# *The spirit of the times: historical conditions and market-seeking FDI strategies by U.S. alcohol firms*

Journal of International Business Studies
https://doi.org/10.1057/s41267-025-00773-3

# The spirit of the times: historical conditions and market-seeking FDI strategies by U.S. alcohol firms

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Received: 16 August 2023 / Revised: 19 December 2024 / Accepted: 19 December 2024


**Abstract**
Market-seeking foreign direct investment (FDI) remains central for firms to expand their global presence and seize opportunities abroad. However, existing research often focuses on immediate or near-term drivers related to firms' market-seeking FDI strategies, and thus neglects the valuable insights a historical perspective can provide. To address this gap, we draw insights from imprinting theory and propose a framework theorizing the dual-layered imprinting of historical conditions stemming from both extreme historical experiences and founding conditions. Using the U.S. alcohol industry as a research context, we employ a mixed-methods approach, integrating quantitative and qualitative techniques. Our findings reveal that firms' experiences during extreme anti-alcohol conditions, such as Prohibition, positively correlate with regulation-driven market-seeking FDI, while firms founded in more pro-alcohol periods prioritize speed-driven market-seeking FDI. Moreover, we identify how unrelated diversification, a strategy consistent with the anti-alcohol imprint but inconsistent with the pro-alcohol imprint, affects the relationship between historical imprints and FDI strategies through imprint amplification or decay. Our qualitative analyses elucidate the role of founders' and leaders' strategic decision-making in reinforcing the mechanisms through which historical conditions shape FDI strategy. This longitudinal framework provides insights into imprint formation, transmission, and manifestation, accounting for contextual variations and implications for FDI strategy.

**Keywords** Imprinting · Founding conditions · Extreme historical experiences · Market-seeking FDI · Unrelated diversification · US alcohol industry

Accepted by Klaus Meyer, Guest Editor, 19 December 2024. This article has been with the authors for four revisions.

Authors are alphabetically listed with equal contributions. Stephanie Wang appreciates the support from Samuel & Pauline Glaubinger Professorship.

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## Introduction

In the ever-evolving landscape of international business (IB), pursuing foreign markets has remained a critical race for firms aiming to expand their reach and seize new opportunities. At the heart of this race lies market-seeking foreign direct investment (FDI), where firms continuously seek new geographic markets for growth and profitability (Dunning & Lundan, 2008; Luo, 2003). Scholars suggest that the heterogeneity in firms' market-seeking FDI strategies stems from the complex interplay between location and firm characteristics (Rugman & Verbeke, 2003; Wu et al., 2022). Related empirical research has predominantly focused on immediate or near-term drivers related to the foreign location, the parent firm, and the location–firm dyad (Jain et al., 2016). While enlightening, prior research has overlooked a longer, historical perspective, which is critical to uncovering patterns and recurring themes that may not be apparent when solely focusing on near-term influences (Bucheli et al., 2024; Welch et al., 2022).

Published online: 26 February 2025

Addressing this gap, we propose that examining firms' historical conditions could offer a novel perspective on market-seeking FDI strategies. From an imprinting theory lens, historical conditions include circumstances surrounding the establishment of an entity (i.e., known as founding conditions) and extreme experiences marked by a heightened level of sensitivity or volatility, both generating organizational imprints with long-lasting effects (Johnson, 2007; Marquis & Qiao, 2023; Stinchcombe, 1965). These historical conditions could play a pivotal and yet different role in shaping firms' market-seeking patterns over time and influencing their prioritization of opportunities abroad. Hence, an essential research question that requires exploration is: *How do historical conditions impact a firm's market-seeking FDI strategies?*

Furthermore, it remains uncertain how long-lasting the imprinting effects resulting from historical conditions are, and whether they can strengthen or gradually fade over time. Firms might adopt new strategies that either align with or contradict the imprint, or change ownership and governance structures, potentially reinforcing or introducing inconsistencies with their strategic priorities (Kimberly, 1979; Sinha et al., 2020). Understanding the processes driving the amplification or decay of imprints depends on the mechanisms of imprint persistence, which remain largely underexplored. Therefore, another pivotal research question is: *How do organizational imprints shaped by historical conditions intensify or diminish their influence on market-seeking FDI strategies?*

We utilize the history of the U.S. alcohol industry over the past two centuries as the research context for two reasons. First, the U.S. alcohol industry went through clearly defined extreme and sensitive periods. During Prohibition, the industry experienced extremely strict regulations that threatened to terminate its incumbents. Meanwhile, the founding conditions varied during different phases, with various surges in alcohol consumption and market expansion (Aaron & Musto, 1981; Hall, 2010). Second, the U.S. alcohol industry is well known for its high internationalization and market-seeking FDI (Luiz et al., 2017).

We employ a mixed-methods approach, integrating quantitative and qualitative techniques. For the quantitative analysis, we examine 217 publicly listed alcohol firms founded between 1765 and 2019, analyzing their FDI strategies from 1992 to 2020. We focus on the FDI strategies of U.S. alcohol firms after the 1990s for two key reasons. First, detecting imprinting effects requires a long post-imprint period with significant environmental changes (Simsek et al., 2015). A longer period allows us to observe how imprints from historical conditions interact with or resist evolving environments. Second, the U.S. alcohol industry saw a sharp rise in foreign market expansion in the late 1980s and 1990s (Harney, 1995). The qualitative analysis, drawing from case studies of four alcohol firms – Anheuser-Busch, Beringer, Robert Mondavi, and Jim Beam – uncovers the mechanisms driving the persistence or decay of imprints.

We seek to make two contributions to the literature. First, this study extends research on FDI strategy by applying an imprinting lens, a theory that has received little attention in IB research (Liu et al., 2023; Simsek et al., 2015). By addressing this gap, our research provides new insights into how imprints influence firms' strategies across borders, shaping internationalization patterns in profound and enduring ways. Second, this study highlights the importance of historical determinants in market-seeking FDI by revealing the dual-layered impact of founding-era environmental conditions and extreme experiences encountered later in a firm's lifecycle (Welch et al., 2022). The findings challenge conventional views of FDI strategy by emphasizing the enduring influence of historical contexts. Our historical approach enables us to bridge the spatial and temporal dimensions of market-seeking and deepen understanding of the opportunity-focused perspective on entrepreneurial internationalization (Reuber et al., 2017; Verbeke & Ciravegna, 2018).

## An imprinting approach to historical conditions and FDI strategies

### Market-seeking FDI strategies

Market-seeking is a key FDI motive that involves investments in a host country aimed at serving the local market directly through establishing local production and distribution (Dunning & Lundan, 2008). Existing research on market-seeking FDI is characterized by two significant streams – where to seek markets and how fast to seek markets (Jain et al., 2016; Kumar et al., 2020). In terms of 'where to seek markets,' research shows that market-seeking investments are affected by a multitude of factors grouped at three broad levels – foreign location (e.g., market size), parent firm (e.g., brand recognition), and location–firm dyad (e.g., liability of foreignness). For instance, traditional incentives for market-seeking FDI are host country market size and economic development (Henisz & Delios, 2001). Also, firms usually seek foreign markets where they can exploit capabilities developed in the home country (i.e., firm-specific advantages) (Dunning & Lundan, 2008; Rugman & Verbeke, 2003). Furthermore, host country regulations play a pivotal role in shaping the liability of foreignness for firms operating as a foreign entity (Henisz & Delios, 2001).

In terms of 'how fast to seek markets,' IB scholars focus on the speed of internationalization (Chang & Rhee, 2011; Kumar et al., 2020; Oviatt & McDougall, 2005), as an important dimension of market-seeking FDI that reflects opportunity-seeking dimensions in internationalization

(Reuber et al., 2017). One stream of literature advocates for incremental investments and a slower pace of internationalization to capitalize on learning benefits and the accumulation of capabilities (Barkema & Drogendijk, 2007). In contrast, another stream highlights the potential time-based competitive advantages of rapid or aggressive internationalization, especially when firms possess superior resources and capabilities (Chang & Rhee, 2011), faster learning and scaling abilities (Lopez et al., 2009), or opportunities to leverage and orchestrate resources globally (Luo & Tung, 2018). Accelerated internationalization is characterized as an entrepreneurial process, which can take place serendipitously (Coviello, 2006) or intentionally (Ciravegna et al., 2019; Dai et al., 2014). Consequently, accelerated internationalization is often associated with radical or aggressive FDI decisions (Chang & Rhee, 2011; Kumar et al., 2020).

Building on these insights, we focus on two market-seeking FDI strategies – *regulation-driven market-seeking FDI* and *speed-driven market-seeking FDI*. Regulation-driven market-seeking FDI denotes investments in a host country to serve the local market directly and benefit from favorable, or often laxer, market regulation concerning the sale of a firm's products and services. Generally, host country regulations can attract or deter FDI, in the sense that FDI tends to flow from countries with stringent regulations to ones with lax regulations (Mudambi et al., 2013). Speed-driven market-seeking FDI refers to the duration between inception and the initial cross-border investment, often made through aggressive modes such as acquisitions, aimed at market penetration following the establishment of the firm. Such a conceptualization is consistent with the opportunity-focused view of entrepreneurial internationalization (Reuber et al., 2017) as speed denotes an entrepreneurial international action. In the context of market-seeking, higher speed of first cross-border investment allows a firm faster access to market opportunities in a host country than market transactions or internal development (Gubbi et al., 2010), along with time-based competitive advantages (Chang & Rhee, 2011).

## The dual-layered imprinting from historical conditions

For firms, historical conditions encompass two types – founding conditions and extreme experiences. The first type involves the circumstances surrounding the establishment of a firm. These conditions shape the initial environment and challenges encountered during the firm's inception, influencing its early development and direction. This type of imprinting is more commonly studied (Simsek et al., 2015; Stinchcombe, 1965). For instance, scholars have studied how the interplay of factors such as market conditions, founder characteristics, and resource availability during the founding years has a long-term impact on firm strategies (Johnson, 2007; Sinha et al., 2020).

