Reinvesting in the Host Country.
Learning from Past Divestments to Plan Future Actions

Sergio Mariotti, Riccardo Marzano, Lucia Piscitello

Introduction

The international growth of a multinational enterprise (MNE) is not a linear forward-moving process, as it involves a succession of investments, divestments and reinvestments in host countries (Tan, Su, Mahoney and Kor, 2020; Vissak and Francioni, 2013; Welch and Welch, 2009). Divestments of foreign subsidiaries can be caused by radical changes in the business and institutional environment of the host country, which make the activity of the MNE local subsidiaries unprofitable and no longer sustainable. Otherwise, a divestment can be a consequence of factors endogenous to the MNE, such as: (i) strategic or operational mistakes along a "trial and error" process in the host country, as regards both the entry decision and the successive management of the foreign business; (ii) the decision to capitalize on the success of its business model and to gain extra-profits by selling the existing subsidiary on the international market for corporate control; (iii) interdependencies between foreign investment and divestment decisions under availability and budgetary constraints, as divesting a foreign subsidiary would generate resources to be invested in more lucrative locations (Arte and Larimo, 2019; Benito, 2005; Boddewyn, 1983; Mariotti and Piscitello, 1999; Procher and Engel, 2018).

In most of these very different cases, the choice of whether or not to reinvest in the host country is sooner or later on the MNE agenda. A successful outcome of this decision depends crucially on the experience and knowledge gained by the MNE. A complex *organizational learning* process accompanies the MNE's presence abroad, which in a holistic and interdependent perspective also includes unlearning and forgetting. Reinvesting to replicate success needs understanding the relevant determinants and adapting the business model to changing competitive contexts. Even more problematic is detecting and correcting errors to avoid repeated failures, from which organizations seem to learn more effectively than from successes (Madsen and Desai, 2010). Learning from the past “is easier said than done” (Edmonson, 1996), as it depends on complex factors and mechanisms, both internal and external to the MNE.

In this chapter, we first discuss the different components of organizational learning. Hence, we model the MNE’s organizational learning as dependent on three main factors: MNE governance and internal organization (with specific focus on HQs-subsidiary relationships), the social context of the host country, the embeddedness of MNE in the host country. The chapter proposes a conceptual framework for investigating how variations in organizational context, social context and MNE embeddedness lead to different ways of learning from the past – investment/divestment – and planning for the future – reinvestment (see Figure 1). Each factor is the subject of a section, in which the main features and the implications for organizational learning are discussed, ending with the formulation of propositions on the consequences for the reinvestment decision. The last section reviews recent IB literature presenting evidence on the issue. Some thoughts on avenues for future research conclude the chapter.

Organizational learning

Organizational learning can be defined as “a metaphor that encompasses two concepts, learning and organization, and enables the exploration of an organization as though it were a subject that learns, processes information, reflects on experiences, and possesses a stock of knowledge, skills, and expertise” (Gherardi and Nicolini, 2003: 47). We refer to the organizational learning processes as categorized by Huber (1991) and Levitt and March (1988), namely: congenital learning, experiential learning, vicarious learning, searching, grafting, information distribution and interpretation, organizational memory. Further, we link these constructs to unlearning and forgetting.

Congenital learning

Each organization is endowed with the knowledge and experience brought by the entrepreneurs, shareholders, and management teams who found it and/or who subsequently manage it. Congenital learning provides the foundation upon which a firm makes sense of its environment, perceives opportunities, corrects mistakes and plans its future actions. The younger the organization, the more important the influence of this component on strategic decision making is, especially in unfamiliar contexts, such as international markets (Bruneel, Yli-Renko and Clarysse, 2010; Pellegrino and McNaughton, 2017) that are characterized by liability of foreignness (Johanson and Vahlne, 2009; Zaheer, 1995). As for an MNE, congenital learning predominantly occurs at the headquarters (HQ), although subsidiaries can partially contribute through the mobility of human resources. In general, the backgrounds of larger MNEs are broader in scope and heterogeneous, and this is truer for international competencies enabling to spearhead overseas investments. Equally crucial is the MNE corporate governance, i.e., majority and minority shareholders, institutional investors, board of directors and top managers.

Experiential learning

The congenital stock of knowledge is enriched by experiential learning, both in an unintentional/non-systematic and an intentional/systematic way. According to the Uppsala model (Johanson and Vahlne, 1977), market-specific knowledge can be obtained by an MNE through the subsidiary direct experience in foreign markets, which goes hand in hand with the increasing commitment of resources from the HQ. Experiential learning accumulates over time and has the potential to fertilize the original knowledge stock the more the MNE is geographically articulated and industrially diversified. Since subsidiaries are the sensitive terminals of the learning process, the effectiveness of experiential learning if highly dependent on the exchange of information between the HQ and the subsidiaries. According to a broad view of principal-agent theory in the organizational context (Kostova, Marano and Tallman, 2016; Kostova, Nell and Hoenen, 2018), good HQ-S relationships imply efficient management of agency problems, the severity of which ultimately depends on the bounded rationality and self-interest of the various organizational units of the MNE.

Vicarious learning

Organizations do not rely uniquely on the knowledge generated by their own experience. Vicarious learning, also called no-trial learning, means learning from the experience of others (Bandura, 1965). Especially in new domains such as foreign countries, the observation and imitation of a reference group of actors (peers, strategic partners, clients and suppliers) are a way to economize on foreignness costs (Mariotti and Piscitello, 1995). The depth of vicarious learning depends primarily on the extent to which the focal firm can access and absorb knowledge and other spillovers from the learning target. As for an MNE, subsidiaries should be in a favorable position to tap into competitors and outside stakeholders' knowledge, thus being a reliable source of vicarious learning. Further, the problems associated with the HQ-S agency dyad also apply to vicarious learning, as information must flow massively and without opportunistic silence and/or distortion within the MNE network.

Searching and grafting

Searching refers to wide-ranging scanning of the competitive environment to detect threats or opportunities. To be effective in searching, the collection of information must be systematic, extensive, formalized and with a scope well-suiting the purpose in hand. Grafting refers to the acquisition of professional people who bring specific knowledge to the organization. Since professionalism is a scarce resource, grafting is facilitated if the organization has privileged information, a "deep pocket" and possibly some monopsony market power to exercise in the labor market. In the context of international investments and other strategic operations, both of these learning processes occur primarily at the HQ level. Furthermore, according to De Clercq et al. (2012), searching and grafting become prominent in post-entry internationalization rather than in the decision-making phase of internationalization.

Information distribution/interpretation, and organizational memory

Once acquired, knowledge and information must be distributed, interpreted, and stored. Information must be analyzed and interpreted in a systematic manner with the participation of the top management. Again, for an MNE, the HQ-S agency problems may frustrate the collection of information by the subsidiaries and its interpretation by the HQ, especially because of the self-interest of subsidiary managers. Further, difficulties arise in creating and protecting the organizational memory in its human component. Indeed, the strategic knowledge gained in HQ-S relationships can be dissipated due to managers' opportunistic behavior and high personnel turnover (Argote, 1999; Hatch and Dyer, 2004).

