Year Dummies	Yes		Yes		Yes		Yes		Yes	
	1 00		100		105		105		100	
Constant	-0.269	0.601	-0.239	0.647	-0.276	0.593	-0.240	0.643	-0.107	0.837
	(0.514)		(0.522)		(0.516)		(0.517)		(0.518)	
Observations	1,628		1,636		1,628		1,628		1,628	
Prob>Chi2	0.000		0.000		0.000		0.000		0.000	
Pseudo R2	0.206		0.203		0.206		0.208		0.208	

Variables	(1) Ec Comj Dist	(1) Economic Complexity Distance		(2) Institutional Distance		(3) Both Institutional Distance and Economic Complexity Distance		(4) Institutional Distance X Economic Complexity Distance		(5) Set of Dummies	
	Est	P- Value	Est	P- Value	Est	P-Value	Est	P-Value	Est	P-Value	
Executive Age	0.007	0.148	0.006	0.161	0.007	0.149	0.006	0.153	0.006	0.157	
Executive Gender	(0.005) 0.026 (0.132)	0.846	(0.005) 0.023 (0.133)	0.864	(0.005) 0.027 (0.132)	0.838	(0.005) 0.023 (0.132)	0.863	(0.005) 0.022 (0.132)	0.868	
Executive Insider	-0.164**	0.020	-0.161** (0.071)	0.022	-0.165**	0.020	-0.169** (0.071)	0.017	-0.166** (0.071)	0.019	
Executive Dissimilarity	0.044 (0.336)	0.896	0.044 (0.337)	0.897	0.050 (0.334)	0.881	0.037 (0.333)	0.911	0.022 (0.333)	0.948	
CEO Function	0.208*	0.078	0.206*	0.084	0.205*	0.082	0.202*	0.087	0.204*	0.083	
Throughput Function	-0.059	0.593	-0.058	0.602	-0.061	0.583	-0.063	0.568	-0.060	0.583	
Output Function	0.187	0.126	0.185	0.133	0.186	0.128	0.185	0.130	0.188	0.124	
Regional Responsibility	0.760***	0.000	0.769***	0.000	0.760***	0.000	0.753***	0.000	0.760***	0.000	
TMT Tenure Diversity	(0.197) -0.007 (0.012)	0.576	-0.008	0.523	(0.197) -0.007 (0.012)	0.580	-0.006	0.603	-0.007	0.559	
TMT Demographic Diversity	0.381***	0.000	0.381***	0.000	0.381***	0.000	0.382***	0.000	0.385***	0.000	
TMT Work Experience Diversity	-0.008	0.953	-0.010	0.937	-0.006	0.962	-0.008	0.950	-0.014	0.914	
CEO Career Variety	-0.072	0.420	-0.076	0.399	-0.074	0.404	-0.079	0.377	-0.076	0.394	
CEO Tenure	-0.008 (0.005)	0.157	-0.008 (0.005)	0.155	-0.008 (0.005)	0.152	-0.008 (0.005)	0.148	(0.009) -0.008 (0.005)	0.151	

Table 5.8 – Economic Complexity distance and Institutional Distance as antecedent of Executive Generalist Appointment, Baseline Specification, Tobit Regression analyses on Executives' Appointments occurring between 2009 and 2018

CEO Duality	-0.026	0.763	-0.019	0.820	-0.023	0.784	-0.025	0.764	-0.021	0.803
Board Independence	0.604**	0.010	0.598**	0.010	0.609***	0.009	0.614***	0.009	0.597**	0.010
Foreign Countries	0.004	0.554	0.004	0.587	0.004	0.603	0.005	0.477	0.006	0.460
Firm Size	(0.008) -0.017	0.506	-0.018	0.476	-0.018	0.489	-0.021	0.420	-0.021	0.428
Firm Declining Performance	(0.026) 0.051 (0.002)	0.583	0.062	0.521	0.052	0.579	(0.026) 0.038	0.674	(0.026) 0.043	0.636
Industrial diversification	0.086**	0.021	0.085**	0.023	0.086**	0.021	(0.091) 0.089** (0.027)	0.017	(0.091) 0.090** (0.027)	0.016
Industry Dynamism	-0.146	0.827	-0.074	0.911	-0.137	0.837	(0.057) -0.161 (0.662)	0.807	-0.146	0.825
Industry Declining Performance	-0.309 (0.403)	0.443	-0.313	0.438	-0.304	0.450	-0.296	0.461	-0.288	0.472
Average Industry Internationalisation	0.706 (0.498)	0.156	0.722 (0.497)	0.147	0.703	0.158	(0.402) 0.686 (0.498)	0.169	0.703	0.158
Industry Technology Intensity	-0.002 (0.044)	0.972	-0.006	0.899	-0.001 (0.044)	0.980	-0.000	0.995	-0.001 (0.044)	0.987
Country Market Growth	-0.007 (0.005)	0.101	-0.009*	0.050	-0.010**	0.048	-0.010**	0.046	-0.009** (0.004)	0.046
Economic Complexity Distance	-0.328*** (0.114)	0.004	(0.001)		-0.250*	0.059	0.041 (0.140)	0.767	(0.001)	
Institutional Distance	(0.111)		0.023^{***}	0.002	0.012 (0.008)	0.158	-0.005	0.598		
Economic Complexity Distance – Institutional Distance			(0.007)		(0.000)		-0.134***	0.004		
High Economic Complexity Distance Low Institutional Distance							(0.047)		-0.119**	0.020
High Institutional Distance Low Economic									(0.051) 0.153**	0.031
High Institutional Distance High									(0.071) -0.057	0.380
Economic Complexity Distance									(0.065)	
Year Dummies	Yes		Yes		Yes		Yes		Yes	