The second type of historical condition involves extreme experiences marked by heightened sensitivity or volatility. These extreme periods, particularly negative ones, leave lasting organizational imprints that can significantly impact the organization's culture and strategies, thus having a long-term impact (Lipold, 2014). These conditions are characterized by their exceptional nature, often involving significant disruptions, challenges, and opportunities that shape the course of history. Extreme historical conditions often mark turning points in history, challenging existing norms, values, and structures, and catalyzing significant societal transformations. Studying these conditions provides valuable insights into how societies, particularly firms, adapt, evolve, and respond to challenges, and how these responses continue to resonate across generations of firms (Argyres et al., 2020; Meyer, 2015; Zhang, 2022).

For both historical conditions, imprinting delineates three phases: genesis, metamorphosis, and manifestation (Simsek et al., 2015). During the genesis phase, the imprint is formed when the imprinted entity (individual, team, organization, industry) adopts key features of the imprinter (individual, team, organization, environment) during a sensitivity period – either the time of founding or a major transition (Simsek et al., 2015). During the metamorphosis phase, the imprint can persist, amplify, decay, or transform through temporal changes (Wang et al., 2019). Mechanisms of persistence provide a foundation on which to examine the strength and manifestation of imprints. For example, if an imprint persists through processes of individual decision-making and information processing, then decays or amplifications of the imprint can be more easily understood as adjustments to those decision-making processes (Marquis & Qiao, 2020). The manifestation phase reveals the imprint impact on entity behavior and outcomes (Simsek et al., 2015).

In the process, founders and leaders are key strategic decision-makers, who can help form, reinforce, or modify an organizational imprint through their decisions (Burton & Beckman, 2007). While the imprinting literature has discussed strategic decision-makers either as imprinters (e.g., Kimberly, 1979) or as the imprinted (e.g., Marquis & Qiao, 2020), we view them also as the potential carriers or reinforcers of organizational imprints that reflect key environmental features. Such a dynamic can take place through two processes of imprinting and imprint transmission. One is based on creative selection and synthesis of environmental elements, where the founder/leader recombines resources to help the organization adapt to or survive in an environment with specific situational constraints (Carnabuci & Wezel, 2011). The other is based on the development of organizational routines that guide the strategic pursuit of opportunities afforded by the environment (Burton & Beckman, 2007). Both processes lead to the formation and prioritization of strategic rules that are reinforced by strategic decision-makers over time. Thus, such founder/leader reinforcement of strategic priorities becomes the main underlying mechanism through which these processes take place. Yet, as environments and organizational leaders change over time, new strategies may emerge that can be either consistent or inconsistent with the original strategic priorities, and hence can either amplify or deteriorate the imprints.

## Research context: History of the U.S. alcohol industry

We use the history of the U.S. alcohol industry as the context for two key reasons. First, U.S. alcohol firms have long been recognized for their strong market-seeking FDI activities, consistently positioning the U.S. as a global leader in overseas investment in this sector. According to the Global FDI Annual Report 2022, the U.S. remained the leading source market for FDI in the beverages sector (Barklie, 2022). The long history and robust international presence of U.S. alcohol firms provide a rich context for exploring variations of firms' FDI strategies.

Second, the U.S. alcohol industry has undergone distinct historical phases, offering diverse scenarios shaped by firms' founding conditions and extreme experiences. One notable example is Prohibition, a product of the Temperance movement – a series of influential anti-alcohol campaigns that gained national prominence in the 1820s. Before the movement, alcohol had a largely positive image, with distilled liquor, or "strong waters," valued for its medicinal uses, such as pain relief and reducing fatigue (Aaron & Musto, 1981). The Temperance movement began to challenge this view, advocating for the reduction or elimination of alcohol consumption (Engs, 2013). Supporters labeled alcohol as a 'demonic' substance, claiming that excessive drinking posed a threat to individual health and societal development (Levine, 1984). In the wake of the Temperance movement, a series of social movements emerged, such as the Woman's Christian Temperance Union, established in 1873, and the Anti-Saloon League, founded in 1893. While industry conditions remained relatively favorable in the 19th and early 20th centuries, these movements gained substantial momentum, ultimately paving the way for Prohibition.

The legal foundation for Prohibition was established when the 18th Amendment to the U.S. Constitution was ratified on January 16, 1919, imposing a ban on the "manufacture, sale, or transportation of intoxicating liquors." Subsequently, the National Prohibition Act, commonly referred to as the Volstead Act, was enacted on January 17, 1920, to enforce the prohibition laws. While the nationwide alcohol prohibition led to a reduction in alcohol consumption, it concurrently resulted in a thriving underground economy characterized by illegal speakeasies, bootlegging, and smuggling (Smith, 2020). Hall (2010, p. 1164) asserts that "'Everyone knows' that national alcohol prohibition was a quixotic and failed social experiment … it was disregarded widely by most Americans."

In response to the mounting pressures and disillusionment with Prohibition, the 21st Amendment was ratified on December 5, 1933, resulting in a period of rapid growth (Aaron & Musto, 1981; Hall, 2010). Many alcohol firms that had struggled to survive during Prohibition were suddenly able to resume their operations legally. This facilitated a rapid ramp-up in production and distribution. For instance, whiskey producer Schenley Industries recorded a profit of $6.9 million from sales totaling $40.3 million in 1934. The following year, earnings experienced an increase to $8.0 million, accompanied by a 56% surge in sales, amounting to $63 million (Kerr, 1990). Online Appendix A presents the timeline of Prohibition policies, and Figure 1 depicts relevant events during the period.

With the 21st Amendment officially ending Prohibition, the industry underwent a remarkable and profound resurgence. In the following period, the US alcohol industry saw more favorable and gradually improving conditions for alcohol production and sales. The peak period during 1975–1985 was defined by rapidly increasing demand, immense opportunities for market growth and new entry, and relatively benign regulatory conditions (Greenfield et al., 2000). In recent decades, industry conditions have slightly declined due to stricter regulation.

These fluctuations in industry conditions are closely matched by the fluctuations in alcohol consumption (Fig. 2). The average alcohol consumption per person levels stood at 2.5 gallons in 1860, on the eve of the Civil War, 1 gallon in 1934, at the repeal of prohibition, and 2.3 gallons in 1945, at the close of World War II (De Vise, 2023). The peak years of alcohol consumption per person in the U.S. occurred in the early 1980s. However, in response to concerns over public health and safety, the government initiated restrictive policies which led to an incremental but steady decline in alcohol consumption since.

## Theoretical framework

As an overview, we present a theoretical framework that outlines the dual-layered imprinting of historical conditions, focusing on three key aspects. First, we examine how extreme historical conditions, representing the most unfavorable periods in the industry's history, and founding conditions, reflecting varying degrees of favorability,

a. A copy of a doctor's legal prescription for alcohol issued to a patient in Massachusetts in 1925.

b. An Anheuser-Busch ice cream truck

c. The Speakeasies of the 1920s

d. Bootleggers in Prohibition

e. Celebrations for the repeal of Prohibition

**Fig. 1** Events related to Prohibition. *Source*: The Mob Museum

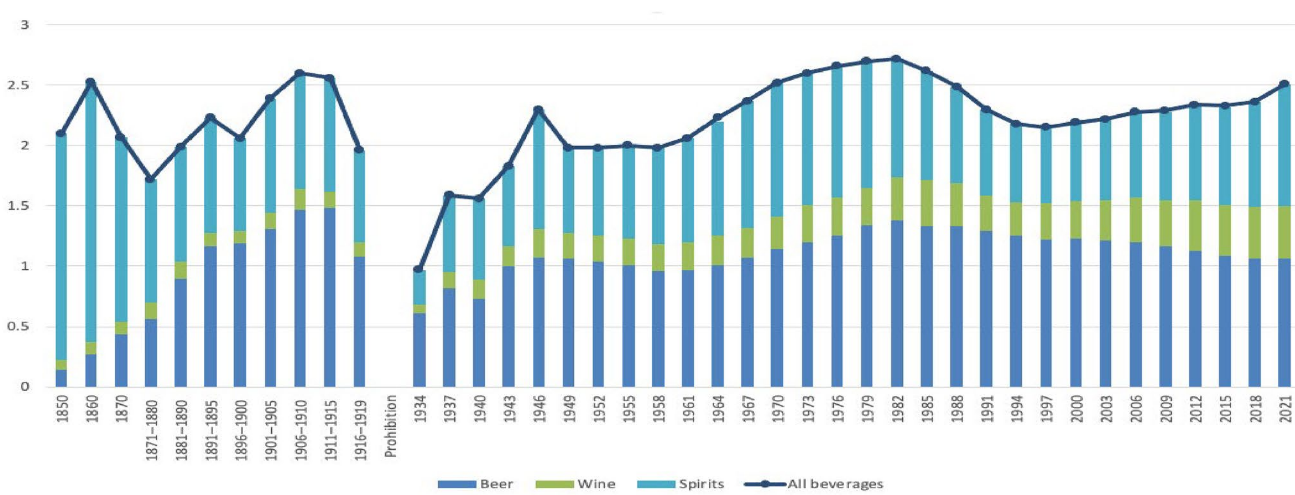


**Fig. 2** Alcohol consumption per capita by beverage type (gallons of ethanol), United States, 1881–2021

influence market-seeking FDI. Second, we examine the role of unrelated diversification. Third, in our qualitative exploration, we find evidence showing how strategic priorities established by each imprint are reinforced over time. Specifically, we explain how strategic decision-makers emphasize mechanisms of *risk mitigation* and *regulatory maneuvering* to transmit the anti-alcohol imprint, and mechanisms of *expansionism* and *premiumization* to transmit the pro-alcohol imprint. Figure 3 illustrates these arguments.