Unlearning and forgetting

When firms capitalize on experience-exploiting processes, they may be inclined to path-dependence, with a possible lock-in effect reducing the scope of their strategic decision making (Sydow, Schreyogg and Koch 2009). Regarding the internationalization pathway, a conservative "country-bounded" MNE model rather than an explorative "footloose" MNE model (Görg and Strobl, 2003) can emerge. A partial remedy for path-dependence can be found in enhancing cognitive learning and post-entry searching/grafting activities. However, to be effective in discovering new opportunities for strategic change and exploring new geographical directions, MNEs might need "to shake free of their history' (David, 2001: 19) and break the path (Garud, Kumaraswamy and Karnøe, 2010).

A growing stream of literature investigates this topic under the umbrella of organizational unlearning/forgetting. Most understandings refer to organizational unlearning as the intentional elimination of outdated knowledge, values and routines to make room for something new, whereas forgetting corresponds to an involuntary and an accidental knowledge loss. Furthermore, most papers consider unlearning as a part of the learning process, where the former is seen as a positive condition or a complement for the latter (for recent reviews, Durst, Heinze, Henschel and Nawaz, 2020; Klammer and Gueldenberg, 2019). For the purpose of this chapter, we look at intentional unlearning as a prerequisite for new learning, placing the overarching process that leads the company to increase awareness and knowledge of its relationships with the environment and to change/innovate its decision-making routines under the unique label of "organizational learning".

Effects of organizational context and corporate governance on reinvestment

In an MNE, organizational learning sources spread across the various organizational units of the company (HQ and subsidiaries). The quality and effectiveness of the learning processes essentially depend both on how units interact with each other, and on the MNE governance dimensions, first of all ownership.

Headquarters-subsidiary relationships

The HQ-S relationships can be appropriately and insightfully examined using a broad agency theory perspective, as proposed by Kostova et al. (2018). In comparison to the canonical model, the agency relationship is conceptualized at the level of organizational unit rather than at the level of atomistic actors, where organizational units are characterized by self-interest and bounded rationality of the agents. In other words, self-interest is not a necessary condition for agency problems to occur, as the latter may arise even when agents are honest and dutiful, because bounded rationality can lead to the principals' inability to clearly specify the objectives and/or to the agents' inability to interpret the objectives and take appropriate actions (Hendry, 2002). Further, the level of self-interest and bounded rationality varies according to the organizational configuration of the firm, thus leading to different manifestations of the HQ-S agency problems, in terms of goal misalignments, dysfunctionalities and organizational costs. Clearly, for organizational learning involving HQ-S relationships to be effective, both self-interest and bounded rationality must be at a minimum. However, this hardly happens.

The parties have both interdependent and independent interests, and the subsidiary managers enjoy discretion in the dissemination of information accumulated locally. Their engagement in voice or silence depends on their own interest, as sharing knowledge can weaken their bargaining power in ‘micro-political conflicts’ to negotiate positions or resist to changes within the MNE (Geppert, Becker-Ritterspach and Mudambi, 2016). Local managers, particularly host country national managers, can act as ‘local allies’, benefiting the HQ thanks to their superior country-specific knowledge and network of business and institutional contacts, or act opportunistically as ‘trojan horse’, abusing their position to obtain personal benefits, through the retention of privileged information and the misappropriation of value from the MNE (Muellner, Klopf and Nell, 2017).

Bounded rationality refers to limits in information processing capabilities, use of heuristics (frames and stereotypes) for cognitive economizing, and cognitive biases implying errors in judgment (Foss and Weber, 2016). It involves both HQ and subsidiaries. HQ may formulate goals rather broadly, with little specification and standardization, thus leaving subsidiary with substantial ambiguity. Subsidiaries may exhibit incompetence and failure to perform as expected by the HQ. Especially when subsidiaries result from acquisitions of existing firms, organizational culture and procedures of HQ and subsidiaries may not fit each other, and different non harmonized heuristics may make the exchange and integration of information and knowledge rather difficult (Monteiro, Arvidsson and Birkinshaw, 2008; Vaara, Sarala, Stahl and Björkman, 2012).

To limit related agency problems, MNEs have to adopt monitoring, bargaining and bonding strategies that are more or less efficient depending on their organizational form. Referring to a widely used categorization (Harzing, 2000), Kostova et al. (2018) distinguish between multidomestic, global and transnational MNEs, which differ in key characteristics, such as degree of decentralization, subsidiary roles, degree and type of interdependencies. They discuss the positioning of these different MNE typologies in a self-interest/bounded rationality matrix, as illustrated in Figure 2.

The organizational form characterized by the lower level of self-interest is the global one, thanks to a centralized and standardized structure that leaves little autonomy to subsidiaries, which are given detailed instructions on what to do and direct assistance when new capabilities are needed. However, the Janus-faced aspect is a significant bounded rationality due to non-overlapping frames and heuristics differently developed by the subsidiaries in relation to their roles within the value chain, which also cause ambiguity and misunderstandings when the HQ have to deal with this variety.

Bounded rationality is mitigated in multi-domestic MNEs, thanks to the high autonomy and limited cross-unit interactions of the subsidiaries, which locally solve problems and difficulties in performing tasks, without involving complex and ambiguous communications with the HQ and other subsidiaries. However, autonomy and self-sufficiency favors the formation of a subsidiary-focused identity, as opposed to an MNE-focused identity, as well as a cognitive framing primarily anchored to the subsidiary, which consequently develops a strong institutional logic based on self-interest (Birkinshaw and Pedersen, 2009).

The transnational MNE exhibits complex intra-organizational relationships that lead to multiple identities, frames and institutional logics. Subsidiaries are given autonomy to pursue local growth and performance; they are competing with each other for resources and mandates from HQ. This induces a subsidiary-focused identity and logic of self-interest. However, HQ promotes global integration to leverage synergies, knowledge exchange, and employee mobility between subsidiaries. A pronounced bonding social capital and shared values mitigate self-interest in favor of an MNE-focused identity (Björkman, Barner-Rasmussen and Li, 2004). However, a substantial bounded rationality weakens the transnational model, as it is convoluted in the formulation of goals, in the horizontal and vertical interconnections, in communication exchanges, in the proliferation of heuristics. Although the organization is designed to encourage and facilitate extensive flows of information and knowledge within the organization, all in all, conflicting voices, ambiguous interpretations, and excessive competition between subsidiaries exacerbate agency problems; as a consequence, organizations may not be able to implement an effective normative integration and a fruitful accumulation and storage of shared knowledge (Björkman et al. 2004; Mudambi and Navarra, 2004).

This tripartition does not exhaust the organizational forms to be examined, mainly because small and medium-sized enterprises are increasingly participating in the internationalization of production and the formation of MNEs. A brief discussion of the agency problems associated to their organizational structures is therefore appropriate.

Simplifying the typologies proposed by the literature (e.g., Meijaaard, Brand and Mosselman, 2005), three organizational structures can be distinguished: (i) hierarchical and entrepreneur-dominated; (ii) entrepreneurial team, (iii) M-form. Their positioning in the self-interest/bounded rationality matrix is also shown in Figure 2.

The hierarchical and entrepreneur-dominated firms are characterized by a high centralization often under authoritarian entrepreneurs, with independent employees, but strictly coordinated, formally or informally. When relatively large, this organization corresponds to a classic U-form (Harris and Raviv, 2002), with a very limited number of foreign subsidiaries. Given the hierarchical structure, the bounded rationality is low, but the agency relationships are well described by the canonical principal-agent model with a substantial interest misalignment between the principal (entrepreneur) and the agents (employees).

