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„Empirical analysis of the relationship between ethnic fractionalization rates of the host market and market entry modes of international ride-sharing companies“

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Abstract

During the last decade, ride-sharing platforms, as one of the leading business models within the sharing economy environment in terms of fast global expansion and worldwide popularity, have drawn scholars' attention to investigate the internationalization of these firms from various perspectives. However, none of the previous studies so far specifically focused on the market entry mode aspect of these emerging businesses. Meanwhile, the number of M&As and JVs among the ride-sharing firms is increasing every day and around the world, which makes the study of ride-sharing market entry modes an interesting topic. Through an in-depth exploration of the literature regarding the internationalization of ride-sharing firms, I concluded the social characteristics of a market play a crucial role in the success or failure of these platforms since the essence of their value creation process is built on the mass adoption of users and their continuous participation on these platforms. On the other hand, ethnic fractionalization of a society in terms of ethnicity, language, and religion is one of the primary determinants of social structure in a country since it affects every aspect of local conditions. Therefore, this master thesis investigates the relationship between the ethnic fractionalization of markets in terms of ethnicity, language, and religion and ride-sharing platforms' choice of market entry mode. A binary logistic regression analysis was performed using a quantitative approach and secondary data. I proposed that the higher ethnic and linguistic fractionalization leads to a higher probability of market entry through M&As and JVs, while high religious fractionalization decreases the likelihood of market entry by M&As and JVs. The final results supported the relationship between ethnic and religious fractionalization of a country and the choice of market entry mode by ride-sharing platforms, while the linguistic fractionalization was not supported.

Zusammenfassung

In den letzten zehn Jahren haben Mitfahrplattformen als eines der führenden Geschäftsmodelle innerhalb der Sharing-Economy-Umgebung in Bezug auf schnelle globale Expansion und weltweite Popularität die Aufmerksamkeit von Wissenschaftlern auf sich gezogen, um die Internationalisierung dieser Unternehmen aus verschiedenen Perspektiven zu untersuchen. Keine der bisherigen Studien konzentrierte sich jedoch bisher speziell auf den Aspekt des Markteintritts dieser Unternehmen. Unterdessen nimmt die Zahl der Fusionen und Übernahmen und JVs unter den Ride-Sharing-Unternehmen täglich und weltweit zu, was die Untersuchung der Markteintrittsformen von Ridesharing zu einem interessanten Thema macht. Durch eine eingehende Untersuchung der Literatur zur Internationalisierung von Ride-Sharing-Unternehmen kam ich zu dem Schluss, dass die sozialen Merkmale eines Marktes eine entscheidende Rolle für den Erfolg oder Misserfolg dieser Plattformen spielen, da die Essenz ihres Wertschöpfungsprozesses auf dem basiert Massenakzeptanz von Benutzern und ihre kontinuierliche Teilnahme an diesen Plattformen. Andererseits ist die ethnische Fraktionierung einer Gesellschaft in Bezug auf Ethnizität, Sprache und Religion eine der wichtigsten Determinanten der sozialen Struktur in einem Land, da sie jeden Aspekt der lokalen Bedingungen betrifft. Diese Masterarbeit untersucht daher den Zusammenhang zwischen der ethnischen Fraktionierung von Märkten in Bezug auf Ethnizität, Sprache und Religion und der Wahl des Markteintrittsmodus von Ride-Sharing-Unternehmen. Unter Verwendung eines quantitativen Ansatzes und Sekundärdaten wurde eine binäre logistische Regressionsanalyse durchgeführt. Ich schlug vor, dass die höhere ethnische und sprachliche Fraktionierung zu einer höheren Wahrscheinlichkeit des Markteintritts durch M&As und JVs führt, während eine hohe religiöse Fraktionierung die Wahrscheinlichkeit des Markteintritts durch M&As und JVs verringert. Die endgültigen Ergebnisse unterstützten den Zusammenhang zwischen der ethnischen und religiösen Fraktionierung eines Landes und der Wahl des Markteintrittsmodus durch Ride-Sharing-Unternehmen, während die sprachliche Fraktionierung nicht unterstützt wurde.

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1. Introduction

Sharing economy is an innovative economic system that affects every aspect of human life by changing people's consumption habits from ownership desire to access-based consumption (Botsman & Rogers, 2011). The novel solutions that these business models propose caused an existential threat for their traditional counterparts (Marano et al., 2020) since, in general, these firms are known for providing more convenience and cost efficiency to their users compared to traditional demand fulfillment solutions (Fan et al., 2019; Henao & Marshall, 2019; Marano et al., 2020). Furthermore, since the value creation of these firms is based on the product and service capacity of individuals, they also provide an opportunity to their suppliers to earn profit from their idle assets and service capacity (Parente et al., 2018; Strømmen-Bakhtiar & Vinogradov, 2020).

Within the sharing economy business environment, ride-sharing is one of the leading sectors in worldwide popularity, number of users, and fast internationalization (H. J. Kim & Suh, 2021). These platform-based business models have match-making functionality by matching the rider with the nearest driver to fulfill the short-distance mobility demand of people (Dong & Leng, 2021). Ever since Uber was established, because the general public widely acclaimed its value proposition (Kooti et al., 2019; Parente et al., 2018), many other entrepreneurs have copied the business model, and nowadays, many local and international ride-sharing platforms operate around the world.

Such exponential growth and widespread popularity of these platforms have drawn the attention of scholars to explore the internationalization process of these firms to examine the applicability of the existing international business theories on the global expansion of sharing economy and ride-sharing platforms (Benito-Osorio & García-Moreno, 2021; H. J. Kim & Suh, 2021; Marano et al., 2020; Parente et al., 2018). However, although the market entry mode is a well-established topic of international business, scholars have overlooked it in their research since, in fact, up until recently, it was not a matter of concern within the sharing economy business environment.

Nevertheless, in my investigation of market entry modes of ride-sharing firms, I have noticed a new trend among these platforms to adopt other equity modes of market

entry than independent entry. Despite the lack of research on this trend and its reasons, previous studies on the market entry modes of platform-based businesses revealed that the perception of the ability to create, expand and sustain a user network in a new market is one of the determinants of market entry mode decision by these firms (Stallkamp & Schotter, 2021). Furthermore, it was argued by Brouthers et al. (2016) that instead of focusing on transaction cost, these firms would adopt a strategy that best fits their objective to convince people to join and participate on their platform. On the other hand, it has been suggested by Benito-Osorio & García-Moreno (2021) that focusing on the local condition of the host market, as its social characteristics, would reveal a better understanding of the internationalization of sharing economy firms. Furthermore, it was proposed by previous studies that the lack of embeddedness (Fan et al., 2019) and weak social ties (L. Chen et al., 2019; Fan et al., 2019; Frenken & Schor, 2017) are among the primary challenges on the way of ride-sharing firms to create and expand their user network in new markets.

Adopting these propositions, and after an in-depth exploration of various challenges that ride-sharing firms would face under different market scenarios, I have decided to center the focus of this master thesis on ethnic fractionalization and its relationship with ride-sharing firms' international market entry modes. Ethnic fractionalization would be a good indicator of the local condition of a market since it affects the political system, economic performance, and social structure of a country (Alesina et al., 2003; Alesina & La Ferrara, 2005) and at the same time, it would also affect the social ties and level of trust among the individuals within the society (Welch et al., 2007). According to Alesina et al. (2003), ethnic (in terms of ethnicity and race), language, and religion are three indices of ethnic fractionalization in a society. Hence, as follows, my research questions have been proposed accordingly.

RQ: What is the relationship between the international market entry modes of ride-sharing companies and the ethnic fractionalization indices of the host market?

Sub-RQ1: How the ethnic heterogeneity of the host market is related to the choice of market entry mode by the ride-sharing companies?

Sub-RQ2: How would the linguistic diversity of the host market relate to ride-sharing companies' choice of market entry mode?

Sub-RQ3: How is ride-sharing companies' international market entry mode related to the host country's religious diversity?

The primary objective of this master thesis is to answer these research questions. In doing so, Chapter 2 covers the previous literature, starting with the definition of sharing economy and its primary drivers, and provides the classification of its business models to illustrate the specs of this economic system. Next, the characterization of ride-sharing business models will be provided, followed by a summary of previous findings regarding the internationalization of ride-sharing platforms and their differences with classical international business theories. Afterward, we will proceed with the identification of the missions, objectives, and challenges that ride-sharing firms would face in their internationalization process, followed by an exploration of the possible effects of ethnic fractionalization on the performance of these platforms to deal with challenges and accomplish their objectives in the host market. Lastly, the formulated hypotheses will be presented and discussed to answer the research questions.

The third chapter describes the methodology in terms of sample data, data collection procedure, model design and variables, and the statistical method of the study. Based on the requirements of my research questions and hypotheses, a quantitative approach has been adopted by using secondary data and binary logistic regression analysis as the statistical approach to test my assumptions. Logistic regression is a commonly used method in international market entry modes studies.

Chapter 4 will provide the analysis results and the logistic regression coefficients, followed by the discussion and interpretation of the results. Lastly, in chapter 5, this master thesis will be concluded by describing the limitations, theoretical and practical contributions, and recommendations regarding future studies on this topic.

2. Literature review

2.1. Sharing economy: definition, drivers, and classifications

Sharing economy, or as it has been named in some articles, the collaborative economy, is a relatively new phenomenon that emerged on top of tremendous technological advancements over the last decade (Felländer et al., 2015), mainly the rise in the accessibility of the internet and smartphones (Böcker & Meelen, 2017; Demary, 2015; H. J. Kim & Suh, 2021). Even though most of the first thriving sharing economy firms, such as Uber and Airbnb, launched their business in the United States, the rapid international expansion of those enterprises, alongside the growing number of new sharing economy ventures worldwide, made it a global phenomenon (Schor, 2016). In addition, these business models have been characterized by the great potential of fundraising, fast international diffusion, and global consumer adaptation (Parente et al., 2018), which consequently have drawn scholars' attention to exploring its structure from different perspectives.

2.1.1. Definition of sharing economy

The sharing economy is not about offering new products to the market but proposing innovative solutions to fulfill the demands in a way that maximizes the productivity of underutilized goods and service capacities (Kosintceva, 2016). From the definitional aspect, the common standpoint among the scholars is to emphasize its role in efficiency maximization of the underutilized assets or service capacities as the primary determinant of sharing economy business models (Böcker & Meelen, 2017; Botsman & Rogers, 2011; Frenken & Schor, 2017; Schor, 2016).

However, despite the authors' identical understanding of the sharing economy logic, there are various representations of this phenomenon based on the distinct approaches scholars implemented to determine its scope and characteristics (Acquier et al., 2019). In this respect, a broad definition of this economic system has been provided by Schor (2016), whereby these business models have been defined as peer-to-peer or business-to-peer platforms that facilitate the efficiency maximization of

underutilized assets. However, such an interpretation of sharing economy has been criticized by scholars concerning the inclusion of business-to-peer mechanisms within the scope of sharing economy (Codagnone & Martens, 2017).

For instance, according to Botsman (2015), a sharing economy business model must be value-driven and aim to ease the release of the idle capacity of goods and services by creating a community of individual users based on mutual economic and social benefits. In another example, Felländer et al. (2015) defined this phenomenon as a platform-based business that reduces the transaction costs in the peer-to-peer exchange of underutilized resources. Finally, according to Petropoulos (2017), the sharing economy enables people to trade their underutilized assets by efficiently matching the supply side with the demand side on a platform. Thus, the core emphasis of these definitions is on the peer-to-peer nature of sharing economy, the idle status of the transacted resources, and the intermediary role of the platform to smooth these transactions. Hence, based on these definitions, a redistribution market platform like eBay is also within the scope of sharing economy.

In contrast with the above definitions, a narrower representation of sharing economy has been given by Frenken & Schor (2017), stressing the non-permanent access of private individuals to the underutilized physical assets as a crucial prerequisite of any sharing economy business model while granting permanent access to inefficient assets would not be an act of sharing since its outcome is the transfer of ownership.

The most comprehensive definition of this phenomenon, which is based on an in-depth exploration of the prior works of scholars on this topic, has been presented by Schlagwein et al. (2020, p. 818), in which the sharing economy has been defined as *"an IT-facilitated peer-to-peer model of commercial or non-commercial sharing of underutilized goods or service capacity through an intermediary without transfer of ownership."*

Hence, there are four distinct prerequisites for any business model to be considered a sharing economy. The first one is the intermediary role of the firm as a digital platform provider (Cockayne, 2016), which means that sharing economy firms do not own any assets or service capacities transacted on their platforms. Additionally, these firms often act as a middleman to connect the provider and consumer side of the transactions by granting adequate infrastructure and sufficient information to the involved parties to reduce their transaction costs of finding a reliable asset/service

provider and receiver (Felländer et al., 2015). Third, the transactions must be performed between two private individuals (Botsman, 2015). Finally, any transaction within the scope of sharing economy should not end up with the transfer of ownership (Eckhardt & Bardhi, 2016). Instead, the goods or services should only be accessible temporarily, which makes the provider able to continue sharing owned underutilized goods or service capacities and generate economic and social benefits.

2.1.2. Primary drivers of sharing economy

Although the upsurge of accessibility of the internet and smartphones has been named the primary drivers of sharing economy (Demary, 2015; Felländer et al., 2015; Möhlmann, 2015; Puschmann & Alt, 2016), there are other factors that alongside technological developments, helped to boost the popularity and fast international expansion of these business models. Therefore, this section will briefly summarize the previous works on this topic to identify the main drivers of sharing economy.

As has been already mentioned, the first and the most crucial factor influencing the fast expansion and mass adoption of sharing economy firms is the accessibility of the internet and smartphones (Demary, 2015; Felländer et al., 2015; Möhlmann, 2015). Without smartphones and a reliable internet connection, such companies would not survive since their business is heavily dependent on the internet as a medium of information flow and smartphones as a key to access the platform (Möhlmann, 2015).

