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International experience and imitation of location choices: The role of experience interpretation and assessment and its board-level microfoundations

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**International experience and imitation of location choices:
The role of experience interpretation and assessment
and its board-level microfoundations**

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Keywords: information-based imitation, information processing, international experience interpretation and assessment, board of directors, location choices

**INTERNATIONAL EXPERIENCE AND IMITATION OF LOCATION CHOICES:
THE ROLE OF EXPERIENCE INTERPRETATION AND ASSESSMENT
AND ITS BOARD-LEVEL MICROFOUNDATIONS**

ABSTRACT

Research summary: Drawing on the information-based imitation and information-processing perspectives, we examine how experience interpretation and assessment—and in particular its board-level microfoundations—affects the relationship between a firm’s international experience and its decision to imitate the market leader’s location choices. Our results show that the negative relationship between international experience and imitation of location choices is positively moderated by board turnover, board age, and board equity ownership but not influenced by board gender diversity. These findings advance our understanding of the interplay between information-based motives for imitation and firms’ information processing and organizational learning. Specifically, we contribute to research on the effect of international experience on firms’ mimetic behavior by pointing out the relevance of experience interpretation and assessment from a microfoundations perspective.

Managerial summary: Our study provides indications for executives attempting to predict competitors’ global strategy. When it comes to location choices, we find that companies with less international experience are more likely to follow the market leader, while those internationally experienced are more likely to follow their own path. Moreover, lower board turnover, relatively younger directors, and smaller equity ownership can favor the articulation and exploitation of the lessons offered by prior international experiences, thus further reducing the company’s inclination to imitate the leader’s location choices. Firms seeking an independent path towards internationalization can therefore use corporate governance—and in particular board-level factors—to enhance their ability to interpret and assess their international experience.

Keywords: information-based imitation, information processing, international experience interpretation and assessment, board of directors, location choices

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1. INTRODUCTION

In their review of the imitation literature, Lieberman and Asaba (2006) identify two sets of theories that explain firms' imitative behavior: information-based and rivalry-based theories of imitation. As Lieberman and Asaba (2006) write, "information-based motives are likely to be dominant when firms differ in market position, size, or resources, or when uncertainty is very high" (p. 376), the latter condition typically being present when a firm expands abroad. International business scholars have pointed out that internationalization is inherently uncertain in nature, due to factors such as liability of foreignness and liability of outsidership (e.g., Johanson & Vahlne, 2009; Zhou & Guillén, 2015). In order to cope with the uncertainty surrounding internationalization, firms may resort to mimetic behavior and use peers as reference targets. The empirical evidence supporting this argument concerns several internationalization decisions, such as entry (e.g., Guillén, 2002), entry mode (e.g., Guillén, 2003), investment location (e.g., Fourné & Zschoche, 2020), and plant location (e.g., Henisz & Delios, 2001).

Previous studies, emphasizing organizational learning, have also pointed out that the accumulation of international experience¹ generates learning, which reduces the uncertainty surrounding internationalization (e.g., Barkema, Bell, & Pennings, 1996; Elango & Pattnaik, 2007; Johanson & Vahlne, 2009). As a result, the extent to which a firm imitates peers' internationalization decisions decreases (e.g., Fourné & Zschoche, 2020; Henisz & Delios, 2001; Oehme & Bort, 2015). Starting from the established relationship between international experience and the decision to imitate peers' internationalization decisions, in this paper we investigate the role of experience interpretation and assessment (e.g., Baum, Li, & Usher, 2000; Lieberman & Asaba, 2006; Zollo & Winter, 2002). Indeed, a common assumption in

¹ By "international experience" we mean the repetition of certain "tasks" in the international arena, as captured for example by the number of years that the firm has engaged in international business. We therefore do not refer to any form of experiential learning (e.g., Anand, Mulotte, & Ren, 2016).

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the extant literature is that firms are equally effective at interpreting and assessing their prior experience, i.e., the rate of learning associated with the accumulation of international experience does not vary across firms. In this paper, we relax this assumption and ask the following research question: *Does a firm's interpretation and assessment of international experience affect its imitation of internationalization decisions?*

In addressing this research question, we argue that firms that have accumulated international experience may imitate peers' internationalization decisions even less when better interpreting and assessing such international experience (i.e., when learning more from it). Drawing on the information-processing perspective (e.g., Daft & Lengel, 1986; Egelhoff, 1991; Galbraith, 1974; Tushman & Nadler, 1978), we posit that better international experience interpretation and assessment is associated with improved information processing by the firm. Herein, consistent with recent calls by scholars for further research on the microfoundational underpinnings of global strategy (e.g., Contractor, Foss, Kundu, & Lahiri, 2019; Foss & Pedersen, 2019; Maitland & Sammartino, 2015), we focus on the microfoundations of information processing by the firm (e.g., Turner & Makhija, 2012) and hence of its interpretation and assessment of international experience. The microfoundations movement in strategy revolves around "locating (theoretically and empirically) the proximate causes of a phenomenon (or explanations of an outcome) at a level of analysis lower than that of the phenomenon itself" (Felin, Foss, & Ployhart, 2015, p. 586). In particular, it focuses on the role of individuals (their characteristics, decisions, actions, and interactions) in driving strategy and performance.

Our investigation centers, specifically, on the board of directors (e.g., Finkelstein, Hambrick, & Cannella, 2009). At least three reasons justify our examination of the role of the board. First, a prominent component of the strategic human capital of the firm is represented by its board of directors (e.g., Forbes & Milliken, 1999). Second, previous studies have

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shown the relevance of boards in interorganizational imitation, by examining the effect of director interlocks (e.g., Connelly, Johnson, Tihanyi, & Ellstrand, 2011; Haunschild, 1993). Third, extant research on the microfoundations of global strategy demonstrates the significant role played by boards (e.g., Albino-Pimentel, Anand, & Dussauge, 2018; Ang, Benischke, & Hooi, 2018). From an information-processing perspective, we focus on directors' involvement in strategic decision-making and, in particular, the processing by the board of relevant information, including that stemming from a firm's prior experience (e.g., Boivie, Bednar, Aguilera, & Andrus, 2016; Khanna, Jones, & Boivie, 2014; Rindova, 1999). Improved processing by the board of the relevant information may help the firm better interpret and assess its international experience (i.e., learn more from it), thus further reducing the incentive to imitate its peers.

Based on this, we investigate corporate governance factors pertaining to the board of directors that may affect the firm's interpretation and assessment of its pathway, thus moderating the effect of international experience on the imitation of peers' internationalization decisions. Specifically, we focus on four board-level factors, namely, board turnover (e.g., McDonnell & Cobb, 2020), board gender diversity (e.g., Triana, Miller, & Trzebiatowski, 2014), board age (e.g., Ali, Ng, & Kulik, 2014), and board equity ownership (e.g., Desai, 2016), and examine whether and how they moderate the relationship between international experience and imitation of peers' internationalization decisions.

While previous international business research has examined mimetic behavior for a broad range of internationalization decisions, in this paper we limit our investigation to imitation of location choices (e.g., Alcácer, Dezsó, & Zhao, 2013; Fourné & Zschoche, 2020; Henisz & Delios, 2001), i.e., of the choices concerning where to locate a certain activity of the firm's value chain and to what extent. These are important strategic decisions affecting development and exploitation of routines, cost efficiency, exposure to risk, and competitive

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rivalry (e.g., Alcácer, 2006). Furthermore, location choices are particularly visible to competitors and thus more susceptible to imitation.

Our results, based on a sample of 58 Italian ceramic tile manufacturers in the 2005-2009 time period, provide additional evidence of the negative relationship between international experience and imitation of peers' internationalization decisions. Furthermore, we find that this relationship is positively moderated by board turnover, board age, and board equity ownership; however, we do not find evidence of a moderating effect of board gender diversity.

Our study contributes to the extant global strategy literature in several ways. First, we shed light on the connections between the information-based imitation (e.g., Lieberman & Asaba, 2006) and information-processing perspectives (e.g., Egelhoff, 1991; Sanders & Carpenter, 1998). Specifically, we advance the vast literature on the effect of international experience on firms' mimetic behavior by pointing out the relevance of experience interpretation and assessment. While previous research typically assumes that firms are equally effective at interpreting and assessing their international experience, we relax this assumption and show that the effect of experience on imitation of location choices depends on firms' information processing and, hence, their reflection on, making sense of, and acting upon such experience. Second, our examination of the role played by board-level factors contributes to the emerging stream of literature on the microfoundations of global strategy (e.g., Contractor et al., 2019). While the effect of international experience on the decision to imitate peers' location choices is affected by the firm's information processing, what lies behind that information processing are—at least in part—the organizational actors populating the firm at all levels (top management team, directors, frontline employees, etc.) and their respective characteristics (e.g., Turner & Makhija, 2012). In this paper, we highlight the board-level microfoundations of firms' information processing and imitation of location

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choices. Third, we add to research on board involvement, and in particular to the stream of studies examining the active participation of the board in the strategy process (e.g., Khanna et al., 2014; Kumar & Zattoni, 2018; Pugliese et al., 2009). Relatedly, this study represents a potential step for bridging the corporate governance literature with research on deliberate learning (e.g., Di Stefano, Gino, Pisano, & Staats, 2016; Zollo & Winter, 2002).

2. THEORETICAL BACKGROUND AND HYPOTHESES

2.1. International experience and imitation of location choices

A long-established tenet of the international business literature is that internationalization is inherently uncertain (e.g., Barkema et al., 1996; Johanson & Vahlne, 2009). The information-based imitation perspective provides a theoretical lens to investigate how firms cope with such uncertainty when expanding abroad (e.g., Delios et al., 2008; Lieberman & Asaba, 2006). The general proposition based on this perspective is that when the causal links between actions and outcomes are ambiguous, firms may decide to conform to the behavior of rivals perceived as possessing superior information (e.g., Baum et al., 2000; Pitsakis & Giachetti, 2020). In the global strategy literature, several studies—building primarily on institutional theory (e.g., DiMaggio & Powell, 1983)—have shown that prior international moves by relevant peers influence a firm's internationalization decisions, including its location choices (see the appendix for a review table). In this study, our focus is on the market leader as the reference target in location choices. In doing so, we draw on the strategy literature pointing out that the market leader—as the exemplar of a large and successful firm—represents a relevant reference target in information-based imitation (e.g., Baum et al., 2000; Giachetti & Lanzolla, 2016; Haveman, 1993). Recent studies in the global strategy literature have also shown the relevance of the market leader in internationalization decisions, particularly in location choices (e.g., Fourné & Zschoche, 2020).