The entrepreneurial team is characterized by a bonding social capital: employees are involved in strategic and operational decision making to a greater extent; coordination is less hierarchical as it occurs through team processes; employees are rather specialized, but their co-involvement increases identification with the firm and mitigates the self-interest. As for bounded rationality, this form echoes the difficulties associated to the transnational MNE, but at a much lower level, thanks to common shared values, less conflicting voices, and lower complexity and ambiguity in organizational routines (Cooney, 2005).

The M-form corresponds to the classical divisionally departmentalized organization (Harris and Raviv, 2002) and it is strictly closed to the previous multi-domestic MNE model. Likewise, the self-interest is high, while the bounded rationality at the subsidiary level can move towards a medium level, because of a lower resource endowment of the parent company and less professionalized foreign divisions in performing tasks, which increases the need of communications and coordination with the central staffs, in order to remedy poor or improper behavior, and incompetence.

Looking at all these forms with the lens of organizational learning, the global model seems to be the second-best solution closest to the ideal prototype (low self-interest/low bounded rationality) for large MNEs and the entrepreneurial team the most suitable for small MNEs. Obviously, not all forms of organizational learning are equally influenced by good HQ-S relationships: experiential and vicarious learning, interpretation and organizational memory are the most important learning components involved; unlearning may also be influenced, since, in the event of a positive experience from the subsidiary, the refinement of existing routines is promoted, but in the event of failure, the problematic search for superior solutions is induced, including radically new cognitive frameworks and routines (Muehlfeld, Sahib and Van Witteloostuijn, 2012; Posen, Keil, Kim and Meissner, 2018).

The implications for our focal relationship are clear. Better learning means greater chances of correcting previous mistakes and replicating successful business models and entry modes, the ability to adapt frames and heuristics to new environments, the awareness of the need to intentionally unlearn to foster radical changes in outdated or too path-dependent routines. The decision to reinvest or not is more effective and the likelihood of reinvestment is greater the deeper the understanding of the lack of conformity between internal and external conditions and the problems associated with it. Therefore, we formulate our first proposition as follows:

Proposition 1. The MNE organizational model affects the likelihood of reinvestment in the host country.

Specifically:

Proposition 1a. For large MNEs, the global model increases the likelihood of the reinvestment in the host country.

Proposition 1b. For small MNEs, the entrepreneurial team model increases the likelihood of reinvestment in the host country.

Ownership

As we have posited, organizational learning also depends on the MNE ownership, in particular considering that important components, such as cognitive learning, searching and grafting, are mainly located at the HQ level. We focus on relational ownership, i.e. owners with a long-term orientation and multidimensional goals, ranging from economic and financial performance to innovation and growth. Unlike transactional owners, who have arms-length relationships with participated firms and are short-term profit maximizer, relational owners are forward-looking, establish multiple business ties, build mutual trust and understanding, and develop a cooperative behavior. A strong presence of few stable relational owners, with large stakes of the company, is an important pre-condition to an effective learning, which requires time to be accumulated and exploited. Differently, the public company stereotype, dominated by financial investors, such as banks, funds, and other impatient investors, is expected not to promote favorable condition for learning (Mariotti and Marzano, 2020).

Families and the state are considered classic and somewhat opposite examples of relational investors as they have strategic interests and emotional attachment in and idiosyncratic relationships with the owned firm (Aguilera and Crespi-Cladera, 2016). Therefore, in the following we compare family MNEs with non-family MNEs, and state-owned MNEs with privately-owned MNEs.

Although family firms present a more or less significant degree of managerial professionalism and involvement of the family in the firm management, they have a unique organization resulting from the coexistence of the family's and the whole organization's social capital (Arregle, Hitt, Sirmon and Very, 2007). Family firms generally have a centralized strategic decision making (Feltham, Feltham and Barnett, 2005; Tsang, 2002), and when coming to decisions of paramount importance, such as investing or divesting abroad, it is the family clan that decides (Tsang, 2020), leveraging its knowledge and experience and reflecting its unique utility function which includes economic and non-economic factors (Chrisman, Chua, Pearson and Barnett, 2012).

As regards the HQ-S relationships in a family MNE, it is worth observing that the presence of managers who are part of the family business in foreign subsidiaries increases with the stake of family ownership in the subsidiary (Chung and Dahms, 2019). When non-family managers rule foreign subsidiaries, they are selected, according to the prescription of the stewardship theory, among the most dutiful and eager to serve the firm and to align their interests with those of the principal (Hernandez, 2008). Tsang (2002) provided evidence on the different employment of expatriates, finding that family members persistently hold key expatriate positions in family MNE's subsidiaries, as opposed to expatriate managers in non-family MNEs who are systematically rotated. Moreover, family MNEs rely more than non-family MNEs on their specific international networks and relationships (Graves and Thomas, 2008), which are long-lasting and extend over a wider compass, as they are less motivated by purely economic motives (Arregle et al., 2007). In the establishment and management of foreign subsidiaries the use of inter-personal and inter-organizational relationship, being either particularistic ties (family, kinship, close friendship) or more general (business associates, other stakeholders) (Chen, 2003; Chung, 2008) is a complement of their expatriate policy: these ties create an atmosphere of trust and a sense of community through behavioral and affective mechanisms (Lunnan, Tomassen, Andersson and Benito, 2019).

Taken together, expatriate family members, CEOs, and intertwined networks of family and business give rise to a favorable HQ-S dyad configuration that tends to be close to the ideal agency relationship, with low levels of goals inconsistency and information asymmetry. Subsidiary's self-interest is mitigated and the direct presence of family members or people who "speak the language of the family" increases the ability of both HQ to clearly specify the mission and subsidiaries to interpret goals and take appropriate action (Hendry, 2002).

These distinctive features translate in different models of organizational learning in family and non-family MNEs (Mariotti, Marzano and Piscitello, 2021).

In family MNEs, learning takes place mainly in the family clan. It is informal, tacit, and often not systematic. Main sources are experiential and vicarious learning, and the information and knowledge acquired are well memorized and protected. Indeed, by leveraging the family's social capital, family MNEs create a learning-oriented rather than blame-oriented subsidiary's climate, which favor the discussability of problems and solutions (Edmonson, 1996). In addition, the experience of the subsidiary in the host country is mostly gained by family members and friends, and steward-managers (Tsang, 2002). Therefore, due to lower levels of self-interest and bounded rationality, their experience will be well conveyed to the HQ of family MNEs. Compared with non-family MNEs, the main disadvantages relate to congenital learning, searching and grafting. Congenital learning is limited by the rather homogeneous background of family members (Tsang, 2020). Information regarding the environment is mostly collected by family members with a low degree of formalization and a narrow scope. Grafting is constrained by trust considerations that hinder the hiring of outside managers. Given these limitations, family MNEs may risk to become too much dependent on the specific resource constellation of the family clan (Mariotti et al., 2021).

In non-family MNEs, the learning process takes place mainly in the HQ and involves shareholders, the board of directors and top managers. Learning is formal and systematic. Main sources are congenital knowledge, searching and grafting. In particular, shareholders and professional managers are heterogeneous, possess a variety of knowledge, and are more likely to be equipped with international experience (Menon and Pfeffer, 2003; Tihanyi, Johnson, Hoskisson and Hitt, 2003). Furthermore, the collection of information has a scope well-suiting the purpose in hand (Tsang, 2020). However, compared to family MNEs, HQ-S relationships characterized by higher levels of self-interest/bounded rationality limit the effectiveness of experiential and vicarious learning and make the knowledge more easily dissipated at subsidiary level. Given these limitations, non-family MNEs have poor awareness of the key factors behind local failure and/or success; thus, past experience has little effect on learning (Argote and Miron-Spektor, 2011).