## Extreme historical experience and regulation-driven market-seeking FDI

For the extreme historical condition, we focus on Prohibition, which introduced an extremely different institutional

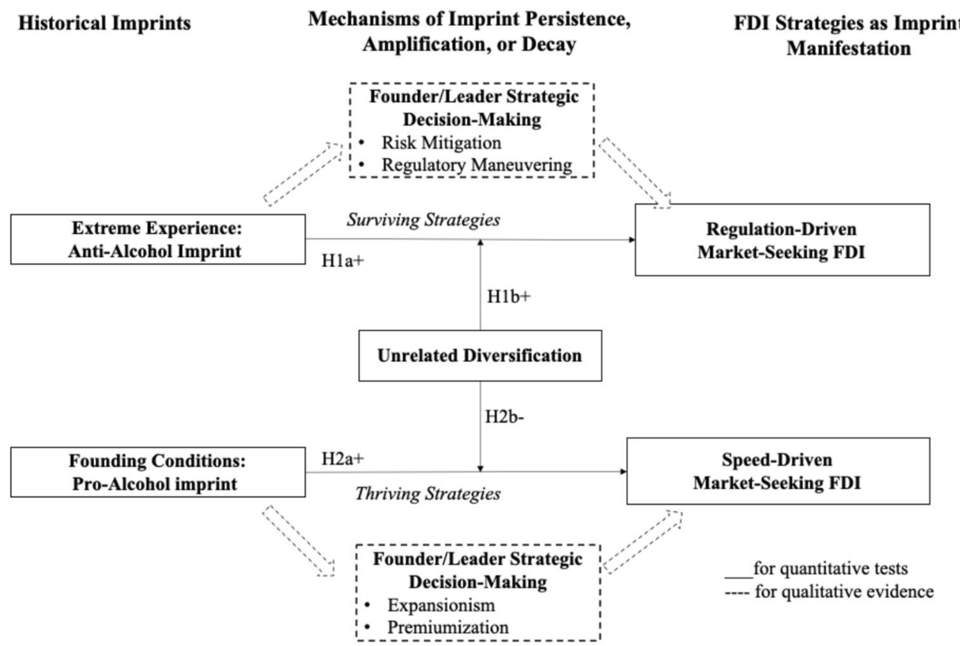


**Fig. 3** Theoretical framework

reality for alcohol firms. We argue that the duration and severity of this extreme historical condition were sufficient to create a sensitivity period for firms that were founded before but lived through the period by prompting them to find alternative ways to operate. The severity of extreme historical conditions assigns weight to new rules and norms (Gersick, 1994). During Prohibition, alcohol firms found ways to survive by selecting strategies that severely minimized or eliminated the role of strict regulation, such as utilizing their existing resources either in legal markets for alcohol or in unrelated areas. That period gave rise to novel practices in the industry, such as *bootlegging*, *speakeasies*, and *smuggling*, all of which aimed at regulatory maneuvering. This synthesis of environmental elements by bundling resources, opportunities, and constraints in novel ways to circumvent regulation (Hsu & Kenney, 2005) deeply imprinted their strategic routines by establishing new strategic priorities that elevated the importance of safeguarding against potential sudden and severe changes in alcohol regulation. Thus, this anti-alcohol imprint resulted from an imprinting process based on the interaction of creativity by the founder/leader and contextual constraints (Burton & Beckman, 2007; Johnson, 2007).

The presence of an anti-alcohol imprint within firms' strategic decision-making suggests that firms will place a heightened emphasis on the regulatory environment of potential foreign markets and prioritize countries with relatively lenient alcohol regulations. The anti-alcohol imprint diminishes the attractiveness of countries with stricter alcohol-related regulations while enhancing the appeal of markets with more permissive regulatory frameworks. This behavior mirrors a compensatory approach, where firms actively weigh regulatory environments against market potential (Brouthers et al., 2008). As a result, firms with a historical experience of Prohibition tend to adopt a more cautious, regulation-driven approach to market-seeking FDI. Hence, we propose:

**Hypothesis 1(a):** Firms that experienced extreme anti-alcohol conditions tend to pursue more regulation-driven market-seeking FDI.

We further argue that the persistence of the anti-alcohol imprint over time depends on the consistent adoption of regulation-cautious strategies that align with this imprint. We propose that unrelated diversification – defined as expanding into new products or services outside a firm's core business – is a natural extension of this risk-avoidance mindset. It serves as a protective mechanism against the risks posed by stringent alcohol regulations (da Silva Lopes, 1999). By diversifying into unrelated industries, alcohol firms can hedge against the cyclical nature of the alcohol market and mitigate the impact of stringent regulations or market barriers in certain regions, allowing them to maintain growth and avoid economic lock-in (Pinheiro et al., 2022).

Unrelated diversification emerged as a creative survival strategy to endure through Prohibition. For instance, to circumvent strict alcohol regulation, Anheuser-Busch (AB) developed an array of non-alcoholic products that were spin-offs of its brewing business, such as truck bodies, refrigeration cabinets, ice cream, a nonalcoholic form of Budweiser, and baker's syrup (Knoedelseder, 2012). The repeated utilization (and success) of such strategic priorities increases their weight in strategic decisions and encourages the organization to return to those strategic choices made previously, thereby underscoring and reinforcing the imprint (Schreyögg & Sydow, 2011). Therefore, we propose:

**Hypothesis 1(b):** The positive association between experiencing extreme anti-alcohol conditions and the degree of regulation-driven market-seeking FDI is stronger in firms with higher levels of unrelated diversification.

### Founding historical conditions and speed-driven market-seeking FDI

For founding historical conditions, we focus on how favorable circumstances enabled firms to aggressively exploit market opportunities and develop the capabilities to capitalize on them. These favorable conditions created significant growth prospects, which firms pursued through rapid market-seeking strategies. As a result, firms founded in these favorable environments developed a pro-alcohol imprint, shaped by strategic routines designed to aggressively seize market expansion opportunities. In doing so, they directly leveraged their external environment to establish the strategies, structures, and capabilities necessary for success (Geroski et al., 2010). These routines became embedded in the organization, setting strategic priorities that continued to inform decision-making in subsequent periods.

In pursuit of market growth, alcohol firms developed, replicated, and redeployed the needed resources and capabilities, contributing to routinization (Burton & Beckman, 2007). Because international markets provided new growth opportunities, alcohol firms with a stronger pro-alcohol imprint were likely to pursue international expansions more aggressively. Generally, firms with strong capabilities developed domestically seek to exploit these capabilities in foreign markets once these are open (Ciravegna et al., 2019; Rugman & Verbeke, 2003). For US alcohol firms with a pro-alcohol imprint, expanding quickly into international markets provided opportunities to build time-based competitive advantages through the same process of developing, replicating, and redeploying resources and capabilities that was central to the persistence of the imprint. Therefore, we propose:

**Hypothesis 2 (a):** Firms founded under more pro-alcohol conditions tend to pursue more speed-driven market-seeking FDI.

We also argue that unrelated diversification tends to erode the pro-alcohol imprint. Alcohol firms founded during more favorable industry conditions are likely to emphasize their core product and build capabilities for more aggressive expansion within these areas rather than diversifying into unrelated sectors. Routines for unrelated diversification represent a departure from the original strategic focus, which was designed around seizing alcohol-related opportunities. Such diversification would require building new capabilities, establishing new routines, and potentially drawing resources away from the core business, which can create a disconnect from the founding imprint (Kimberly, 1979) and lead to mismatches or contradictions in the strategic priorities of the firm. Generally, the degree of mismatch determines the degree of decay in the original imprint (Gersick, 1994). Such decay diminishes the importance of pursuing market-seeking strategies aggressively and hence makes it less likely for firms with a pro-alcohol imprint to pursue accelerated market-seeking FDI. Therefore, we propose:

**Hypothesis 2 (b):** The positive association between pro-alcohol conditions at the time of firm founding and the degree of speed-driven market-seeking FDI is weaker in firms with higher level of unrelated diversification.

## Quantitative hypothesis testing

### Sample

We obtained all U.S. publicly listed firms operating in the alcohol industry to quantitatively test our arguments. First, we identified alcohol firms using Standard Industrial Classification (SIC) codes[1]. Second, we collected foreign subsidiary information from the Wharton Research Data Services (WRDS) Company Subsidiary Data. Third, we retrieved cross-border mergers and acquisitions (M&As) from the Thomson Reuter's Securities Data Company Platinum database (SDC). Fourth, we obtained firm basic and financial information from the Compustat database. Finally, for country-level data, we gathered data from the National Institutes of Health (NIH), the World Health Organization (WHO), and the World Development Indicators (WDI). After combining these databases and deleting observations with missing values, we obtained 217 publicly listed alcohol firms founded between 1765 and 2019, with a sample of 2765 firm-year observations during the period of 1992 to 2020.

[1] Following prior research (DesJardine et al., 2023; Fu et al., 2020; Kassinis et al., 2022), we identified firms that have operated or are currently operating in industries with the SIC codes 2080, 2082, 2083, 2084, 2085, 5181, 5182, 5813, and 5921 as alcohol firms. For firms categorized under the general SIC code for beverages (2080) but not actually producing alcoholic beverages, we manually reviewed their business descriptions (Colonnello et al., 2019). We checked the business descriptions for keywords such as alcohol, wine, beer, and liquor, and removed those that were not involved in alcoholic activities.