The second driver of the sharing economy is the technological advancement of financial services (Felländer et al., 2015). The emergence of online payment methods provides new alternatives for people to perform financial transactions within the platforms, and thus it leads to ease of transactions and boosts the trust among strangers.

The rise of consumers' sustainability concerns and the financial crisis are known as other sharing economy drivers (Felländer et al., 2015). Nowadays, consumer preferences are shifting from ownership desire to access-based consumption (Botsman & Rogers, 2011). Consequently, people tend to consume more efficiently due to environmental concerns and the unstable global financial situation. These factors potentially increase the chance of sharing economy firms to become embedded

within the societies (Fan et al., 2019). However, there are numerous debates regarding these firms' actual social, environmental, and economic impacts.

Last but not least, the new online communication mediums boost the creation of communities and networks of users (Möhlmann, 2015). By enabling the rating and feedback systems within the platforms, sharing economy firms have solved the trust issues arising from individuals' concerns regarding dealing with strangers (Botsman & Rogers, 2011; Demary, 2015). Thus, within these platforms, users can share their experience of using a specific good or service, which becomes a reliable source of information to evaluate the quality of those goods or services offered by the various providers.

2.1.3. Classification of sharing economy business models

Numerous enterprises are operating within the scope of sharing economy or at least claiming to follow its mechanisms and values. These firms tend to name themselves a sharing economy primarily because of the positive effect of "sharing" on people's perception of those firms' possible environmental and economic impacts on societies (Acquier et al., 2019; Frenken & Schor, 2017). Furthermore, due to the novelty of this economic system and its great potential for expansion among various traditional business industries, the full capacity of its use-cases is still to be explored. Thus every day, we are witnessing the emergence of new startups expanding the sharing economy into the new business sectors (Demary, 2015).

Moreover, many scholars have argued that these firms' internationalization processes and motives may differ from the MNEs and do not necessarily follow the classical internationalization theories (Benito-Osorio & García-Moreno, 2021; Marano et al., 2020; Parente et al., 2018). Thus, accurate classification of these business models based on their features would be necessary to better understand their similarities and differences and study their internationalization process and the logic behind their market entry strategies. Later on, in section 2.3, I will conduct a detailed review of the various debates by academics regarding the internationalization of sharing economy firms, exclusively regarding ride-sharing businesses. However, for now, I will primarily focus on identifying the features of these business models.

A business model is a set of strategic decisions a company makes on various parameters of the value creation processes (DaSilva & Trkman, 2014). Within the sharing economy context, business models have often been classified based on the different interpretations of this phenomenon and its characteristics (Codagnone & Martens, 2017). Therefore, the multiplicity of opinions led to various categorizations of these business models, which often caused confusion, contradictions, and misinterpretations (Acquier et al., 2019; Codagnone & Martens, 2017).

For instance, assuming the peer-to-peer characteristic as a prerequisite and based on the for-profit and non-profit orientation of the firms, Codagnone et al. (2016) categorized these business models as *"true sharing"* and *"commercial peer-to-peer (P2P) sharing"*. While this categorization does not contradict the basis of the sharing economy phenomenon, it is so broad and general that it ends up with the placement of Uber and Airbnb under the same category (Petropoulos, 2017). Such placement also happened in the classification provided by Acquier et al. (2019), in which Airbnb, Uber, and Blablacar have been placed under the same category of *"matchmakers"*. Even though these companies are identical in some respects, like their intermediary role in facilitating the transactions among private individuals, they have many dissimilarities in other parameters such as the types of assets being transacted on their platform, the motivation of the consumers and providers involved in transactions, and their value creation mechanism.

Another example is the classification that has been provided by Botsman & Rogers (2011), in which these business models are categorized as *"product-service systems," "redistribution markets,"* and *"collaborative lifestyle."* The product-service systems refer to business models whose core objectives are maximizing asset utility, avoiding ownership costs, and creating alternatives to satisfy the needs. The redistribution markets are the business models that act as a marketplace for redistributing second-hand goods. Finally, the collaborative lifestyle refers to businesses that facilitate the exchange of tangible or intangible assets like time, space, and money, to generate social interactions (Botsman & Rogers, 2011). Such a categorization contradicts the sharing economy's primary basis in some respects. For example, the redistribution market category sharply contrasts with the ownership-transfer avoidance of sharing economy. Furthermore, the product-service system category overlaps the collaborative

lifestyle, where authors categorized Airbnb as a collaborative lifestyle business model (Botsman & Rogers, 2011), while it can also be considered a product-service system. Another issue with categorizing these business models is the confusion caused by the different interpretations of scholars from the same terms, such as "*on-demand*," to describe a set of characteristics that shape a specific business model. For instance, by classifying these business models as "marketplace," "access-based," and "on-demand service providers," Kosintceva (2016) placed ride-sharing businesses under the marketplace category based on their matchmaking role in connecting the supply and demand sides (Täuscher & Laudien, 2018). In contrast, many scholars often categorize ride-sharing platforms as on-demand business models (Audenhove et al., 2020; Benjaafar et al., 2019; Cosenz et al., 2021; Smith, 2016) based on the role of platforms in satisfying the instant ride demand of passengers. The primary reason for such a misinterpretation would be the fact that scholars often consider particular parameters as the determinants of the similarities and thus ignore the existing dissimilarities regarding other characteristics of those business models (Codagnone & Martens, 2017).

Thus, finding a common standpoint among scholars regarding the categorization of these business models is beyond the reach. For that reason, and to avoid confusion, instead of relying on a specific categorization of sharing economy, in this study, I would identify different elements considered by scholars in the classification of these business models. By adopting this approach, we would be able to understand the different mindsets regarding this issue and be able to have a more accurate perception of the various elements, which together would build a sharing economy business model. Consequently, we would also be able to characterize the ride-sharing business model as the core subject of this study.

Building on top of the "*key business model attributes*" provided by Täuscher & Laudien (2018, p. 321), to illustrate the features of constructing a sharing economy business model, I have created the following table (*Table 1*), which presents the company's strategic decisions based on the various features and the possible alternatives identified by academics in categorizing these economic systems.

Table 1: The bundle of strategic decisions by sharing economy firms

Features	Alternatives		
Market orientation	For-profit		Non-profit
Type of resources	Capital provider		Labor provider
Functionality	Marketplace		Matchmaker
Platform type	Website		Mobile app
Access cost	Free	Subscription	Commission
Pricing	By users		By platform
Service time urgency	Instant		Planned
Network externalities	Direct		Indirect
	Cross-country		Within-country
Value proposition	Economic	Social	Environmental

2.1.3.1. Market orientation

The platform orientation indicates whether the company primarily aims to create and distribute economic, social, and environmental values (Schor, 2016). This policy is one of the first strategic decisions a sharing company must make based on the nature of the goods and services offered on its platform. Accordingly, a sharing economy firm might be for-profit or non-profit oriented (Acquier et al., 2019; Codagnone & Martens, 2017; Petropoulos, 2017; Schlagwein et al., 2020; Schor, 2016). For-profit companies are the firms that aim to maximize and distribute economic values, while non-profit firms are characterized as generating social and environmental values (Acquier et al., 2019).

2.1.3.2. Types of resources

The supplier side of sharing economy platforms are either asset providers or labor providers (Apte & Davis, 2019; Strømmen-Bakhtiar & Vinogradov, 2020). Asset provider platforms are the ones that facilitate the rentals of privately owned physical assets and properties. Airbnb is one of the best-known asset provider platforms. The main competitors of such platforms are traditional enterprises that offer the same services in old fashion ways, like hotels in the case of Airbnb. The provider side of such

platforms is often high-income individuals who offer the temporary use of their capital assets like houses to the persons in need of those assets (Strømmen-Bakhtiar & Vinogradov, 2020).

In contrast, labor provider platforms primarily facilitate the utility maximization of idle labor capacity of individuals (Strømmen-Bakhtiar & Vinogradov, 2020). Uber is an excellent example of such a platform that plays the role of matchmaker between individuals with idle labor capacity and those who require their service. The provider-side of these platforms are primarily individuals from lower social classes who would be attracted to these platforms to have a better income (Strømmen-Bakhtiar & Vinogradov, 2020). Therefore, such platforms are more likely to face various legitimacy issues since they cause severe challenges for regulatory bodies concerning the labor market laws, and their outstanding value proposition brings an existential threat to their traditional counterparts. In sub-section (2.4.3), we will further analyze these legitimacy issues in more detail.

2.1.3.3. Platform type and functionality

Generally, access to the platform would be granted to the participants of sharing economy firms via the website, mobile apps, or both (Benito-Osorio & García-Moreno, 2021; Strømmen-Bakhtiar & Vinogradov, 2020).

Sharing economy platforms either act as a marketplace or a matchmaker. Marketplace platforms often act as a digital market in which individual providers list their offers, and with the help of various filtering possibilities, receivers would be able to search and find the best-suited offers to satisfy their needs. Consequently, these platforms do not usually intervene in the transactions. For example, Airbnb is a marketplace platform for accommodation and local experiences.

On the other hand, by using complex algorithms, matchmaking platforms often work as an agent that directly matches the transaction's demand and supply side. For instance, ride-sharing platforms receive the ride request of passengers and match them with the most suited drivers available at that specific time and location. However, accepting or rejecting the offers would still be left to the drivers.

2.1.3.4. Revenue generation mechanisms and access cost

The users of sharing economy platforms either have free access, access by paying a subscription fee, or a percentage of their successful transactions (Täuscher & Laudien, 2018).

The revenue streams of free access platforms are governmental help, public donations, or advertisements (Täuscher & Laudien, 2018). This mechanism is mainly related to non-profit organizations and state-owned platforms. The second option would be to charge subscription fees to the platform participants. Companies like Couchsurfing use this policy to generate revenue and cover operational expenses. Finally, according to Täuscher & Laudien (2018), the most popular method is to charge a percentage of each successful transaction (commission fee) to one or both parties involved in that transaction.

2.1.3.5. Pricing mechanism

Pricing is one of the crucial competitive advantages of sharing economy platforms in almost all business sectors. The relatively lower price of the assets and services offered on sharing economy platforms compared to the traditional ways to fulfill those demands (Wirtz et al., 2019) is not only one of the main influential factors in their popularity among the users but also is known as one of the main strategic advantages of these firms in fast global expansion.

Generally speaking, these platforms have two policies in pricing the assets and services. The first scenario is that the participants decide the price of assets and services (Täuscher & Laudien, 2018). The price would be negotiated between the provider and the receiver in this situation. This mechanism is mainly deployed by platforms like Airbnb, which act as a marketplace to match the pre-planned demands of receivers with the offers provided by the suppliers. The second alternative is that the company decides the price of each asset or service provided on its platform (Täuscher & Laudien, 2018). Such a pricing policy is primarily the case in on-demand sharing economy firms, as in food delivery and ride-sharing sectors, where the demand is not pre-scheduled and needs to be instantly fulfilled (Dong & Leng, 2021). Under this situation, leaving the price decision to the participants may increase the risk of failure since the higher service price would encourage the demand-side to use other substitute alternatives such as taxi services in case of ride-sharing platforms, and a

lower price would discourage the suppliers from participating and making their asset and service capacity available on the platform (Dong & Leng, 2021). Thus, on-demand sharing economy platforms need to find and set the optimal price for each transaction, which delivers sufficient benefits to both the supplier and receiver side of each transaction (Dong & Leng, 2021; Furuhata et al., 2013).

2.1.3.6. Service time urgency

Whether the asset or service provided on the platform has an on-demand nature or pre-planned nature is another feature of any sharing economy platform. The on-demand sharing platforms are the ones that fulfill the instant need of their receiver side (Smith, 2016). The primary example of these platforms is ride-sharing firms that fulfill passengers' instant ride requests to move from point A to B by matching them to the nearest active drivers (Dong & Leng, 2021). On the other hand, pre-planned demands are usually less time-sensitive, so the receiver side has time to explore alternatives and choose the best-matched offer on the platform (Dong & Leng, 2021). Airbnb is an example of a platform that provides a directory of accommodation possibilities to individuals seeking short-term rentals.

2.1.3.7. Network externalities

The network effect of sharing economy platforms is one of the essential factors influencing these firms' market creation, international expansion, and market entry strategy (Stallkamp & Schotter, 2021). Based on network externality theory (Wirtz et al., 2019), the sharing economy platforms either have direct or indirect network effects among their users. The direct network externalities refer to the situation where the network of platform users is identical in their motivation to participate in the system. In contrast with direct network externality, by indirect network externalities, the incentives of the providers and receivers contributing to the system differ from each other. The main issue with such a system is primarily in creating the network of users because the motivation of each party to join the network primarily depends on the number of current network members of the other party (Brouthers et al., 2016).

Furthermore, Stallkamp & Schotter (2021) also emphasized the role of network externalities in platform business models' choice of market entry mode by stressing another aspect of the network effect, namely the within-country and cross-country network externalities. Such a framework distinguishes the user networks of sharing

economy platforms based on the firms' ability to utilize their current users in other markets when entering a new market. Based on this feature, a platform with within-country network externalities would not be able to use its existing network of users in the new markets (Stallkamp & Schotter, 2021). Thus, these platforms need to create a new network of users in their international expansion. On the flip side of the coin, cross-country network externalities refer to the ability of the platform to use its existing network of users to expand into new markets and communicate its value proposition with the potential users (Stallkamp & Schotter, 2021).

2.1.3.8. Value proposition

Within the sharing economy context, the network of users consists of individual suppliers as the complementary resource providers in the value creation process and consumers as the receivers (demanders) of the offered assets and services on the platforms.