The assessment of which type of MNE is more likely to promote unlearning appears more uncertain. Non-family MNEs have consolidated and formalized organizational routines and procedures, difficult to dismantle and replace in the light of new cognitive frames. But, more than others, family MNEs have to navigate a paradox, which involves balancing the familiarity of past behavior and good practices with the need for unlearning practices that are obsolete or misleading to explore new approaches. In family firms an opportunity for unlearning and forgetting is represented by the transgenerational passages, as different generations may re-orientate organizational values and change cognitive structures and mental models (Clinton, McAdam, Gamble and Brophy, M. 2020; Mariotti, Marzano, Piscitello, 2020; Miller, Steier and Breton-Miller, 2003).

The implications of family versus non-family learning models are different for entry and re-entry in the host country. When undertaking an ex-novo foreign investment, family MNEs suffer from a lower stock of knowledge associated with congenital learning, and a lower attitude and capabilities for searching and grafting. Coupled with the vulnerability to risk-aversion of family firms (Kempers, Leitterstorf and Kammerlander, 2019; Naldi, Nordqvist, Sjöberg and Wiklund, J. 2007), these features often lead family MNEs towards somehow sub-optimal choices (Boellis, Mariotti, Minichilli and Piscitello, 2016).

However, once the investment is made and the subsidiary is operative, the more effective HQ-S relationship in family MNEs favors experiential and vicarious learning, and better information and knowledge interchange and storage. The superior ex-post organizational learning permits to correct errors and to be more adaptive to the new context, also stimulating unlearning processes. For family MNEs, this means a high likelihood of reinvestment in the country where the divestment occurred. This path is hardly followed by non-family MNEs, as learning is hindered by the higher self-interest/bounded rationality of their subsidiaries. When taking decisions on reinvestment, non-family MNEs rely mainly on their consolidated skills, which are based on cognitive learning, searching and grafting. By scanning the FDI opportunities worldwide, they will likely prefer not to replicate past investments, due to the unreliability of possible outcomes, and enter instead other foreign countries, being confident in the open mind and discernment of the top team in the HQs.

Therefore, our propositions are as follows.

Proposition 2. The MNE ownership affects the likelihood of reinvestment in the host country.

Specifically:

Proposition 2a. Family MNEs are more likely than non-family MNEs to reinvest in the host country.

When the state is the relational owner, the picture is different. Compared to privately-owned MNEs, state-owned MNEs suffer from a more severe principal-agent problem in the relationship between the state and the company's top management, in addition to that of the HQ-S dyad. The costs arising from an agency relationship involving a politician rather than a private principal are higher (Boardman and Vining, 1989; La Porta and Lopez-de-Silanes, 1999). Governments have fewer abilities and incentives to monitor managerial behavior than private owners (Vickers and Yarrow, 1991) and poor monitoring leads to shirking behavior by managers. The principal-agent problem is exacerbated by the reduced transferability of ownership, which implies the absence or ineffectiveness of a market for corporate control as a device by which to discipline managers (Scharfstein, 1988).

Public management literature argues that a possible response to these dysfunctions is bureaucracy, i.e., formal rules and procedures that bind managers' action (Scott and Falcone, 1998). However, bureaucracy can have negative effects, especially in the sphere of international operations. Penalties for rule violation induce high risk-aversion among managers, especially toward foreign projects, which are characterized by more environmental uncertainty and need for flexibility in the decision-making process.

The state-manager relationship is also characterized by a high bounded rationality. Indeed, unlike privately-owned enterprises, state-owned enterprises often lack a clearly identified principal, as the state exercises property rights over companies through multiple actors (e.g., line ministries, the ministry of finance, and other government agencies). Given this overlapping of roles and sometimes conflicting functions, states may set inconsistent goals, fail to monitor the top management team, and make it difficult for managers to act in the interests of multiple self-interested principals (Mariotti and Marzano, 2020).

Moreover, governments as owners may select managers on the basis of their political alignment rather than professional qualification (Musacchio, Lazzarini and Aguilera, 2015). Given the national electoral domain, political criteria display a home country bias, and the selection favors managers with national rather than international business competencies (Estrin, Meyer, Nielsen and Nielsen, 2016). These poorly selected managers have insufficient cognitive learning regarding the international context, low incentives and inabilities to govern the HQ-S relationships, to learn from the experience gained abroad and to risk re-entries, especially after previous failures. Therefore, we add the following proposition:

> *Proposition 2b. State-owned MNEs are less likely than privately-owned MNEs to reinvest in the host country.*

Effects of social context on reinvestment

Organizations do not operate in a vacuum, but are rooted in a social context that shapes their foundations and practices through culture and institutional settings constraining their behaviors and actions, and prescribing what is legitimate and valued (Giorgi, Lockwood and Glynn, 2015; Scott, 2014). IB literature has largely investigated how these social forces influence various dimensions of firm internationalization, such as location choice, entry mode, growth strategy, operations, and so on (Aguilera and Grøgaard, 2019; Bailey, 2018). Here our focus is to understand how they act on the multiple relationships HQ-S dyad/learning/reinvestment.

Culture

Regarding cultural values, Kostova et al. (2018) suggest considering the bipolar dimension of individualism *versus* collectivism (Hofstede, 1980), which is closely aligned with the Schwartz's (2006) orientations, i.e. autonomy *versus* embeddedness. Countries with an individualistic culture view individuals as autonomous and bounded entities and, therefore, individual interests are not necessarily aligned at group level. On the contrary, in a collectivistic culture, individuals are viewed as embedded in the collectivity or larger group, and committed to restraining actions that can disrupt group solidarity. In a related way, it can be argued that organizations, e.g., a local MNE subsidiary, in collectivist countries are less likely to develop a strong self-interest.

However, Schwartz (2006) adds another bipolar dimension, namely egalitarianism *versus* hierarchy. In countries with an egalitarian culture individuals recognize each other as moral equals who share the same basic interests as fellow human beings, thus transcending self-interest in favor of a voluntary commitment to enhance the well-being of others. The polar alternative – the hierarchical society - ensures productive and responsible behavior by defining prescribed roles within a system that assumes an unequal distribution of power, roles, and resources as legitimate. People have to conform with the obligations and rules related to their roles, so that the hierarchy constrains self-interest, but without cultivating altruism and therefore leaving room for opportunism, where the obligations can be circumvented thanks to information asymmetry and lack of control. Again, in egalitarian countries, subsidiaries are much less likely to develop self-interest than in hierarchical countries.

These dimensions also affect the subsidiary's bounded rationality, as they help shape information processing and use of heuristics. An egalitarian/collectivist framing of roles and tasks increases the likelihood that local subsidiaries will interpret and fulfill HQ's wishes differently than they intend, as result of over-evaluating the implications for social welfare.

Furthermore, the consideration of all social factors complicates the information processing and decision-making, favoring the use of heuristics and the danger of associated biases. Conversely, both societies dominated by individualistic culture and hierarchical societies tend to emphasize atomistic or holistic rationality, so as to incentivize the improvement of information processing capabilities, reduce the need of complex heuristics, and favor a more comprehensive and data-driven approach (Kostova et al., 2018).