**Table 1** Definition of country-level alcohol regulation variables

| Variable | Definition |
|---|---|
| Alcoholic beverage definition | 1 if there is legal definitions of alcoholic beverages, 0 otherwise |
| Monopoly control over production | 1 if there is monopoly control of alcohol production, 0 otherwise |
| Monopoly control over sale | 1 if there is monopoly control of alcohol sale, 0 otherwise |
| Licensing system for production | 1 if there is licensing system for alcohol production, 0 otherwise |
| Licensing system for sale | 1 if there is licensing system for alcohol sale, 0 otherwise |
| Duty paid, excise or tax stamps or labels for alcohol | 1 if there is any duty paid, excise or tax stamps or labels for beer, wine, spirits, 0 otherwise |
| Sobriety checkpoints | 1 if there are sobriety checkpoints as prevention strategy, 0 otherwise |
| Random breath testing | 1 if it uses random breath-testing as prevention strategy, 0 otherwise |
| Number of standard alcoholic drinks displayed on containers | 1 if it requires that alcoholic beverage labels must indicate the number of standard drinks in the container, 0 otherwise |
| Alcohol content displayed on containers | 1 if it requires that alcohol content on alcoholic beverage labels should be displayed on containers, 0 otherwise |
| Alcohol consumption | 1 if there is monitoring system on alcohol consumption, 0 otherwise |
| Health consequences | 1 if there is monitoring system on health consequences, 0 otherwise |
| Social consequences | 1 if there is monitoring system on social consequences, 0 otherwise |
| Alcohol policy responses | 1 if there is monitoring system on alcohol policy responses, 0 otherwise |

Source: Global Status Report on Alcohol and Health, WHO

## Key variables and measures

### Regulation-driven market-seeking FDI

We took two steps to measure regulation-driven market-seeking FDI. First, we calculated the degree of internationalization based on (1) the number of foreign subsidiaries, and (2) the number of host countries the focal firm has expanded into (Lu & Beamish, 2004; Pisani et al., 2020). Each count is divided by the maximum number of foreign subsidiaries and the host countries, and the average is calculated as the final measure. Second, we accessed the level of alcohol regulation across countries based on data from the Global Status Report on Alcohol and Health issued by the WHO[2]. Specifically, we calculated scores based on 14 sub-indexes from several dimensions (see Table 1 for details). We standardized each dimension and used the sum as the final score, with a larger number indicating more stringent regulation. We then used this score as weight, representing the stringency of alcohol regulation in the focal country. We conducted robustness checks using various alternative measures of degree of internationalization and counting FDI in host countries with larger alcohol markets than the U.S. (Saffer & Dave, 2002). The results are consistent (online Appendix C).

### Speed-driven market-seeking FDI

We used the timing of the first cross-border M&A or the first foreign subsidiary as a proxy for accelerated FDI. We focused on M&As in the main analysis as they are arguably a faster and more aggressive way to internationalize (Kumar et al., 2020). Specifically, we employed survival analysis models, with shorter durations indicating a higher degree of speed-driven market-seeking FDI. Similarly, we counted cross-border M&As in host countries with a larger size of alcohol market than the U.S. to better gauge market-seeking activities (online Appendix D).

### Imprinting conditions

We measured the *anti-alcohol imprint* as a dummy variable which is equal to 1 if the focal firm was founded before 1933 and 0 otherwise to capture experiences of extreme historical conditions during the U.S. Prohibition era (Pennock & Kerr, 2005). Approximately 14.88% of the sample firms were established before the year 1933, marking the end of Prohibition. We measured the *pro-alcohol imprint* as an ordinal variable (1–5), based on percentiles of alcohol consumption per capita in the U.S. each year, where

[2] Due to the inconsistency in the disclosure of the Global Status Report on Alcohol and Health, the data on country-level alcohol regulation is not available for every year. We used the data from adjacent years to replace the missing information. For instance, when data for the year 2009 was missing, we substituted it with data from 2010.

5 corresponds to firms founded during the years with the highest alcohol consumption level. In the robustness check, we measured pro-alcohol imprint using alcohol consumption per alcohol producer, which produced consistent results (online Appendix E).

### Unrelated diversification

This variable was measured by Shannon's Entropy Index across two-digit SIC industry segments (Kim et al., 2013). We adopted a count measure in the robustness check and obtained consistent results (online Appendix G). Finally, we included control variables that might affect a firm's market-seeking FDI strategy[3].

## Quantitative estimation methods and results

To test Hypotheses 1a and 1b, we employed a two-stage Heckman estimation to address potential selection bias. In the first stage model, we used a probit model to estimate whether firms pursued FDI and predicted the inverse Mills ratio (*Lambda*). The exclusion restrictions in the first stage included *border state* (coded as 1 if a firm is headquartered in a state bordering an ocean, Canada, or Mexico, and 0 otherwise) and *regional-average FDI* (the mean likelihood of firms engaging in FDI within a given state) (Berger et al., 2017). We chose random-effects models as they allow the inclusion of time-invariant variables as explanatory variables. A Hausman test indicated that the random effects model is appropriate ($\chi^2 = 39.06$, $p = 0.467$). In the second stage, we controlled for the inverse Mills ratio and tested our hypotheses using random-effects panel regressions. To determine the suitability of panel models, we conducted a Breusch–Pagan Lagrange multiplier test, which indicated the presence of unobserved individual effects ($\chi^2 = 1328.91$, $p = 0.000$).

To test Hypotheses 2a and 2b, we employed Cox survival analysis, defining the event as the first cross-border M&A and measuring the duration as the number of years from the founding year to the event (Kumar et al., 2020). The Cox proportional hazard model estimates likelihood of an event by estimating the duration required for that event to happen. Finally, we included year fixed effects by including year dummies and controlled for industry fixed effects by distinguishing between manufacturing and service sectors.

Table 2 presents the descriptive statistics and correlations[4]. Table 3 reports the results for regulation-driven market-seeking FDI. Model 1 presents the first-stage results of Heckman estimation, and Models 2-4 show the second-stage results. Hypothesis 1a states that firms experiencing extreme anti-alcohol conditions during Prohibition tend to engage more in regulation-driven market-seeking FDI. As Model 3 suggests, the coefficient for anti-alcohol imprint is significant and positive ($\beta = 0.113$, $p = 0.000$). Consistent with Hypothesis 1b, Model 4 indicates that unrelated diversification positively moderates the association between anti-alcohol imprint and regulation-driven market-seeking FDI ($\beta = 0.190$, $p = 0.000$). The slope difference test reveals that the relationship between anti-alcohol imprint and regulation-driven market-seeking FDI is significantly stronger when unrelated diversification is high ($\chi^2 = 10.29$, $p < 0.01$). Thus, Hypotheses 1a and 1b receive support.

Table 4 shows the results for speed-driven market-seeking FDI. Model 1 includes only control variables. Hypothesis 2a argues that firms founded during more pro-alcohol conditions tend to engage in speed-driven market-seeking FDI. We first tested the proportional hazards assumption through the Schoenfeld residuals method. The global test was not statistically significant. Therefore, the proportional hazards assumption appears to hold. Model 2 of Table 4 shows that the coefficient for pro-alcohol imprint is significant and positive ($\beta = 0.469$, $p = 0.020$), supporting Hypothesis 2a. As shown in Model 3, the coefficient for the interaction term between pro-alcohol imprint and unrelated diversification is marginally significant and negative ($\beta = -3.115$, $p = 0.077$). Hence, H2b is marginally supported.

[3] We included the following control variables. At the firm level, we controlled for firm age, calculated as the difference between the year of the operation and the year of IPO. Older firms tend to accumulate more resources and experience for international activity. We included several variables capturing a firm's financial performance and stability. Specifically, we controlled for firm profitability, measured as the return on assets (ROA); cash, measured by the ratio of cash holdings to total assets; income loss, coded as 1 if the income before extraordinary and discontinued items is negative, 0 otherwise. We also incorporated variables capturing a firm's marketing resources that can influence firm's internationalization strategy (Chang & Rhee, 2011). Labor productivity is defined as the ratio of total sales to the total number of employees in a firm (Li et al., 2003). Advertising intensity is measured as the advertising expenditures divided by total sales. Considering that corporate taxes can affect a firm's profitability and cost factors that might be driving FDI, we controlled for a firm's tax rate, defined as the ratio of tax payment to pretax income. At the regional level, we controlled the level of alcohol regulatory stringency in a focal state. We calculated a composite index based on several dimensions of alcohol regulations, including alcohol control system, drink special laws, and registrations (Fell et al., 2015; Puac-Polanco et al., 2020).

[4] The highest variance inflation factor (VIF) value is 2.00 for the pro-alcohol imprint variable, while the average VIF value is 1.50, which are lower than the recommended cutoff level of 10, suggesting that multicollinearity is not a serious problem (Allison, 1999).