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The propensity to imitate peers perceived as possessing superior information reduces as the firm accumulates international experience (e.g., Lieberman & Asaba, 2006)—an argument that has found empirical support in numerous previous studies (e.g., Guillén, 2002, 2003; Henisz & Delios, 2001; Oehme & Bort, 2015). Indeed, a fundamental idea in global strategy—and more generally in strategic management (e.g., Anand, Mulotte, & Ren, 2016)—is that experience implies learning (e.g., Gao & Pan, 2010; Schwens, Zapkau, Brouthers, & Hollender, 2018). The accumulation of international experience may result in the development and refinement of routines that can be replicated in subsequent foreign moves (e.g., Schwens et al., 2018). In particular, a firm expanding internationally may develop and refine routines useful in future location choices. Such routines may be centered on scanning the global environment to identify attractive locations, navigating the environment of current host countries and similar ones (addressing the demands of local customers, responding to local institutional prescriptions, etc.), adapting to heterogeneous and dynamic external environments, and operating in the international arena (e.g., Delios et al., 2008; Henisz & Delios, 2001; Oehme & Bort, 2015). This semi-automatic learning (e.g., Zollo & Winter, 2002) from international experience reduces the uncertainty surrounding location choices and therefore the imitation of high-status peers like the market leader.²

Based on the above arguments and the extant findings in the literature, we offer the following baseline expectation:³

² More internationally experienced firms would consider locations that fit strategically (e.g., Alcácer, 2006). Furthermore, these firms would avoid locations blockaded by such a strong incumbent as the market leader. Previous research on location choices has shown that stronger firms have a lower preference for colocation (e.g., Alcácer et al., 2013; Mariotti et al., 2019) and therefore may exercise competitive pressure on weaker firms to force them out (e.g., Alcácer, 2006).

³ It is important to emphasize that our baseline expectation focuses on the implications of the high uncertainty surrounding location choices. The accumulation of international experience reduces information-based imitation but does not influence imitation that is rivalry-based. As pointed out by Lieberman and Asaba (2006), rivalry-based motives for imitation “are likely to dominate when uncertainty is low or when competitors are closely matched; such firms often have similar information but strong rivalry” (p. 377). Therefore, even if they are more internationally experienced, close rivals of the market leader may imitate its location choices to reduce competitive risk or mitigate rivalry, consistent with research on follow-the-leader behavior and the bunching of foreign direct investment (e.g., Knickerbocker, 1973).

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Baseline Expectation (BE). *The relationship between a firm's level of international experience and its degree of imitation of the market leader's location choices is negative.*

2.2. International experience interpretation and assessment: A firm's information processing and its board-level microfoundations

We argue that firms that have accumulated international experience may imitate the market leader's location choices even less when better interpreting and assessing such international experience (i.e., when learning more from it). We posit that better international experience interpretation and assessment is associated with improved information processing by the firm. Indeed, the literature has pointed out that, given a certain amount of prior experience, the extent to which a firm learns from that experience depends on its information processing (e.g., Zahra & George, 2002; Zollo & Winter, 2002). As the firm accumulates experience, new "raw" information is generated. Although this information stems from the actual execution of actions, the firm may fail to extract its full value without deliberate processes aimed at interpreting and assessing it.

Previous research has emphasized the micro-level underpinnings of firms' information processing and organizational learning (e.g., Di Stefano et al., 2016; Felin et al., 2012), and specifically the role played by individual- and group-level cognitive processes of information processing (e.g., Zollo & Winter, 2002). Though boundedly rational due to their human basis (e.g., Simon, 1991), such cognitive processes represent the microfoundations of a firm's interpretation and assessment of its experience, and in particular its international experience. Herein, we focus on the cognitive processes within the board of directors (e.g., Boivie et al., 2016; Khanna et al., 2014). These cognitive processes, through which directors deliberately reflect on the firm's prior experience and discuss their opinions and perspectives on it (e.g., Arthur & Huntley, 2005; Zollo & Winter, 2002), may take different forms, such as formal

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board meetings and debriefing sessions, informal discussions among directors, informal conversations with executives not sitting on the board, examining memos and other internal documentation made available to the directors, and personal reflection on what went right or wrong with prior moves by the firm (e.g., Shekshnia, 2018; Thomas & Trevino, 1993). Such cognitive processes affect the firm's interpretation and assessment of its experience. Indeed, absent these processes, directors' effectiveness at processing information would weaken and, hence, the board would be less capable of providing insights into the firm's prior experience and recommendations on future courses of action; in other words, board involvement in the strategic decision-making process would decrease.

Based on this premise, we posit that certain board-level factors may affect the deliberate cognitive processes of information processing within the board and, consequently, the firm's interpretation and assessment of its prior experience, including its international experience. Herein, we focus on four board-level factors, namely, board turnover (e.g., McDonnell & Cobb, 2020), board gender diversity (e.g., Triana et al., 2014), board age (e.g., Xu, Zhang, & Chen, 2018), and board equity ownership (e.g., Desai, 2016).

2.3. Effect of board turnover on the relationship between international experience and imitation of location choices

Board turnover refers to changes in board membership due to directors leaving or joining the board (e.g., Garg, Li, & Shaw, 2018). The corporate governance literature suggests that board members' entry and exit may influence how the board evaluates the strategic alternatives that the firm may pursue (e.g., Acharya & Pollock, 2020). Although some scholars argue that the entry of new directors may lead to "board refreshment", due to the renewal and upgrading of the human and social capital of the board (e.g., Desai, 2016), we posit that lower turnover may enhance the deliberate cognitive processes of information processing within the board.

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First, effective participation in strategic decision-making entails an understanding of the firm and its environment by board members. When directors stay, so does the firm-, industry-, and country-specific knowledge that they rely on when fulfilling their roles (e.g., Acharya & Pollock, 2020). Second, an exchange of ideas and perspectives among directors is critical for a well-functioning board. As part of their job, directors (should) engage with one another in a number of ways (e.g., Boivie et al., 2016). Therefore, boards are often characterized by established communication, coordination, and cooperation patterns (e.g., Finkelstein et al., 2009). Fewer director exits may help avoid significant disruption and shift in those patterns, especially considering the sporadic meetings of many boards and the amount of time often needed to build substantive interaction among board members (e.g., Acharya & Pollock, 2020). The greater firm-, industry-, and country-specific knowledge and fewer “process losses” (Forbes & Milliken, 1999, p. 492) associated with lower board turnover may strengthen the deliberate cognitive processes of information processing within the board.

As discussed earlier, the extant literature shows the existence of an inverse relationship between international experience and mimetic behavior (e.g., Henisz & Delios, 2001; Oehme & Bort, 2015). We posit that the strength of this relationship is contingent on the level of board turnover. The enhanced information processing associated with lower board turnover may increase the ability of the firm to interpret and assess its international experience and therefore to learn from it. This implies a lower uncertainty surrounding the firm’s location choices, weakening the information-based motives for imitation—i.e., the push to imitate high-status peers like the market leader (e.g., Delios et al., 2008; Lieberman & Asaba, 2006). Therefore, we hypothesize the following:

Hypothesis 1 (H1). *The negative relationship between a firm’s level of international experience and its degree of imitation of the market leader’s location choices strengthens (i.e., becomes more negative) as board turnover decreases.*

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2.4. Effect of board gender diversity on the relationship between international experience and imitation of location choices

Work group diversity refers to the extent to which group members differ from one another (e.g., Milliken & Martins, 1996; van Knippenberg & Schippers, 2007).

Organizational scholars have examined group diversity along a number of attributes, including gender (e.g., Horwitz & Horwitz, 2007; van Knippenberg, De Dreu, & Homan, 2004). As the number of women on boards rises at the global level (e.g., Deloitte, 2019), gender diversity becomes an increasingly important aspect in the strategic decision-making process (e.g., Kirsch, 2018; Post & Byron, 2015). Based on the social categorization perspective (e.g., van Knippenberg & Schippers, 2007), gender diversity may hinder group decision-making (e.g., Triana et al., 2014), as gender differences among members may favor processes of categorization of the self and others into groups (e.g., van Knippenberg et al., 2004). Such processes may disrupt group functioning, since people tend to favor in-groups over out-groups (e.g., van Knippenberg & Schippers, 2007).

When conceptualized not as separation, but as variety (e.g., Harrison & Klein, 2007), gender diversity may enhance group-decision making. Based on the information/decision-making perspective (e.g., van Knippenberg & Schippers, 2007), higher gender diversity should imply a wider range of perspectives brought to the decision process (e.g., Horwitz & Horwitz, 2007). This is because differences in experiences, which tend to result in heterogeneous perspectives, may vary with demographics (e.g., Miller & Triana, 2009). Gender diversity therefore may not only provide access to a wider range of perspectives but may also help avoid overemphasis on consensus-seeking behavior (e.g., Horwitz & Horwitz, 2007), as the “need to reconcile conflicting viewpoints may force the group to more thoroughly process task-relevant information” (van Knippenberg et al., 2004, p. 1004). Scholars have also pointed out that the positive effect of gender diversity on group

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information processing and decision-making may stem from gender-based behavioral differences, for example with regard to relationship- and process-orientation (e.g., Wegge, Roth, Neubach, Schmidt, & Kanfer, 2008). Consistent with these ideas, previous empirical studies have provided evidence of a positive influence of gender diversity on group decision-making quality (e.g., Chen, Crossland, & Huang, 2016; Torchia, Calabrò, & Huse, 2011).

