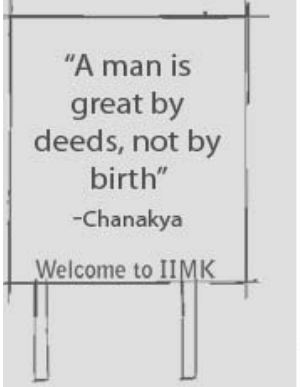




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Geographic cluster or global linkages? What accelerate emerging market firms foreign entry speed

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Abstract

This study examines, whether emerging market firms use global linkages as a substitute to the location in geographical clusters to promote the speed of foreign market entry. Drawing from economic geography, we find a slower speed of foreign market entry by firms located outside geographical clusters in the home country as compared to firms inside clusters. This relationship is further moderated by the firm's cognitive proximity in the foreign markets (measured as a firm's extent of informal global linkages). Cognitive proximity increases the transfer of tacit knowledge and weakens the negative impact of firm cluster absence on the speed of foreign entry. We test the proposed hypotheses using the cox proportional hazard model based on a longitudinal sample of 747 Indian firms in the information technology industry (IT) from 2000 to 2019.

Keywords: Emerging markets; emerging market firm; theory of EMNE; clusters; cognitive proximity

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