**Table 2** Descriptive statistics and correlation matrix

| | Variables | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Regulation-driven FDI[1] | 0.016 | 0.076 | 1.000 | | | | | |
| 2 | Speed-driven FDI[2] | 0.011 | 0.104 | 0.046 | 1.000 | | | | |
| 3 | Anti-alcohol imprint | 0.170 | 0.375 | 0.234 | 0.064 | 1.000 | | | |
| 4 | Pro-alcohol imprint | 3.159 | 1.386 | − 0.103 | − 0.022 | − 0.331 | 1.000 | | |
| 5 | Unrelated diversification | 0.155 | 0.294 | 0.349 | − 0.005 | 0.206 | − 0.273 | 1.000 | |
| 6 | Firm age | 2.302 | 0.986 | 0.157 | − 0.008 | 0.198 | − 0.155 | 0.233 | 1.000 |
| 7 | Profitability | − 0.045 | 0.612 | 0.034 | − 0.013 | 0.088 | − 0.022 | 0.033 | 0.088 |
| 8 | Cash | 0.091 | 0.121 | 0.015 | − 0.040 | − 0.028 | − 0.027 | − 0.031 | − 0.054 |
| 9 | Tax rate | 0.206 | 2.315 | 0.000 | 0.000 | 0.014 | − 0.006 | 0.059 | 0.031 |
| 10 | Advertising intensity | 0.106 | 1.614 | − 0.009 | − 0.005 | 0.054 | − 0.029 | − 0.021 | 0.020 |
| 11 | Income loss | 0.359 | 0.480 | − 0.108 | − 0.020 | − 0.131 | 0.072 | − 0.107 | − 0.192 |
| 12 | Labor productivity | 0.017 | 0.064 | 0.096 | 0.026 | 0.137 | 0.014 | 0.066 | 0.149 |
| 13 | Home regulation | 3.932 | 3.287 | 0.077 | 0.004 | 0.008 | 0.232 | − 0.002 | 0.069 |

| | Variables | Mean | S.D. | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|
| 7 | Profitability | − 0.045 | 0.612 | 1.000 | | | | | | |
| 8 | Cash | 0.091 | 0.121 | 0.084 | 1.000 | | | | | |
| 9 | Tax rate | 0.206 | 2.315 | 0.010 | − 0.015 | 1.000 | | | | |
| 10 | Advertising intensity | 0.106 | 1.614 | 0.442 | 0.095 | − 0.005 | 1.000 | | | |
| 11 | Income loss | 0.359 | 0.480 | − 0.283 | 0.019 | − 0.014 | 0.008 | 1.000 | | |
| 12 | Labor productivity | 0.017 | 0.064 | 0.043 | − 0.025 | 0.017 | − 0.014 | − 0.123 | 1.000 | |
| 13 | Home regulation | 3.932 | 3.287 | 0.070 | 0.027 | 0.002 | − 0.011 | − 0.070 | 0.005 | 1.000 |


| | Variables | Mean | S.D. | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|
| 7 | Profitability | − 0.045 | 0.612 | 1.000 | | | | | | |
| 8 | Cash | 0.091 | 0.121 | 0.084 | 1.000 | | | | | |
| 9 | Tax rate | 0.206 | 2.315 | 0.010 | − 0.015 | 1.000 | | | | |
| 10 | Advertising intensity | 0.106 | 1.614 | 0.442 | 0.095 | − 0.005 | 1.000 | | | |
| 11 | Income loss | 0.359 | 0.480 | − 0.283 | 0.019 | − 0.014 | 0.008 | 1.000 | | |
| 12 | Labor productivity | 0.017 | 0.064 | 0.043 | − 0.025 | 0.017 | − 0.014 | − 0.123 | 1.000 | |
| 13 | Home regulation | 3.932 | 3.287 | 0.070 | 0.027 | 0.002 | − 0.011 | − 0.070 | 0.005 | 1.000 |


Correlation coefficients > |0.046|, significant at $p < 0.05$.[1]N=2765, [2]N=2298

*Robustness Checks*: We conducted a series of additional analyses and robustness tests. Due to space limitations, we present detailed results in the online Appendix. Our checks include (1) testing alternative measures of dependent variables (online Appendices C and D); (2) testing alternative measures of pro-alcohol imprint (online Appendix E); (3) exploring how anti-alcohol conditions influence speed-driven market-seeking FDI and how pro-alcohol conditions affect regulation-driven market-seeking FDI (online Appendix F); (4) testing alternative measure of the moderator (online Appendix G); (5) controlling for the impact of family firm (online Appendix H); (6) testing sample sensitivity (online Appendix I); and (7) testing alternative imprinting manifestations (online Appendix J).

## Qualitative evidence: mechanisms behind the imprint

We employed a historical case study approach to not only triangulate findings from the quantitative analyses but also to provide greater insight into the underlying mechanisms of imprint persistence influencing market-seeking FDI strategies. Ultimately, we selected four cases: Anheuser-Busch, Beringer, Robert Mondavi, and Jim Beam. We found evidence of how the imprints of these companies underpinned market-seeking FDI through two sets of strategies: risk mitigation and regulatory maneuvering (survival strategies via anti-alcohol imprint) or expansionism and premiumization (thriving strategies via pro-alcohol imprint). Table 5 contains basic information about the four firms as well as

**Table 3** Anti-alcohol imprint and regulation-driven market-seeking FDI: Results of two-stage Heckman estimation

| | Model 1 | | Model 2 | | Model 3 | | Model 4 | |
|---|---|---|---|---|---|---|---|---|
| | b/se | *p* | b/se | *p* | b/se | *p* | b/se | *p* |
| | Heckman stage 1 | | Heckman stage 2 | | | | | |
| Anti-alcohol imprint (H1a) | | | | | 0.113 | 0.000 | 0.033 | 0.049 |
| | | | | | (0.027) | | (0.017) | |
| Unrelated diversification # Anti-alcohol imprint (H1b) | | | | | | | 0.190 | 0.000 |
| | | | | | | | (0.031) | |
| Unrelated diversification | 0.611 | 0.000 | 0.036 | 0.029 | 0.028 | 0.087 | 0.021 | 0.375 |
| | (0.114) | | (0.016) | | (0.016) | | (0.023) | |
| Lambda | | | 0.001 | 0.917 | 0.006 | 0.645 | − 0.014 | 0.221 |
| | | | (0.013) | | (0.013) | | (0.011) | |
| Firm age | − 0.041 | 0.324 | − 0.003 | 0.496 | − 0.005 | 0.320 | 0.001 | 0.786 |
| | (0.041) | | (0.006) | | (0.005) | | (0.005) | |
| Profitability | 0.025 | 0.774 | 0.010 | 0.637 | 0.006 | 0.763 | 0.029 | 0.227 |
| | (0.087) | | (0.021) | | (0.021) | | (0.024) | |
| Cash | − 0.685 | 0.020 | 0.090 | 0.025 | 0.093 | 0.018 | 0.125 | 0.001 |
| | (0.296) | | (0.040) | | (0.039) | | (0.039) | |
| Tax rate | − 0.019 | 0.296 | − 0.002 | 0.372 | − 0.002 | 0.338 | − 0.002 | 0.520 |
| | (0.018) | | (0.002) | | (0.002) | | (0.002) | |
| Advertising intensity | 0.012 | 0.743 | − 0.017 | 0.140 | − 0.017 | 0.145 | − 0.026 | 0.045 |
| | (0.035) | | (0.012) | | (0.011) | | (0.013) | |
| Income loss | − 0.090 | 0.296 | 0.013 | 0.263 | 0.016 | 0.157 | 0.005 | 0.669 |
| | (0.085) | | (0.011) | | (0.011) | | (0.013) | |
| Labor productivity | 3.132 | 0.000 | 0.353 | 0.156 | 0.006 | 0.982 | 0.312 | 0.117 |
| | (0.648) | | (0.249) | | (0.258) | | (0.199) | |
| Home regulation | − 0.061 | 0.000 | − 0.001 | 0.863 | − 0.001 | 0.798 | − 0.009 | 0.007 |
| | (0.013) | | (0.004) | | (0.004) | | (0.003) | |
| Border state | 1.449 | 0.000 | | | | | | |
| | (0.168) | | | | | | | |
| Regional-average FDI | 1.439 | 0.000 | | | | | | |
| | (0.167) | | | | | | | |
| Constant | − 3.708 | 0.000 | 0.309 | 0.000 | 0.282 | 0.000 | 0.408 | 0.000 |
| | (0.377) | | (0.061) | | (0.060) | | (0.071) | |
| Year and industry fixed effect | Yes | | Yes | | Yes | | Yes | |
| Observations | 2765 | | 454 | | 454 | | 454 | |
| Wald chi-square | 1047.7 | | 120.4 | | 142.6 | | 513.3 | |

qualitative insights about the mechanisms underlying their strategies.

## Imprinting from extreme historical conditions: survival strategies

We discovered that Prohibition appeared to imprint two main regulation-driven survival strategies – risk mitigation and regulatory maneuvering – on alcohol companies.

### Risk-mitigation

Founded in 1852 in St. Louis, Missouri, Anheuser-Busch (AB) represents one of the most historic and iconic breweries in U.S. history. AB lost millions each year from 1919 to 1921 (Knoedelseder, 2012). To help curtail these significant financial losses and ensure its continued survival, AB was forced to look outside the beer market.

The origins of AB's unrelated diversification, which included products such as infant formula and amphibious vehicles, were born out of necessity to survive. For AB family heir, August Anheuser Busch Sr., Prohibition appeared

**Table 4** Pro-alcohol imprint and accelerated speed-driven market-seeking FDI: Results of Cox proportional hazard model

| | Model 1 | | Model 2 | | Model 3 | |
|---|---|---|---|---|---|---|
| | b/se | *p* | b/se | *p* | b/se | *p* |
| Pro-alcohol imprint (H2a) | | | 0.469 | 0.020 | 0.643 | 0.009 |
| | | | (0.202) | | (0.248) | |
| Unrelated diversification # Pro-alcohol imprint (H2b) | | | | | − 3.115 | 0.077 |
| | | | | | (1.762) | |
| Unrelated diversification | − 1.983 | 0.134 | − 1.766 | 0.156 | 3.653 | 0.205 |
| | (1.324) | | (1.245) | | (2.885) | |
| Firm age | − 0.288 | 0.128 | − 0.235 | 0.229 | − 0.219 | 0.283 |
| | (0.189) | | (0.195) | | (0.204) | |
| Profitability | − 0.490 | 0.022 | − 0.541 | 0.013 | − 0.557 | 0.010 |
| | (0.213) | | (0.218) | | (0.215) | |
| Cash | − 3.942 | 0.219 | − 3.796 | 0.205 | − 3.791 | 0.200 |
| | (3.204) | | (2.993) | | (2.955) | |
| Tax rate | − 0.0404 | 0.352 | − 0.0533 | 0.322 | − 0.0471 | 0.512 |
| | (0.043) | | (0.054) | | (0.072) | |
| Advertising intensity | − 3.996 | 0.417 | − 4.793 | 0.311 | − 4.255 | 0.359 |
| | (4.925) | | (4.732) | | (4.635) | |
| Income loss | − 0.447 | 0.421 | − 0.509 | 0.376 | − 0.497 | 0.375 |
| | (0.556) | | (0.575) | | (0.561) | |
| Laborproductivity | 12.98 | 0.009 | 14.55 | 0.005 | 15.55 | 0.002 |
| | (4.936) | | (5.221) | | (5.063) | |
| Home regulation | − 0.224 | 0.299 | − 0.243 | 0.222 | − 0.250 | 0.241 |
| | (0.216) | | (0.199) | | (0.214) | |
| Year and industry fixed effect | Yes | | Yes | | Yes | |
| Observations | 2298 | | 2298 | | 2298 | |
| Log-likelihood | − 131.1 | | − 128.6 | | − 126.0 | |
| Wald chi-square | 1527.2 | | 1512.8 | | 1970.9 | |

to foster an attention to the risks associated with exposure to and reliance on the single, highly regulated industry of alcohol. Accordingly, the notion of leveraging unrelated diversification as a way to mitigate risk persisted throughout the company's history.