In light of the above, we argue that gender diversity may enhance the deliberate cognitive processes of information processing within the board. In turn, the ability of the firm to interpret and assess its prior international experience (i.e., to learn from it) may improve. The uncertainty around location choices reduces as a result of this, weakening the firm's information-based motives for imitation (e.g., Lieberman & Asaba, 2006) and therefore the incentive to mimic the market leader. Therefore, we formulate the following hypothesis:

Hypothesis 2 (H2). *The negative relationship between a firm's level of international experience and its degree of imitation of the market leader's location choices strengthens (i.e., becomes more negative) as board gender diversity increases.*

2.5. Effect of board age on the relationship between international experience and imitation of location choices

A number of studies in the extant literature examine the role played by CEO, executive, and director age in strategic decision-making processes (e.g., Hsu, Chen, & Cheng, 2013; Tihanyi, Ellstrand, Daily, & Dalton, 2000; Xu et al., 2018). In particular, scholars have linked age with cognitive functioning and the ability to process information. The theoretical argument advanced for this relationship is that older executives have lower physical and mental stamina, which in turn results in weaker information processing (e.g., Hambrick & Mason, 1984). For example, in the context of acquisitions, Yim (2013) argues that "As people grow older, energy levels decline [...] and acquisitions can be perceived as more costly. Thus, physiological changes that occur with age can make older CEOs less inclined to

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pursue acquisitions” (p. 253). Similarly, Hsu and colleagues (2013) find that firms with older CEOs tend to benefit less from internationalization, since “older managers, having less physical and mental stamina, may not be able to change their mental maps easily, thus resulting in a lesser degree of information processing capability than younger executives” (p. 3).

These arguments suggest that lower board age may enhance the deliberate cognitive processes of directors aimed at processing the information from the firm’s prior international experience. The beneficial effect of lower board age on information processing strengthens the firm’s ability to interpret and assess its experiences abroad. As the extent to which the firm learns from its prior international experience increases, information-based motives for imitation weakens. This results in location choices less similar to those of the market leader (e.g., Delios et al., 2008; Lieberman & Asaba, 2006). Hence, we hypothesize the following:

Hypothesis 3 (H3). *The negative relationship between a firm’s level of international experience and its degree of imitation of the market leader’s location choices strengthens (i.e., becomes more negative) as board age decreases.*

2.6. Effect of board equity ownership on the relationship between international experience and imitation of location choices

Corporate governance scholars have argued that board equity ownership may provide directors with the financial incentive to be more involved in the strategic decision-making process in order to safeguard their wealth in the firm (e.g., Desai, 2016; Johnson, Hoskisson, & Hitt, 1993). This argument relies on the fact that directors’ exposure to firm performance increases as their stake in the firm’s equity rises (e.g., Morck, Shleifer, & Vishny, 1988). Confronted with the prospect of paying a greater cost when firm performance declines (especially below aspiration levels), board members may be more motivated to provide strategic advice (e.g., Desai, 2016). Besides the direct financial incentive, higher equity

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ownership may foster an increased identification and enhanced psychological bond of board members with the firm, making them more generous with their time and attention (e.g., Filatotchev & Bishop, 2002). These arguments have found support in previous empirical studies. For example, Johnson and colleagues (1993) find that board equity holdings are positively related to board involvement in strategic restructuring. In the context of IPOs, Filatotchev and Bishop (2002) show that firms may compensate executives' lack of experience with the higher motivation of directors resulting from ownership in the firm. Similarly, Desai (2016) provides evidence of increased board involvement in response to performance shortfalls when director ownership rises.

Following this view, we suggest that equity ownership may enhance the directors' deliberate cognitive processes of information processing and therefore the firm's interpretation and assessment of international experience. As a result, higher board equity ownership may amplify the extent to which the firm learns from its international experience, weakening the information-based motives for imitation and hence the incentive to imitate the market leader's location choices (e.g., Lieberman & Asaba, 2006). Therefore, we propose the following:

Hypothesis 4 (H4). *The negative relationship between a firm's level of international experience and its degree of imitation of the market leader's location choices strengthens (i.e., becomes more negative) as board equity ownership increases.*

3. METHODS

3.1. Setting and sample

We tested our hypotheses using a sample of 58 Italian ceramic tile manufacturers located in the industry cluster of the provinces of Modena and Reggio Emilia, two neighboring cities

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in Northern Italy.⁴ Our sample of firms accounts for over 90% of the Italian ceramic tile production and, thus, is representative of the domestic industry. The time window covered by our data is 2005-2009. As discussed in Giachetti and Spadafora (2017), the ceramic cluster of Modena and Reggio Emilia is an appropriate setting for examining imitation of internationalization decisions.

In addition to collecting quantitative data from secondary sources, we performed a series of in-depth interviews with industry experts. The informants that agreed to share their insights were: (a) managers of Confindustria Ceramica, the trade association of Italian ceramic tile manufacturers, (b) managers of ceramic tile manufacturers, and (c) industry experts working at the University of Modena and Reggio Emilia, a research institution located in the same area as the industry cluster. Relevant quotes from the interviews are included in the rest of the Methods section.

3.2. Dependent variable

Imitation of location choices.⁵ In this paper we limit our examination to imitation of location choices, i.e., of the choices concerning where to locate a certain activity of the firm's value chain and to what extent. Moreover, we use the market leader as the reference target of mimetic behavior. To measure *imitation of the market leader's location choices (ILC)*, we first identified, for each year in our observation period, the market leader in our setting. The extant literature refers to the market leader as the firm with the largest market share (e.g., Giachetti & Lanzolla, 2016). Herein, we measured market leadership through a composite indicator, which includes total sales and total foreign sales (e.g., Giachetti & Spadafora, 2017). The two measures were divided by their respective maximum value in the sample in order to have their ranges between 0 and 1. For each firm in each year, the arithmetic mean of

⁴ Our initial sample consisted of 61 firms. Corporate governance data were not available for three firms and removing these resulted in a final sample of 58 firms.

⁵ All variables were winsorized at three standard deviations above and below the mean.

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the two ratios was computed. The final composite indicator takes values ranging from 0 to 1. Using this indicator, we identified the tile manufacturer Marazzi as the market leader over the entire observation period (i.e., from 2005 to 2009). Even when we included return on assets as a third indicator in our composite measure, Marazzi emerged as the market leader. We also found confirmation of Marazzi's market leadership throughout our observation period in our interviews and in special interest magazines for the Italian ceramic tile industry.

Once we identified the market leader in our setting in the period 2005-2009, we used eight indicators as proxies of firms' location choices. In using these indicators, our purpose was to capture the choices concerning where to locate a certain activity of the value chain—specifically, in which geographic areas key for the Italian ceramic tile industry—and to what extent. Data on firms' location choices in the period 2005-2009 were collected mainly from “CER – il Giornale della Ceramica”, a special interest magazine for the Italian ceramic tile industry.

In our empirical analysis, location choices concern foreign investments in showrooms and warehouses, which represent key strategic assets for ceramic tile manufacturers. Showrooms not only represent a place where customers may purchase tiles directly from the manufacturer, they also give the firm visibility in the market. Warehouses are important logistics centers where manufacturers stock their tiles. It is from these centers that the shipment process originates, i.e., where the tiles are shipped from for order delivery to showrooms and customers. Therefore, warehouses are strategically located to lower delivery lead time and cost—critical success factors in this industry. In order to set up showrooms and warehouses, tile manufacturers incur high and difficult-to-reverse investments; as a result, poor location choices may affect firms' profitability and even survival. The allocation of showrooms and warehouses across geographic areas is therefore a critical strategic decision

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in this industry, subject—like other internationalization decisions—to a high level of uncertainty.

The number of showrooms and warehouses located in (a) Europe, (b) North America, (c) China, and (d) the rest of the world were used to capture where and the extent to which a firm expands its value chain activities into those key geographic areas for the Italian ceramic tile industry.⁶ We employed separate indicators for showrooms and warehouses, since they are related to different activities of the firm's value chain: marketing and sales, and operations and logistics, respectively. Data on location choices related to other value chain activities (in terms of both where the activity is located and to what extent) were not available.

The measure of imitation used in this study is similar to that used in previous research (e.g., Chen & Hambrick, 1995; Deephouse, 1999) and is computed as follows: for a given year, each firm's location choices were compared with the location choices of the market leader and expressed as units of standard deviation. The units of standard deviation (in absolute value) for the eight indicators of location choices were totaled for each tile manufacturer and then multiplied by -1 in order to have larger values representing higher levels of imitation of the market leader. The equation below illustrates the calculation of imitation of the market leader's location choices for tile manufacturer i in year t , where $LC_{a,i,t}$ is location choice indicator a for tile manufacturer i in year t , $LC_{a,j,t}$ is location choice indicator a for the market leader j in year t , and $sd(LC_{a,t})$ is the standard deviation of location choice indicator a in year t .

⁶ Data on showrooms and warehouses were collected mainly from CER—il giornale della ceramica. Data not reported on CER were generously provided by Confindustria Ceramica, which is involved in the statistical surveys published in the special interest magazine. For each tile manufacturer, CER provides data on the number of showrooms and warehouses only for four macro-areas: Europe, North America, China and the rest of the world. The emphasis on Europe, North America and China derives from the fact that Italian tile manufacturers expanded mainly into those areas before and throughout our observation period. Focusing on macro-areas that present within-area similarities but between-area differences is consistent with previous international business research (e.g., Qian, Khoury, Peng, & Qian, 2010).

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$$ILC_{i,t} = - \sum_{a=1}^8 \left| \frac{LC_{a,i,t} - LC_{a,j,t}}{sd(LC_{a,t})} \right|$$

The range of imitation of the market leader's location choices includes all numbers less than or equal to zero. Imitation of location choices equals zero if a firm's location choices in a certain year perfectly match the location choices of the market leader in that year.

3.3. Independent variables

The independent variables and controls were standardized to facilitate interpretation of their coefficient estimates and to limit multicollinearity. Additionally, they were lagged one year to make realistic inferences about their effect on a firm's imitation of location choices (e.g., Elango & Pattnaik, 2007).⁷

International experience. Given our focus on location choices, our measure of *international experience* captures the sampled firms' engagement in the key geographic areas for the Italian ceramic tile industry, i.e., Europe, North America, and China. Our measure includes the eight indicators of location choices used for the ILC variable described earlier. Specifically, the number of showrooms and warehouses in (a) Europe, (b) North America, (c) China, and (d) the rest of the world was used to capture firms' international experience (e.g., Clarke, Tamaschke, & Liesch, 2013). For each of the eight indicators, we then computed the cumulative moving average of the number of showrooms (or warehouses) in a certain area for any given firm in any given year; in other words, in a given year, we calculated for each indicator the average of all observations for a given firm from 2005 up to that year. By using the cumulative moving average, we took into account, at time t , the firm's presence in a certain area over the previous years (e.g., Zhou & Guillén, 2015)—a relevant aspect due to

⁷ The use of lagged regressors likely does not address potential endogeneity resulting from simultaneous causality (e.g., Reed, 2015). As explained later and in the appendix, we used instrumental-variable regression to test the endogeneity of international experience.