Constant	-0.269	0.601	-0.243	0.639	-0.272	0.597	-0.226	0.660	-0.101	0.845
	(0.514)		(0.519)		(0.515)		(0.515)		(0.518)	
Observations	1,628		1,631		1,621		1,621		1,628	
Prob>Chi2	0.000		0.000		0.000		0.000		0.000	
Pseudo R2	0.206		0.203		0.205		0.207		0.208	

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

5.6 Discussion and conclusion

In this study, we investigate two relevant aspects of IB complexity - i.e. the institutional and economic environments of the locations in which firms compete and undertake their operations, and we suggest how firms can cope with these specific types of country environment complexity. We contend that one of the fundamental organisational mechanisms that companies can leverage to address the challenges and demands of their external environment is by acting on their managerial resources to enhance information-processing and decision-making capacity (Keck, 1997; Keck and Tushman, 1993). Thus, we build on the concept of executive job demands to understand how different sources of environmental complexity are likely to produce distinct pressures and unique task demands, which companies are likely to match by recalibrating the experience profile of the TMT (Hambrick, Finkelstein and Mooney, 2005). Our empirical results confirm our expectations that executives with a specialist background will be preferred over generalists when firms are dealing with national environments characterised by high economic complexity. Top managers with more specialised knowledge, dense industry networks, and country-specific experience are more likely to possess the required knowledge-depth to effectively navigate economically complex environments and design suitable strategies to survive and thrive in more economically advanced, competitive, and innovative national contexts. On the contrary, generalists typically possess a mix of experience and networks as well as the flexible mindset required to address the challenges associated with weak and unstable institutional settings, which we refer to as institutionally complex environments. Furthermore, we find empirical support for a mutual reinforcing effect of institutional and economic complexity augmenting the need to hire a specialist executive in the presence of both sources of complexity. This finding is in line with our argument that specialist executives are likely to be in a better position to overcome the challenges of dealing with specialised knowledge domains embedded in institutionally weak and largely informal environments.

Supplementary empirical evidence is found on the contingent role of firm and industry performance shortcomings. We contend that these contingencies are associated with further degrees of complexity and uncertainty, thus adding to the challenges and demands engendered by the external environment and thereby further shaping executive job demands. Our empirical results confirm that company and industry declining performance are likely to exacerbate the challenges emanating from different sources of complexity in firms' operating environments except those facing institutionally and economically complex environments at the same time.

Theoretical contributions

Our research contributes to the IB and strategic leadership literature in multiple ways. Regarding the former, a first significant contribution goes to the IB literature as we disentangle a new dimension of environmental complexity, i.e. the economic complexity of a host country environment. We briefly discuss how IB research has investigated multiple dimensions and sources of the environmental complexity faced by MNEs in their subsidiary countries' environments, our study attention goes to its third dimension, i.e. the characteristics of the host country environment. We contend that IB literature has captured the complexity of a certain country environment by examining its institutional context, thus unravelling a different source of environmental complexity, resulting from the country technological and industrial advancement and its knowledge specialisation, is instrumental to identifying the different set of challenges and demands that MNEs and their top managers will need to address in such environments.

Second, we highlight how the appointment of generalist and specialist top managers materialises in response to the country-level complexity faced by multinational firms in their subsidiary locations. In other words, in line with the recent stream of literature emphasizing the need of micro-founding the firms' global strategies (Contractor et al., 2018), and building on the study by Kunisch and colleagues (2017), we highlight the central role of CEOs and top managers as key MNE decision-makers, by stressing the importance of matching their backgrounds (in terms of international, functional and industry experience) to the type of challenges that arise from international business operations, such as those posed by institutional and economic complexity.

Third, we examine the interaction effect of economic and institutional complexity on the experience profile of executive appointees and show that demands arising from a combination of complex country environments are more likely to be met by specialists rather than generalists. The additional challenges posed by weak and unstable institutions within economically complex environments will exacerbate the difficulties of interpreting and understanding industrially and technologically advanced environments without possessing highly specialised knowledge and dense industry and country networks. In addition, supplementary empirical evidence provides support for the combined effect of other internal and external sources of complexity (i.e. firm and industry declining performance) faced by the firm as well as for different operationalisations and measures of complexity (i.e. GEI indicator, institutional distance and institutional and economic complexity distance). Our analysis suggests that job demands are the result of multiple components attributable to different sources of complexity to gain a complete understanding of the international environment in

which firms operate and thereby understand the type and amount of executives' job demands that drive the preferences for generalist and specialist top manager profiles.