The main result of this line of reasoning is that a trade-off exists between levels of self-interest and bounded rationality associated with the country cultures. Furthermore, there are country-specific rankings and mix of values such that the influence of culture on HQ-S relationship cannot be trivialized. For instance, a hierarchical/authoritarian country can leverage a historical tradition of openness and hospitality of people to instill in society a perception of foreign investors as part of the group, thus reducing the room for opportunistic behavior of MNE subsidiaries. Conversely, also collectivist societies distinguish between in-groups and out-groups (e.g., with reference to foreign people) and engage in in-group favoritism (Schwartz, 1990). Therefore, if a subsidiary in a collectivist country perceives the HQ as out-group, it will be likely to develop a rather self-interested logic.

The relationship between cultural context, MNE organizational learning and reinvestment decision making can only be derived by unpacking more specific cultural dimensions and placing them at the center of disaggregated analysis. Propositions are possible when culture is relativized through the comparison between countries, i.e., through the well-acknowledged construct of cultural distance (Shenkar, 2001). The conflict between bipolar dimensions of culture and the distance between them lead to agency problems in the HQ-S dyad. The lack of common values, beliefs and norms creates in-group versus out-group mentality, feeling of identity loss, and mutual distrust. Ultimately, subsidiaries adopt self-interest as a mechanism for protecting and preserving identity. Likewise, different cultures imply different cognitive frames, different heuristics, greater misunderstandings and reluctance to integrate and exchange information.

Accordingly, as more self-interest and bounded rationality undermine organizational learning and reinvestment in the host country, we formulate the following proposition:

> *Proposition 3. The higher the cultural distance, the lower the likelihood of the reinvestment in the host country.*

Institutional setting

The institutional setting of a country is deeply rooted in historical, political and cultural behavioral patterns that are path-dependent and take a long time to change (Jackson and Deeg, 2012). Comparative economists have proposed the variety of capitalism (VoC) as the key notion for understanding and stylizing the heterogeneity of formal and informal institutions across countries, particularly with reference to the way in which institutional and economic actors strategically interact and coordinate their actions to maximize their capabilities (Hall and Soskice, 2001).

We draw on the VoC theoretical contributions, according to which three main varieties of capitalism can be identified (e.g., Hancké, Rhodes and Thatcher, 2007; Schmidt, 2009). Two archetypal configurations are the extremes of an institutional arrangement spectrum: the liberal market economy (LME), and the coordinated market economy (CME); in the middle, a distinctive configuration emerges, namely the state-influenced market economy (SME). Although this trichotomy has been variously criticized[1], it allows to capture the essential issues that permit us to formulate general propositions.

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[1] In fact, the mapping of institutional diversity into categories can result an oversimplification (Jackson and Deeg, 2008). Furthermore, the LME-CME-SME tripartition is difficult to apply to a large part of Asia and other emerging and transition economies (e.g., Bohle and Greskovits, 2012; Witt and Redding, 2013). Accordingly, scholars have recently attempted to propose more comprehensive classifications of national institutional systems (Carney, Estrin, Liang and Shapiro, 2019; Fainshmidt, Judge, Aguilera and Smith, 2016).

In LMEs, institutions take an arm's length approach to the economy. The inherent cultures are individualistic and the state is 'liberal', i.e., it acts as a market preservation agent, limiting its role to creating a positive regulatory environment, setting rules and settling conflicts. Resource allocation is driven by capital markets and led by autonomous firms acting on their own. The essence of LMEs consists of competitive relationships, contracting and supply-and-demand price signaling. The implications for agency problems are a high self-interest and a low bounded rationality, closely connected with the key dimensions of the individualistic society.

In CMEs, institutions encourage cooperation among economic actors, so that resource allocation is led by firms, but jointly negotiated among business, labor, and the state. The inherent cultures are collectivist and egalitarian and the state acts as a 'facilitator', i.e., not only it arbitrates economic actors, but facilitates their activities, promoting and protecting ad hoc non-market coordinating institutions. The latter attend to the delivery of collective goods, such as national cooperative schemes for industry and labor, social protocols and standards (Colli, Mariotti and Piscitello, 2014). The CME coordination mechanisms help local firms in their internal decision-making, by reducing complexity and concerns about social implications of their decisions, as the possible negative externality are ex-ante regulated by intermediate and decentralized institutions and ex-post mitigated through the coalitions between government, political parties and trade unions. Therefore, the CME institutional setting, while consolidating the low self-interest of collectivism, corrects its intrinsic high bounded rationality, lowering its level through rational schemes of social cohesion.

SMEs have similarities to CMEs, but their institutions and actors do not have similar coordinating capabilities, nor do they use these capabilities to coordinate activities. Inherent culture can be either individualistic or hierarchical and the state is 'influencing', as it intervenes in the economy more than it does in both LMEs and CMEs (Schmidt, 2009). SMEs exhibit a hierarchical logic of interaction among actors, but the state often fails to correct coordination deficits: business can be more autonomous in SMEs than in LMEs, and organized interests use their resources to create mutually supportive relationships with political parties and lobby the state for protection and compensation, being able to exert veto power and social pressure (Molina and Rhodes, 2007). In this non-transparent context, there is more room for opportunism and opaque coalitions based on personal agendas of shareholders, managers and politicians. Furthermore, the oscillating behavior of the institutions between laisser-faire and dirigisme exacerbates the bounded rationality in firm's decision-making process.

This comparative stylization shows that the agency problems in HQ-S dyad are influenced by the institutional setting in which the subsidiary is embedded, thus imbuing the organizational learning in a different way. Looking at the consequences of varieties of capitalism on MNE learning and therefore on its effectiveness and reinvestment, we propose the following proposition.

Proposition 4. The more closed to CME archetype the institutional setting of the host country, the higher the likelihood of the reinvestment in that host country.

Regardless of the predominant variety of capitalism, subsidiary self-interest and bounded rationality are also affected by the quality of institutions in the host country. IB studies converge on recognizing the important role of quality of institutions on the country's attractiveness to MNE investments, as it creates a favorable environment for business (Bailey, 2018; Contractor, Dangol, Nuruzzaman and Raghunath, 2020; Nielsen, Asmussen and Weatherall, 2017).

High-quality institutions facilitate human transactions by enforcing contracts, constraining opportunism and sanctioning deviations (Williamson, 1985). In this context, individuals and groups are more likely to act in compliance with the general rules and those established by the organizations to which they belong. As far as MNE subsidiaries are concerned, this means that the principal-agent internal relationships are supported by contracts that are the more complete the greater the effectiveness of the institutions that govern the functioning of civil society, reducing self-interest and its effects. Low quality institutions and the resulting institutional voids fuel poor market and non-market transactions, uncertainties and risk in doing business, corruption in the economic and political spheres (Doh, Rodrigues, Saka-Helmhout and Makhija, 2017), so as to ultimately determine a social response based on extreme self-interest, guile and oneself protection at the expense of others. Subsidiaries in low quality institutional context are thus more likely to develop a logic based on self-interest.

Low-quality institutions also exacerbate the conditions of bounded rationality in which organizations operate. The informality and ambiguity of coordination mechanisms, the absence or dysfunctionality of intermediate institutions representing business and labor, and the uncertainty about the behavior of political institutions, individuals and groups complicate the information processing and they prevent the formation of effective and stable frames and heuristics at the local level and therefore at the MNE subsidiaries level. According to our conceptual framework, the implications for learning and reinvestment are as follow.