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time compression diseconomies (e.g., Dierickx & Cool, 1989) and knowledge internalization processes (e.g., Nonaka, 1994).⁸

In order to further capture the time-based dimension of a firm's experience abroad, i.e., the length of international experience (e.g., Clarke et al., 2013), we included the age of the firm in our composite indicator. In the Italian ceramic cluster of Modena and Reggio Emilia, where firms have always relied on internationalization since their inception, age and number of years abroad are, de facto, equivalent.⁹ As noted by the CEO of a firm that we interviewed:

“I believe that, when the firm was established, we exported 85% of our products. [...] Now our export share is around 72-73%, and the export share of all firms within the cluster is about 68%.”

This point is echoed by an industry expert that we interviewed:

“A significant number of firms go abroad since their inception. Bear in mind that the propensity to internationalize has been historically very high, at least since the 1960s.”

The nine indicators were divided by their maximum values to have a range from 0 to 1, and their arithmetic mean was computed.

Board turnover. We measured *board turnover* as the total number of directors who exited the board in year t . This measure is consistent with the extant literature (e.g., Acharya & Pollock, 2020; Garg et al., 2018). The sampled firms' annual reports were used to collect these data.

Board gender diversity. Following the approach of previous studies (e.g., Miller & Triana, 2009; Triana et al., 2014; Wegge et al., 2008), we measured *board gender diversity* using Blau's (1977) index. This index is computed as $1 - \sum p_k^2$, where p_k is the proportion of

⁸ Imagine, for example, two ceramic tile manufacturers, A and B . A has no showrooms in China in years 2005-2008 and ten showrooms in 2009. Our measure of international experience captures the effect of time compression diseconomies, i.e., the “lower returns”—in terms of learning—accruing to A after its investment in the Chinese showrooms in 2009, relative to B that has steadily increased its showrooms in China (say, two per year) over the same time period. Imagine, now, ceramic tile manufacturer C with ten showrooms in China in years 2005-2008 and no showroom there in year 2009. Our measure of international experience captures the fact that, in 2009, the learning resulting from C 's prior presence in China has not dissipated, due to knowledge internalization processes that took place in C over the previous four years.

⁹ Data on the number of years in each of the geographic areas considered in our study were not available for the firms in the ceramic tile cluster of Modena and Reggio Emilia.

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group members in the k^{th} category. Values of Blau's index range from zero to $(k - 1)/k$, where k is the total number of categories. Therefore, in our case the index ranges from 0 to 0.5, where 0 corresponds to a gender-homogeneous group (e.g., 4 women and no men in a group) and 0.5 to a gender-heterogeneous group (e.g., 2 women and 2 men in a group). The use of Blau's index allows us to capture gender diversity as variety (e.g., Harrison & Klein, 2007). The data for this variable were collected from the annual reports of the firms in our sample.

Board age. In order to measure *board age*, we first extracted for each firm the tax identification number of every board member for every given year. From the tax identification number, we identified the year of birth of every director. For every given year, board age is then measured as the arithmetic mean of the age of all directors (e.g., Xu et al., 2018).

Board equity ownership. Consistent with the extant literature (e.g., Desai, 2016), we measured *board equity ownership* through the average percentage of equity shares owned by the board members in a given year. The data for this variable were collected from the annual reports of the firms in our sample.

3.4. Control variables

The fact that two firms are isomorphic does not necessarily imply that one has imitated the other. Those firms may have simply developed the same strategic posture independently. Since this study focuses on imitation—an intentional strategic action pursued by the firm—we included in our models several controls at the board, firm, industry, and country levels. In doing so, we were able to rule out alternative explanations for our dependent variable. Put differently, accounting for the influence of the controls helped us separate the interorganizational effects on location choices from the effect of variables (at different levels) that influence those choices independently of the reference target's actions (e.g., Gupta & Misangyi, 2018).

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Board-level controls. At the board level, we controlled for *board size*, measured as the number of directors sitting on the board in a given year (e.g., Sanders & Carpenter, 1998). We included this variable in our model since “One way firms may handle the increased and varied dependencies associated with international operations is to add members to the board who represent or have particular expertise in some of the many international constituencies” (Sanders & Carpenter, 1998, p. 164). Therefore, such constituencies may steer the firm toward the adoption of certain global strategies.

Our sample includes family and non-family firms. The extant literature points out that family firms’ risk aversion differs from that of non-family firms (e.g., Arregle, Duran, Hitt, & van Essen, 2017). To control for the effect of these differences in risk preferences, which can affect location choices, we included in our model a dummy that takes the value of 1 if at least one member of the owning family sits on the board of the firm, and 0 otherwise (*family on board*).

Firm-level controls. In addition to *family on board*, we controlled—at the firm level—for the percentage of equity shares held by the owning family (*family ownership*). *Firm size*, measured as the natural logarithm of total assets, was used to control for the availability of resources to expand internationally (e.g., Lu & Beamish, 2004). *Performance volatility*, measured as the three-year standard deviation of return on assets, and *firm leverage*, measured as the debt-to-equity ratio, were used to control for the effect of firm risk, which can play an important role in firms’ mimetic behavior when expanding abroad (e.g., Giachetti & Spadafora, 2017). The ratio of foreign sales to total sales and the number of countries where a firm has production plants were used to control, respectively, for the *scale* and *scope of internationalization* (e.g., Lu & Beamish, 2004), as they may influence the location choices of the firm. *Average selling price*, computed as the ratio between total revenue and total units (in square meters) sold in year t , was used to control for the extent to which the

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firm deals with price competition. Indeed, stiff competition at home may push the lower-end tile manufacturers to seek new market opportunities in untapped locations abroad (e.g., Dunning & Lundan, 2008). *Leader's strategic group* is a dummy variable that takes the value of 1 if a firm belongs to the market leader's strategic group and 0 otherwise.¹⁰ Higher levels of imitation of location choices for the firms in the strategic group of the market leader may reflect rivalry-based imitation (e.g., Giachetti & Spadafora, 2017). Moreover, firms in the other strategic groups pursue different strategies, so differences in location choices could merely reflect differences in the strategy pursued by the Italian ceramic tile manufacturers.¹¹ A firm's *market share*, measured as the portion of the domestic market served by the ceramic tile manufacturer, was included to control for competitive performance (e.g., Ferrier, Smith, & Grimm, 1999). Indeed, one could argue that competitive success comparable to that of the market leader may be associated with similar internationalization decisions—including location choices. Similarly, *relative performance*, measured as the difference between the return on sales (ROS) of the market leader and that of the focal firm in a given year (e.g., Deephouse, 1999), was included to capture the firm's financial performance distance from the market leader, as similar profitability may be associated with comparable location choices.

Industry-level controls. *Industry concentration*, measured with the Herfindahl index, was used to control for competitive intensity and the likelihood of collusive behaviors in the ceramic tile industry, which could affect strategic decisions such as location choices (e.g., Larrañeta, Zahra, & Galán González, 2014).

¹⁰ After a series of in-depth interviews with managers of Confindustria Ceramica, we concluded that, in the ceramic tile industry, a firm's strategic positioning is strongly related to pricing decisions. Hence, based on the insights provided by our interviewees, we clustered firms into four strategic groups by using the following price ranges: below 7 euros, between 7 and 10 euros, between 10 and 14 euros, and above 14 euros per square meter.

¹¹ As a robustness test, we estimated our models without including the firms belonging to the market leader's strategic group. In doing so, our objective was to rule out—to the extent possible—rivalry-based motives of imitation as an explanation of our results, since those motives “are likely to dominate when uncertainty is low or when competitors are closely matched” (Lieberman & Asaba, p. 377). The results remained consistent.

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Country-level controls. We included *GDP growth* to capture the macro-economic conditions in Italy, which may prompt or deter ceramic tile manufacturers to engage in foreign expansion.

Means, standard deviations, and bivariate correlations are reported in Table 1.

Please insert Table 1 about here

4. RESULTS

4.1. Hypothesis tests

Based on the results of the Hausman test comparing the fixed-effects and random-effects models, we estimated our empirical models using fixed-effects regression (with firm fixed-effects). Moreover, due to the presence of heteroskedasticity in our sample, we estimated our models with robust standard errors. The variance inflation factors for our models are lower than the recommended minimum threshold of 10 for standardized data (e.g., O'Brien, 2007), suggesting that multicollinearity among our independent variables is unlikely to affect our results. Table 2 presents the results of the regression analysis. In Model 1, the effect of the control variables on imitation of the market leader's location choices is examined. In Model 2, international experience was added to test the relationship predicted in our baseline expectation. Model 3 contains board turnover, board gender diversity, board age, and board equity ownership. Model 4 presents the full model, which includes the interactions of board turnover, board gender diversity, board age, and board equity ownership with international experience to test Hypotheses 1, 2, 3, and 4.

Please insert Table 2 about here

Our baseline expectation predicts that the level of international experience is negatively related to the degree of imitation of the market leader's location choices. As observed in

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Model 4, we find support for our baseline expectation, as the estimated coefficient for international experience is negative and significant ($\beta = -6.156$, p -value = 0.018, 90% CI = [-10.373, -1.938]).

Hypothesis 1 predicts that, as board turnover decreases, the negative relationship between international experience and imitation of the market leader's location choices strengthens. As shown in Model 4, the estimated coefficient for the interaction term is positive and significant ($\beta = 0.898$, p -value = 0.026, 90% CI = [0.239, 1.556]), thus providing support for Hypothesis 1. As shown in Figure 1, the marginal effect of international experience becomes more negative as board turnover decreases.

Hypothesis 2 predicts that board gender diversity negatively moderates the relationship between international experience and imitation of the market leader's location choices. As shown in Model 4, the estimated coefficient for the interaction term is not significant ($\beta = 2.133$, p -value = 0.263, 90% CI = [-1.025, 5.290]). Hence, these results do not provide support for Hypothesis 2. Interestingly, the margin plot reported in Figure 2 suggests the possibility that the negative international experience-imitation of location choices relationship becomes stronger as board gender diversity decreases.

Hypothesis 3 predicts that, as board age decreases, the negative relationship between international experience and imitation of the market leader's location choices strengthens. As shown in Model 4, the estimated coefficient for the interaction term is positive (as predicted), but the associated p -value is marginally above the threshold of $\alpha = 10\%$ ($\beta = 2.611$, p -value = 0.152, 90% CI = [-0.397, 5.620]). Hence, the fixed-effects estimation does not provide support for Hypothesis 3. However, the margin plot reported in Figure 3 suggests the possible presence of a positive interaction between international experience and board age.