What kind of value users of a platform receive in return for their contribution plays a crucial role in their willingness to join a network. In principle, economic, social, and environmental values are the three incentives that convince individuals to join the sharing economy platform's network (Böcker & Meelen, 2017). However, each factor's degree of importance depends on the sharing economy sector, economic condition, and the socio-demographic group of users and varies between providers and receivers of the resources (Böcker & Meelen, 2017).

2.2. Characterizing the ride-sharing business models

Sustainable mobility is one of the major concerns governments deal with due to increasing population and density, notably in urban areas (Cohen & Kietzmann, 2014). To tackle the relevant issues like congestion and negative environmental consequences of single-occupied vehicles like air pollution, governments often employ various mobility policies like the expansion of public transportation infrastructures and the promotion of physical activity-based solutions like the use of bicycles. However, such solutions are mostly time-consuming and costly.

Therefore, ride-sharing in the forms of non-profit carpooling and vanpooling has been risen as an alternative to address these issues (Chan & Shaheen, 2012) by focusing on the social and environmental benefits of these mobility alternatives among the co-workers, relatives, or family members with the similar commute destinations and routes (Chan & Shaheen, 2012). The main characteristic of such ride-sharing mechanisms is not to generate economic gains for the drivers but to promote the sustainable consumption of limited resources (Chan & Shaheen, 2012), while it provides a more convenient mobility alternative than public transportation (Furuhata et al., 2013). Nevertheless, such ride-sharing systems lack widespread adoption since they cannot generate sufficient motivation for the participation of individuals (Furuhata et al., 2013). On the other hand, the commercial (for-profit) mode of ride-sharing emerged as an innovative solution to the existing mobility deficiencies, aiming to change the transportation habits of the population by convincing individuals to use these platforms as a cheaper and more environmentally friendly alternative for short-distance travels (Cohen & Kietzmann, 2014; Tirachini, 2020). In contrast with the non-profit types of ride-sharing, commercial ride-sharing generates economic gains for the drivers, making it one of the most thriving sharing economy sectors in fast user adoption and internationalization. The aggressive global expansion of Uber in the early days, alongside the evolution of numerous local and international ride-sharing platforms, indicates the increasing popularity of these innovative mobility solutions (Kooti et al., 2019). Furthermore, unlike other sharing economy areas, commercial ride-sharing has beheld a more substantial number of successful internationalized firms, which is one of our primary motivations to focus on these business models.

There are various attempts by scholars to explore the structure of ride-sharing systems by investigating their roots and backgrounds (Chan & Shaheen, 2012; Eckhardt & Bardhi, 2016; Furuhata et al., 2013), the effects of technological advancements on its growth (Watanabe et al., 2016), its impacts on the labor market (Bokányi & Hannák, 2020; J. Y. Chen, 2018), the society (Malhotra & Van Alstyne, 2014), and the environment (Caulfield, 2009; Cohen & Kietzmann, 2014), as well as the various parameter influencing its success such as the business model (Audenhove et al., 2020; Cachon, 2020; Smith, 2016; Yun et al., 2020), the geographic location of the market (Thebault-Spieker et al., 2017), the demographic characteristics of users (Clewlow & Mishra, 2017; Kooti et al., 2019; Thebault-Spieker et al., 2017), and their motives

(Codagnone et al., 2016; Cosenz et al., 2021; Young & Farber, 2019; Zhu et al., 2017) to use these platforms.

Ride-sharing companies like Uber, Didi, and Lyft, are often for-profit enterprises whose revenue stream is the commission they receive from the successful transactions on their platforms (Watanabe et al., 2016). The percentage of the commission these platforms receive would be static (Cosenz et al., 2021) or dynamic (Uber, 2020b). The platform would charge a fixed percentage of each ride to the driver by a static mechanism. In dynamic mode, the final deducted commission would be determined after calculating the difference between the upfront price charged to the passenger based on the estimated time and distance and the final earning of the driver based on the actual time and length of travel (Uber, 2020b). Furthermore, pricing is one of the significant issues ride-sharing platforms must deal with. The previous studies regarding the pricing mechanism of ride-sharing platforms revealed that compared to static pricing, dynamic pricing would generate higher gains not only for the platform but also for the drivers and passengers as well (Cachon et al., 2017; Dong & Leng, 2021).

Consequently, ride-sharing platforms mostly use a dynamic pricing system (surge pricing) to calculate the price of each ride based on distance, duration, traffic, demand peak times, and the actual number of available drivers in specific locations, using live information, machine learning, artificial intelligence, and complex algorithms (Kooti et al., 2019; Smith, 2016). Thus, the platform is responsible for determining the optimal price of each service to benefit both driver and passenger. Furthermore, the payment to the drivers often takes place on a weekly basis, whether based on the active time and distance traveled by a driver or the sum-up of the total earnings during the week (Kooti et al., 2019).

The idle resource transacted on these platforms is the labor capacity of car owners, who offer their service in return for the freedom of working hours and better economic gains (Yun et al., 2020). Furthermore, the role of these on-demand platforms is to expedite the instant demand fulfillment of riders by pairing them with the best-suited drivers at a specific time and location (Smith, 2016) using the live location tracking systems (Watanabe et al., 2016). Thus, users of ride-sharing platforms need to have the platform's application on their smartphones and internet access.

Moreover, Ride-sharing platforms have indirect network externalities, which means that the demographics and incentives of the demand-side and supply-side of these platforms are not identical (Kooti et al., 2019). In this regard, a demographic study of Uber users in the US by Kooti et al. (2019) revealed that in comparison with the drivers, riders of Uber in the US are from higher social classes with higher income and more likely to belong to white ethnic group (Sikder, 2019). In addition, the gender distribution of riders is more balanced than drivers. Furthermore, riders are, on average, 7.3 years younger than the drivers, And the probability of a randomly selected driver being from an ethnic minority is five-time greater than randomly selected riders (Kooti et al., 2019). Interestingly, almost similar results have been presented in a study of Uber riders demographic in Canada by Young & Farber (2019), in which the ride-sharing system has been named an attractive option for the millennial generation and less popular among older people or ethnic minorities (Sikder, 2019). Nevertheless, as the authors also indicated, the applicability of these findings in other regions is subject to further investigation.

The number of studies regarding the incentives of riders to adopt the ride-sharing platforms shows that among the others, the cost efficiency, time efficiency, more convenience than public transportation, avoiding driving after alcohol consumption, and searching for parking slots are the common reasons among the riders of ride-sharing platforms to use these mobility services (Fan et al., 2019; Henao & Marshall, 2019; Tirachini, 2020). On the other hand, the primary motivation of drivers to join the platform is the freedom of working schedule and economic gains (Henao & Marshall, 2019).

Moreover, it has been pointed out by scholars that word-of-mouth is one of the primary marketing strategies implemented by ride-sharing firms to attract new drivers and riders to the platform (Cheah et al., 2022; Cosenz et al., 2021; Evers & Gundersen, 2018; Reillier & Reillier, 2017; Shaheer, 2020). Besides, by using digital social media platforms like Instagram and Facebook (Widyatama et al., 2020; Yunus et al., 2019), promotional campaigns and discounts (Garud et al., 2022; Widyatama et al., 2020), and referrals incentives (Garud et al., 2022), ride-sharing platforms boost the information flow among the potential drivers and riders in the market, to better leverage the word-of-mouth effect on the expansion of user network.

Besides, ride-sharing platforms would leverage some extent of cross-country network externalities. In this regard, the supply side of these platforms has within-country network externalities, which means that these platforms would not be able to use their existing drivers in another market to promote their service in a new market. Nevertheless, the riders' side of these platforms, such as international commuters, can promote the platform in new markets and convince the “*shadow users*” to join the network (Brouthers et al., 2016; Shaheer, 2020). Also, since the digital social channels are the primary medium of information flow and marketing for ride-sharing platforms (Cheah et al., 2022), these platforms would use the iconic persons or digital content creators and influencers of a new market to promote their service and value proposition among the potential users of that market (Brouthers et al., 2016).

Finally, the geographic study of the ride-sharing popularity in the US shows that the ride-sharing, in general, is more popular and frequently used in urban areas with higher population density and wealthier neighborhoods (Thebault-Spieker et al., 2017), where congestion is a major issue, compared to sub-urban areas (Clewlow & Mishra, 2017).

2.3. Ride-sharing and classical international business (IB) theories

Ride-sharing firms like Uber are the role model for many entrepreneurs in expanding the sharing economy into new sectors (Smith, 2016). The fast global diffusion and mass adoption of ride-sharing platforms during the last decade has drawn much attention from academics to explore the internationalization process of these business models, predominantly based on the internationalization pattern of Uber as a leading company in the ride-sharing sector. In this regard, earlier studies mainly centered on the global expansion process of ride-sharing business models by contrasting its characteristics and motives with traditional MNCs and comparing their internationalization process with the classical IB theories (Benito-Osorio & García-Moreno, 2021; Brouthers et al., 2016; Nambisan et al., 2019; Stallkamp & Schotter, 2021; Yonatany, 2017).

Among the others, the market entry modes are among the core topics of international business studies. However, although MNCs' foreign market entry modes are one of the extensively researched and well-structured fields of international business,

surprisingly, there is a massive gap in previous studies regarding the market entry modes of ride-sharing firms (Stallkamp & Schotter, 2021). Therefore, in this chapter, I discuss the earlier findings regarding the internationalization characteristics of ride-sharing platforms to identify the influential parameters on these firms' choice of market entry mode and formulate my study hypotheses accordingly.

However, although market entry mode is a broad topic and mostly unexplored within the sharing economy context, due to the scope limitation of this study, it is not possible to cover all the aspects of this subject. Instead, I will mainly focus on the embeddedness aspects of market entry issues and their relation to the ethnic diversity of the host market since the network of users has been named the essence of international success or failure of sharing economy businesses (Brouthers et al., 2016; Parente et al., 2018; Reillier & Reillier, 2017). Such a framework has also been suggested by (Benito-Osorio & García-Moreno (2021), indicating that focusing on the local condition of a market, such as its social characteristics, would be a better approach to understanding the internationalization of sharing economy firms.

2.3.1. The internationalization process theories

2.3.1.1. Uppsala Model

The internationalization of ride-sharing firms differs from the traditional MNCs in various aspects. From the internationalization process perspective, these firms do not follow the gradual expansion patterns introduced by classical IB theories like the initial version of the Uppsala model (Johanson & Vahlne, 1990). According to the Uppsala model, the internationalization process begins with lower commitment modes of market entry and gradually expands to the more resource involvement modes alongside the firm's knowledge development regarding the foreign markets (Johanson & Vahlne, 1977, 1990). However, the global diffusion pattern of ride-sharing firms shows a different process since Uber's internationalization is a counterexample of this theory. According to Kim & Suh (2021), Uber stands out as one of the leading sharing economy companies with an aggressive internationalization policy, where the company entered more than 20 foreign markets during the first five years of its establishment.

Furthermore, from the early stages of its global expansion, Uber has adopted the highest commitment and involvement policy as its market entry mode. In this respect,

Brouthers et al. (2016) argue that, in contrast with the traditional MNCs, ride-sharing platforms do not much suffer from the risks that stem from the lack of foreign market knowledge since the local users are the two sides of interactions and transactions on these platforms. Thus, the market knowledge deficiency is an obsolete factor in the internationalization process and market entry choice of ride-sharing platforms (Parente et al., 2018).

The latterly revised version of the Uppsala model presented by Johanson & Vahlne (2009) seems more consistent with the global diffusion of ride-sharing firms by stressing the quality of networks as a determinant of the internationalization process. In this regard, ride-sharing firms have been characterized as pure market seekers in their international expansion (Parente et al., 2018), complying with the revised version of the Uppsala model. However, it still lacks the focus on the impacts of users' network quality, especially the individual suppliers as supplementary resource providers in the value creation process on the global expansion of these business models, which is more relevant to the internationalization of sharing economy firms.

2.3.1.2. Eclectic Paradigm

The eclectic theory by Dunning (1979), on the other hand, would be a good starting point to study the internationalization of sharing economy firms, according to (Parente et al. (2018). Building on top of OLI theory (Ownership, Location, and Internalization), these authors suggest that the O advantages of sharing economy firms are their intangible assets like marketing capabilities, brand name, and unique technology. Compared to traditional MNCs, the L advantage is less relevant in sharing economy context since the market attractiveness is the primary ground for their international expansion. Finally, in contrast with the traditional MNCs, the I advantage of sharing economy firms is not based on transaction cost reduction but on creating and coordinating the network of users, which would be attainable through internalization of technologies and platform management (Parente et al., 2018).

2.3.2. The classical theories of market entry modes

2.3.2.1. Transaction cost view

Transaction cost theory is one of the major frameworks in studying MNCs' international market entry modes. The two most appreciated works on the development of transaction cost theory have been done by Coase (1937), in which the cost of using the price mechanism determines the likelihood of firm establishment, and Williamson (1975), which emphasized the importance of transaction costs of market contracts compared to hierarchy on the firm's strategy to maximize its efficiency. In this regard, according to Anderson & Gatignon (1986), the market entry mode of a corporation is shaped based on the minimization of its transaction costs arising from Internal and external uncertainties, behavioral uncertainties, and asset specificity. However, scholars have argued that some of these parameters are less relevant for ride-sharing platforms.

For instance, as Stallkamp & Schotter (2021) stated, digital platforms would experience lower transaction costs caused by factors such as coordination and transportation costs. Furthermore, ride-sharing firms may face lower liability of foreignness caused by psychic distance when entering the foreign markets (Yonatany, 2017). Even critical factors like cultural distance and institutional instability of host markets have not hindered their aggressive market-seeking approach to global expansion (Parente et al., 2018). Moreover, as I have already mentioned, some internal uncertainty factors like lack of market knowledge are less relevant in ride-sharing firms' choice of entry mode since the provider-side of these platforms are local drivers with sufficient understanding of the market (Brouthers et al., 2016; Yonatany, 2017). On the other hand, ride-sharing firms may face transaction costs arising from the necessity to adapt their platforms to the cultural and institutional specifications of the host market (Parente et al., 2018; Shaheer, 2020; Stallkamp & Schotter, 2021), as well as costs associated with building a network of participants (Brouthers et al., 2016; Parente et al., 2018; Yonatany, 2017).