As regards the strategic leadership literature, our contribution is twofold. First, we add further nuances to our understanding of how generalist and specialist executive backgrounds are related to organisational phenomena. While existing literature has largely focused on the relationship between executives generalist background and their compensation or the performance implications of companies headed by generalist profiles (Custódio, Ferreira and Matos, 2013, 2019; Li and Patel, 2018; Mueller et al., 2020), our study explores the antecedents of executive generalist appointments. Whilst it is beyond the scope of this study to debate the pros and cons of generalists (vs specialist) backgrounds, our study shows the importance of understanding the company context to determine which type of executive profile is more likely to be valued and, hence, appointed to the company management team.

Secondly, this research contributes to the executive appointment literature by uncovering the strength of the environmental forces in the executive selection process. While extant research has investigated the role of environmental complexity as an antecedent of executive selection (Greve, Biemann and Ruigrok, 2015; Nielsen, 2010a), these studies do not delve into the complexity associated with different aspects of firm internationalisation. Most of the executive appointment literature has instead focused on the firm-level characteristics and, especially, on the team and individual-level factors that intervene in the executive selection process (Boone et al., 2004; Doms and zu Knyphausen-Aufseß, 2014; Georgakakis, Greve and Ruigrok, 2021; Zhu, Shen and Hillman, 2014). Along the same lines, the executive job demands perspective outlines how macro-level factors (e.g. country-level phenomena) can affect micro-level processes (e.g. executive selection at individual- and team-level). In line with this approach, our research considers the characteristics of country environments among the antecedents of executive job demands, extending the work of Kunisch and colleagues (2017) by shifting the attention from the internal to the external sources of complexity influencing executives' job demands and, thus, the appointment of new executives.

Managerial Implications

There are several relevant managerial implications of our research. First, our paper suggests the importance of finding the right match between the executives' background and the company's external environment. Although we do not study the performance implications of the examined relationships, we show that firms will display a preference for different types of top manager profiles depending on the external environment (opting for a generalist in case of high institutional complexity and for a specialist in case of high economic complexity or in the presence of both sources of complexity). Other internal (i.e. firm-level performance) and external (i.e. industry-level performance) contingencies should be considered as additional sources of complexity faced by the firm and thus influencing executives' selection. Aspiring managers need to be aware of the different types of job demands they are likely to experience based on the company's complexity configurations, leading to specific demands and performance challenges. A mismatch between job demands and executive profiles may have undesirable consequences such as distress, anxiety, and dissatisfaction, negatively affecting individual job performance and adversely impacting the wider executive team.

Additionally, we need to consider that the environment faced by the firm is in most cases a direct consequence of the company's long-term strategy (e.g. in terms of industrial diversification strategies, location choice, entry mode selection etc.). Hence, the selection of new executives should also take into account that long-term strategic plans may influence the external environment to which the company will be exposed in the future. In other words, it is important to bear in mind the changing nature of executive job demands over time and to assess executive candidates both on their capacity to fulfil the current job requirements whilst also considering their potential to contribute to the firm's long-term strategic vision effectively.

Another important consideration concerns the types of executive profiles investigated in our study, i.e. generalist and specialist backgrounds. Existing research seems to suggest that generalists' profiles are more highly valued than specialists by showing that they are awarded higher compensation (Custódio, Ferreira and Matos, 2013; Datta and Iskandar-Datta, 2014). However, our analyses propose a slightly alternative view, which is that companies should appraise executive candidates' backgrounds considering their specific strategy and environment. A diverse work experience background can be an essential asset for a company dealing with weak and uncertain institutional environments whilst being of limited use (or potentially even a liability) in environments characterised by knowledge specialisation and high economic complexity. Hence, companies should be wary of awarding high compensation packages to generalist executives, particularly if their generalist profiles do not match with the company's overall complexity configuration.

Overall, this shows that our findings can be valuable both to aspiring managers and companies' career development activities. Individuals who aspire to become executives should thoroughly examine the characteristics of the specific companies and industries in which they aim to advance their career and gain experience towards accomplishing the executive job demands associated with those environments. On the other hand, companies may use the insights provided by our research to design career development activities for promising individuals within their organisation that are consistent with the firm long-term strategic plans and its external environment. In practical terms, nurturing generalist backgrounds means assigning employees to international

assignments, job rotation within multiple functional areas and industries, and other development activities to increase the breadth of the managers' experience. Conversely, specialist firms need to focus on retaining their employees to develop their firm and industry-specific experience and provide them with additional training activities focused on developing specialised knowledge. In this case, it is the managers' knowledge depth and competencies specialisation that matter rather than their knowledge and experience variety.

Future research

Future research may consider other aspects of firm internationalisation as potential antecedents of executive appointments. It could be fruitful to discern how distinct sources of IB complexity can affect the job requirements of a new appointee. Hence, rather than aggregating multiple dimensions of company internationalisation (e.g. foreign sales, assets, number of countries, regions, diversity etc.), it might be meaningful to assess how different extent and forms of internationalisation can generate distinct executive job demands. Future studies should also consider that firm internationalisation is a steadily evolving process rather than a constant state. Accordingly, executive job demands are likely to change over time in line with the degree and type of firm internationalisation. Examining large longitudinal datasets of executives' appointments, scholars could provide evidence about the evolving nature of executives' job demands. It might be worth investigating how the speed of internationalisation in its different features (e.g. pace, breadth, scope etc.) may generate diverse executives' job demands (Casillas and Acedo, 2013; Chetty et al., 2014; Hilmersson and Johanson, 2016).

