

Simultaneous versus Sequential Model in Foreign Entry

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Abstract : This article proposes that the decision regarding exporting and the choice of export channel are nested and non-independent decisions. We assume that firms make two sequential decisions before arriving at their final choice: the decision to access foreign markets and the decision about the type of channel. This hierarchical perspective of the choices involved in the process is appealing for two reasons. First, it supports the idea that people have a limited analytical capacity. Managers often break down a complex decision into a hierarchical process because this makes it more manageable. Secondly, it recognizes that important differences exist between entry modes. In light of the above, the objective of this study is to test different entry mode choice processes: independent decisions and nested and non-independent decisions. To do this, the methodology estimates and compares the following two models: (i) a simultaneous single-stage model with three entry mode choices (using a multinomial logit model); ii) a two-stage model with the export decision preceding the channel decision using a sequential logit model. The study uses resource-based factors in determining these decision processes concerning internationalization and the study carries out empirical analysis using a DOC Rioja sample of 177 firms. Using the Akaike and Schwarz Information Criteria, the empirical evidence supports the existence of a nested structure, where the decision about exporting precedes the export mode decision. The implications and contributions of the findings are discussed.

Keywords : sequential logit model, two-stage choice process, export mode, wine industry

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