2.3.2.2. Resource-based view

As presented by Barney (1991), the resource-based theory argues that the firms' resources, which are considered the sources of sustained competitive advantages, are

not purchasable through the market and thus should be controlled internally. Based on the resource-based view of market entry modes, the transferability of companies' bundle of resources determines the market entry mode of MNCs (Sharma & Erramilli, 2004). Thus, the higher transferability of those resources increases the probability of market or network modes of entry and vice versa (Sharma & Erramilli, 2004). However, such a framework would not be compatible with the structure of ride-sharing firms (Parente et al., 2018). In contrast with the traditional MNCs, ride-sharing companies are asset-light enterprises (Evans & Gawer, 2016) that usually do not own any physical assets like vehicles (Brouthers et al., 2016; Shaheer, 2020). And instead, the offered assets and service capacities are owned by local drivers who interact with riders on these intermediary platforms (Furuhata et al., 2013; H. J. Kim & Suh, 2021).

Furthermore, although Parente et al. (2018) indicate that these firms' leading technology and Intellectual properties are their competitive advantage, they further argue that such advantages are not rare and unattainable. Hence, these firms must show more willingness to use the network modes of market entry. However, in practice, sharing economy firms show more tendency to internal modes of market entry since their main competitive advantage is to own a great network of users (Parente et al., 2018; Shaheer, 2020).

2.3.2.3. Institutional view

The institutional view is one of the main frameworks for studying firms' strategic management and economic performance. One of the most cited works regarding the effects of institutions on the economic performance of firms was presented by North (1990), in which the author emphasized the importance of formal and informal rules in shaping the interactions within a society. According to the institutional view of market entry modes, higher institutional stability and well-structured foreign market regulations lead to the greater equity involvement of MNCs in that market (Meyer et al., 2009; Meyer & Peng, 2005). Within the sharing economy context, although none of the previous studies have focused explicitly on the relationship between institutional conditions and market entry modes of sharing economy firms, the positive effect of institutional stability and the rule of law on the market selection of these firms have been approved. In this respect, Kim & Suh (2021) argue that the historical analysis of Uber's international expansion reveals the institutional and legal stability of the foreign

market had a positive relationship with its foreign market selection since such institutional stability decreases the risk of uncertainty and makes the potential future regulations more predictable.

Concluding the above arguments, we can say that the classical IB theories are not fully capable of justifying the internationalization process (Benito-Osorio & García-Moreno, 2021; Marano et al., 2020) and the logic behind the choice of entry mode by ride-sharing businesses (Brouthers et al., 2016; Parente et al., 2018). The primary deficiency of the classical IB and market entry theories is that those theories are mainly structured based on the value creation process of traditional MNCs in which the individuals have been seen as the end consumers.

However, sharing economy firms would experience different situations in their global expansion, primarily because of the essence of their business models, which is their network of users as the end consumers of their product and service and complementary resource providers in their value creation process. Thus, to illustrate the logic behind the choices of market entry mode by ride-sharing platforms, we need to implement a new approach by focusing on the factors that possibly affect their performance in creating and expanding their user networks within a new market.

2.4. Market entry modes of ride-sharing enterprises

As I have already mentioned, there is a shortage of academic resources regarding ride-sharing enterprises' international market entry modes. One reason for such scarcity would be the belief that ride-sharing firms are aggressive market-seekers (Parente et al., 2018) with a "winner take all" or "winner takes most" mindset (Constantinides et al., 2018). Moreover, since the expansion of users' network, the creation of a great database of participants-related information, internalization of the platform's technological development and management, and customer service are known as the key competitive advantages of these platforms, using market modes of entry by these firms seemed irrational to the scholars.

In its early stages, ride-sharing platforms like Uber's entry mode choices are consistent with such a mindset. However, scholars have outlined that such a trial-and-error

strategy was to avoid the risk of creating competitors who could easily copy those business models (Brouthers et al., 2016). On the other hand, the current situation of these firms seems quite different. The market failure of Uber in China, the acquisition of Careem (a UAE-based ride-sharing platform) by Uber, the joint venture agreement between Yandex (a giant Russian ride-sharing platform) and Uber, and so many other examples reveal that the appropriate choice of market entry mode is still a matter of concern, even in a highly digitalized business sector like ride-sharing.

To illustrate this issue, first, I will explore the possible market scenarios at the time of entry by ride-sharing firms, followed by an in-depth exploration of the factors influencing the performance of ride-sharing firms in their internationalization.

Instead of focusing on transaction cost reduction, sharing economy firms would adopt a strategy that best fits their objective to create and expand their network of users (Brouthers et al., 2016). thus, the choice of market entry mode for these firms depends on their perception of the chance of success or failure in creating and expanding such a network (Stallkamp & Schotter, 2021). Therefore, by identifying these influential factors, we would further investigate their relationship with the market entry modes of ride-sharing platforms.

2.4.1. The market scenarios

The entrance of a ride-sharing platform in a foreign market would happen under three distinct market situations (Brouthers et al., 2016). The first case is when no other identical platform operates in that market. The main advantage of such a market is the ability of the platform to leverage the first-mover advantages (Brouthers et al., 2016). On the other hand, being the first is not necessarily an advantage within the ride-sharing context. Even though first movers do not suffer from intensive competition when entering a foreign market, these firms may face various legitimacy-related obstacles from direct and indirect stakeholders (H. J. Kim & Suh, 2021; Marano et al., 2020). Hence, by being the first mover, the primary mission of the platform would be to properly promote its value proposition to society in a way that motivates the potential users to join the network and contribute to the platform (Brouthers et al., 2016). From the market entry mode perspective, the global expansion history of Uber (H. J. Kim &

Suh, 2021) shows its willingness to establish a wholly-owned subsidiary in the host market, despite the risk of unprecedented legitimacy-related issues, given the attractiveness of the market.

The second market scenario is where one or few dominant competitors exist (Brouthers et al., 2016). In this situation, although society would be familiar with the benefits of using the platform, the main issue would be to motivate the current network members of other competitors to join the network of platform users. While the competitors are already embedded in the society, the new entrant would greatly suffer from the liability of outsidership, which increases the risk of failure (Brouthers et al., 2016). Therefore, the primary concern of these firms would be to choose an entry mode that best results in reducing the transaction cost of their users (Codagnone & Martens, 2017; Cosenz et al., 2021), such as users switching costs from a competitor's platform (Brouthers et al., 2016).

The third scenario would be when other rivals are already operating in the market, but none of them has a dominant position (Brouthers et al., 2016). Such a market would be volatile since the risks of legitimacy issues (Marano et al., 2020) are not absorbed by a dominant player. Nevertheless, these markets provide an excellent opportunity for the entering platform to gain its market share by differentiating its value proposition (Brouthers et al., 2016) to solve the outsidership problem and become embedded in the society.

Concluding the above arguments, the "liability of newness" (Marano et al., 2020), the "liability of disruption" (Marano et al., 2020), and the "liability of outsidership" (Brouthers et al., 2016) are the primary liabilities that sharing economy platforms would face under the different market scenarios. Consequently, these liabilities would be the three concerns a ride-sharing enterprise should consider when entering a foreign market.

2.4.2. Liability of newness

The liability of newness refers to the difficulties young enterprises face due to their lack of experience compared to old ones within a specific market (Stinchcombe, 2000). Such liability would lead to the failure of young firms in new markets (Marano et al., 2020), especially in the case of sharing economy firms that follow the fast global

expansion into the unregulated new markets with the unstable rule of law, which makes them vulnerable against unexpected complexities. Specifically, where a dominant rival has already penetrated the market, the new ride-sharing entrant would be more vulnerable due to its weak social ties in that market compared to its dominant competitors (Marano et al., 2020). Thus, in what circumstances a ride-sharing platform would still decide to enter these markets independently is a question that needs to be answered.

2.4.3. Liability of disruption

The liability of disruption is a new phenomenon that has been defined by Marano et al. (2020, p. 192) as “*the additional costs of doing business abroad that stem from the disruptive nature of an internationalizing firm's business model as it seeks to achieve and maintain legitimacy in the host country*”. The ride-sharing platforms are innovative business models with the ability to deliver greater value to their users, bringing existential challenges to the traditional Taxi services sector. Furthermore, the market entry of these platforms often revolutionizes the whole industry since their business models are not compatible with existing norms and regulations (Marano et al., 2020). Thus it causes various internal and external legitimacy challenges for these platforms (Fan et al., 2019). For example, a case study of Uber in China revealed that while the main focus of Uber in the Chinese market was to address the external legitimacy issues, the main reason for its failure arose from its internal illegitimacy (Fan et al., 2019).

According to Marano et al. (2020), The challenges emerging from the liability of disruption can be in the forms of “*regulatory pushback*,” “*Incumbents’ pushback*,” and “*social pushback*.” The regulatory pushbacks refer to the regulatory obstacles regarding the legality of these “destructive business models” and their compliance with existing rules and laws (Marano et al., 2020). For instance, In 2021, the Nigerian regulatory body assigned a committee to investigate ride-sharing platforms' compliance with the country's existing tax law (Baiyewu, 2021). The degree of such pushbacks is mainly dependent on the state’s perception of the costs and benefits of

these innovative business models and varies across different political systems (Marano et al., 2020).

The Incumbents pushback is another form of resistance that interrelates with the regulatory pushback (Marano et al., 2020). Ride-sharing platforms provide a superior solution to the transportation problem of the societies, with relatively lower prices and more convenience compared to traditional taxi services (Smith, 2016). Such a great value proposition may cause debates regarding the unfairness of the competition in the market, which sometimes leads to demonstrations by taxi drivers to push the authorities to level the playground by enforcing new regulations for ride-sharing platforms (Marano et al., 2020). In my research regarding the incumbent's pushback, I identified two scenarios the market entrant would face with traditional taxi services.

The first situation is when the platform offers a better economic incentive to its drivers than the traditional taxi service companies. Under such circumstances, the existing taxi drivers could potentially become the service providers of the platform, given that the platform implements a proper strategy to communicate the economic advantages of joining its network of service providers. For instance, the study of the Didi in the Chinese market revealed that by highlighting its ability to increase the service frequency and decrease the idle time, the platform became so popular among the taxi drivers and convinced a large number of drivers to join its network of service providers (J. Y. Chen, 2018). Therefore, such a market situation would decline local taxi companies' power to challenge the ride-sharing platforms. However, in this situation, the taxi drivers who joined the network would still potentially resist the private car owners from becoming the service provider of the platform (J. Y. Chen, 2018).

The second scenario happens when traditional taxi service providers deliver better economic gains to their drivers than ride-sharing platforms (Ključnikov et al., 2019). In this situation, there would be great resistance by taxi drivers to forbid the operation of the ride-sharing platforms since these platforms are a direct threat to their existence. The uninterrupted protests by taxi drivers across the western European countries against the presence of Uber are just a few examples of many disputes ride-sharing platforms are dealing with.

Such pressure on the regulatory bodies would have two possible outcomes. The first one is when the state decides to intervene by regulating the sector to decrease the

level of unfairness. The enforcement of the mandatory taxi driver's license for ride-sharing drivers by Germany and Austria in 2019 is an example of such intervention by states. A more confrontational outcome would be where such disputes lead to states' total ban of these platforms' operations. For instance, in 2021, the Belgium court banned Uber's operation in Brussel (Forbes, 2021).

In this regard, the previous case study of the Uber and Blablacars' presence in Spain indicates that the "*category priming*" is one of the factors that influence the perception of the societies toward the entrant platforms, which refers to "*the spontaneous activation of attitudes and behaviors associated with a specific category*" (Aversa et al., 2021, p. 1746). According to this study, in 2014, both platforms were accused of unfair competition with their traditional incumbents by Spanish incumbent associations. In the end, while the verdicts banned the Ubers operation in Spain, surprisingly, Blablacars was discharged from accusation (Aversa et al., 2021). By investigating the reasons for such pluralized verdicts, the author found that the strategic categorization of Uber was "incumbent-focused" and "economic-categorization," while Blablacar implemented an "emerge-focused" and "non-economy categorization" strategy. Hence, to some extent, the self-categorization of these companies affected the outcome of the court (Aversa et al., 2021).

The third sort of liability of disruption for ride-sharing platforms entering a market is the social pushback, which mainly stems from communities' skepticism regarding these firms' social, economic, and environmental impacts (Marano et al., 2020). Such resistance often triggers the internal network condition of these platforms concerning the labor protection, consumer protection, or environmental impacts of these firms. For example, a long-debated dispute regarding the unfairness of the contractual relationship of the ride-sharing platforms and the self-employed status of drivers led to a resolution by the EU to mandate the employment of these drivers by platforms across EU states (European Commission, 2021). Another instance of such pushbacks is the consumer protection activists who pushed the drivers' background check mandate across the US states concerning the safety of the ride-sharing passengers.

Nevertheless, despite the challenging nature of these pushbacks, the previous studies show that ride-sharing platforms would still prefer to enter such a market (Brouthers et al., 2016; Fan et al., 2019; H. J. Kim & Suh, 2021; Kozlenkova et al., 2021; Parente et al., 2018) if the market seems attractive.