Hypothesis 4 predicts that board equity ownership negatively moderates the relationship between international experience and imitation of the market leader's location choices. As

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shown in Model 4, the estimated coefficient for the interaction term is positive and significant ($\beta = 2.655$, p -value = 0.011, 90% CI = [0.963, 4.348]). This provides evidence for the presence of an effect, even though different from what was predicted in Hypothesis 4. Figure 4 shows that the marginal effect of international experience becomes more negative as board equity ownership decreases.

Please insert Figures 1-4 about here

4.2 Additional analyses

Hausman-Taylor estimation. From a theoretical standpoint, one could argue that geographical proximity to the market leader increases the visibility of its actions, including its location choices. As a result, it may affect the propensity of rivals to imitate the leader (e.g., Pitsakis & Giachetti, 2020), and therefore its effect should be controlled for. In order to capture the *geographical proximity* to the market leader, we created a dummy that takes the value of 1 if the firm is located in the area where the market leader is headquartered, and 0 otherwise.¹² Since in our data set this dummy is time-invariant, it could not be included in the estimations of Model 1-4, as the coefficients for time-invariant regressors are not identified in fixed-effects regression (e.g., Cameron & Trivedi, 2019). We therefore re-estimated Model 4 with the Hausman-Taylor estimator, this time also including geographical proximity to the market leader.¹³ The results of the Hausman-Taylor estimation are presented in Model 5. These results provide support to our baseline expectation ($\beta = -5.022$, p -value = 0.021, 90% CI = [-8.612, -1.433]) and Hypothesis 1 ($\beta = 1.335$, $p = 0.035$, 90% CI = [0.294, 2.376]).

¹² Marazzi (the market leader in our setting throughout our observation period) is headquartered in the town of Sassuolo. Many ceramic tile manufacturers, including several of the most important players, are located in the neighboring towns of Sassuolo, Fiorano Modenese, and Casalgrande. The area comprising these towns is commonly referred to as the core of the Italian ceramic tile cluster located in the provinces of Modena and Reggio Emilia.

¹³ Unlike the fixed-effects estimator, the Hausman-Taylor estimator enables the coefficients of time-invariant regressors to be estimated (e.g., Greene, 2018). This instrumental-variable estimator makes the stronger assumption that some specified regressors are uncorrelated with the fixed effect (e.g., Greene, 2018).

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However, they do not support Hypothesis 2 and instead suggest the possible presence of a positive moderation effect of board gender diversity on the relationship between international experience and imitation of location choices ($\beta = 2.374$, p -value = 0.128, 90% CI = [-0.189, 4.936]). Furthermore, the Hausman-Taylor estimation provides evidence supporting Hypothesis 3 ($\beta = 3.164$, p -value = 0.082, 90% CI = [0.172, 6.156]) and, contrary to what we predicted in Hypothesis 4, shows a positive moderating effect of board equity ownership ($\beta = 2.065$, p -value = 0.072, 90% CI = [0.180, 3.951]).

Endogeneity test. Previous research has pointed out that experience accumulation in corporate development activities, including international expansion, may be subject to a self-selection effect (e.g., Anand et al., 2016). Additionally, potential simultaneous causality between international experience and imitation of the market leader's location choices could bias our results. We checked for the potential endogeneity of international experience using instrumental-variable regression and employing organizational slack as an instrument (measured as working capital over sales). The results of the endogeneity test (i.e., the C test) suggest that international experience should be treated as exogenous ($\chi^2(5) = 3.514$, p -value = 0.621). The appendix details our endogeneity test.

5. DISCUSSION AND CONCLUSION

Drawing on the information-based imitation and information-processing perspectives, the purpose of this study was twofold: first, to retest the relationship, already examined in the extant literature, between international experience and imitation of location choices; and second, more importantly, to examine whether a firm's interpretation and assessment of its international experience affects its imitation of location choices.

We provide additional empirical support for the established argument that the accumulation of international experience reduces the extent to which firms resort to mimetic behavior when expanding abroad (e.g., Delios et al., 2008; Guillén, 2002; Henisz & Delios,

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2001; Oehme & Bort, 2015). In particular, similar to what information-based imitation studies in the extant global strategy literature show (e.g., Fourné & Zschoche, 2020), we find that more internationally experienced firms tend to imitate less the location choices of peers perceived as possessing superior information—the market leader in this study. Therefore, our study reinforces the argument that international experience and the associated development and refinement of routines play an important role in determining how a firm shapes its global strategy.

Our results, combined with those of previous research showing the negative implications of non-conforming behavior for performance (e.g., Chen & Hambrick, 1995; Giachetti & Spadafora, 2017) and survival (e.g., Dacin, 1997), raise the question of why internationally experienced firms would differentiate their location choices in spite of potential legitimacy challenges. Indeed, audiences may scrutinize and judge a firm's internationalization actions to determine their legitimacy (e.g., Ang, Benischke, & Doh, 2015; Kostova & Zaheer, 1999). Consistent with the theoretical arguments advanced (and empirically supported) by Benischke and colleagues (2020), our results suggest the existence of a trade-off between legitimacy risk—i.e., “the potential harm to the organization resulting from lack of compliance with institutional norms or expectations” (Benischke, Martin, Gomez-Mejia, & Ljubownikow, 2020, p. 478)—and business risk—i.e., “the likelihood of performance failures, or lower than expected returns when the firm makes particular strategic choices under bounded rationality” (Benischke et al., 2020, p. 478). International experience accentuates such a trade-off, making it more visible and salient. While concerns for legitimacy may be preponderant for firms facing ambiguity on the best course of action and hence seeking approval to guarantee survival, this may not be the case for firms that have learned through experience. The accumulation of international experience may reveal potential drawbacks of conforming global strategies, such as foregoing better opportunities in

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the international arena or taking actions that do not fit strategically (e.g., Benischke et al., 2020). Therefore, experienced firms may be less prone to conform to institutional pressures, prioritizing the reduction of business risk. In other words, economic rationality takes over normative rationality (e.g., Barreto & Baden-Fuller, 2006; Oliver, 1997). Moreover, audiences may evaluate differently the non-conforming behavior of experienced firms relative to those of less experienced firms, because they may acknowledge that prior experience results in learning and that following actions build on that learning (e.g., Anand et al., 2016).

Aside from the evidence regarding the international experience-imitation of location choices relationship, our key contribution is the bridge between the information-based imitation and information-processing perspectives. Indeed, we show that international experience is not simply subject to semi-automatic processes of learning by doing but also to deliberate processes of interpretation and assessment (e.g., Di Stefano et al., 2016; Zollo & Winter, 2002). In other words, what matters is not only the accumulation of international experience but also the motivation and ability to reflect on it, make sense of it, and act upon it. When the learning from international experience increases due to processes of interpretation and assessment—and, consequently, so does the ability to build on such experience—the firm's propensity to imitate in order to cope with uncertainty further decreases. Therefore, our study empirically supports the conceptualization of information processing not just as a semi-automatic response to experience accumulation but also as a deliberate learning enabler amplifying the effect of international experience on internationalization decisions. Furthermore, it adds to the stream of research showing that prior experience does not automatically translate—in its full potential—into experiential learning (e.g., Albertoni, Elia, & Piscitello, 2019).

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Our findings also suggest that a firm's corporate governance is relevant for its international expansion not only from an agency perspective (as much of the extant literature points out; see, for example, Filatotchev and Wright (2011)), but also from an information-processing perspective (e.g., Sanders & Carpenter, 1998). Specifically, our findings show that certain board-level factors moderate the effect of international experience on a firm's decision to imitate location choices. This supports our argument that those factors, by enhancing or weakening the information processing within the board, affect the firm's interpretation and assessment of its prior international experiences.

Through its focus on the board, our study contributes to the emerging literature on the microfoundations of global strategy (e.g., Ambos, Cesinger, Eggers, & Kraus, 2020; Contractor et al., 2019; Maitland & Sammartino, 2015). Our microfoundations perspective allows us to point out the contribution of the board to a firm's information processing and hence to shed new light on the role of the board in internationalization and mimetic processes. While previous research has shown that these board-level factors have a direct effect on firms' global strategies (e.g., Barroso, Villegas, & Pérez-Calero, 2011; Benischke et al., 2020), in our study we show their moderating effect through their interaction with international experience. Relatedly, the extant literature shows the influence of the board on the imitation of peers' strategic actions (e.g., Ang et al., 2018; Haunschild, 1993), including their location choices (e.g., Connelly et al., 2011). In particular, these studies have focused on the role of board interlocks and shown that the number of ties positively influences the propensity to imitate tied-to firms, due to their function as conduits of private information. By contrast, our study suggests a potentially different effect of board interlocks. As the number of interlocking directors increases, the likelihood that the board is composed of directors with heterogeneous information networks may also increase. In turn, this may strengthen the board's cognitive processes of information processing, thus amplifying the

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effect of international experience on the decision to imitate location choices (i.e., lower propensity to imitate). Future studies could empirically test this proposition.

Our study also contributes to the literature on board involvement and in particular to the stream of studies examining the active participation of the board in the strategy process (e.g., Khanna et al., 2014; Pugliese et al., 2009). Indeed, in connecting the information-based imitation and information-processing perspectives, we emphasize the strategic advice function of the board and provide further evidence of its impact on firm internationalization. Furthermore, we see this study as a potential step for bridging the corporate governance literature with research on deliberate learning (e.g., Arthur & Huntley, 2005; Kale & Singh, 2007; Zollo & Winter, 2002) and on the microfoundations of organizational learning (e.g., Di Stefano et al., 2016; Felin, Foss, Heimeriks, & Madsen, 2012). Our research suggests that the board of directors may represent a locus of deliberate learning efforts, consisting of conscious cognitive processes focused on processing the information deriving from the firm's prior experience. Board-level factors, such as those examined herein, may therefore be conceptualized as deliberate learning enablers or inhibitors, which should be appropriately managed to favor learning from experience.

Our empirical findings support the arguments that lower board turnover and board age enhance the cognitive processes of information processing within the board. As a result of this, they improve the ability of the firm to build on its prior international experience, thus leading to lower imitation of the market leader's location choices. First, fewer director exits help avoid disruption in the information-sharing patterns within the board and a reduction in the firm-, industry-, and country-specific knowledge that the board relies on when fulfilling its roles. Second, a lower average age of board members implies that directors are more inclined to perform the extensive cognitive processes associated with the processing of international experience.