Future research could also thrive on investigating how micro-level mechanisms underpinning executive selection (e.g. social categorisation, attraction-selection-attrition, homophily etc.) may interact with executive job demands. Scholars still need to disentangle the conflictual forces that shape executive selection decisions. On the one hand, increasingly complex environments demand companies hire executives who can adequately perform their task demands and effectively support the other TMT members in the strategic decision-making activities. On the other hand, theories of homosocial reproduction suggest that management team members are more likely to favour candidates that possess similar characteristics, i.e. similarity-attraction paradigm (Schneider, 1987). Future studies should navigate through this multitude of countervailing forces at the macro, meso and micro-level that are likely to intervene in the final appointment decision. For instance, Georgakakis et al. (2021) has shown that external hires are more likely to resemble the incumbent managers, but this relationship becomes weaker in the presence of high company administrative complexity.

Additionally, Kunisch et al. (2017) have found that industry-driven executive task demands will be more prevalent for candidates that have been externally appointed rather than for insiders.

Future research should also consider the role of power dynamics and governance. Inputs on appointment decisions come from different actors such as CEOs, incumbent executives, outside directors, and major owners and shareholders, who may have their own preferences and agendas (Roberto, 2003). Personal preferences of powerful individuals within the decision-making team can become even more pronounced when monitoring and controlling mechanisms are weak or non-existent (e.g. CEO duality, lack of board independence, long CEO tenure etc.) (Arthur, 2001; Berns and Klarner, 2017; Li and Jones, 2019). Furthermore, future studies could also consider whether the newly appointed executives are replacing dismissed or retiring managers or whether they are additions to the incumbent management team. In this regard, it could be interesting to assess the degree of background similarity between the two executives (in case of replacement or dismissal) and ascertain how the team's overall composition has changed over time, as well as before and after the new executive appointment.
6 Conclusion

6.1 Discussion of main findings & theoretical contributions

A systematic review of the literature at the intersection of IB and SL research helped take stock of the existing literature and ascertain this research's substantial theoretical and empirical contributions to the IB field. The review suggests that three main theoretical perspectives have been leveraged to explain the influence of strategic leaders over firm internationalisation strategies and related outcomes. These are the Upper Echelons theory, the Behavioural Agency theory and the Resource-Based view theory. These theories mostly rely on different assumptions and provide different angles along which related managerial factors can influence and affect international strategic decision-making. The review highlights that a substantial amount of literature does not present a solid and clear theoretical framework. Very few studies have integrated and complemented findings from different theoretical perspectives within the SL literature and IB theorising. Additionally, the literature review helped me spot plentiful and key research opportunities that I have described and discussed along four main research avenues in the "synthesis and research gaps" section (2.4 section) of thesis chapter two.

The empirical studies build on these research gaps and mainly deal with the influence of the TMT's work experience and backgrounds diversity (heterogeneity) over firm international strategic decisions. Team composition and experiential diversity are investigated to explain different decision-making mechanisms affecting IB strategising. Chapter three portrays the multifaceted nature of TMT compositional and experiential diversity; despite diversity should be welcomed in most cases, diversity is a complex phenomenon influencing how people engage, communicate and collaborate. Individual intrapersonal and overall team diversity is undoubtedly good indicators of the wealth and variety of human and social capital embedded in the team and its individuals. Nonetheless, scholars should more frequently bear in mind the mechanisms that are direct consequences of the individual differences in decision-making teams (Nielsen and Hillman, 2019). Hence, scholars should simultaneously consider diversity informational and process-related nature in theorising about team diversity and its influence on strategic outcomes. Additionally, research should more consistently acknowledge that team diversity and its related mechanisms do not occur in a vacuum, and firm, industry, and country-level characteristics and conditions shape team-level diversity outcomes.

All in all, the overarching contribution of this PhD Thesis revolves around the examination of how TMT members' experiences and backgrounds, at both the individual and team-level, can influence firm international decision-making, i.e. the propensity to engage with complex and uncertain international competitive strategies, and its ability to navigate through and cope with the complexity of different international environments. The complexity, multifacetedness and ambiguity of international business information and MNEs decision-making context render international strategic decision-making, MNEs internationalisation challenges and the internal/ external demands faced by international organisations an especially suitable context to investigate the influence of firm decision-makers experiences and characteristics as "*in the face of the complex, multitudinous, and ambiguous information that typifies the top management task, no two strategists will identify the same array of options for the firm; they will rarely prefer the same options; if, by remote chance, they were to pick the same options, they almost certainly would not implement them identically. Biases, blinders, egos, aptitudes, experiences, fatigue, and other human factors in the executive ranks greatly affect what happens to companies. This is not to say that managers are weak or sinister, only that they are human and finite*"(Hambrick, 1989, p. 5)

Chapter three considers a largely unexplored outcome within the entry mode literature, which is ESMD. Chapter four investigates company foreign investment locations, distinguishing between institutionally complex and economic complex locations. Finally, in chapter five, I leverage the dual conceptualisation of IB complexity developed in chapter four to predict the background of newly appointed executives. The following paragraphs summarise the key results and findings obtained in the three empirical chapters.