2.4.4. Liability of outsidership

In contrast with the liability of foreignness, which has been argued to have a lower effect on the internationalization of ride-sharing firms (Marano et al., 2020; Yonatany, 2017), the liability of outsidership has a significant impact on the performance of the platform in a new market (Brouthers et al., 2016). The individual's perception regarding the chance of success or failure of a platform to expand its user network affects their decision to join or ignore that platform (Brouthers et al., 2016). Such a problem arises due to the lack of social ties and embeddedness in the new market. The outsidership obstacle is also interrelated to the liability of disruption caused by the legitimacy issues since having a solid social basis is the backbone of a platform to deal with various unexpected regulatory obstacles.

Thus the primary mission of ride-sharing platforms entering a new market is to become embedded in the society (Fan et al., 2019) by 1) delivering adequate information to the potential drivers and riders 2) regarding the advantages of joining the network of platform users, 3) in order to convince them to trust the platform and its capabilities, which in turn would transform the firm's status from outsider to insider (Brouthers et al., 2016) and generate internal and external legitimacy (Fan et al., 2019; Marano et al., 2020), and lead to mass adoption. Consequently, I argue that the market entry mode of ride-sharing firms would be based on the potential capacity of the host market to ease the completion of these missions. To predict the potential capacity of the host market, ride-sharing platforms first need to understand the societal structure of the host market.

To this end, as has also been suggested by scholars, embeddedness is a crucial factor for a ride-sharing platform to overcome various liabilities within a new market (Fan et al., 2019). However, I believe that among the others, the ethnic diversity of the host market is one of the influential factors affecting the embeddedness of these platforms within a new society. According to Alesina et al. (2003), ethnicity, language, and religion are the primary indices of ethnic fragmentation within a country. The effect of ethnic diversity on societies' economic, social, and political structure is one of the extensively researched topics among sociologists, economists, and anthropologists.

Nevertheless, to our best of knowledge, none of the previous studies regarding the internationalization of sharing economy firms have explicitly focused on the possible relationship between ethnic diversity and choice of entry mode by ride-sharing platforms. Despite such a gap, in our view, the choice of entry mode by ride-sharing platforms is pertinent to the ethnic diversity of the host market since, as claimed by Granovetter (1985), the economic activity of people within a society "*is closely embedded in networks of interpersonal relations.*"

2.5. The effect of ethnic fractionalization on market entry modes

To shed light on such a relationship, I will first describe the choices of market entry modes in the ride-sharing context in this section. Then we proceed with investigating the effects of ethnic fractionalization indices on informing the potential drivers and riders about the presence of the firm in the market, creating attractiveness for the potential users by communicating the values and the benefits of joining the user's network, and generating trust among those potential users to join and participate on the platform, as three primary missions of a ride-sharing firm to become embedded within a new market (Rojanakit et al., 2022), and formulate our hypotheses accordingly. Finally, in the following chapters, I will empirically test my hypotheses to understand the possible relationship between the ethnic fractionalization indices and ride-sharing firms' choice of market entry modes as the primary research question of our thesis.

2.5.1. Forms of International market entry by ride-sharing firms

In general, MNCs' international market entry modes have been categorized as equity modes and non-equity modes of entry, ranging from indirect export entry to greenfield investment mode of a wholly-owned subsidiary in the host market (Pan & Tse, 2000). The desired degree of control and the amount of resource commitment are the two primary factors shaping the mode of entry for the company, where an indirect export would provide the least degree of control and resource commitment, while a greenfield investment needs the highest level of equity involvement, and provides the highest level of control to the firm (Gao, 2004).

The primary focus of this research is on the equity modes of entry used by ride-sharing enterprises to start their operations in foreign countries, namely independent entry, acquisition, and joint venture. The independent entry refers to the internal expansion of the platform to the new market via the independence in establishing a subsidiary. The acquisition form of entry refers to the form of market entry in which the firm acquires an already existing rival in that market. Finally, the joint venture mode of entry refers to the situation where the company enters that market via a contractual agreement with another firm to operate in a market jointly.

As I have explained in sections (2.3) and (2.4), ride-sharing firms have been characterized as asset-lite enterprises with a pure market-seeking approach (Parente et al., 2018), whose primary goal is the creation and expansion of users' networks in the market. It has been argued by Brouthers et al. (2016) that instead of focusing on the transaction costs, these firms must adopt a form of entry that maximizes their chance of success in the creation of users network by considering the risk of various liability issues discussed in section 2.4 and switching cost of existing users of rival platforms (Brouthers et al., 2016).

Furthermore, by relying on the network effect of the platforms, Stallkamp & Schotter (2021) argue that the sharing economy platforms with cross-country network externalities would prefer to independently enter a new market since they can leverage their current existing global users to attract potential users of the new market. Also, a platform with within-country network externalities would prefer to enter a new market via acquisition or joint venture, especially if the market already has a dominant incumbent who leveraged the first-mover advantage to create and expand its user basis (Stallkamp & Schotter, 2021).

Therefore, based on these assumptions and the explained market scenarios in subsection (2.4.1), I suggest that a ride-sharing platform would prefer to internally expand its operation to a new market (independent entry), if the overall market condition of the host market seems suitable for the creation and expansion of users network. Otherwise, the firms would enter the market via acquisition or joint-venture to leverage the current user basis of the other party in that market (Stallkamp & Schotter, 2021).

2.5.2. Ethnic heterogeneity and market entry mode

In general, the effect of ethnic diversity on countries' economic, social, and political performance is a well-researched topic. According to the previous studies, the higher rate of ethnic diversity in a country leads to weaker political systems (Alesina et al., 2003; Easterly & Levine, 1997; La Porta et al., 1999), lower economic performance (Alesina et al., 2003; Alesina & La Ferrara, 2005; Montalvo & Reynal-Querol, 2005), and weaker social ties within the communities (Easterly & Levine, 1997; Larson & Lewis, 2017). In addition, as I have mentioned in section (2.2), one of the major transaction costs of ride-sharing firms in their international expansion is the costs associated with the customization of the platform and marketing strategies based on the cultural characteristics of the host markets. In this regard, as stated by Cui (1997), when a country is ethnically diversified either by race, language or religion, the company cannot use a general marketing strategy to attract all potential customers in that market since each ethnic group has its cultural specifications, use different social interaction forms, and varied consumption habits (Cui, 1997; Jamal, 2003).

Thus, accessing the target audience in an ethnically diversified society would be more costly and have higher complexities and risks of failure. Furthermore, it has been revealed by scholars that word-of-mouth is one of the primary tools that ride-sharing firms use to reach their audience in a market (Cheah et al., 2022; Cosenz et al., 2021; Evers & Gundersen, 2018; Shaheer, 2020), and high ethnic diversity would negatively affect the information flow and word-of-mouth effectiveness in a society (Larson, 2017; Larson & Lewis, 2017).

Last but not least, in an ethnically heterogeneous market, the situation would be even more complex due to the indirect network effect of the ride-sharing business model as a two-sided platform (Reillier & Reillier, 2017). Under such market conditions, the firm should deal with implementing appropriate marketing strategies for different ethnic groups and focus on the dissimilarity of the drivers and riders' incentives to join the network. Thus, the market entrant must formulate its marketing strategies accordingly, which would increase its risk of failure in such a market since local competitors would be more capable of dealing with these issues due to their stronger ties within the society.

2.5.2.1. Potential riders' perspective

From the potential rider's perspective, lower ethnic diversity would ease the information flow in society (Larson & Lewis, 2017). In this case, a ride-sharing platform would be able to benefit the word-of-mouth and mass adopted social media like Facebook and Instagram (Subriadi & Baturohmah, 2022; Yunus et al., 2019) to reach the target users and widespread communication of its value proposition among those potential users (Brouthers et al., 2016). On the other hand, reaching potential users in a highly ethnically diversified society would be more time-consuming and needs more customized marketing campaigns for each specific ethnic community.

Furthermore, Young & Farber (2019) revealed that the millennial generation constructs the main body of ride-sharing platforms' passengers. Licsandru & Cui (2019) indicate the millennial generation living in an ethnically diversified society would positively react to the multi-ethnic marketing strategies, while a mono-ethnic marketing strategy would make them feel manipulated. Thus, to reach the potential audience from different ethnic backgrounds, the platform needs to implement various marketing strategies for the existing ethnic groups of the society.

Moreover, as I have already discussed, self-categorization is one tool that a ride-sharing platform would use to define its value proposition in a new market (Aversa et al., 2021). In a high ethnically diversified society, such a strategy would be less practical and more complex since the society consists of several ethnic groups, higher power distance, and different motives to participate on ride-sharing platforms. Consequently, I argue that a low ethnically diversified market provides a better opportunity for a ride-sharing platform to create its user network and increases its chance of success. In comparison, a highly diversified market increase the transaction costs stems from the necessity of implementing different marketing strategies to reach and convince all the potential riders existing in that market to join the network of users and generate trust among those potential users of the platform.

2.5.2.2. Potential drivers' perspective

Generally, lower social classes mainly occupy the taxi industry within the societies due to their lower education levels and skills, which causes a lack of competitiveness in the labor market (Malm, 2005; Strømmen-Bakhtiar & Vinogradov, 2020). The previous studies regarding the effect of ethnic diversity on states' economic performance

revealed that the high ethnically diversified countries have mostly a lower economic performance (Alesina & La Ferrara, 2005), which makes the ride-sharing participation economically more rational due to its financial attractiveness for the potential drivers and riders.

Furthermore, it has also been proved that higher ethnic diversity leads to lower institutional stability (Alesina et al., 2003). However, the study of Uber's international market entry strategy shows their preference to enter markets with more predictable institutional and regulatory structures (H. J. Kim & Suh, 2021). Such instability would especially cause the liability of newness for the entering firm since the local competitors would have stronger social ties, better communication channels with regulatory bodies, and in general better knowledge of the market, which in turn makes them more capable of dealing with unexpected legitimacy issues compared to a new market entrant (Marano et al., 2020). Therefore, I argue that for entering such a market, a ride-sharing platform would prefer to enter via joint venture or acquisition of an already existing firm with better social ties and an established network of users (Stallkamp & Schotter, 2021) to avoid struggling with the obstacles related to the competing local platforms or legitimacy issues.

On the other hand, Within the low ethnically diversified states, especially in developed countries, the taxi industry is mainly occupied by ethnic minorities. In this regard, the study of the first-generation immigrant's occupations within Sweden revealed that becoming a taxi driver is one of the job alternatives even for the highly educated immigrants since they suffer from a lack of competitiveness in the labor market compared to local competitors (Malm, 2005). Such obstacles arise due to the different educational structure of their home country with the host county, lack of professionalism in language, some degree of discrimination by employers, and their outsider status (Malm, 2005). Furthermore, the lack of social ties and embeddedness within the community creates a trust issue for those ethnic minorities (Portes & Sensenbrenner, 1993), making them more economically and socially vulnerable (Ford, 2016).

So, I suggest that such a market condition would create an excellent opportunity for a ride-sharing platform to convince those ethnic minorities to join the network since it can provide economic freedom and security to those potential drivers and solve their trust issues through its rating and review mechanism. Consequently, within such a market,

a ride-sharing platform has a better chance of becoming embedded in the ethnic minorities' community that already struggles with outsidership issues in that society. First, the economic value offered by these platforms creates an excellent opportunity for ethnic minorities to gain their economic freedom. Besides, these platforms' rating and feedback features help the potential riders overcome their trust issues with society. Therefore, it would increase the platforms' attractiveness to potential riders to join the network, which in turn increases the likeliness of creating and expanding a network of users by solving the chicken-and-egg problem.

Thus, concluding the above discussions, I would say that a country's higher ethnic fractionalization rate makes it less suitable for Independent entry by a ride-sharing platform. Hence, I formulate my first hypothesis as follows:

H1: the higher the ethnic diversity rate of the host country, the more likely a ride-sharing firm will choose merger, acquisition, and joint venture over the independent mode of market entry.

2.5.3. Linguistic diversity and market entry mode

According to Alesina et al. (2003), linguistic diversity is the second indicator of ethnic fractionalization in a society. Although the language and ethnicity have been combined in some literature as ethnolinguistic diversity (Annett, 2001), as Alesina et al. (2003) argue, the aggregation of these two factors would not reflect an accurate perception of ethnic fragmentation in society since the results of such classification leads to the overlook of the other influential parameters of ethnic diversity. For instance, classifying the US population based on the ethnolinguistic index would result in the placement of black and white people in the same group (Alesina et al., 2003). Therefore, to attain a more realistic perception of ethnic fragmentation in society, I would also use the ethnic fractionalization index provided by Alesina et al. (2003), which presents countries' ethnic diversity and linguistic diversity separately.

Although it is not empirically tested, language would be one of the influential factors in ride-sharing platforms' international market entry strategy. First, entering the new market with similar spoken language to the other existing markets of a ride-sharing firm would decrease the costs associated with the customization of the platforms design

and interface, which is named one of the primary costs of a platform at the time of entry (Parente et al., 2018). Furthermore, on the regional scale, the language homogeneity of countries would ease the information flow and word-of-mouth effect, since in today's digital era, using social media channels of communication and utilizing the public figures and influencers on those channels (Brouthers et al., 2016), sharing-economy platforms would be able to smooth the information flow among the people with same spoken language like Latin America, beyond the borders of countries. Thus, to some extent, it would also create an opportunity for ride-sharing platforms to more efficiently design their marketing strategies to promote their value proposition to the potential users of the new market.

Moreover, as previous studies indicate, Same as ethnic diversity, the linguistic diversity of a society is also negatively related to the political and economic performance of the country (Alesina et al., 2003; Alesina & La Ferrara, 2005; Annett, 2001), which means the higher the language heterogeneity of a society, the lower would be the political stability of that country (Annett, 2001), and the information flow within a society (Goswami et al., 2009).