> *He [August Busch III, President of AB] felt it was now time to focus his full attention on his "diversification initiative" …August's [III] grand plan for turning A-B into a fully diversified package-goods company in the style of Procter & Gamble – a strategy inspired by his grandfather's successful diversification of the company during Prohibition – had proved a dismal failure, costing the company hundreds of millions of dollars.* Bitter Brew

The family-based nature of AB leadership seemed to have allowed imprints within the company to endure, as approaches on how to run the company appeared to pass from one generation to the next.

> *The Fourth was actually the sixth Busch to head the St. Louis-based brewery, a responsibility handed down from father to firstborn son since his great-great-grandfather Adolphus founded the company in the wake of the Civil War.* Bitter Brew

Notably, Busch family leaders devoted considerable attention to mitigating the risks of the company. As August A. Busch (August II), who led the company from 1946 to 1975, expressed in his initial address as president: "No one will tinker with the Budweiser taste or the Budweiser process as long as I am president of Anheuser-Busch." This refusal to change or take major risk hearkened to the "insistence of his [August II's] father," and reports indicate this approach then transferred to his son, August III, company leader from 1975-2002 (Knoedelseder, 2012).

These more cautious, risk-oriented approaches carried into AB's international strategies. Even as international opportunities arose and globalization blossomed during the 1980-90s, AB and its family leaders remained reticent to

**Table 5** Basic information for case study firms

| Alcohol firm | Primary sector | Key people | Strategy | Exemplar quote | Influential sources* |
|---|---|---|---|---|---|
| Anheuser-Busch | Beer | Adolphus<br>(August) Busch I-IV Family | Risk Mitigation<br>via Non-Traditional Strategies | *Gussie's [August II] most high-profile diversification effort was convincing Anheuser-Busch to buy the St. Louis Cardinals baseball team … hew quickly rechristened their ball field Busch Stadium, and for decades afterward hauled a red beer wagon around the field.* (MacIntosh, 2011) | Bitter Brew (2012)<br>Dethroning the King (2011)<br>The King's Reign (2008) |
| Beringer Vineyards | Wine | Jacob & Frederick Beringer, Fred Ambruzzini | Regulatory Maneuvering<br>via Alternative Wine Usages | *Wineries such as Beringer owed their rise as big businesses to making sacramental wine for clergymen, who essentially became bootleggers for their congregations.* (Mobmusuem.org, 2024) | Beringer.com (2024)<br>Management & Marketing at Beringer: An Oral History (1990)<br>Beringer: A Napa Valley Legend (1989) |
| Robert Mondavi | Wine | Robert Mondavi | Expansionism<br>via Scale, Scope and Internationalization | *Mondavi added that being first in a Disney theme park is like having a "most-favored nation treaty" with an entertainment superpower. He said that he would like to expand sales to Disney's hotels, cruise ships and other theme parks in the United States, Japan and elsewhere.* (SFGate, 1998) | Wine Spectator (2024)<br>The House of Mondavi (2007)<br>Harvests of Joy (1998) |
| Jim Beam Distilling | Bourbon | Jim Beam, Booker Noe | Premiumization<br>via Higher-End Products | *The date was 1992. The mastermind behind this [small-batch] movement? A gentleman by the name of Booker Noe. Booker set out to create a premium batched selection of multi-barreled bourbon varieties. The result of this effort were the four original Rockstar small-batch bourbons: Baker's Booker's Basil Hayden, and Knob Creek.* (WhiskeyRaw.com, 2018) | The Big Man of Jim Beam (2016)<br>Beam, Straight Up (2012)<br>American Still Life (2003) |

We relied on numerous media/news, including websites, magazines, newspapers, online articles, and videos to shape our understanding and perspective of the historical evolution for each alcohol firm. We include here only the most comprehensive and informative sources to our theorizing international expansion and largely unwilling to enter foreign markets with strict regulatory requirements.

> *August's [III] unwillingness to risk more of A-B's enormous wealth to acquire controlling interests in foreign breweries frustrated and sometimes infuriated some members of his strategy committee who worried that he was being penny wise but pound foolish at a time when the industry was consolidating globally.* Bitter Brew

Although AB began expanding internationally, it did so warily, "August had begun moving cautiously into foreign markets in the late 1980s, usually by entering into partnerships with leading breweries that gave A-B a controlling interest in a joint venture to brew and distribute. It was a conservative strategy that gave them a foothold in three of the world's largest potential markets [China, Mexico, and Brazil] (Knoedelseder, 2012). All three represented countries/markets with comparatively low regulatory requirements.

> *By the late 1990s, it was obvious that the beer industry's growth was going to come outside the United States ... The company became sort of isolated. Some of these decisions should have been made in the 1980s and early '90s. The company had plenty of [international] opportunities back then. We could claim globalization, but he [August III] did it on the cheap. I think it may have been the case where having his name on the door made him less open to taking the kind of risks it would have taken to have gone [truly] global. A bigger thinker would have seen that coming.* AB Executive

In fact, many industry observers agreed that AB's risk-averse approach, especially around internationalization, led to its ultimate undoing. "Anheuser-Busch fell victim to its own insularity and hubris. It was too risk-averse, too provincial, too hemmed-in to an aging strategy, and too unwilling to accept that the world was rapidly changing whether it liked it or not" (MacIntosh, 2011).

Together, the Busch family's exposure to Prohibition, and the continuity in succession of family leaders, appears to have imprinted a strategy centered around mitigating risks at Anheuser-Busch. Although AB grew dramatically during the 20th century, it focused on activities it deemed important to ensure its continued survival, notably unrelated diversification and domestic market penetration. The hesitance toward global expansion and "insular strategies he [August III] put in place were not enough to ensure Anheuser-Busch's survival … Anheuser's isolationist history drove the result [hostile takeover] in the end" (MacIntosh, 2011).

### Regulatory maneuvering

Beringer Vineyards, founded in 1876, represents the oldest continuously operating winery in Napa Valley. Unlike other alcohol producers, many of which dramatically altered their product offerings to survive Prohibition, Beringer primarily focused on an alternative approach – regulatory maneuvering, the deliberate and planned actions to navigate and influence regulatory frameworks and policies in order to achieve specific goals or outcomes. Beringer survived, in large part, by regulatory maneuvering *within* the alcohol space. Industry experts noted that "Many Napa Valley wineries were ruined by Prohibition, yet somehow Beringer was able to continue operating via a license to sell altar wines to the legal clergy market" (Sorensen, 1989). This license proved crucial to the survival of Beringer, enabling them to continue wine production throughout Prohibition.

> *While most wineries shut their doors at the beginning of Prohibition in 1920, Beringer continued to operate during Prohibition under a federal license that allowed them to make wine for religious purposes.* Beringer.com

Coined the "father of wine tourism," Fred Abruzzuni pushed the boundaries by introducing many innovations to Beringer and the wine industry as a whole (Courtney, 2017). This maneuvering also extended into the medical field, imparting Beringer with the legal permission needed to sell and distribute wine and brandy for medicinal purposes.

> *Prohibition devastated California's wine business, as only 5% of wineries made it through. Bertha Beringer sold wine to the church as sacramental wine. They sold medicinal brandy in pharmacies, and other clever ways to keep the business going.* Megan O'Conner, Brand Manager, Beringer Wines

The *St. Helena Star* noted in 1933: "Prohibition's days are recalled by the unusual activity at Beringer Brothers winery where ten men are at work preparing to fill the famous old winery to capacity with the present vintage." More skeptical and cynical observers suggested that "Apparently, a lot of doctors and priests were using Beringer wine back then for medicinal and religious purposes. Uh-huh" (Jung, 2009). Even Mark Beringer, Beringer's Chief Winemaker from 2015–2021 and great-great-grandson of founder Jacob Beringer, joked in a recent podcast:

> M. Beringer: *Yeah, and we were still operating [during Prohibition]. We were licensed to produce, uh, wine for the church, and also brandy, for medicinal purposes. And I always liked to kid that there was a lot of sick and religious people during prohibition.*

> D. Shafer: *I have heard that story (laughing)... The uh... You had to get a prescription from your doctor, right? For Brandy? I think that's how it went.*

> M. Beringer: *Yeah, I don't think it was that hard. (laughing).*

These regulatory maneuvering efforts also included the sale of "wine bricks," or concentrated grape juice, that enabled end consumers to produce wine at-home. Industry pundits suggested that this allowed wineries, such as Beringer, to not only survive but seemingly thrive during Prohibition.