The first empirical study investigates a largely unexplored phenomenon within the foreign market entry literature, namely ESMD; deviation occurs whenever the firm implements an entry mode strategy that is not aligned with the theoretically predicted one (Brouthers, 2002; Brouthers, Brouthers and Werner, 2003; Elia, Piscitello and Larsen, 2019; Shaver, 1998; Tan, 2009). This study examines foreign market entry deviation for the first time in the EMC context and does contribute to the emerging literature investigating the (behavioural) antecedents of the EMD phenomenon (Elia, Piscitello and Larsen, 2019).

- RQ: What is EMC deviation, and which are its macro, meso and micro-level antecedents?
- *RQ*: How does TMT composition influence the propensity to deviate from the theoretically predicted foreign market entry strategy, and are there any firm and industry-level contingency factors affecting this relationship?

I contend that ESMD can be the result of a wider and non-stereotypical managerial research process leading to an aggressive and non-conformist strategic initiative, which aims to exploit emerging market opportunities and pre-empting competitors' entrance and expansion in the target market. Drawing on the SL literature and, specifically, team compositional diversity, I verify this take on the ESMD phenomenon. The empirical analyses support the main hypotheses concerning the effect of TMT diversity on the likelihood to undertake ESMD. Particularly, the econometric analyses suggest that TMT deep-level diversity by enhancing team's information-processing capacity, the novelty of the strategy formulation and increasing the confidence in decision-making (Adidam and Bing, 2000; Naranjo-Gil, Hartmann and Maas, 2008; Ndofor, Sirmon and He, 2015; Qian, Cao and Takeuchi, 2013), will increase the firm's likelihood to undertake ESMD. On the contrary, TMT surface-level diversity, being more visible in nature and thus more likely to trigger social categorisation processes (Harrison, Price and Bell, 1998; Nielsen and Hillman, 2019; Pelled, Eisenhardt and Xin, 1999), is associated with more prudent and cautious decision-making and reduces the probability to deviate from the theoretically optimal establishment mode strategy. I also find evidence for the contextual influence of firm and industry performance decline. Specifically, poor firm and industry level performances, by fostering social categorisation processes and reducing managerial discretion (Staw, Lance and Dutton, 1981), will discourage innovative and aggressive strategising (Carmeli and Schaubroeck, 2006; Roh et al., 2019), decreasing the likelihood to undertake ESMD. In this regard, this study shows the importance of theoretically and empirically account factors residing at different levels of analysis (e.g. country, industry and firm) as strategic decision-making does not occur in an aseptic space, and multiple influences are likely to exist (Felin, Foss and Ployhart, 2015; Yamak, Nielsen and Escribá-Esteve, 2014).

This thesis's second and third empirical chapters contributes to the environmental complexity literature within IB research. I discuss how IB research has investigated multiple dimensions and sources of the environmental complexity faced by the MNEs in their international environment. Specifically, in chapter 5, I argue that there are three main sources of environmental complexity, which are: the number of countries or regions in which MNEs operate, the differences between the home and host country environments and, eventually, the complexity associated with the specific characteristics of the host country environment.

• *RQ*: What are the country-level sources of environment complexity in which IB complexity can be disentangled?

My second and third empirical chapters focus on the latter dimension and contribute to the IB literature by unravelling an additional source of environmental complexity, resulting from the country technological and industrial advancement and its knowledge specialisation, to be distinguished from the complexity captured by the country institutional setting. Indeed, IB literature has traditionally focused on the role of institutions to describe the complexity MNEs face when dealing with foreign external environments. In these two chapters, I distinguish between two sources of country

environment complexity, namely institutional complexity and economic complexity. The former reflects the challenges and difficulties of doing business in low quality and weak institutional environments (Doh et al., 2017; Khanna and Palepu, 2000; North, 1991), while the latter is associated with those highly innovative and industrially diversified country environments (Hidalgo and Hausmann, 2009).

• *RQ*: How does TMT composition influence the degree of institutional and economic complexity of foreign investment location decisions?

In the second empirical chapter, I draw on the UET to explain how the composition of the TMT, in terms of their work experience diversity (i.e. international, functional and industry experience), will influence firm internationalisation trajectory and, specifically, the foreign investment location choice. Specifically, I argue that top managers will most likely invest in those countries where their knowledge, skills and capabilities represent a greater match with the information processing demands associated with the host country environments, as these countries will be perceived as less distant and complex (Piaskowska, 2017; Williams and Grégoire, 2015). In this regard, this paper contributes to the literature that delves into the microfoundational antecedents of the foreign investment location choice (Barkema and Shvyrkov, 2007; Maitland and Sammartino, 2015a; Schotter and Abdelzaher, 2013). Empirical results indicate that TMTs with a more diverse international and industry work experience background are more likely to invest in institutionally complex country environments. Contrary to expectations, functional experience heterogeneity produces a statistically significant but opposite effect on the foreign investment location preferences. Ex-post analysis suggests that it might be meaningful to investigate functional experience variety distinguishing between two macro-categories of functional experience, i.e. output vs throughput functional experience. I find that output functional experience is significantly and positively related to investing in institutionally complex locations while negatively related to economic complexity. This study also contributes to the Upper Echelons literature by showing the importance of delving into specific aspects of managers' career experience; indeed, different work experiences can translate into diverse managerial preferences.