Proposition 5. High-quality institutions in the host country increase the likelihood of reinvestment in that host country.

Finally, like for culture, the institutional distance between the countries in which the HQ and the subsidiary are based also plays a role, in particular for implications concerning bounded rationality. Both the typology (variety of capitalism) and the quality of institutional settings bring with them differences in models of economic activity, i.e., how interactions among economic actors are determined, education systems, the role of the state, shareholders versus stakeholders-orientation (Vitols, 2001), law and regulatory frameworks, and so on (Xu and

Shenkar 2002). Organizations embedded in different institutional contexts are endowed with different frames and heuristics, and differ in quality and quantity of information, knowledge and human capital. Therefore, subsidiaries from institutionally distant countries may experience an increase in bounded rationality, as they suffer from cognitive mismatching and ambiguity in both interpreting HQ’s priorities and requests and in transferring experience and knowledge to it. Therefore, our sixth proposition states as follows:

> *Proposition 6. The higher the institutional distance, the lower the likelihood of reinvestment in the host country.*

Effects of multiple embeddedness of MNE network on reinvestment

IB literature has investigated the multiple internal-external embeddedness of the MNE network as a key factor influencing management, technology transfer, learning and performance of subsidiaries and the MNE as a whole (Meyer, Mudambi and Narula, 2011). Figure 3 describes this multidimensionality. On the one hand, individual subsidiaries are embedded into the internal network of the MNE governed by the HQ and into the external host country environment. On the other hand, the HQ is internally co-integrated with the subsidiaries, and externally embedded in both the home and host country. From an organizational learning perspective, we have already illustrated internal embeddedness in light of the agency relationships between HQ and subsidiary. The external home country embeddedness of the HQ is of less relevance in our analysis, although it may complement or interfere with the other dimensions (e.g., Ciabuschi, Kong and Su, 2017; Rizopoulos and Sergakis, 2010). Most relevant is the external embeddedness in the host country. Both subsidiaries and HQ maintain relationships with external actors in the host country. The external embeddedness of the HQ depends on the peculiar history of the MNE, on its multiple entries over time in the host country, which make the local MNE network variously extended and articulated, on the strategic need to have direct contacts with important customers, suppliers, and political institutions, on the limited learning potentials offered by the subsidiary to the HQ. As Nell, Ambos and Schlegelmilch (2011) pointed out, many of these relationships constitute non-redundant connections, but sometimes there is an overlap that MNEs maintain, despite the additional costs.

Whatever the reason for overlapping, it is important to distinguish between these two MNE embeddedness networks, as both are relevant to organizational learning. The literature on subsidiary embeddedness in the host country converges in representing a problematic picture about its consequences on knowledge transfer to, and relationships with, the HQ.

Subsidiary's external embeddedness enhances the knowledge and capability-base of MNEs and reduces their liability of foreignness by providing novel information (Ciabuschi, Holm and Martín, 2014; Granovetter, 1985) and understanding of host country's business environment, local institutions and customs (Luo, 2001), by establishing fruitful long-term relationships with clients, suppliers, business communities (Andersson, Forsgren and Holm, 2007), by increasing local responsiveness and strengthening legitimacy (Andersson, Forsgren and Holm, 2002; Frost, Birkinshaw and Ensign, 2002).

Despite these well-acknowledged benefits, however, after a threshold level, embeddedness can also be a double-edged sword (Darendeli and Hill, 2016; Klopf and Nell, 2018; Meyer et al., 2011). Strong local embeddedness makes the subsidiary self-sustaining and more independent and alien to the rest of the MNE (Nell and Ambos, 2013). The power of subsidiary increases with the breadth of its network ties with local actors, which ensure an important competitive advantage for its success (Newburry and Yakova, 2006). As its autonomy and power within the MNE increase, the subsidiary develops a logic of self-interest strengthened by the perception that the local network is the most immediate and relevant one to rely on (Becker-Ritterspach, 2006). Accordingly, in the face of significant pressure to serve local stakeholders, the subsidiary complies with their demand, enlarging the divergence of interests between it and the HQ (Andersson, Gaur, Mudambi and Persson, 2015). Furthermore, opportunistic behaviors to pursue its interest at the expenses of the HQ can easily materialize thanks to the severe HQ-S information asymmetry due to the HQ's unfamiliarity with the subsidiary's local relationship and the unique context-specific knowledge accumulated by the subsidiary (Yamin and Andersson, 2011).

Subsidiary embeddedness also becomes a source of complexity due to cognitive dissonance with HQ and dissimilarity in the way they process and interpret information. Miscommunication and misunderstanding between the HQ and subsidiaries are aggravated, with the result that HQ experiences difficulties in conveying values, goals and priorities, and may be left in the dark about problems in absorbing and accepting them (Beugelsdijk, Nell and Ambos, 2017). Therefore, both self-interest and bounded rationality increase with the subsidiary external embeddedness, turning the potential HQ-S relational benefits in their opposite, for both organizational learning and effectiveness of the reinvestment decision.

The HQ itself could be embedded in the host country, thereby avoiding agency costs. HQ managers established linkages to local markets upon first entry into the country; these linkages are subsequently extended and strengthened over time in the event of subsequent multiple entries to establish new subsidiaries in different locations and/or sectors within the country. HQ can also maintain and develop local ties for strategic reasons (Nell et al., 2011): when the country is populated by many subsidiaries of other MNEs, to look at their behavior that can be informative about the overall strategy of international peers; when the uncertainty and instability of the local market are so high to require the HQ to have its own perspective, in addition to that of the subsidiary; when subsidiary possesses strategic resources upon which other units within the MNE may rely on.

Not being hindered by agency and bounded rationality problems, the embeddedness of HQ in the host country favors its organizational learning and provides greater capabilities to effectively evaluate the opportunity of reinvestment. Thus, our propositions are as follows.

Proposition 7. The MNE and its subsidiary local embeddedness affect the likelihood of reinvestment in the host country.

Specifically:

Proposition 7a. The higher the HQ local embeddedness, the higher the likelihood of reinvestment in the host country.

Proposition 7b. An inverted U-shaped relationship exists between a subsidiary embeddedness and the likelihood of the reinvestment in the host country, i.e., beyond a point, increasing subsidiary embeddedness is associated with lower likelihood of the reinvestment.

IB research on re-entry in the host country. Concluding remarks and future research avenues

Obviously, foreign divestment is antecedent to reinvestment. IB scholars have devoted increasing attention to divestments in the last decades, taking different theoretical frameworks and empirical designs (Arte and Larimo, 2019; Schmid and Morschett, 2020). In their meta-analysis on the subject, Arte and Larimo (2019), among other things, identify a lack of literature on post-divestment strategies.

Under the label "re-entry" we find a large amount of publications, often referring exclusively to export (e.g., among the recent works: Bernini, Du and Love, 2016; Chen, Sousa and He, 2019; Vissak, Francioni and Freeman, 2020). If we exclude studies on exports, which notoriously imply a lower commitment of resources (compared to foreign investments) and exhibit a strong mobility of entry-exit over time, it remains a small bunch of studies.