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Contrary to our theoretical prediction, we find that the effect of international experience strengthens as board equity ownership decreases, with firms leaning to a lesser extent toward imitation of the market leader's location choices. These empirical findings are somewhat counterintuitive, as the existing corporate governance literature suggests that equity ownership should increase board members' motivation to provide strategic advice, as well as their identification with the firm (e.g., Desai, 2016). This would suggest that the information processing within the board increases at higher levels of board equity ownership, because directors' stake in the firm's equity motivates them to participate more effectively in the strategic decision-making process in order to safeguard their personal wealth. However, our study shows that information processing weakens with higher levels of board equity ownership. We argue that when directors' stake in the firm's equity increases, their attention may be diverted away from best fulfilling the strategic advice role, as they may place more emphasis on what they believe best protects their personal assets. As evidenced by some recent corporate governance studies, board members may become more risk-averse in their decision-making when their personal stakes in the equity of the firm increase (e.g., Benischke, Martin, & Glaser, 2019; Gormley & Matsa, 2016). Such risk aversion seems, at least partially, incompatible with cognitive processes aimed at processing the firm's international experience.

It is worth emphasizing that board turnover and board age concern the ability of the board to engage in cognitive processes of information processing, whereas board equity ownership concerns the motivation to perform those cognitive processes. Since some scholars argue that motivation is an amplifier of ability (e.g., Kanfer & Ackerman, 1989), future research could investigate how board equity ownership affects the influence of board turnover and board age on the relationship between international experience and imitation of location choices.

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Lastly, our results do not provide conclusive evidence regarding the effect of board gender diversity on the international experience-imitation of location choices relationship. We conjecture, therefore, that board gender diversity may have two opposite influences that offset one another: a positive effect resulting from the variety of perspectives associated with a diverse board—as suggested by the information/decision-making perspective and predicted in our Hypothesis 2—and a negative effect stemming from the more dysfunctional group processes associated with in-group vs. out-group dynamics—as suggested by the social categorization perspective.¹⁴ Interestingly, the organizational literature has pointed out that “in large groups the probability of communication deficiencies, increased conflict, and diminished performance is higher than in small groups due to the salience of gender stereotypes in large groups [...] and [the fact that] typical gender-based behaviors are expressed more often in larger teams” (Wegge et al., 2008, p. 1304). We surmise that this may also be the case in the specific context of boards. While beyond the scope of this study, it could be fruitful to investigate how board size influences the moderating effect of board gender diversity on the international experience-imitation of location choices relationship.

Our study is not without limitations. In particular, our examination of the role of corporate governance was limited to the board of directors and four factors related to it. However, the extant literature has also examined other board-level factors as potential drivers of firm internationalization (e.g., Barroso et al., 2011). Moreover, previous research has demonstrated the influence on the imitation of internationalization decisions of characteristics of other decision-makers, such as the CEO and the top-management team (e.g., Benischke et al., 2020; Gupta & Misangyi, 2018). Therefore, the examination of whether and how other corporate governance mechanisms (e.g., board international experience, CEO duality,

¹⁴ The variety of perspectives associated with a diverse board could also be the source of a negative effect, due to the emergence of representational gaps—i.e., different formulations of the same strategic problem as a result of heterogeneous backgrounds (e.g., Baer, Dirks, & Nickerson, 2013).

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ownership concentration, and institutional ownership) and CEO and top-management team characteristics interact with firms' international experience in determining imitation of location choices would complement our study.

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TABLE 1. Means, standard deviations, and bivariate correlations.

Variables	<i>Mean</i>	<i>S.D.</i>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Imitation of location choices	-27.878	5.604	1.000									
(2) International experience	0.038	0.035	-0.247 (0.000)	1.000								
(3) Board turnover	0.323	0.807	-0.032 (0.634)	0.043 (0.520)	1.000							
(4) Board gender diversity	0.194	0.203	-0.083 (0.216)	0.140 (0.036)	-0.047 (0.482)	1.000						
(5) Board age	55.336	9.227	0.000 (0.998)	0.143 (0.033)	0.082 (0.224)	-0.172 (0.010)	1.000					
(6) Board equity ownership	0.544	0.399	-0.028 (0.679)	0.088 (0.189)	-0.143 (0.033)	0.202 (0.002)	-0.054 (0.420)	1.000				
(7) Board size	4.3	2.322	-0.096 (0.151)	0.453 (0.000)	0.201 (0.003)	0.264 (0.000)	-0.011 (0.871)	0.258 (0.000)	1.000			
(8) Family on board	0.794	0.406	-0.041 (0.544)	0.187 (0.005)	-0.062 (0.355)	0.313 (0.000)	-0.160 (0.017)	0.282 (0.000)	0.148 (0.027)	1.000		
(9) Family ownership	0.478	0.419	-0.029 (0.669)	0.186 (0.005)	-0.148 (0.027)	0.333 (0.000)	-0.134 (0.046)	0.732 (0.000)	0.158 (0.018)	0.575 (0.000)	1.000	
(10) Firm size	17.652	1.46	-0.087 (0.196)	0.441 (0.000)	0.074 (0.274)	0.049 (0.465)	0.199 (0.003)	-0.030 (0.655)	0.535 (0.000)	0.131 (0.051)	-0.040 (0.551)	1.000
(11) Performance volatility	0.04	0.267	-0.029 (0.662)	0.305 (0.000)	-0.023 (0.734)	0.055 (0.412)	0.051 (0.448)	-0.010 (0.880)	0.016 (0.811)	0.041 (0.543)	0.004 (0.951)	0.125 (0.062)
(12) Firm leverage	24.087	293.69	-0.095 (0.158)	0.007 (0.915)	0.023 (0.732)	0.024 (0.725)	0.004 (0.949)	-0.100 (0.137)	-0.064 (0.343)	0.083 (0.217)	0.057 (0.394)	-0.110 (0.102)
(13) Scale of internationalization	0.492	0.235	-0.068 (0.309)	0.203 (0.002)	0.076 (0.259)	0.010 (0.882)	-0.036 (0.595)	-0.068 (0.314)	0.241 (0.000)	-0.024 (0.719)	-0.152 (0.023)	0.469 (0.000)
(14) Scope of internationalization	0.489	1.436	-0.259 (0.000)	0.782 (0.000)	0.147 (0.028)	0.126 (0.060)	0.078 (0.249)	0.059 (0.383)	0.393 (0.000)	0.141 (0.036)	0.076 (0.256)	0.444 (0.000)
(15) Average selling price	14.908	12.729	-0.145 (0.030)	0.212 (0.001)	0.088 (0.191)	-0.104 (0.120)	-0.010 (0.887)	0.057 (0.394)	0.149 (0.026)	-0.116 (0.083)	-0.080 (0.233)	-0.051 (0.451)
(16) Leader's strategic group	0.161	0.369	0.078 (0.245)	-0.029 (0.663)	0.065 (0.335)	-0.046 (0.491)	-0.018 (0.794)	-0.109 (0.104)	-0.050 (0.454)	0.053 (0.435)	-0.075 (0.264)	-0.009 (0.896)
(17) Market share	0.015	0.025	-0.045 (0.502)	0.447 (0.000)	0.090 (0.182)	-0.035 (0.606)	0.107 (0.112)	-0.074 (0.270)	0.458 (0.000)	0.144 (0.031)	-0.023 (0.736)	0.672 (0.000)
(18) Relative performance	0.096	0.171	0.044 (0.517)	-0.236 (0.000)	0.221 (0.001)	-0.082 (0.222)	-0.088 (0.192)	-0.197 (0.003)	-0.173 (0.010)	-0.090 (0.182)	-0.162 (0.015)	-0.205 (0.002)
(19) Industry concentration	0.062	0.001	-0.350 (0.000)	-0.006 (0.927)	0.054 (0.425)	0.034 (0.609)	-0.007 (0.922)	0.023 (0.738)	0.032 (0.630)	0.006 (0.926)	0.004 (0.952)	-0.013 (0.849)
(20) GDP growth	-0.007	0.03	0.0554 (0.410)	-0.036 (0.598)	-0.007 (0.920)	0.010 (0.886)	-0.018 (0.795)	0.036 (0.595)	0.036 (0.596)	-0.004 (0.952)	0.005 (0.938)	-0.036 (0.596)

Note: All independent variables are lagged one year. Mean and S.D. values are based on unstandardized variables. p -values in parentheses. $N = 223$.

TABLE 1. Means, standard deviations, and correlations (*continued*).

Variables	<i>Mean</i>	<i>S.D.</i>	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(11) Performance volatility	0.04	0.267	1.000									
(12) Firm leverage	24.087	293.69	0.004 (0.953)	1.000								
(13) Scale of internationalization	0.492	0.235	0.111 (0.098)	-0.156 (0.020)	1.000							
(14) Scope of internationalization	0.489	1.436	0.447 (0.000)	0.008 (0.903)	0.307 (0.000)	1.000						
(15) Average selling price	14.908	12.729	-0.026 (0.701)	0.055 (0.412)	0.021 (0.760)	0.252 (0.000)	1.000					
(16) Leader’s strategic group	0.161	0.369	0.190 (0.004)	0.028 (0.679)	-0.040 (0.549)	0.074 (0.270)	-0.288 (0.000)	1.000				
(17) Market share	0.015	0.025	0.033 (0.622)	0.000 (0.996)	0.009 (0.899)	0.372 (0.000)	-0.064 (0.343)	-0.049 (0.466)	1.000			
(18) Relative performance	0.096	0.171	0.089 (0.183)	0.007 (0.919)	-0.044 (0.514)	-0.149 (0.026)	0.049 (0.469)	0.007 (0.921)	-0.200 (0.003)	1.000		
(19) Industry concentration	0.062	0.001	0.034 (0.616)	-0.030 (0.651)	0.025 (0.706)	0.000 (0.994)	-0.019 (0.777)	0.033 (0.620)	-0.011 (0.875)	-0.040 (0.556)	1.000	
(20) GDP growth	-0.007	0.03	0.029 (0.665)	-0.069 (0.306)	0.014 (0.835)	-0.007 (0.915)	-0.040 (0.554)	0.030 (0.653)	-0.011 (0.869)	-0.067 (0.322)	0.780 (0.000)	1.000

Note: All independent variables are lagged one year. Mean and S.D. values are based on unstandardized variables. *p*-values in parentheses. *N* = 223.