Finally, in the last empirical chapter, I draw on executive job demands theory to explain how different types of country environment complexity will be associated with different task and job demands, which will influence executives' appointment strategies.

• *RQ*: How can firms respond to different sources of country-level environment complexity at the meso and micro-level?

This study contributes to the IB literature by microfounding IB strategies (Contractor et al., 2018; Lee, 2019); in particular, I describe how firms can address the complexity of their external

environment by hiring executives with a certain work experience background. Executive's job demands associated with high institutional complex country environments will increase the likelihood of appointing generalist executives. On the contrary, economic complex environments will prompt the need of hiring specialist executives, as only the latter possess the required knowledge and expertise to understand such competitive and innovative environments. The empirical analyses also point that in the presence of both sources of complexity (i.e. interaction), specialist executives will be in a better position to deal with the job demands associated with these specific country environments.

• *RQ*: How do firm and industry-level contingency factors influence the executive job demands associated with different country environments?

Supplementary analyses show that executive job demands result from multiple factors residing at different levels of analysis, including firm and industry characteristics, i.e. firm and industry declining performances. SL literature has often presented generalist executives as superior and more skilful individuals (e.g. Custódio, Ferreira and Matos, 2013; Custódio, Ferreira and Matosc, 2019; Datta and Iskandar-Datta, 2014; Li and Patel, 2018); however, this work shows that the choice between a generalist and a specialist profile could depend on the specific organisational characteristics. Secondly, it contributes to the existing executive appointment's literature that has only minimally considered firm internationalisation aspects among the antecedents of firm executives' selection (Greve, Biemann and Ruigrok, 2015; Kunisch, Menz and Cannella, 2019; Thams, Chacar and Wiersema, 2018). In fact, to the best of my knowledge, no studies have considered the complexity of a company's host country environment as antecedents of new executives' appointment background.

On the following page, I report a summarising figure (Figure 6.1) where the theoretical contributions of each empirical chapter are matched with the relationships examined in each empirical chapter.

Figure 6.1 – Theoretical underpinnings of the key relationships examined in the three empirical chapters



6.2 Managerial implications

These studies and their empirical results remark the importance of considering the firm decisionmakers and their active role in IB strategising. If asked, most managers would claim to implement a very rational decision-making process to guide their IB decisions. However, research has taught us that decision-makers are boundedly rational individuals (Cyert and March, 1963; March and Simon, 1958). Bounded rationality implies that managers often make decisions without possessing all the information required to undertake the most rational and possibly optimal choice. Moreover, even in the unrealistic case in which managers would have access to most of the information required to make a rational decision, decision-makers still have a finite information-processing capacity that limits their capability to interpret and make sense of all the information at their disposal.

Considering these assumptions, we can expect managers to frequently draw on their knowledge and past experiences and those of the other team members to process and interpret information and make decisions (Finkelstein, Hambrick and Cannella, 2009; Hambrick and Mason, 1984; Shane, 2000). Therefore, it is essential for the decision-makers (i.e. CEOs, Boards, Head hunters etc.), in charge of selecting and recruiting TMT members and those who are responsible for company short and long-term strategic decisions, to understand which individual executive's and group-level experiences and characteristics are most valuable given companies specific strategic setting and their long term goals.

The leitmotif of all the empirical studies revolves around the importance of matching executives' backgrounds with a firm short and long-term strategic orientation and the demands of its external environment (Keck, 1997; Keck and Tushman, 1993; Thomas and Ramaswamy, 1996; Tushman and Nadler, 1978). The crucial point is that there are generally no better executive profiles and no ideal TMT composition; instead, what matters is the alignment between decision-makers competencies and capabilities and the firm's strategic direction, internal characteristics, and external environment. I now delve into the specific managerial implications of each empirical study.

The first empirical study suggests that distinguishing between different aspects of team diversity is important, i.e. surface-level and deep-level diversity. The former refers to the demographic characteristics of the managers, while the latter relates to the top managers' work experiences. The analyses confirm prior research findings concerning the stronger association between social categorisation processes and team surface-level diversity (e.g. Harrison, Price and Bell, 1998; Nielsen and Hillman, 2018; Pelled, Eisenhardt and Xin, 1999) rather than team deep-level diversity. The latter being less observable in nature and more closely related to the knowledge and capabilities possessed by the managers is less likely to trigger social categorisation processes, which

lead to the formation of subgroups within the team. The fact that TMT members work experience diversity will increase the chances of undertaking deviating strategic initiatives does not diminish the importance of surface-level diversity. Demographically diverse teams will behave more cautiously, increasing the likelihood of adopting a foreign establishment mode strategy that aligns with IB theory; obviously, this is not a negative outcome. All in all, I would recommend increasing the work experience (deep-level) diversity of their TMTs only to those firms that are willing to pursue aggressive and path-breaking internationalisation strategies.