On the other hand, from the drivers' perspective, in countries with lower linguistic diversity, the language barrier is one of the primary issues minorities face, especially in finding a job (Kooti et al., 2019). Moreover, as I have already mentioned, language barriers could force highly educated immigrants to choose jobs with lower language skill requirements (Malm, 2005). In this respect, becoming a ride-sharing driver would be an ideal opportunity for those minorities since it does not need too much language proficiency and provides economic freedom.

Therefore, following the arguments regarding the ethnic diversity and drawing from the above discussions, I suggest that a ride-sharing firm would prefer to adopt the independent mode of market entry, where the linguistic diversity is low, which in turn makes it more manageable for the company to design an appropriate marketing strategy to reach the target users. At the same time, such a market would create a better chance for the firm to attract potential drivers to join the network. Thus, I expect to find a negative relationship between the linguistic fragmentation of society and the market entry mode of a ride-sharing platform. Hence, I formulate my second hypothesis as follows:

H2: the higher the linguistic diversity of the host country, the more likely a ride-sharing firm will choose merger, acquisition, and joint venture over the independent market entry.

2.5.4. Religious diversity and market entry mode

Religious heterogeneity is the third indicator of ethnic fractionalization within a society. However, to our best of knowledge, none of the previous literature in the field of international business has exclusively focused on the impacts of religious diversity on the market entry modes of MNCs. One reason for such shortcomings is that religion is often considered a parameter of the cultural characteristics of a market (Dolansky & Alon, 2008), and thus its impacts have been merged into the cultural diversity of the societies.

The effect of religious diversity on social, political, and economic performance is not the same as ethnic and linguistic diversity. Interestingly, according to Alesina et al. (2003), higher religious diversity indicates freedom and tolerance within a society, which is a primary characteristic of more developed and stabilized political systems. Thus, the lower religious diversity would lead to lower political stability within a society and a lesser inflow of FDI to the country (Dolansky & Alon, 2008). Such political instability is also unfavorable for ride-sharing companies due to the unpredictability of religion-based conflicts and regulatory issues.

Besides, becoming embedded in such a society would be more problematic (Welch et al., 2007) since religion is among the primary domains of ethnocentric behavior by individuals, which leads to a higher risk of liability of outsidership, and makes a foreign company more vulnerable compared to its local competitors. In this regard, as previously happened for French products in Pakistan (BBC, 2020), political or religious conflicts between the company's country of origin and the host market would lead to the general boycott of those companies by the community, which is an unpredictable issue beyond the control of the firms, and would be an external threat to ride-sharing platforms success in creation and expansion of their users' network.

However, It should be clarified that by mentioning the country of origin, I am not referring to the cultural distance theory of market entry modes, which stems from

uncertainty avoidance and lack of market knowledge (Kogut & Singh, 1988), nor the national characteristic theory of market entry modes which emphasized on the role of cultural characteristics of foreign company on its choice of market entry mode (Hennart & Larimo, 1998; Kogut & Singh, 1988). Instead, I argue that higher religious diversity means more freedom of choice within a society and thus is the main characteristic of a developed political and institutional system (Dolansky & Alon, 2008) with a better economic performance of the society (Alon & Chase, 2005), and higher quality of formal institutions (Alon & Chase, 2005), which makes the market more attractive for foreign companies to enter to such market (Hergueux, 2011) independently, based on their perceived ability of network creation.

Therefore, if a market is characterized by low religious diversity, a ride-sharing firm would prefer to enter such markets via joint venture or acquiring existing local companies. Such a market entry mode would minimize the risks arising from the impacts of low religious diversity on communities' social and economic behavior and solve its outsidership issue by leveraging the existing user basis of incumbents. On the other hand, a high religious diversity of a market reflects the lower religiosity of its society, better quality of regulations and political stability, and a higher chance for the ride-sharing platform to deal with embeddedness and trust issues, which makes the independent market entry an ideal choice for the firm. Hence, I formulate my third hypothesis as follows:

H3: the higher the religious diversity of the host market, the less likely a ride-sharing firm will choose merger, acquisition, and joint venture over the independent mode of market entry.

In the following chapter, I will empirically test my hypotheses to find the possible relationship between the ethnic fractionalization indices and market entry modes of ride-sharing platforms.

3. Methodology

To answer my research questions and test my hypotheses, I will adopt a quantitative research method that best fits my research aims and objectives since this approach is suitable for statistical investigation of possible relationships between research variables (Williams, 2011); in our case, the ethnic fractionalization indices and market entry modes of ride-sharing firms. Therefore, this chapter will describe my research design, data collection procedure, variables, and statistical approach.

3.1 Sample and data collection

The first step in our empirical research was to identify and list the ride-sharing platforms with international operations. For that reason, drawn from the list of global ride-sharing platforms provided in a report by Audenhove et al. (2020), our initial list consisted of 12 companies with international operations. This report has been published by Arthur D. Little management consulting firms, providing an outlook on the ride-sharing business's current market status and future direction worldwide. Furthermore, I have investigated other online resources to ensure that our list represents all the global key players in the ride-sharing sector. The next step was to identify the business models of these platforms to determine whether or not their business models are consistent with our primary definition of sharing economy and the characteristics of ride-sharing platforms. Specifically, I have looked for ride-sharing firms with a for-profit orientation, providing an app-based platform to users with match-making functionality between riders and drivers with private cars (peer-to-peer) to fulfill the riders' instant demand for short-distance transportation.

In this regard, my investigations led to excluding three platforms from the list. First, bolt (*previously known as Taxify*) is a ride-sharing company that, until 2019, primarily focused on facilitating the digitalization of the traditional taxi industry by providing adequate infrastructures to taxi companies to make them able to compete with ride-sharing rivals in their markets. However, in contrast with common ride-sharing platforms, the company did not face the various legitimacy issues arising from its disruptive business model, which smoothed its way toward fast international diffusion.

Moreover, such a business model is in sharp contrast with the peer-to-peer (*P2P*) characteristic of sharing economy, which is one of the bases for differentiating the actual sharing economy from the digitalization of traditional business sectors (Codagnone & Martens, 2017). Furthermore, the primary internationalization strategy of Bolt is based on franchising contracts with local taxi companies, which is a non-equity mode of market entry and hence out of the interest of our research study. Therefore, I have decided to exclude Bolt from our list.

The next company which has been excluded from our research was Gett. By investigating the company's business model, I have noticed that the primary focus of this platform is on serving the corporate clients by offering a wide range of mobility solutions to the companies to reduce their employee's mobility costs (Gett, 2022). Again, this business model does not comply with the *P2P* sharing economy feature and would be classified as a *B2B* business model. Besides, by using the strategic partnership with other ride-hailing companies in each market which is a non-equity mode of entry, the company leverage the existing drivers of other platforms to serve its corporate clients. Thus, the company's business model does not fit the objective of our study. Lastly, Careem has also been excluded because, in 2020, the company was fully acquired by Uber (Uber, 2020c). By doing so, I have achieved my final list of global ride-sharing platforms, which consisted of nine firms with international operations.

Table 2: The Final list of ride-sharing companies

<i>No</i>	<i>Company</i>	<i>Parent company</i>	<i>Year</i>	<i>Headquarter</i>	<i>employees</i>	<i>drivers</i>	<i>Riders</i>
1	Cabify	Maxi Mobility holding	2011	Spain	1,000	400,000	33,000,000
2	Didi	DiDi Global Inc.	2012	China	15,914	15,000,000	493,000,000
3	Freenow	Intelligent Apps	2009	Germany	1,300	1,300,000	54,000,000
4	Gojek	Goto holding	2010	Indonesia	5,000	2,000,000	190,000,000
5	Grab	Grab Inc.	2012	Singapore	6585	1,700,000	24,800,000
6	Lyft	Lyft Inc.	2012	USA	4,578	1,400,000	18,728,000
7	Ola	ANI Technologies	2010	India	7,000	1,500,000	N/A
8	Uber	Uber Technologies	2009	USA	22,800	3,500,000	118,000,000
9	Yandex	MLU B.V.	2011	Russia	17,206	700,000	36,000,000

Adopted from the original list provided by Audenhove et al. (2020) and further exploration of the companies' websites, Table 2 represents the final list of ride-sharing platforms subject to the empirical analysis.

Cabify

Founded in 2011 by Maxi Mobility holding company in Spain, Cabify is one of the key players in the Latin American market, with over 1,000 full-time employees, more than 400,000 drivers, and 33 million riders across the operating countries (Cabify, 2020).

Didi

Didi was founded in 2012 in China. Today, the company has 15,914 direct employees and offers a wide range of mobility and other app-based services. The firm's mobility network consists of more than 15 million drivers and 493 million riders worldwide (Didi Global, 2020).

Freenow

The German ride-sharing platform, Freenow, started its operation in 2009 under the name of Mytaxi. Since then, the company has successfully expanded its mobility operation across the world. The company currently has more than 1,300 employees, with approximately 1.3 million active drivers and more than 54 million registered riders on its platform (Freenow, 2022).

Gojek

In 2010 the company started its operations in Indonesia. According to the company's website (2022), currently, it has more than 5000 direct employees and operates in three countries in East Asia. Its ride-sharing platform has a network of 2 million drivers and more than 190 million riders, making it among the key players in the East Asian market.

Grab

Grab is one of the key market players in East Asia, with 1.7 million active drivers and more than 24.8 million registered riders. The company launched its business in 2012 in Singapore and currently has 6,585 employees (Grab, 2022).

Lyft

Lyft is known as the main competitor of Uber in North America. The company was grounded in 2012 in the USA and currently has 4,578 employees, with a network of 1.4 million drivers and more than 18.5 million riders registered on its ride-sharing platform (Lyft, 2022).

Ola

According to its website, Ola is one of the biggest ride-sharing platforms in the world, having a network of 1.5 million drivers and hundreds of millions of riders in four countries and more than 7,000 direct employees (Olacabs, 2022).

Uber

Undoubtedly, Uber is among the most successfully internationalized sharing economy firms with the highest number of operating countries. The innovative business model and its fast global expansion made it the main subject in various academic research in international business and inspired many entrepreneurs to expand sharing economy in other business sectors.

In 2009 Uber was founded in the USA (Uber, 2018) as the first ride-sharing platform enabling private car owners to earn money by providing short-distance transportation services to the riders with relatively lower prices and more convenience than traditional taxi services. Currently, with more than 22,800 employees and an active network of 3.5 million drivers and 118 million riders (Uber, 2020a), the company is among the most successful ride-sharing platforms in the world.

Yandex

The Russian ride-sharing firm, Yandex, was founded in 2011 and is currently performing its ride-sharing business under Yango and Yandex's brand names in various countries worldwide. The company has approximately 17,000 employees, 700,000 drivers, and more than 36 million active riders on its ride-sharing platform.

After finalizing our list of ride-sharing firms, the next step was to identify all foreign markets in which these firms are currently operating and their modes of entry in each market. To this end, I have mainly relied on the secondary data extracted from online resources. Using secondary data in research is especially common when conducting primary research is unattainable due to costs or time limits (Johnston, 2017; Smith et

al., 2011). For this purpose, I have designed a general procedure to identify and list the market entry modes of firms in each market (Figure 1) as follows:

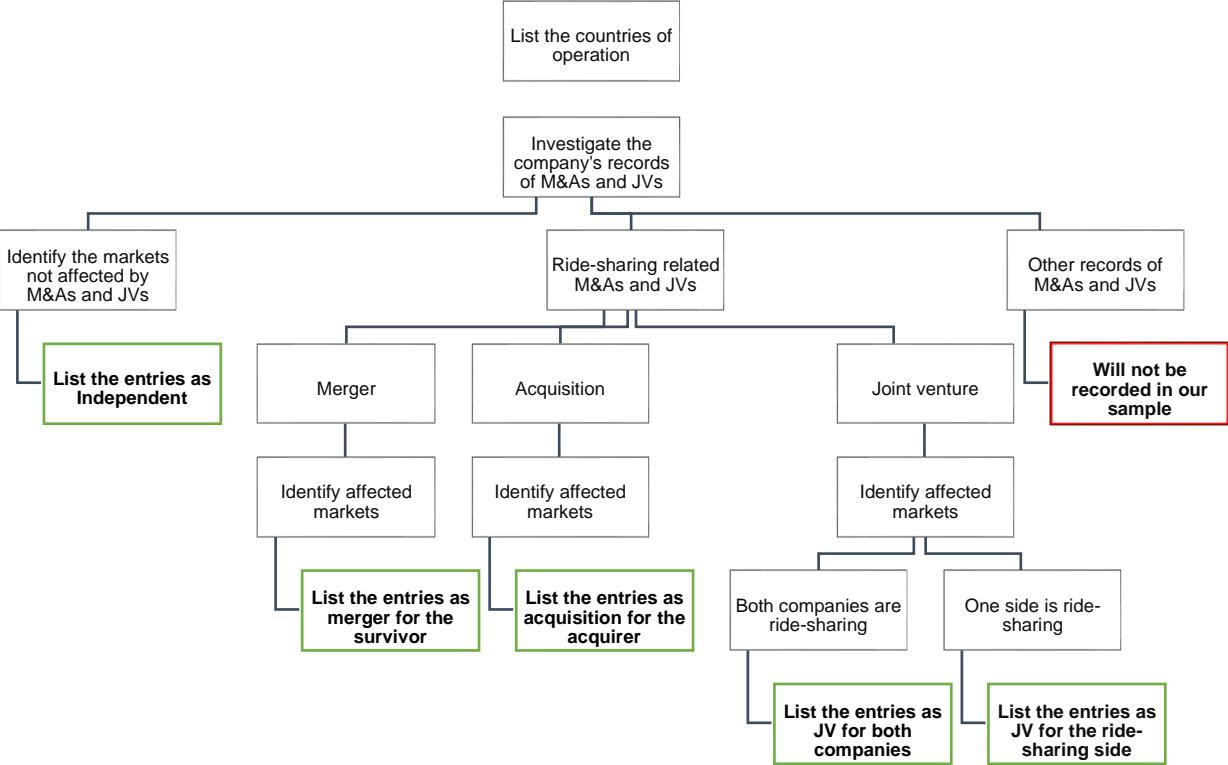


Figure 1: General procedure in identification and listing of entry modes

1. *Listing the countries in which the firm is directly operating:* the list has been drawn from the firms' official websites.