TABLE 2. Results of fixed-effects (FE) and Hausman-Taylor (H-T) regressions – Effect of international experience on imitation of the market leader’s location choices and moderating effect of board turnover, board gender diversity, board age, and board equity ownership.

	FE				H-T
	Model 1	Model 2	Model 3	Model 4	Model 5
<i>International experience</i>		-5.085 (3.363) [0.136]	-4.985 (3.335) [0.141]	-6.156 (2.522) [0.018]	-5.022 (2.182) [0.021]
<i>Board turnover</i>			0.177 (0.495) [0.721]	0.481 (0.537) [0.374]	0.462 (0.365) [0.206]
<i>Board gender diversity</i>			-1.519 (0.690) [0.032]	-0.389 (1.226) [0.753]	-0.238 (1.094) [0.828]
<i>Board age</i>			-1.054 (1.405) [0.456]	-0.229 (1.502) [0.879]	0.632 (1.166) [0.588]
<i>Board equity ownership</i>			-0.687 (0.752) [0.365]	-0.279 (0.803) [0.729]	-0.054 (0.975) [0.955]
<i>International experience x Board turnover</i>				0.898 (0.394) [0.026]	1.335 (0.633) [0.035]
<i>International experience x Board gender diversity</i>				2.133 (1.888) [0.263]	2.374 (1.558) [0.128]
<i>International experience x Board age</i>				2.611 (1.799) [0.152]	3.164 (1.819) [0.082]
<i>International experience x Board equity ownership</i>				2.655 (1.012) [0.011]	2.065 (1.146) [0.072]
<i>Board size</i>	2.933 (1.628) [0.077]	3.029 (1.499) [0.048]	3.436 (1.922) [0.079]	3.407 (1.908) [0.080]	3.218 (1.341) [0.016]
<i>Family on board</i>	-3.348 (0.408) [0.000]	-3.386 (0.411) [0.000]	-3.572 (0.410) [0.000]	-3.579 (0.426) [0.000]	-1.746 (1.566) [0.265]
<i>Family ownership</i>	-4.631 (1.002) [0.000]	-3.290 (1.623) [0.047]	-4.085 (1.768) [0.024]	-4.713 (1.582) [0.004]	-0.896 (2.256) [0.691]
<i>Firm size</i>	-19.109 (5.260) [0.001]	-19.013 (5.247) [0.001]	-18.487 (4.592) [0.000]	-18.554 (4.816) [0.000]	-7.875 (2.781) [0.005]
<i>Performance volatility</i>	0.471 (0.150) [0.003]	0.617 (0.170) [0.001]	0.656 (0.201) [0.002]	1.001 (0.201) [0.000]	0.847 (0.386) [0.028]

Note: All independent variables lagged one year. Fixed-effects and Hausman-Taylor estimates based on standardized variables. Standard errors in parentheses (robust for fixed-effects); *p*-values in square brackets.

TABLE 2. Results of fixed-effects (FE) and Hausman-Taylor (H-T) regressions – Effect of international experience on imitation of the market leader’s location choices and moderating effect of board turnover, board gender diversity, board age, and board equity ownership (continued).

	FE				H-T
	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Firm leverage</i>	-0.566 (0.428) [0.192]	-0.567 (0.411) [0.174]	-0.635 (0.345) [0.071]	-0.740 (0.234) [0.002]	-0.798 (0.447) [0.074]
<i>Scale of internationalization</i>	-0.917 (1.047) [0.385]	-0.708 (0.993) [0.479]	-0.952 (0.960) [0.326]	-0.196 (1.134) [0.863]	0.858 (1.087) [0.430]
<i>Scope of internationalization</i>	-3.622 (1.438) [0.015]	-3.143 (1.377) [0.026]	-3.359 (1.554) [0.035]	-3.820 (1.713) [0.030]	-3.653 (1.558) [0.019]
<i>Average selling price</i>	0.723 (1.147) [0.531]	0.771 (1.117) [0.493]	0.654 (1.110) [0.558]	0.644 (1.043) [0.539]	0.692 (0.898) [0.441]
<i>Leader’s strategic group</i>	0.545 (0.415) [0.195]	0.504 (0.409) [0.223]	0.424 (0.394) [0.287]	0.498 (0.398) [0.217]	0.634 (0.336) [0.059]
<i>Market share</i>	-2.413 (2.658) [0.368]	-2.557 (2.688) [0.346]	-2.582 (2.759) [0.353]	-1.046 (3.401) [0.759]	1.634 (2.448) [0.504]
<i>Relative performance</i>	-0.358 (0.808) [0.659]	-0.420 (0.827) [0.613]	-0.433 (0.869) [0.620]	-0.443 (0.938) [0.638]	0.110 (0.591) [0.852]
<i>Industry concentration</i>	-9.837 (0.607) [0.000]	-9.565 (0.610) [0.000]	-9.384 (0.561) [0.000]	-9.443 (0.595) [0.000]	-10.438 (0.868) [0.000]
<i>GDP growth</i>	7.226 (1.021) [0.000]	6.712 (1.081) [0.000]	6.621 (0.938) [0.000]	6.458 (0.971) [0.000]	8.402 (1.030) [0.000]
<i>Geographical proximity</i>	- - -	- - -	- - -	- - -	3.549 (2.893) [0.220]
<i>Constant</i>	-27.775 (0.260) [0.000]	-28.294 (0.403) [0.000]	-28.287 (0.443) [0.000]	-28.972 (0.430) [0.000]	-29.001 (2.771) [0.000]
<i>Observations</i>	223	223	223	223	223
<i>R-squared</i>	0.557	0.570	0.583	0.603	-
<i>F test vs 1</i>		2.290 [0.136]	2.160 [0.071]	4.190 [0.003]	
<i>F test vs 2</i>			1.900 [0.123]	2.960 [0.008]	
<i>F test vs 3</i>				2.910 [0.000]	

Note: All independent variables lagged one year. Fixed-effects and Hausman-Taylor estimates based on standardized variables. Standard errors in parentheses (robust for fixed-effects); *p*-values in square brackets.

(Figure 1)

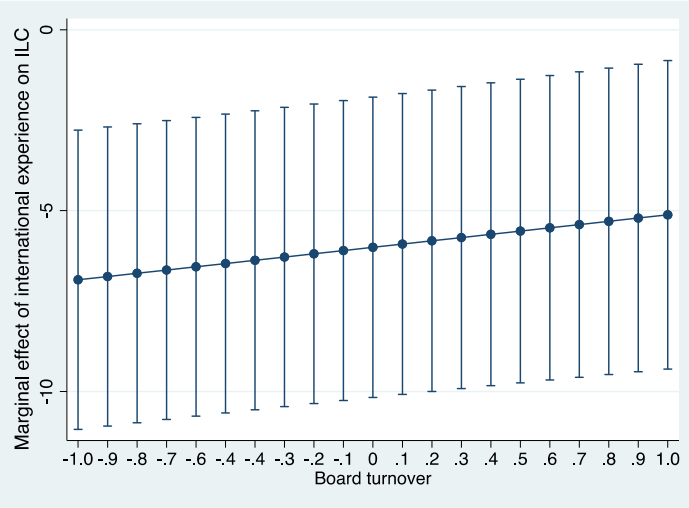


FIGURE 1. Marginal effect of international experience at different levels of board turnover (with 90% CI). *Note:* Results based on standardized variables, with x -axis ranging from (Mean – 1 S.D.) to (Mean + 1 S.D.).

(Figure 2)

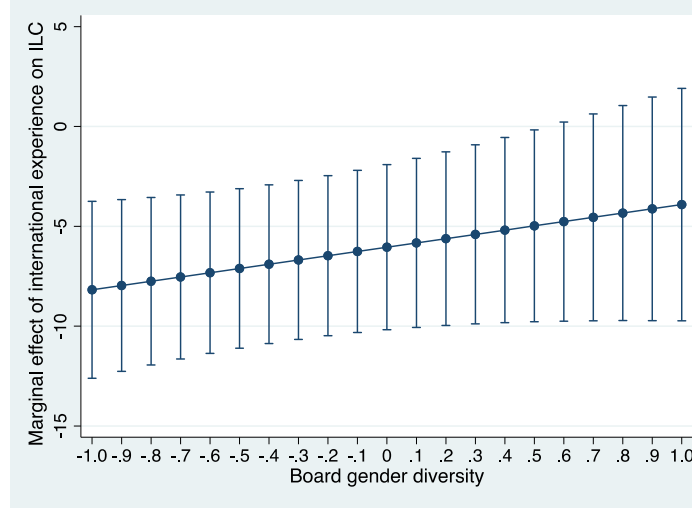


FIGURE 2. Marginal effect of international experience at different levels of board gender diversity (with 90% CI). *Note:* Results based on standardized variables, with x -axis ranging from (Mean – 1 S.D.) to (Mean + 1 S.D.).

(Figure 3)

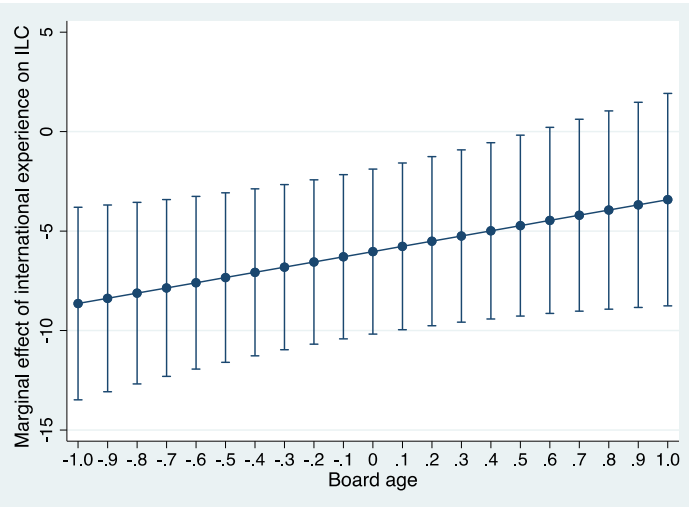


FIGURE 3. Marginal effect of international experience at different levels of board age (with 90% CI). *Note:* Results based on standardized variables, with x -axis ranging from (Mean – 1 S.D.) to (Mean + 1 S.D.).