The second empirical study shows that average TMT members' intrapersonal career experience diversity will influence foreign investment location decisions. Notably, TMT members with more diverse international, industry and output functional work experiences will be more likely to engage with institutionally complex country environments over economic complex ones in their FDIs. TMTs who possess more specialised industry and international work experience backgrounds will prefer economic complex locations. On the contrary, managers with a varied functional experience will prefer economic complex locations over institutionally complex ones; this result holds if we do not consider the functional area distinction between output and throughput functions (Hambrick and Mason, 1984; Herrmann and Datta, 2006; Reimer, Van Doorn and Heyden, 2017). Managers with an extensive output functional experience will develop a stronger preference for institutionally complex locations by positing greater attention to host-country market factors such as market growth and other demand-related aspects. Companies and their decision-makers should keep these aspects in mind when composing their management team and appointing new members. Both empirical chapters three and four suggest that companies should carefully select new appointed managers' characteristics and experiences, considering the incumbent management team composition and their individual executives' characteristics and experiences. Indeed, the human and social capital endowed by the individual as well as their characteristics and fit with the remaining team members could tip the balance of the team and profoundly influence its decision-making attitude.

Finally, the last empirical chapter provides an interesting managerial implication concerning the concept of executive job demands. The study shows that host country environments will produce distinct task and job demands better handled by certain executive's profiles. Specifically, firms will appoint less generalist executive profiles (specialists) when operating in economic complex environments while preferring executive generalists over specialists to address institutionally complex country environment demands. Interestingly, in the presence of both sources of complexity, specialists will be preferred to cope with the related country demands. I identify additional sources of executive job demands at the firm and industry level, i.e. firm and industry declining performances, which increase the challenges and difficulties faced by the executives. This study again stresses the importance of matching executives' backgrounds with the informational demands and task requirements generated by the firm's internal and external environment.

Although I do not directly test the performance implications of aligning executive's profiles with the firm internal and external demands, executive job demands research (Ganster, 2005; Hambrick, Finkelstein and Mooney, 2005; Zhu, Jia and Li, 2021) has largely pointed that a mismatch between job demands and the executive knowledge and capabilities could lead to undesirable consequences such as distress, anxiety and job dissatisfaction. This would most likely negatively affect individual and team-level performances. Keeping these factors in mind, companies should hire executives that can adequately address and respond to the informational and task demands and the challenges posed by the internal and external environment of the firm. The selection of a new executive should also consider the firm long-term strategic plans, especially if the latter involves foreign market expansions to new country environments. In this regard, it is crucial to bear in mind the constantly changing nature of executive job demands. The latter is influenced by many evolving factors (firm, industry, country-level), which require the firm to continuously adjust the job requirements used as a reference to evaluate new potential executive candidates.

Additionally, this research also warns companies from overrating and overpaying generalist executives (Custódio, Ferreira and Matos, 2013; Datta and Iskandar-Datta, 2014) when it is not needed. Generalist executives could be unprepared to understand and handle the knowledge complexity associated with the specificities of highly competitive and technologically advanced environments. Hence, firms should match executives' backgrounds with the firm long-term strategic goals as the latter will influence the type of environments (firm, industry, country-level) that the firm will face in the future.

6.3 General limitations & Future research

This thesis's empirical chapters are not exempt from limitations, and some of those can also provide fertile ground for future research. I start considering those limitations shared by all our empirical studies. The empirical analyses of these studies rely on a sample of UK firms that are publicly listed and whose number of employees range between 50 to 1000 (2000) employees. Future studies might want to consider companies that are headquartered in different and multiple countries. The United Kingdom is undoubtedly a representative and meaningful setting for our analysis. FDI data present the UK as one of the world's largest outbound foreign investors, ranked as fourth largest after the US, Japan and China in 2017 (Ward, 2019), representing about 6% of global outward FDI

flows. However, leveraging a multi-country sample by including, for instance, other European countries (e.g. Netherlands, Germany, Italy etc.) could increase the extent of generalisation of these empirical results. Other studies relying on different countries or a larger sample of European countries have provided consistent evidence. Likewise, they show a significant influence of TMT compositional and experiential factors over entry mode and location choice decision-making (Barkema and Shvyrkov, 2007; Nielsen and Nielsen, 2011) and highlight the importance of those mechanisms that lead companies to adjust their management teams according to the information-processing demands generated by the firm internal and external environment (Greve, Biemann and Ruigrok, 2015; Greve, Nielsen and Ruigrok, 2009; Kaczmarek and B. Nyuur, 2021; Ruigrok, Georgakakis and Greve, 2013).

In adopting cross-country samples, scholars should also be aware of the country-level specificities of the TMTs, whose definition can vary from country to country. For instance, countries like the UK, US, India, Italy, and others adopt a one-tier Board structure; several other countries leverage a two-tier board structure, including Germany, Switzerland, Indonesia, Netherlands, etc. Scholars should define their TMTs, taking into account these governance differences. In the empirical chapters of this thesis, the TMT consists of the executive members of the board of directors. This definition is consistent with past studies investigating UK companies (Nielsen and Nielsen, 2013; Nielsen, 2009; Piaskowska and Trojanowski, 2014). Additionally, the management team definition adopted could be particularly suitable for the medium to large companies included in our sample and especially allow us to be consistent throughout our sample firms.