2. *Investigating the history of previous mergers, acquisitions, and joint ventures of the firm:* This step has been the most challenging part of our research since there were no directories of market entry modes by ride-sharing firms nor a reliable source of companies' global activities. Therefore, based on the requirements of our research questions, to obtain the data, online research has been conducted to identify the primary communication channel that each company utilizes to release its market activity-related news and announcement. Then, I have proceeded by full investigation of that medium of communication to identify and list the company's mergers, acquisitions, and joint ventures in foreign markets, which led us to the completion of the mergers, acquisitions, and joint venture market entries of our sample, as well as identification of the countries in which the firm is indirectly operating. Next, I have determined the market entry modes of each firm based on the latest status of their

company in each market. For example, if a company entered a market independently but proceeded with the acquisition of an already operating firm in that market, the market entry mode of that firm will be defined as acquisition. The reason for such categorization of market entries is that in the early days, ride-sharing firms mostly followed an aggressive global expansion strategy to leverage the first-mover advantage in new markets (Parente et al., 2018), which has been named a trial-and-error strategy. Furthermore, since, in most cases, the host market has not had a clear regulatory framework for the operation of sharing economy sector in the market (H. J. Kim & Suh, 2021), the presence of a firm in a new market was just a matter of platform re-design and providing access to a specific region. Therefore, the current status of a firm reflects a more accurate perception of its market entry mode.

Moreover, since most of these platforms offer a wide range of services such as food delivery, grocery delivery, premium mobility solutions, and corporate mobility solutions, for the sake of specificity and the reliability of the results, I have only focused on the market activities that were primarily related to their ride-sharing services. Last but not least, the R&D-related acquisitions of the firms have not been listed since it is not the subject of our study and would not have any effect on the user basis of the platform in a specific market. During this process, the google translation was used to translate the non-English web pages whenever the English version of the page was unavailable.

3. Verification of independent market entries of the firm: After the recording of M&A and joint venture entries of platforms, I have proceeded with investigating the various online resources on the web to make sure that I have already listed all the M&A and joint ventures of the companies. Finally, I have explored the company's news and announcements regarding launching their ride-sharing services in each remaining market on my list and recorded the remaining entries as an independent.

I have collected all the necessary data regarding the market entry modes of ride-sharing firms and completed my sample data collection by going through these steps. The following table (Table 3) represents ride-sharing platforms' final sample of market entries.

Table 3: The final sample of market entries

No	Company	Independent entries	Entries through M&As/JVs	Total market entries
1	Cabify	0	10	10
2	Didi	16	2	18
3	Freenow	8	8	16
4	Gojek	2	0	2
5	Grab	0	7	7
6	Lyft	1	0	1
7	Ola	3	0	3
8	Uber	61	22	83
9	Yandex	0	19	19
	Total	88	71	159

The final sample consists of 88 independent entries and 71 M&As and JVs entries, making 159 market entries by nine ride-sharing platforms in 94 countries on all continents. Therefore, I can say that the sample is globally representative. Please refer to (Appendix A) for more detail regarding ride-sharing platforms' sample data and international market entries.

3.2 Variables

3.2.1 Dependent variable

The market entry mode of ride-sharing platforms *ENTRYMODE* is our dependent variable with dichotomous nature, coded as 0 for the independent entries and 1 for M&As and JVs. This categorization is because, as also has been argued by (Stallkamp & Schotter, 2021), a platform would decide to independently enter a foreign market via the establishment of a wholly-owned subsidiary if the market has the potential for creating and expanding a mass network of users. But, on the other hand, if the market does not seem to have such potential, or there be other competitors already dominating the market, for instance, by leveraging first-mover advantage, the company would decide to enter such market through the acquisition of an already operating

incumbent or a joint venture, to utilize the existing users' network of that firm (Stallkamp & Schotter, 2021).

3.2.2 Independent variables

Based on the requirements of our research questions and hypotheses, I am interested in investigating the possible relationship between the rates of ethnic fractionalization indices of host markets with choices of market entry modes by ride-sharing firms. In this regard, as Alesina et al. (2003) stated, ethnic (in terms of race and ethnicity), language, and religion are three parameters of ethnic fragmentation in society, and thus, I would also define our independent variables accordingly. Therefore, our reference for the ethnic *ETHNIC*, linguistic *LANGUAGE*, and religious *RELIGION* heterogeneity rates of countries would be the three indexes provided by Alesina et al. (2003), in which the ethnic, linguistic, and religious fragmentation rates of 190 countries have been measured (Appendix B). These rates represent the probability of two randomly selected individuals in a country belonging to different groups and range from 0 to 1, where zero means maximum homogeneity, and one shows maximum heterogeneity (Alesina et al., 2003).

3.2.3 Control variables

To accurately assess the possible relationships between our dependent and independent variables, I need to control other potentially influential factors on ride-sharing firms' choice of market entry mode. That being said since the vast majority of previous studies in the field of internationalization of ride-sharing firms emphasized the role of internet accessibility on the internationalization of these platforms (Böcker & Meelen, 2017; Demary, 2015; Felländer et al., 2015; H. J. Kim & Suh, 2021; Möhlmann, 2015), our first control variable would also be the internet usage rate of the host countries *INTERNETUSAGE*. The internet is an enabler of the platform-based business models such as ride-sharing and the main channel of information flow within a society, facilitating the digital word-of-mouth effect for these platforms to reach their potential users in a new market. The related data regarding the percentage of the population using the internet in each country has been provided by ITU (International Telecommunication Union) and retrieved from World Bank's database (The World Bank, 2020).

Next, regulatory efficiency *REGULATORYEFFICIENCY* is another control variable of our study since it is directly related to the legitimacy issues arising from liability of disruption for ride-sharing platforms. The respective data have been retrieved from the economic freedom index of countries provided by The Heritage Foundation (2022), in which the regulatory efficiency of countries has been measured based on averaging the scores of business freedom, labor freedom, and monetary freedom of each country, and ranges from 0 to 100. Overall, regulatory efficiency indicates the quality of regulations in terms of business establishments and operations, labor laws, and the price stability of the country (Heritage Foundation, 2022b). Combining these three factors demonstrates a market's regulatory efficiency and stability, which has been named one of the essential factors for ride-sharing businesses in assessing market potential and attractiveness (H. J. Kim & Suh, 2021).

Furthermore, I have controlled the market openness *OPENMARKET* of countries using the index provided by The Heritage Foundation (2022), which is calculated based on the simple average of the scores of trade freedom, investment freedom, and financial freedom for each country and ranges from 0 to 100. The market openness score reflects the quality and independence of its financial system in terms of the banking system and flow of capital without restrictions, as well as import/export barriers for goods and services (Heritage Foundation, 2022a). According to González & Ferencz (2018), market openness is crucial in creating an ideal environment for digital businesses to operate and fairly compete in a market.

Last but not least, as it has been argued by Thebault-Spieker et al. (2017), ride-sharing platforms would be more frequently used and have a better chance of succeeding in urban areas with higher population density, due to the existence of mobility-related burdens such as congestion (Clewlow & Mishra, 2017), compared to sub-urban areas. Therefore, to control the effects of geographical attractiveness of countries on firms' decision of market entry mode, I have used the urban population percentage of countries published by the United Nations department of economic and social affairs (2019), which shows the urban percentage of the total population for each country.

3.3 Statistical approach

The aim of our research, alongside the type of our variables, determines our statistical approach. In this research, our primary goal is to investigate the relationship between the choice of market entry mode by ride-sharing firms and the ethnic fractionalization indices of the host market. Consequently, I have formulated three hypotheses to assess the probability that a firm chooses to enter a new market via a non-independent equity mode of entry, given the fragmentation degree of ethnicity, language, and religion in the host market. Since the market entry mode is a dichotomous dependent variable with a categorical nature, binary logistic regression would be the suitable statistical method for our study.

Logistic regression is a statistical method to investigate the relationship between a binary dependent variable and the explanatory variables, which estimates the probability of the occurrence of our dependent variable as a function of independent variables (Hosmer et al., 2013). The logistic regression is one of the most widely used methods by scholars to describe the relationship between the choice of market entry modes and various explanatory variables in the field of international business (Blomstermo et al., 2006; Brouthers et al., 2008; Contractor et al., 2014; Kogut & Singh, 1988; Meyer et al., 2009). Finally, the SPSS statistical software has been used for performing the logistic regression analysis.

4. Analysis and results

In this chapter, the statistical analysis and the binary logistic regression results will be presented, followed by the interpretation of the results and discussion.

4.1. Statistical analysis

Before performing the binary logistic regression, the first step was to make sure that the model did not have a multicollinearity issue since the high degree of correlation between explanatory variables would negatively affect the accuracy of the results (Field, 2013). To do so, by using bivariate analysis, Table 4 presents the correlation matrix of variables, in which none of my explanatory variables are highly correlated. Furthermore, the highest value of variance inflation factor (VIF) is equal to 3.092, which is way below 10 (Myers & Myers, 1990), with a tolerance value of 0.323, which is also greater than 0.1 (Menard, 2002). Therefore, it suggests that multicollinearity is not an issue in this model.

Table 4: Correlation matrix of explanatory variables

	<i>Ethnic fractionalization</i>	<i>Linguistic fractionalization</i>	<i>Religious fractionalization</i>	<i>Urban population</i>	<i>Population internet usage</i>	<i>Regulatory efficiency</i>	<i>Market openness</i>
<i>Ethnic fractionalization</i>	1						
<i>Linguistic fractionalization</i>	,660**	1					
<i>Religious fractionalization</i>	0.147	,385**	1				
<i>Urban population</i>	-,285**	-,432**	-0.002	1			
<i>Population internet usage</i>	-,474**	-,360**	0.158	,667**	1		
<i>Regulatory efficiency</i>	-,243**	-0.119	,314**	,368**	,517**	1	
<i>Market openness</i>	-,325**	-,247**	0.105	,451**	,565**	,595**	1

** Correlation is significant at the 0.01 level (2-tailed).

While my final sample consisted of 159 market entries, 12 entries were eliminated from the model before running the logistic regression due to the missing data for some specific counties in corresponding data sources. Therefore, the final number of entry

cases included in this analysis was reduced to 147 market entries, accounting for 92% of my initial sample.

Next, as it is suggested by Field (2013), the logistic regression was performed in two stages to check the effect of adding independent variables on improving model predicatory power and its goodness of fit. The following table (Table 5) illustrates the impact of independent variables on the overall improvement of the model, where Model 1 represents the model with only control variables, and Model 2 shows the model with all explanatory variables. Comparing the results, adding independent variables to the model has significantly improved the predicatory power and model fit.

Table 5: Models fit comparison

	Model 1	Model 2
	With independent variables	With independent & control variables
<i>N</i>	147	147
<i>-2LL</i>	188.460	175.881
<i>Chi-square</i>	13.792	26.371
<i>df</i>	4	7
<i>Model fit X²</i>	0.008	0.000
<i>Hosmer and Lemeshow X²</i>	0.183	0.672
<i>H&L Chi-square</i>	11.338	5.780
<i>H&L df</i>	8	8
<i>R²</i>	0.068	0.130
<i>Cox & Snell R²</i>	0.090	0.164
<i>Nagelkerke R²</i>	0.120	0.220
<i>Classification power</i>	63.3	68.7

In the next step, model fit X^2 and Hosmer and Lemeshow X^2 were used to assess the goodness of fit. According to Field (2013), the model would be a good fit if X^2 is significant and Hosmer and Lemeshow X^2 is insignificant. In this regard, the logistic regression model was perfectly significant ($X^2 = 0.000$) with (Chi-square = 26.371, $df = 7$), and Hosmer and Lemeshow ($X^2 = 0.672$) was insignificant, suggesting that the

model perfectly fits the data. Furthermore, the Cox & Snell R^2 is equal to 0.164, and Nagelkerke R^2 is equal to 0.220, which means that the model was able to explain 16.4% to 22% of the variance in the dependent variable based on explanatory variables.

After model fit and goodness of fit, the next step was to assess the model's classification accuracy, which indicates the model's accuracy in predicting group membership (Field, 2013). At its null phase and without any explanatory variables, the model correctly classified 55% of the cases. Adding the explanatory variables to the model, the classification power of the model increased to the overall score of 68.7%, with 77.8% correct placement for the base outcome (Independent entry) and 57.6% for the outcome of interest (M&As and JVs). Finally, testing for possible outliers showed that although there were two cases with the standardized residuals > 2.5 , none of the cases had a value > 3.29 , and thus, outliers would not cause serious concerns to affect the results substantially (Field, 2013). Therefore, I decided to keep all the cases in the analysis. The complete analysis and results report is provided in (Appendix C).

4.2. Results

Finally, the following table (Table 6) shows the logistic regression analysis results and coefficients. According to the logistic regression results, H1 was supported since ethnic fractionalization was statistically significant and, as expected, with a positive sign ($p = 0.024$, $B = 3.001$, $\text{Exp}(B) = 20.105$), suggesting that by one unit increase in the ethnic fractionalization rate of host markets, ride-sharing firms were 20.105 times more likely to enter to the market via M&As and JVs. On the other hand, H2 was not supported since linguistic fractionalization was not significant ($p = 0.864$, $B = -0.205$, $\text{Exp}(B) = 0.815$), suggesting that we cannot draw any conclusion regarding the relationship between the language diversity of the host market and the choice of market entry mode by ride-sharing firms. Furthermore, H3 was supported since religious fractionalization was significant and, as expected, with a negative sign ($p = 0.008$, $B = -2.821$, $\text{Exp}(B) = 0.060$). This result approved that the higher the religious diversity of the host market, the less likely a ride-sharing firm will choose merger, acquisition, and joint venture over the independent mode of market entry, since per one unit increase in religious fractionalization rate of the host market, ride-sharing firms were 0.060 times less likely to enter that market via M&As and JVs.