Javalgi, Deligonul, Dixit and Cavusgil (2011: 390) give us a starting point, noting that "reentry as a strategy has not been discussed previously in the literature and understanding reentry may provide a quantum leap in both academic and practitioner literature". With this in mind, they propose a broad-spectrum framework directing research that encompasses host country economic, political and cultural factors, market risks, and firm resources and capabilities.

Yaylaa, Yeniyurta, Uslaya and Cavusgil (2018) provide a first empirical study on the re-entry process of MNEs in a host country. Their findings empirically support that the relational capital, which enables the firm to interact with local firms and access knowledge in the host market (Lorenzoni and Lipparini, 1999), plays an important role in the re-entry decision. They do not explicitly refer to HQ or subsidiary external embeddedness, but they recognize the importance of "sleeping relationships" and "beautiful exit", where existing ties can be maintained even upon exit (Alajoutsijärvi, Möller and Tähtinen, 2000) and exploited while reentering into a foreign market.

Using a unique dataset of over 1020 foreign market re-entries by MNEs and drawing on organizational learning and institutional quality, Surdu, Mellahi, Glaister and Nardella (2018) and Surdu and Narula (2020) examine the antecedents of speed of re-entry into previously exited foreign market. Likewise, Surdu, Mellahi, Glaister (2019) investigate the changes in the modes of operation (commitment) undertaken by MNEs on their return to foreign market. It is important to note that the object of these studies is not the decision to re-entry or not, but, given the re-entry in the host country, the time and mode of this. Furthermore, they include all the operation modes of entry and re-entry, i.e. exports, non-equity alliances, joint ventures, wholly owned subsidiaries. Despite the relevant differences with our subject, some insights can be fruitfully drawn from their results.

Since being late to the market may be an important liability, particularly when competitors are establishing operations in that market, Surdu et al. (2018) study the speed of re-entry in relation to a number of possible determinants. They find that the length of experience accumulated in the market – measured by the number of years the firm operated in the host market between initial entry and exit – does not have a positive effect on the speed of re-entry, but rather experienced re-entrants tend to be late re-entrants. The authors argue that firms need time to distill the lessons from the pre-exit experience and incorporate them into organizational routines[2]. The authors also find that firms with both little and significant depth of experience - measured by the mode of operation in that market, i.e. export, non-equity alliance, joint venture and wholly owned subsidiary – tend to be later re-entrants. They explain that, on the one hand, firms entering the market via non-equity forms lack the necessary knowledge to re-enter early; on the other hand, re-entry in more committed and costly modes, such as greenfield investments or acquisitions, takes time as both to set up new subsidiary and to find appropriate targets to acquire are time consuming processes. In turn, sharing equity and ownership with a partner (maybe a local partner) facilitates the acquisition of market information and the deepening of knowledge, so that re-entry accelerates. Together, these results seem to be consistent with some of the propositions presented in this chapter, according to which the embeddedness of the MNE and its subsidiaries in host countries (even with the contribution of partners) is an important prerequisite for effective learning to re-invest.

Surdu et al. (2019) note that firms' organizational learning related to exit due to unsatisfactory performance alters their re-entry mode choice. Even MNEs that have not acquired meaningful and in-depth knowledge in the host market learn from a failure exit experience and leverage it to not replicate unsuccessful commitment strategies. Surdu and Narula (2020) confirm this

[2] However, we believe that length is a poor proxy of the quantity and quality of experiential learning, as the latter depend crucially on the quality of HQ-s relationship in that country during that period.

evidence, comparing the re-entry of emerging market MNEs with that of developed market MNEs. They find that both types of MNE re-enter faster after having previously underperformed in the market, regardless of the duration of their initial foray. In other words, consistent with our arguments, what is relevant is to learn from the contingencies of failure, while the length and depth of pre-exit experience does not matter. Interestingly, Surdu and Narula (2020) also find that emerging market MNEs are not at a disadvantage when re-investing because, compared to developed market MNEs, they have less to unlearn as they often lack deeply internally embedded routines associated with international heritage and path-dependence.

Finally, these scholars consider the role of the host country institutional setting. Their findings confirm that high quality/low ambiguity host environments are associated with earlier re-entry (Surdu et al., 2018; Surdu and Narula, 2020). Surdu et at. (2019) find that improvements in the quality of institutions increase the commitment of re-entrants in the host market irrespective of the degree of prior experience accumulated. Although indirectly, these results support our propositions on the role of the institutional context.

Aguzzoli, Lengler, Sousa and Benito (2020) contribute to the literature on MNEs' re-investment decisions by relying on a case study of a Brazilian MNE in Mexico. They focus on the role of decision makers' experience and the influence of institutional voids. In addition to confirming the importance of institutions quality, their findings suggest that although firms learn from their mistakes and reconsider how they approach re-entry, this learning process is not straightforward as it is clouded by knowledge myopia. The case study illustrates how the knowledge accumulated from experiences/failures do not always effectively spur a company's re-entry, but can also instill in the MNE an unwarranted confidence in possessing the resources, knowledge and expertise for successful re-entry, i.e., the MNE falls in a competence trap from nonsuccess rather than success (Levinthal and March, 1993). In the light of our framework, it would be interesting to re-read the case by looking at the relationship between the failure of the learning process and the bounded rationality/self-interest of the actors involved, including the MNE's local partner at the time of the first entry into the host country. In connection with this, the authors encourage research on the relationship between international knowledge myopia, ownership and corporate governance.

In the latter regard, a contribution comes from Mariotti, Marzano and Piscitello (2021). They study the investment–divestment–re-investment sequence of choices by comparing the behavior of family and non-family MNEs. Relying on arguments outlined above (see section 3.2), the paper shows that, thanks to lower levels of self-interest and bounded rationality in overseas subsidiaries, family MNEs incur lower agency costs than non-family MNEs in running businesses abroad, and have developed a learning model that allow them to more effectively memorize and value past events experienced at the subsidiary level. Consequently, while family MNEs and non-family MNEs do not differ in their propensity to divest foreign subsidiaries, after divestment, the former will be more inclined to re-invest in the same host country, and this likelihood increases with the breadth of their local presence there.

In this chapter we have tried to provide some foundations for additional theorizing and empirical work. Any advancement relating to building blocks of the conceptual framework, and their interrelationships bring grist to the mill of knowledge of a phenomenon so little investigated. However, some suggestions for future research can be drawn from the focal relationship between organizational learning and reinvestments.

As with disinvestments, the antecedents of reinvestments can be associated to external or internal factors other than learning (Arte and Larimo, 2019). Significant changes in socioeconomic, institutional and business environments can lead to new market opportunities and motivate re-entry in the host country. Strategic imperatives concerning ownership and overriding any economic rationale can dictate re-entry. For example, state-owned multinationals may be required by the state to reinvest in the host country due to national interest, geopolitical considerations and diplomatic interactions (Colli et al., 2014). These being the cases, investigation about the role of organizational learning and how it interacts with the other antecedents should be made.

Knowledge myopia, simple-mindedness (Schulz, 2002), memory decay and unintentional forgetting (Martin de Holan and Phillips, 2004) can be alternative explanations to re-investments. This is a domain where very little is known. Surely, the distinction between conscious learning and unconscious unlearning have to be related to the performance levels achieved by the MNE subsidiary after re-entry, in relation with both the past and new competitors in the host country. Furthermore, in light of the Latin motto “to err is human, to persist is diabolical”, it is also of great interest to study multiple sequences over time of divestments/reinvestments in the same country, to test the nature and related determinants of MNE as footloose or locked-in by path dependence (Araujo and Rezende, 2003).

