

Should Locally Embedded FA's Managers Trust the Parent Company? An

Investigation of Foreign Exit Decision

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An extended abstract of “SHOULD LOCALLY EMBEDDED FA’S MANAGERS
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Abstract:

More research is necessary to understand firm’s exit decision as demonstrated by recent calls by scholars for a greater understanding of this phenomenon. The few studies that have investigated firm’s divestment decision have focused on poor performance. This study extends the literature by examining the impact of managerial self-concern in the decision to exit a foreign market. Drawing on the agency theory we postulate that managerial self-concern is internally bounded by trust and further externally bounded by the business context. Using data from multiple respondents from Chinese outward foreign direct investment (OFDI) firms, we find support for our two hypotheses: (1) the relationship between FA managers’ self-concern and the likelihood of deciding to exit the foreign market is positive when FA managers hold high trust in the HQ; (2) high local embeddedness weakens the negative moderating effect of trust on the relationship between FA managerial self-concern and the likelihood of deciding to exit the foreign market, such that FA managerial self-concern has the strongest negative impact on foreign exit when local embeddedness is high and their trust in the HQ is high. Implications of the findings are discussed.

Keywords: Managerial Self-concern; Trust; Local Embeddedness; Foreign Exit