> *Beringer kept profits flowing through the sale of "wine bricks" of concentrated grape juice that consumers could dissolve in water and ferment by simply following the instructions printed on the packaging that masqueraded as a warning of what not to do to prevent the product from turning into wine.* Wine Enthusiast

These regulatory maneuvering activities extended beyond into more blatant regulatory avoidance, with the company now acknowledging its role in bootlegging activities as well as the owning and operating of speakeasies throughout the 1920s. In fact, this response to Prohibition became an integral part of the company's history, which it began sharing with the public as it opened for tours in 1934 – the first winery ever to make such an unrelated diversification move..

> *A quiet knock on the door and a whisper would gain you entry to a 1920's speakeasy, where often the owner was a strong and determined woman, sometimes called a Whisper Sister. Our latest offering celebrates Bertha Beringer, Beringer's very own Whisper Sister, whose ingenuity helped the property survive Prohibition even as most California wineries were forced to close.* Beringer.com

Moreover, in reflecting on the 1970s to 1980s – arguably the greatest period of opportunity and expansion for Californian wines abroad – the company remained highly attentive to the regulatory requirements of each country (Moone, 1990). For example, Beringer pursued legal action to remove Canadian trade barriers imposed on American winemakers such as Beringer.

> *Canada has been very discriminatory against U.S. wine products … So, we need to break down those trade barriers. It's going to be a huge market when we do. The new trade agreement that Agriculture Secretary Clayton Yeutter did is good, but the provinces aren't going along with it … We filed on that, and we'll continue to move forward on that. When the doors finally come down, Canada will be a big market for us.* Moone in Management and Marketing at Beringer Vineyards, 1990

Beringer also used country insiders to penetrate the Japanese market. Beringer owner Mike Moone highlighted and contrasted the importance of the more lenient Japanese regulatory requirements, which helped enable Beringer's brand reach and market awareness grow.

> *You have to get someone to represent you [in Japan] … We have wonderful [marketing] companies there that represent us…They have little displays they build, they have consumer offerings for wine openers and T-shirts and bottle accessories, and mail-ins. Actually, their laws are even a little more liberal than in the U.S. There they can do some of those things, and in some of our states we can't do those.* Moone, 1990

Collectively, Beringer's storied history of enduring through Prohibition – including sacramental wine, medicinal spirits, and speakeasy/bootlegging operations – paved the way for the mechanism of regulatory maneuvering that inspired Beringer's future strategy for international expansion.

## Imprinting from founding conditions: thriving strategies

We also discovered that the era after Prohibition, which offered far more favorable industry conditions, appeared to imprint two main opportunity-driven strategies – expansionism and premiumization – on alcohol companies.

### Expansionism

Convincing his father Cesare to buy the Charles Krug Winery in 1943, Robert Mondavi (the man) took a highly expansion-oriented approach to grow his family's winery. From the onset, Robert, as he noted in his autobiography *Harvests of Joy*, "was always too busy thinking of ways to grow our company. I wanted Krug to pioneer a whole new approach to wine making in America. Peter [my brother], I imagine, thought I was an ego out of control." Robert's growth ambitions for the Krug family winery led him to numerous market-seeking efforts, such as hiring white-shoe firm McKinsey to develop a ten-year growth plan to help find new ways to expand the company.

> *Robert [Mondavi] hired McKinsey to review Krug's marketing strategy and prepare a ten-year growth plan.* The House of Mondavi [on actions in the 1950-60s]

Accordingly, when family disagreements led Robert to leave Charles Krug and found his own winery in 1966, the eponymous Robert Mondavi, Robert kept his sights on expansive growth – seeking new domestic and international markets, adding grape varietals, and exploring additional avenues for increasing profitability. Indeed, the founding conditions for

Robert Mondavi and the increased legitimation of Californian wines in the 1970s offered the ideal context for international expansion for the company. From the beginning, Robert saw considerable international growth potential during the infancy of his company:

> *As I traveled to other foreign countries, I realized the export potential we had, not just for our wines but for others from California. So, from the very beginning, the Robert Mondavi Winery was international in our outlook, our sales, our press relations, and our openness to developing interesting joint ventures beyond our American shores.* Robert Mondavi in Harvests of Joy

These early travels combined with the historic conditions ripe for international expansion led to Mondavi's first international venture in Australia, only a few years after the launch of the winery:

> *In 1970, my international travel and contacts led to our first venture abroad … I had always wanted to find ways to develop ventures abroad …We came away with some very important lessons [from first international venture]. One, there were great opportunities in other parts of the world. Especially in the Southern Hemisphere since you can do twice the research because of the growing cycle difference.* Robert Mondavi in Harvests of Joy

Soon after, Robert traveled to Europe, forging partnerships and investments with European wine makers, which helped to further elevate the Robert Mondavi brand and greatly expand its international presence.

> *This partnership [with French winery Rothschilds] gave us real international standing and it set the stage for a series of other foreign ventures that we developed in the years ahead.* Robert Mondavi in Harvests of Joy

These imprints – a combination of both fertile historic conditions and the growth impetus of the founder – endured decades later. Wine Cellar Insider asserted that "Robert Mondavi belongs on the shortlist of the most important people in the development of the modern California wine industry … His efforts and pioneering ideas on the production, as well as the sales, distribution, and promotion of the California wine industry changed everything." In fact, many grew frustrated with the rampant expansion and experimentation of the company and its founder.

> *Grgich [winemaker], like Winiarski before him, grew frustrated with the fast pace of growth and attendant chaos at the [Mondavi] winery … everything seemed to happen at once at Mondavi. Some people in the valley began calling Robert's place the "test-tube winery" because of its rapid embrace of new ideas and technology.* Julia Flynn Siler in The House of Mondavi

Despite this, the imprint for growth and global expansion carried forward into the 1990s. Mondavi began increasingly sourcing grapes beyond the U.S. "At a time when "globalization" was the talk of management consultants and business professors, Mondavi decided it would go global as well. It began a series of international forays, sometimes with the intent of sourcing outside the U.S." (Siler, 2007). The push for rapid expansion culminated in Robert Mondavi Winery's initial public offering in 1993 – the first winery in the U.S. to do so.

> *I pushed my family hard to agree [to an IPO] … We had to find an effective way to raise money while at the same time expanding up and down the state of California and diversifying our product lines … In early 1998, we were able to move aggressively to expand our operations and landholdings in California and to launch several exciting joint ventures abroad.* Robert Mondavi in Harvests of Joy

Ultimately, Mondavi's founding conditions (and its founder) appear to have fostered a highly successful (in terms of growth) thriving strategy. Through Robert Mondavi's aggressive expansionist activities, including developing its wine offerings, improving its economies of scale and scope, and growing its market reach in countries with high levels of wine consumption, Robert Mondavi grew into one of the largest wine producers not only in the United States but also throughout the world – eventually being acquired by Constellation Brands for $1.4 billion dollars in 2004.

### Premiumization

Beam Distilling Company was officially founded in 1934 – immediately following the repeal of Prohibition. As Fred Noe, Master Distiller and direct descendant of Jim Beam, noted in *Beam, Straight Up*, "When Repeal [of Prohibition] came on December 5, 1933, he [Jim Beam the man] was ready … James B. Beam Distilling Company was up and running in less than 120 days. The first post-Prohibition whiskey was sold about a year later. It was a real family effort, a high point in our history, everyone working together to preserve the legacy, the heritage. The Good Times, they were back." In hindsight, Beam family members and company representatives readily admitted that their, and the industry's, earliest products following Prohibition were greatly inferior and lacking in quality.

> *It takes time to age bourbon whiskey, years, and people weren't about willing to wait years. Hell, they had waited long enough for a drink … a lot of the post-Prohibition bourbon was inferior whiskey. We*

*and other distillers rushed young whiskey to market or took old whiskey and added neutral spirits to it in an effort to stretch it. The result wasn't high quality.* Beam, Straight Up

Still, Beam entered the market at an ideal time – on the forefront of a boom in whiskey, notably bourbon. The firm recognized that a consistent, premium product, could offer significant market growth potential. The company found that in Colonel James B. Beam (now Jim Beam Bourbon), which marked an imprint of attention to product quality that would serve it well in the coming decades.

*We were a one-trick pony at that time [1930s] and that pony was Colonel James B. Beam, which soon became simply Jim Beam Bourbon. For a long time, that was enough. It was a great product, still is, and America gradually agreed. Soon it was flying off the shelves, recording double-digit growth, and this helped lift the entire bourbon industry.* Beam, Straight Up

Interestingly, Beam's focus on quality and path of internationalization differed from many alcohol companies. Specifically, the timing of its founding and the market positioning of the company in relation to major world wars played a prominent role in its growth internationally, especially in Europe. Notably, as U.S. military ventured abroad to fight in World War II, they took with them their esteemed bourbon, especially Jim Beam, which they readily shared with their compatriots.

*During and immediately following WWII, Kentucky distilleries, especially Jim Beam, had shipped bourbon to American troops in Europe on U.S. navy ships. The GIs were only too eager to share their whiskey with their hosts in Germany, France, the Netherlands, Belgium, and England. Consequently, Europeans fell in love and exports of bourbon soared to record highs. Seemingly overnight, the world had discovered bourbon – and it wanted more.* The Big Man of Jim Beam

Indeed, exposure to this premium alcohol – bourbon whiskey – helped demand for Beam to skyrocket following WWII not only domestically but also, and importantly, abroad. From the late 1940s to the mid-1960s, Jim Beam as well as the entire bourbon category flourished.

*They [Beam] grew the business during the fifties, sixties, and seventies … From about 1950 to 1966, sales of the category grew and grew and eventually bourbon became the #1 whiskey in the nation. During that time, the company also began shipping more and more bourbon overseas.* Beam, Straight Up

Beam discovered their products had great market appeal outside the U.S., aided partly by a foreign interest in American products. With its roots deeply in Kentucky, Beam represented an iconic piece of Americana.