Going back to the focus on organizational learning, in-depth analyses are required to compare the relative importance of its components and to understand the fitting forms of the latter in relation to differences both in the typology of multinational organizations, and in social, economic and institutional contexts. Crucial to this it is the ability of researchers to navigate the plethora of interdependencies between these internal and external factors. Additionally, as MNEs are often multi-unit and multi-country, organizational learning benefit from multiple sources. The influence of both the network knowledge (Blomstermo, Eriksson, Lindstrand and Sharma, 2004) and the different learning processes between subsidiaries deserves attention.

With regard to structural changes, prior attention should be paid to how: (i) the knowledge gained in the exited market links with the mode MNEs will use to re-enter that market (i.e., changes from greenfield versus acquisition, full ownership versus joint venture, and so on);

(ii) the allocation of resources and internal changes needed to re-start operations in the host country once they have stopped.

In conclusion, we hope that this chapter serves as a springboard for further research on the divestment/re-investment decisions by MNEs on the international market.

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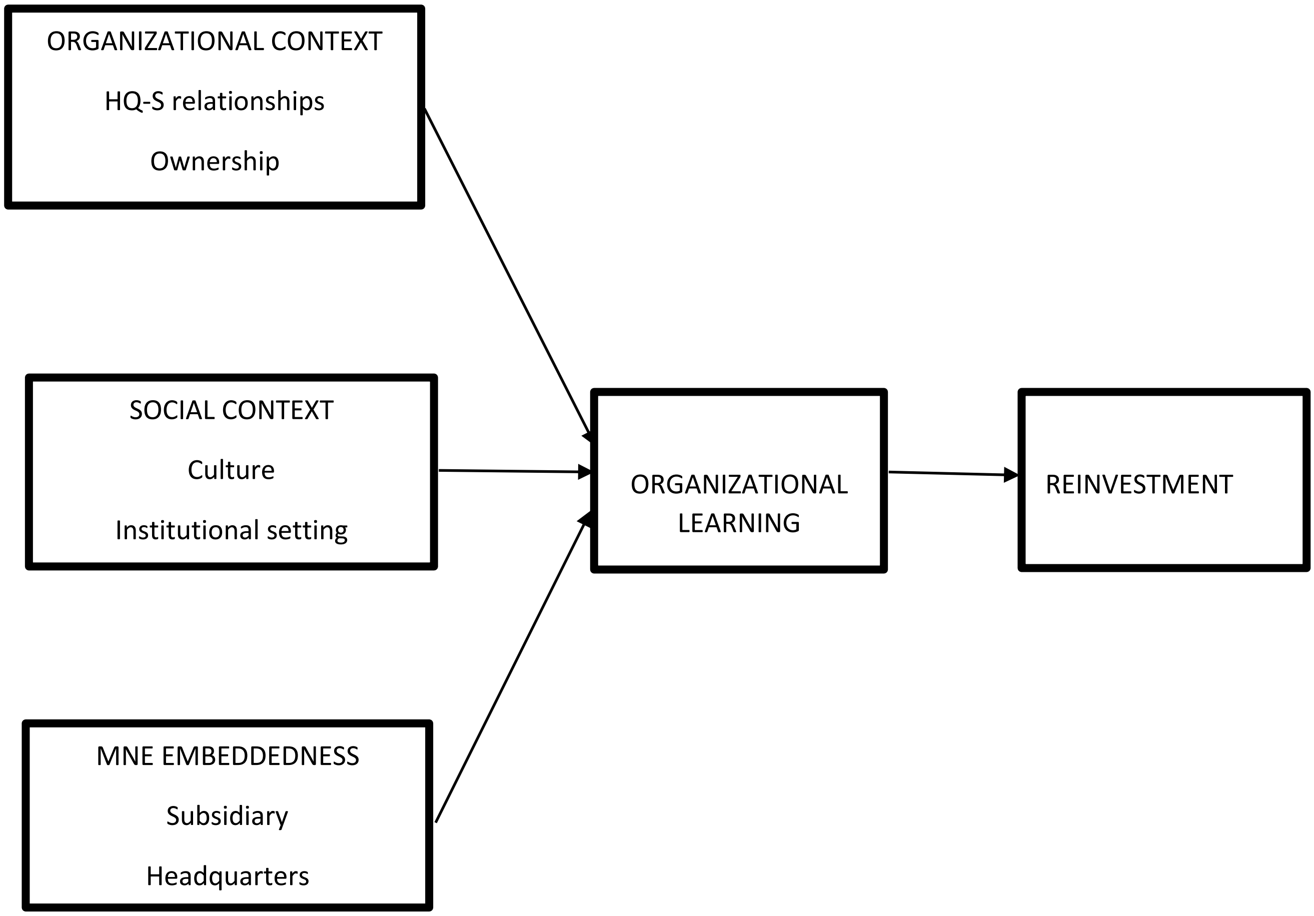

Figure 1 – Conceptual framework

BOUNDED RATIONALITY / SELF-INTEREST	HIGH	MEDIUM	LOW
HIGH		**M-FORM**	**MULTI-DOMESTIC** **HIERARCHICAL**
MEDIUM	**TRANSNATIONAL**		**ENTREPRENEURIAL TEAM**
LOW		**GLOBAL**	**FIRST-BEST**

Figure 2 – Positioning of MNE typologies

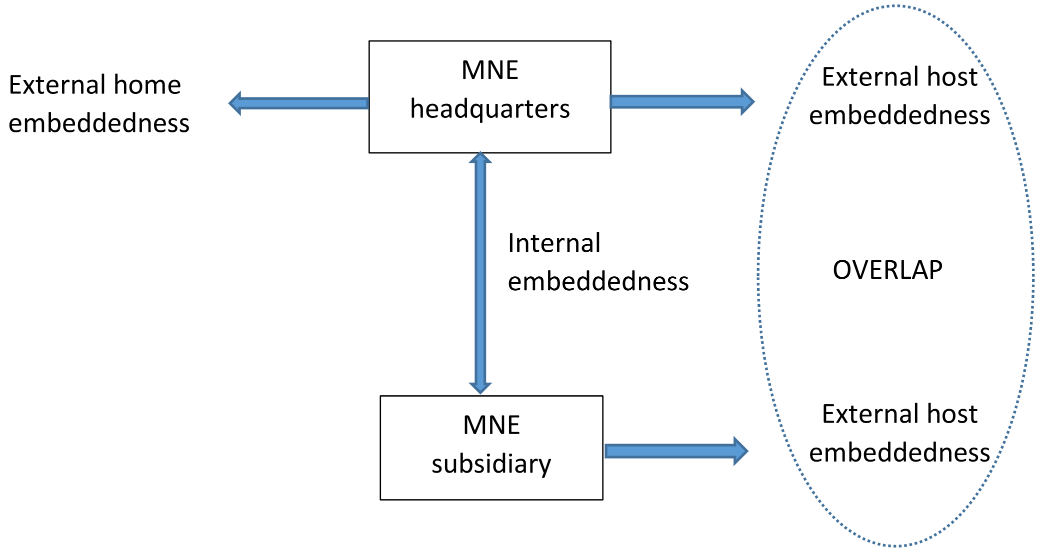

Figure 3 – The multiple embeddedness of MNE