(Figure 4)

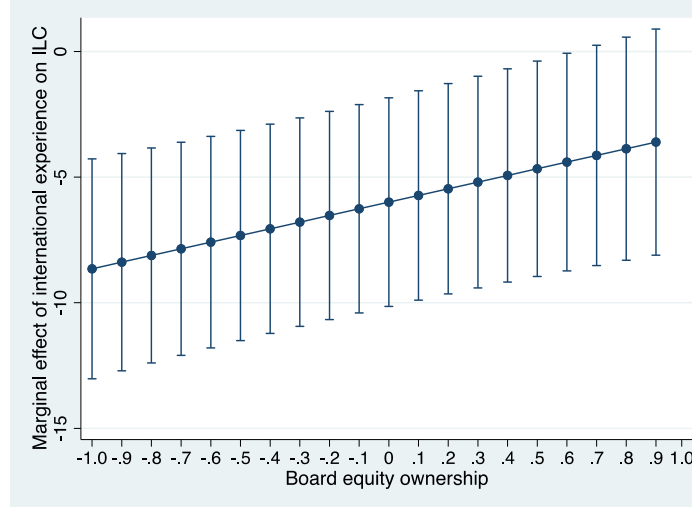


FIGURE 4. Marginal effect of international experience at different levels of board equity ownership (with 90% CI). *Note:* Results based on standardized variables, with x -axis ranging from (Mean – 1 S.D.) to (Mean + 1 S.D.).

APPENDIX – TABLE. Sample of research on the antecedents of imitation of internationalization decisions.

Authors (year)	Industry; home country (observation period)	Theoretical perspectives	Antecedents of imitation of internationalization decisions	Key findings
Fourné & Zschoche (2020)	Multiple industries; Germany (2002-2010)	Institutional theory	FDI growth of the largest family firm	Family firms imitate successful peers that are also family-owned to reduce uncertainty in follow-up foreign direct investments.
Gupta & Misangyi (2018)	Multiple industries; U.S. (2001-2008)	Upper echelons theory	CEO charisma and narcissism	CEO charisma (+) and narcissism (-) affect firms' decision to conform to the multinationality of industry peers.
Zhu & Chen (2015)	Multiple industries; U.S. (1998-2006)	Institutional theory and upper echelons theory	CEO narcissism	More narcissistic CEOs are more likely to adopt global strategies that are similar to those they have witnessed themselves on other boards, and less likely to be influenced by those witnessed by fellow directors on other boards.
Oehme & Bort (2015)	Biotech industry; Germany (1996-2012)	Institutional theory, organizational learning theory, and network theory	Prior entry mode choices by peers in the firm's network	A firm's propensity to imitate the entry mode of peers in its network is influenced by the number of peers that have already chosen that entry mode. The firm's network centrality and experience with that entry mode negatively moderate the focal relationship.
Yang & Hyland (2012)	Multiple industries; China (1985-2006)	Institutional theory	Prior completed cross-border mergers and acquisitions (CBMA) by peers, the clarity of the most popular choice in a specific deal decision, environmental instability, firm experience	A firm's propensity to imitate CBMA decisions of peers increases when the number of completed deals initiated by peers at a prior time increases, and when firms can tell what the most popular decision choice is. The degree of imitation is strengthened by environmental instability but weakened by firms' own experience.
Li & Yao (2010)	Multiple industries; multiple emerging countries (1979-1996)	Institutional theory	Prior entry decisions by home-country peers	Firms from emerging countries conform to the entry decisions of industry peers from their home country.
Fernhaber & Li (2010)	Multiple industries; U.S. (1999-2000)	Institutional theory and organizational learning theory	Prior entry decisions by home-country industry peers	A new venture's international entry is in part an imitative response to the internationalization of other firms in the venture's home-country industry.
Delios, Gaur, & Makino (2008)	Multiple manufacturing industries; Japan (1980-2002)	Information-based and rivalry-based theories of imitation	Home-industry concentration	The competitive context in the home industry influences the propensity of a focal firm to imitate the entry decisions of rival firms.

Note: The studies presented in the table are ordered based on the year of publication.

APPENDIX – TABLE. Sample of research on the antecedents of imitation of internationalization decisions (*continued*).

Authors (year)	Industry; home country (observation period)	Theoretical perspectives	Antecedents of imitation of internationalization decisions	Key findings
Chan, Makino, & Isobe (2006)	Electronics industry; Japan (1989-1998)	Institutional theory and organizational ecology theory	Prior entry and exit decisions by other multinational corporations (MNCs)	An MNC's entry decision has a stronger inverted U-shaped relationship with the prior entry and exit decisions of other MNCs at the local-industry level than the prior entry and exit decisions of other MNCs at the host-country and global-industry levels.
Gimeno, Hoskisson, Beal, & Wan (2005)	Telecommunication industry; U.S. (1985-1995)	Information-based and rivalry-based theories of imitation	Structure of domestic competition	Imitation of entry moves is more likely when both a focal firm and prior movers have large shares in the same domestic markets.
Guillén (2003)	Multiple manufacturing industries; South Korea (1987-1995)	Institutional theory	Prior entry mode choices by business group members and home-country rivals	Firms in the same business group imitate each other's choice of joint ventures and wholly owned plants. Firms in the same industry mimic each other's choice of wholly owned plants but not of joint ventures.
Lu (2002)	Multiple industries; Japan (1999)	Transaction cost theory and institutional theory	Prior entry mode choices by home-country industry peers	Later entrants tend to follow the entry mode patterns established by earlier home-country industry entrants.
Guillén (2002)	Multiple manufacturing industries; South Korea (1987-1995)	Organizational ecology theory and institutional theory	Prior entry decisions by business group members and home-country industry rivals	Business group experience and imitation among firms from the same home-country industry increase the rate of foreign expansion.
Henisz & Delios (2001)	Multiple manufacturing industries; Japan (1990-1996)	Institutional theory	Prior plant location choices by home-country rivals, and home-country industry rivals, and business group members	Plant location choices are influenced by prior plant location choices of home-country rivals, home-country industry rivals, and business group members.
Flowers (1976)	Multiple industries; Western Europe and North America (1945-1975)	Rivalry-based theories of imitation	Home-country industry concentration	Home-country industry concentration positively influences the firm's propensity to imitate the leading firm's FDI decisions.

Note: The studies presented in the table are ordered based on the year of publication.

APPENDIX – Test of the endogeneity of international experience

Scholars have argued that experience accumulation in corporate development activities, including international expansion, may “not result from exogenous or random choices but rather from endogenous decisions driven by superior performance expectations” (Anand, Mulotte, & Ren, 2016, p. 1396). This implies a self-selection effect, based on which firms are likely to have chosen to accumulate their experience. Additionally, potential simultaneous causality between international experience and imitation of location choices could bias our results.

In order to address the potential endogeneity of our independent variable, we used instrumental-variable regression. Identifying a legitimate instrument is a challenging endeavor (e.g., Cameron & Trivedi, 2019), as the chosen variable needs to meet the exclusion restriction condition. This condition requires that the instrument is relevant and exogenous, i.e., correlated with the endogenous regressor (once the effect of the covariates has been accounted for), but uncorrelated with the time-variant error term (e.g., Reeb, Sakakibara, & Mahmood, 2012). In other words, the instrument should not have any direct effect on the dependent variable; rather, its effect should be entirely mediated by the potential endogenous regressor.

In this study, we used organizational slack as an instrument for international experience. Broadly speaking, slack reflects the extent to which firms have available surplus resources (e.g., Bourgeois, 1981). Based on previous research, we measured slack as working capital over sales (e.g., Singh, 1986).¹⁵ In order to meet the order condition (e.g., Cameron & Trivedi, 2019), we also included in our analyses the interaction of slack with the focal board variables as instruments (e.g., Wooldridge, 2016).

¹⁵ Following Singh (1986), we divide by sales to correct for the volume of transactions.

From a resource-based perspective, organizational slack implies that firms have excess resources fueling their growth. Indeed, slack increases a firm's ability to take new initiatives in response to environmental threats and opportunities (e.g., Cheng & Lin, 2014; Penrose, 1959). In line with this, previous research suggests that the excess resources available to the firm motivate it to pursue opportunities abroad (e.g., Cheng & Lin, 2014), thus allowing it to gain international experience (e.g., Clarke, Tamaschke, & Liesch, 2013). Hence, we identify organizational slack as a factor affecting international experience. Regarding any effect of slack on imitation of location choices other than through international experience, the key question is whether slack favors risk-taking, as foreign expansion is a risky move, and mimetic behavior may represent a way to reduce risk. According to a behavioral perspective, slack fosters risk-taking (e.g., Singh, 1986); in contrast, from an agency perspective, slack deters risk-taking behavior (e.g., Palmer & Wiseman, 1999). Therefore, one may expect that these opposite effects offset each other and that slack has only an indirect effect on our dependent variable through its influence on international experience.

We also checked whether our instruments satisfy both statistical conditions that would make them reasonable "excluded instruments". With regard to instrument relevance, the under-identification test (i.e., the Kleibergen-Paap rk LM test) suggests that our instruments are correlated with the potentially endogenous variables ($\chi^2(1) = 2.630$; p -value = 0.105). With regard to instrument exogeneity, following Anand et al. (2016), we took two alternative steps.¹⁶ First, in order to test whether organizational slack directly affects our dependent variable, we regressed (with fixed-effects regression) imitation of location choices on organizational slack, the board variables, and the controls. The coefficient estimate for slack is not significant ($\beta =$

¹⁶ Our just-identified model with an equal number of instruments and potentially endogenous variables did not allow us to run the test of overidentifying restrictions (i.e., the Hansen-Sargan test).

0.213, p -value = 0.942). Second, we added international experience to this fixed-effects regression. The coefficient of slack remains insignificant ($\beta = -0.205$, p -value = 0.945), and the coefficient of international experience is negative and significant ($\beta = -5.876$, p -value = 0.028), suggesting that slack affects imitation of location choices indirectly through international experience.

We then ran the endogeneity test (i.e., the C test) to determine whether our independent variable is endogenous. The results of this test ($\chi^2(5) = 3.514$, p -value = 0.621) suggest that international experience should be treated as exogenous. Therefore, the fixed-effects estimation should be preferred over the instrumental-variable estimation, since the latter suffers from finite sample bias (with performance in small samples potentially poor) and loss of precision (with larger standard errors resulting in lower efficiency) (e.g., Cameron & Trivedi, 2019).

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