*Bourbon whiskey was being exported to 102 countries [in 1970], with West Germany being the frontrunner. Doubtless, the huge U.S. military deployment in West Germany helped these figures, but other countries were likewise seeing large gains for bourbon whiskey sales from 1969 to 1970 … by 1975, Beam was across 139 nations.* American Still Life

Jim Beam's international investments and partnerships enabled it to continue to thrive into the 1980s when Booker Noe, grandson of Jim Beam, helped launch a new sub-category of high-end bourbon. "Booker Noe served as master distiller of Jim Beam Brands for more than 40 years … During that time, he increased production year after year, streamlined manufacturing, and created the Small Batch Bourbon Collection, which led to the establishment of a new category of American whiskey – super-premium bourbons" (Kokoris, 2016).

*At the time (1987), a fifth of Jim Beam Bourbon was selling for between \$6 to \$7. The belief was that Booker's was still just a bourbon and people didn't pay a lot for bourbon. Wine, yes; scotch, maybe; but not America's native spirit, made in good ole Kentucky, which wasn't exactly France, the Napa Valley, or the misty and mysterious islands of Scotland. The price of \$39.99 was finally agreed ... Expensive bourbon was unchartered water.* The Big Man of Jim Beam

The creation of an expensive, small-batch bourbon ushered in a wave of development for new ultra-premium brands for Beam. This further *premiumization* of bourbon by Beam via their *Small Batch Bourbon Collection* helped propel their growth into the next century, as the creation of these ultra-premium brands proved incredible for both Beam and the entire bourbon category.

*Soon we were selling Booker's, and a few years later we were selling Knob Creek, Basil Hayden's, and Baker's. Small-batch bourbons: higher proof, extra aged. Limited quantities, made in small batches. All top-shelf, back-of-the-bar stuff. He [Booker] helped create a category – ultra-premium bourbons – and kick-started things, not just with us, but with the entire industry. In short, he helped lead a full-fledged renaissance … Bourbon was right up there with single-malt scotch, connoisseur worthy. Not cheap, but worth every penny.* Beam, Straight Up

Beam largely relied on bourbon and its elevated place in the global marketplace as a premium alcohol to fuel its domestic and international expansion. The imprint transmitted by its influential leaders of the past, such as Jim

Beam and Booker Noe, carried forward the traditions of the Jim Beam Brands into the premium products of the present. As Thomas Flocco, former VP and COO of Jim Beam explained, "Our vision is to keep increasing Jim Beam's premiumness by steadily raising its bottle price." Thus, premiumization – especially in the eyes of international markets – has served as a key mechanism through which Beam has expanded its market reach over the years.

### Boundary conditions of qualitative findings

Our qualitative analyses underscore the boundary roles of ownership and governance to imprint transmission. For example, following Jim Beam's sale to Japanese firm Suntory Holdings in 2014, the two companies experienced a "culture clash" as Suntory worked to employ Kaizen strategies to enhance the efficiency and reduce costs of the Kentucky-based Jim Beam, thereby undermining its imprint transmission through premiumization. Some of our cases also imply that family members serve as critical transmitters of imprints. It appears that imprints are more likely to endure when ownership is transferred from one generation of a family to the next, rather than when it shifts outside the family.

## Discussion

We propose a framework theorizing the dual-layered imprinting of historical conditions stemming from both extreme historical experiences and founding conditions and explain how the imprints spur different market-seeking FDI strategies in the U.S. alcohol industry. We conduct quantitative analyses to provide support for the framework, and a qualitative examination of the histories of four alcohol firms to understand the mechanisms through which the imprints persisted over time.

First, our study advances imprinting theory in IB research. It not only by finding that history matters to FDI strategies through imprinting, but also by exploring when imprints take place, how they form, and how they are transmitted over time. Imprinting has received relatively limited attention in IB. While previous studies have found that early experiences with specific countries influence FDI (Garcia-Canal et al., 2018) and that ideological imprinting may influence entrepreneurs' internationalization decisions through selective filtering of information (Marquis & Qiao, 2020), imprinting approaches have been more widely explored outside of IB (Simsek et al., 2015). By examining the effects of specific historical conditions on firms' variations in market-seeking FDI strategies, we corroborate the imprinting type of historical influence theoretically developed by Marquis and Qiao (2023). We suggest that juncture periods in the deep history of firms facilitate the formation of strategic priorities that reflect the requirements of the external environment at the time. These imprints are then carried and reinforced over long processual periods through the decision-making of founders and leaders. However, we also acknowledge potential modifications or boundary conditions to these imprints.

Our findings add two novel insights to the imprinting literature. First, while prior research recognizes the role of founders as sources or recipients of imprints (e.g., Kimberly, 1979; Marquis & Qiao, 2020), our findings highlight a critical, but somewhat different role founders play in facilitating imprint formation and transmission. Our qualitative inquiry reveals that the imprints are formed and then transmitted across leadership changes or generations through the strategic decisions of key leaders. These findings imply that strategic decision-makers, even as they change over time, act as micro-level carriers, reproducers, and reinforcers of these imprints. This insight also contributes to the micro-foundations perspective of IB strategy (Contractor et al., 2019) by moving beyond the idea that international strategic choices are influenced by individuals in strategic positions and suggesting that they are shaped by these individuals' interpretations and fulfillment of historically induced strategic priorities.

Our research contributes to a deeper understanding of imprinting theory by emphasizing the significance of historical sensitivity periods and juncture periods in a firm's development. While existing research acknowledges the potential for sensitivity periods later in a firm's lifecycle (Simsek et al., 2015), it primarily centers on founding conditions as the critical imprinting moment. Our findings challenge this emphasis by demonstrating that imprints formed during later periods characterized by extreme historical events can shape strategic behavior for decades – or even a century – despite significant environmental changes.

Second, our study also contributes to the market-seeking FDI literature by highlighting the importance of historical impact. Foundational FDI perspectives, such as internalization, monopolistic advantage, resource-based view, and distance-related theories, as well as more recent frameworks like the springboard perspective, implicitly acknowledge history but do not explicitly address its impact (Jones & Khanna, 2006; Narula & Verbeke, 2015). We reveal that the strategic priorities guiding different market-seeking FDI strategies are often rooted in specific historical conditions that existed during the firm's founding or during extreme experiences encountered later.

Regarding regulation-driven market-seeking FDI, our study enhances conventional economic and institutional views of market-seeking FDI (Dunning & Lundan, 2008; Henisz & Delios, 2001; Mudambi et al., 2013), as well as the compensatory perspective (Brouthers et al., 2008). While rational assessments of market attractiveness, regulatory stringency, firm-specific advantages, and liabilities remain crucial, our findings demonstrate that strategic priorities inherited from the past can significantly influence the regulatory dimension of this strategy. While the compensatory perspective holds, the outcomes of comparative analyses will vary across firms and will depend not on assets or capabilities but rather on imprints formed during past extreme experiences.

In terms of speed-driven market-seeking FDI, our study advances the entrepreneurial view of accelerated internationalization in all three aspects pointed out by Reuber et al. (2017). The authors suggest that the opportunity-focused study of entrepreneurial internationalization can be enriched by examining contextual features that influence the perception and pursuit of international opportunities, their dynamics, and the variety of actors and processes involved. Our study demonstrates that historical context helps explain why different actors perceive the same opportunities differently and consider different factors in their market-seeking FDI pursuits by highlighting how the origins of organizational routines, rooted in historical conditions, can guide entrepreneurial actors. In doing so, the findings help advance the dialogue between international entrepreneurship and IB scholars on the entrepreneurial roles of individuals in international strategy and the nature of non-location-bound firm-specific advantages (Verbeke & Ciravegna, 2018).

Third, our findings carry significant practical implications. First, this study provides valuable insights for managers navigating FDI strategies, particularly in industries heavily influenced by historical events and regulation. It is crucial for managers to understand that a firm's historical imprints can profoundly impact strategic decision-making and long-term patterns of FDI. By recognizing these imprints, managers can enhance their adaptability and align their international expansions with both historical contexts and current market realities. They can transform imprints into strategic opportunities, allowing for more informed decision-making that leverages the lessons of the past. Second, our findings emphasize the intricate relationship between corporate strategies – specifically unrelated diversification – and historical imprints. Diversification strategies can either amplify or mitigate the effects of imprints. For firms with restrictive historical experiences, pursuing diversification can help transcend past limitations, thereby enhancing strategic flexibility. Finally, our case studies demonstrate that strategic decision-makers identify a range of mechanisms to achieve core strategic priorities, highlighting the diverse pathways available for navigating historical imprints.

We acknowledge that our paper has several limitations that may offer opportunities for future research. First, we focus on two types of market-seeking FDI strategies. While this focus is consistent with the context of our study, it is important for future research to expand the spectrum of FDI strategies (e.g., strategic asset-seeking, efficiency-seeking). Second, we focused on one industry – the alcohol industry. This choice came with some limitations, such as contextual constraints to the theoretical conditions we could isolate and study, inconsistent availability of relevant historic quantitative data, and limited information for qualitative analysis of some firms in the industry. Beyond the alcohol industry, a variety of other industries have undergone similar extreme conditions. Finally, given that firms' FDI motivations and trajectory can be heterogeneous, we controlled for confounding effects related to firm resources, capabilities, and environments. A deeper examination of FDI activities through a historical lens could enhance our efforts. Despite these limitations, we hope that our paper paves the road for future research to continue to explore how extreme historical conditions shape firms' responses to regulatory changes, their choice of foreign locations, the stakeholders they prioritize, and their stances on various issues.

**Electronic supplementary material** The online version of this article (https://doi.org/10.1057/s41267-025-00773-3) contains supplementary material, which is available to authorized users.

**Funding** Open access funding provided by the Carolinas Consortium.



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