Nonetheless, the definition adopted in these studies and my own could be seen as a limitation. In this sense, I encourage future research to confirm or confute our TMT definition in the UK context by qualitatively investigating it. Interviews or surveys to the CEO could provide additional clarity on the identity of the closest CEO's collaborators and, hence, on the composition of the firm decision-making team. Scholars should also consider that the group of decision-makers might change according to the type of strategic decision considered (Carpenter, Geletkancz and Sanders, 2004; Hambrick, 2007). SL research in the IB area desperately needs more primary data sources and much more qualitatively research to address the previously mentioned research questions and others.

Furthermore, in these empirical studies, I deal mainly with those observable managers' characteristics, such as demographics and prior work experiences. Although I hand-collect very detailed information about executives' experience, such data can only capture those individual and team-level mechanisms that are likely to impact strategic decision-making directly. SL literature has extensively leveraged individual-level characteristics and team-level composition to proxy managerial cognitions, values, preferences and group-level decision-making mechanisms (e.g.

decision-making comprehensiveness, speed, behavioural integration etc.). Future studies might go beyond using some of these observable characteristics by more frequently adopting psychology grounded empirical metrics (e.g. psychometric analysis). Leveraging such metrics could provide additional evidence on the importance of managers' cognitions and mental maps and, possibly, reinforce observable managerial characteristics proxies' underlying assumptions (Finkelstein, Hambrick and Cannella, 2009).

A limitation instead that might affect the empirical studies of this thesis is the possible presence of endogeneity in our analysis, triggered, for instance, by sample selection bias or reverse causality issues (Certo et al., 2010; Wolfolds and Siegel, 2019). Although my initial sample includes domestic and international companies as well as companies that invest or do not invest internationally in the period considered, to answer the research questions of empirical chapters 3 and 4, we investigated those firms that have undertaken foreign investments in the sample period. In this sense, my research questions have led me to self-select those internationally active companies during the observation period. In addition, within the strategic leadership literature, quantitative scholars have also been concerned with another source of endogeneity: the reverse causality issue. Specifically, some SL scholars have argued that top management teams and managers may have been composed and appointed with the specific objective of contributing to developing and implementing a certain firm strategy, given their backgrounds and experiences (Bromiley and Rau, 2016; Hambrick, 2007; Neely et al., 2020). To offset this possible issue, I implement for my empirical studies a lagging strategy between the independent and dependent variables, which is a common and recommended practice of many quantitative studies in this research area (e.g. Hambrick, 2007; Neely et al., 2020; Sajko et al., 2020; Triana et al., 2019 etc.).

I now briefly mention some of the future research opportunities related to each of the three empirical studies. In the first empirical chapter, I advise scholars to investigate other additional TMT characteristics and experiential aspects that could influence the adoption of ESMD. For instance, researchers could consider other team-level phenomena such as the formation of faultlines within the decision-making team, TMT interfaces and more behavioural aspects concerning executives' intrinsic dispositions as narcissism, overconfidence, humility and risk-propensity (Chatterjee and Hambrick, 2011; Galasso and Simcoe, 2011; Simsek, Heavey and Fox, 2018). Future research could also identify alternative firm internal and external contingencies that can influence managers' propensity to undertake EMD. The likelihood of deviating could be higher in the presence of high managerial discretion, intense competition, and specific governance mechanisms (e.g. industry concentration, managerial and firm ownership, limited controlling mechanisms).

Also, in the second empirical chapter, I suggest that future research could delve into different TMT's aspects that can influence managers' foreign investment location preferences. As this research maintains that the reduced perception of distance and complexity drives managers towards investing in a specific location complexity type, future studies could investigate which factors could enhance or weaken managerial preferences. For instance, a firm international experience could compensate the lack of specific managers' knowledge and expertise concerning the host country environmental challenges and demands. Additionally, positive or negative managerial and firm past experiences with locations associated with a specific country environment complexity could also affect the managers' preference for one or the other location complexity type. Finally, future studies, drawing on a more extended sample period, could better discern how changes in the top management can drive different investments behaviour.

Eventually, drawing on executives job demands theory, future research can investigate how distinct firm internationalisation aspects can shape executives job requirements. In this regard, research opportunities lay in the chance to explore how multiple dimensions of company internationalisation (e.g. foreign assets, sales, number of subsidiaries, countries.) can demand distinct managers' skills and capabilities. Research could also benefit from studying how micro-level mechanisms (e.g. homophily, social categorisation, attraction-selection-attrition) counteract or complement executive job demands. Indeed, logic triggered by homosocial reproduction theories could conflict with the informational and task demands generated by the firm's internal and external environment. Future studies could also clarify how macro, meso, and micro-level forces can lead to different equilibriums in appointment selection decisions. Another intriguing aspect deals with the power dynamics and governance mechanisms. For instance, we can expect firm stakeholders (e.g. CEOs, directors, and major shareholders) to substantially influence executives' selection decisions. The preferences and agendas of these powerful actors could be reflected in the firm hiring strategies, which is especially likely to occur when the balance of power within the decision-making team is particularly unbalanced, and controlling and monitoring mechanisms are weak or non-existent.

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