Table 6: Binary logistic regression results (Independent entry as base outcome)

	B	S.E.	Wald	df	Sig.	Exp(B)
<i>Ethnic fractionalization</i>	3.001	1.332	5.073	1	0.024	20.105
<i>Linguistic fractionalization</i>	-0.205	1.191	0.030	1	0.864	0.815
<i>Religious fractionalization</i>	-2.821	1.070	6.950	1	0.008	0.060
<i>Urban population</i>	-0.016	0.015	1.060	1	0.303	0.985
<i>Population internet usage</i>	0.034	0.015	4.994	1	0.025	1.035
<i>Regulatory efficiency</i>	0.039	0.031	1.607	1	0.205	1.039
<i>Market openness</i>	-0.074	0.023	10.099	1	0.001	0.928
<i>Constant</i>	1.085	1.738	0.390	1	0.532	2.959

(N = 147, Chi-square = 26.371, -2 log likelihood = 175.881, Cox & Snell R² = 0.164, Nagelkerke R² = 0.220)

Among the control variables, population internet usage ($p = 0.025$, $B = 0.034$, $\text{Exp}(B) = 1.035$) and market openness ($p = 0.001$, $B = -0.074$, $\text{Exp}(B) = 0.928$) were significant. It shows that the percentage of the population using the internet in the host market and the market openness in terms of quality and efficiency of its financial system are related to ride-sharing firms' choice of market entry mode. However, in contrast to my expectation, the population internet usage in the host market has a positive sign, indicating that the higher the percentage of the population using the internet in the host market, the more likely is the market entry via M&A and JV by ride-sharing firms. Lastly, regulatory efficiency ($p = 0.205$, $B = 0.039$, $\text{Exp}(B) = 1.039$) and urban population ($p = 0.303$, $B = -0.016$, $\text{Exp}(B) = 0.985$) were not statistically significant. The full report of logistic regression results is provided in (Appendix C).

5. Discussion

The topic of market entry modes in the sharing economy context is one of the issues scholars in previous studies mostly overlooked. Nevertheless, the new trend of market entries through mergers, acquisitions, and joint ventures, especially among the ride-sharing firms, raises the need for research in this area. To tackle this issue, after in-depth exploration of previous studies regarding the internationalization of ride-sharing firms and their characteristics, I have concluded that the ethnic fractionalization of the host market would be among the parameters affecting the choice of market entry mode by ride-sharing firms. According to Alesina et al. (2003), ethnicity, language, and religion are the three indices of ethnic fractionalization in a country. Subsequently, the primary goal of this master's thesis was set to answer the following research questions:

RQ: What is the relationship between the international market entry modes of ride-sharing companies and the ethnic fractionalization indices of the host market?

Sub-RQ1: How the ethnic heterogeneity of the host market is related to the choice of market entry mode by the ride-sharing companies?

Sub-RQ2: How would the linguistic diversity of the host market relate to ride-sharing companies' choice of market entry mode?

Sub-RQ3: How is ride-sharing companies' international market entry mode related to the host country's religious diversity?

To answer my research questions and based on the previous findings regarding the effects of ethnic fractionalization on the overall condition of a country, I hypothesized that the higher the ethnic (ethnicity and race) and language fractionalization of a country, the higher would be the likelihood of market entry by ride-sharing firms through M&As and JVs, while higher religious fractionalization of a country decreases the probability of market entry through M&As and JVs by ride-sharing firms. I adopted a quantitative approach and performed a binary logistic regression using secondary data to test my hypotheses.

The first hypothesis of this study (H1) was supported, showing that the higher ethnic heterogeneity of a market in terms of ethnicity and race would increase the likelihood of market entry by ride-sharing platforms via merger, acquisition, or a joint venture with

an already operating firm in that market. From the network creation perspective, one of the reasons for such a relationship would be the fact that within an ethnically diversified society, the platform would not be able to use a general marketing strategy to reach its target audience since ethnic groups would not have a similar consumption habit, cultural specifications and social interaction forms (Cui, 1997; Jamal, 2003). Furthermore, self-categorization has been named one of the strategies to deal with various legitimacy issues in a new market (Aversa et al., 2021). However, in a heterogeneous society, such a strategy would become less effective since there would be a multiplicity of opinions in such a society regarding the impacts of these platforms on the country's social, environmental, and economic condition. Consequently, under such a market condition, ride-sharing firms would face higher transaction costs associated with customization of their platform and marketing strategies (Cui, 1997; Parente et al., 2018), post-entry costs related to dealing with the liability of disruption and legitimacy issues such as social pushbacks (Marano et al., 2020), as well as the liability of outsidership and lack of social ties within the society (Brouthers et al., 2016; Marano et al., 2020).

Nevertheless, although these factors do not hinder ride-sharing firms from entering such a market, they would affect their choice of market entry mode, especially under the market scenario when there are local competitors with a dominant position already operating in that market (Brouthers et al., 2016). The presence of dominant competitors in the market makes the foreign platform more vulnerable to dealing with network-creating issues than the local players (Brouthers et al., 2016). It would also cause the liability of newness for the entering platform, while the other competitors are already embedded in that market and have their social ties with the society (Marano et al., 2020), and thus are more capable of dealing with the issues caused by the heterogeneity of the community. Therefore, as has been suggested by Stallkamp & Schotter (2021), platform-based businesses would prefer to enter such a market via M&As and JVs to be able to leverage the already created user network of an established platform. Thus, in an ethnically heterogeneous market, ride-sharing firms also follow the same entry-mode strategy to avoid the risk of failure in network creation and deal with embeddedness issues.

Besides, higher heterogeneity of the society causes lower political stability and economic performance and weaker social ties among the individuals (Alesina et al.,

2003). Such a market condition would lead to the rise of unexpected challenges associated with the regulatory and incumbent pushbacks (Marano et al., 2020). Under these market conditions, a local platform would have a better performance in dealing with those challenges since it has already established its relationship with regulatory bodies, and by relying on its user network as its backbone, it would be able to withstand those external threats. Therefore, entering such a market via M&A or JV would be more favorable for ride-sharing firms to avoid such unexpected challenges and the risks of failure.

Since linguistic fractionalization was not significant and the results did not support my second hypothesis, I can conclude that there is no meaningful relationship between language diversity and ride-sharing firms' choice of market entry mode. However, in future studies, it would be interesting to explore the relationship between the market entry mode of ride-sharing platforms and the language distance of the host market with the already operating markets of the platform.

The third hypothesis was supported by the results of logistic regression analysis, demonstrating that the higher the linguistic fractionalization of the host market, the less likely would be the market entry of ride-sharing firms via M&As and JVs. Such an outcome was expected since religious diversity is one of the indicators of tolerance and freedom of choice in a society (Alesina et al., 2003). Furthermore, in contrast with ethnicity and language, religious diversity is positively related to political stability and economic performance (Alesina et al., 2003). It also affects the social behavior of the society in terms of trust-building (Dolansky & Alon, 2008). Hence, these factors would make an ideal environment for ride-sharing platforms to independently enter a new market and create their user network in that country. Under such a market condition, the post-entry challenges associated with the disruptive nature of ride-sharing business models are better predictable. At the same time, since religious heterogeneity is a determinant of developed countries, there would be a fair competition environment between the outsiders and local counterparts.

Last but not least, as I have already discussed in the chapter (2.5.4), higher religious diversity reduces the risks of external threats caused by cross-country religion-based conflicts. Such a threat would lead to the general boycott of products or services originating from a specific country in a less diversified market. The effects of such a general boycott would be even more substantial for ride-sharing platforms since the

switching cost of their users is low, and people can quickly join other platform providers, which would lead to the failure of the platform and is beyond the control of the firm. On the other hand, in a high religiously diversified society, people have more tolerance, and thus the risk of such a threat would be diminished. Therefore, a ride-sharing platform would be less likely to enter such a market via M&A or JV since the market would be ideal for an independent entry and creation of a user network.

Among the control variables, the effect of the percentage of people using the internet in a country on the market entry mode of ride-sharing firms was significant. However, internet usage was positively related to the choice of M&As and JVs over independent entry. Among the others, one reason for such a relationship would be the fact that, as previous studies revealed, the internet accessibility is one of the main drivers of sharing economy business models in their fast international expansion (Benito-Osorio & García-Moreno, 2021; H. J. Kim & Suh, 2021; Marano et al., 2020; Parente et al., 2018; Stallkamp & Schotter, 2021). Therefore, we could expect to witness a higher number of local and foreign competitors and more intensive competition in such a market. As a result, to avoid such competition in gaining a share of the market, ride-sharing firms would prefer to enter the countries with higher internet accessibility by acquiring a local competitor to leverage the competitive advantages of the acquired firm from the first day of entry. However, further investigation is required to accurately identify the reasons behind such a relationship.

Next, the market openness of the host country was also significant and negatively related to the choice of M&As and JVs by ride-sharing firms. Market openness reflects the average scores of trade freedom, investment freedom, and financial freedom for each country (Heritage Foundation, 2022a). The country's market openness score generally indicates the quality of financial systems in a country in terms of stability, efficiency, and freedom, which is also a primary driver of ride-sharing firms in their global expansion (Felländer et al., 2015). It also indicates the fairness of competition between foreign and local competitors in a market, especially for digital businesses (González & Ferencz, 2018). Therefore, a high score of market openness reflects a suitable competition environment for ride-sharing firms, and thus these firms would tend to enter such markets independently. However, more investigation is needed to explore the reasons for such a relationship between market openness and market entry

modes of ride-sharing firms, and thus it would be another interesting subject for future studies.

Lastly, the urban population and regulatory efficiency were not significant. Although scholars have argued that regulatory efficiency (H. J. Kim & Suh, 2021) and urban population (Thebault-Spieker et al., 2017) are among the determinants of market attractiveness for ride-sharing platforms in their market entry decision, the result of my study suggests that these factors would not affect the choice of entry mode by these firms. However, since, in general, sharing economy is in its early stages and the regulatory bodies in many countries are still working on regulating the operation of these business models (Marano et al., 2020), it would be necessary to reassess such relationships in future studies, when the rules and regulations for the operation of such platforms becomes more established and clearer worldwide. Thus, at the moment, it would not be possible to conclude any relationship between these factors and the choice of market entry modes by ride-sharing firms.

6. Conclusion

Between the sharing economy business sectors, ride-sharing platforms are among the most successful businesses regarding the number of users and worldwide popularity. Today, using a ride-sharing app for short-distance mobility is a common transportation alternative that provides more convenience than public transportation and relatively lower cost than taxis (Smith, 2016). In addition, ride-sharing firms provide private car owners with freedom of working schedule and better income, boosting their popularity among the drivers on these platforms (Heno & Marshall, 2019). The fast international expansion of these platforms has drawn so much attention from scholars to investigate the internationalization process of these firms. However, there is a scarcity of research on these platforms' choice of market entry mode.

On the other hand, the universal popularity of these transportation alternatives resulted in the emergence of many local and international ride-sharing companies around the world, which caused an intensely competitive environment among these platforms to gain and sustain their market share. Such intensive competition has led many international players in this business sector to alternate their market entry mode from independent entry to other equity modes of market entry to avoid the risk of failure in creating user networks and sustaining their market share. Therefore, in this master thesis, I decided to investigate the parameters affecting ride-sharing platforms' market entry mode choice. In this regard, most of the previous studies emphasized the lack of embeddedness (Codagnone et al., 2016; Eckhardt et al., 2019; Fan et al., 2019; J. Kim & Min, 2019) as the primary issue of ride-sharing firms when entering a new market to establish their social ties within society and deal with various unexpected threats in the host market. It has also been suggested that focusing on the local conditions of a market, such as its social characteristics (Benito-Osorio & García-Moreno, 2021) and political systems (Stallkamp & Schotter, 2021), would be a better framework for understanding the internationalization of sharing economy platforms. Thus, I also decided to adopt the same approach in my study of ride-sharing firms' choice of market entry modes by focusing on local aspects of markets.

In this respect, among the others, the ethnic fractionalization of a society is one of the main determinants of the social characteristics of a country since it affects the political, economic, and social structure of a nation (Alesina et al., 2003; Alesina & La Ferrara, 2005) and is directly related to the economic behavior of individuals within the society (Granovetter, 1985). Thus, I decided to investigate the relationship between the ethnic fractionalization rate of countries and ride-sharing firms' choice of market entry modes. In this respect, according to Alesina et al. (2003), ethnic (in terms of ethnicity and race), Language, and religion are three indices of ethnic fractionalization within a society. Hence, I conducted a review of the literature about the effects of these fractionalization indicators on the political, economic, and social characteristics of a country. Then, an in-depth investigation of ride-sharing business models in terms of their value creation process, internationalization-related challenges, and their primary missions to accomplish when entering a new market have been performed.

Adopting the proposition by Stallkamp & Schotter (2021) that emphasized the effect of a platform's ability to create and expand its user network on its choice of market entry mode, I hypothesized that the higher the ethnic (H1) and linguistic (H2) heterogeneity of a market the more likely would be a ride-sharing firm to enter such market via M&As and JVs over the independent entry. Also, the higher the religious fragmentation (H3) of a country, the less likely it would be a platform to enter such a market by M&As and JVs compared to independent entry. The results of binary logistic regression analysis supported my first (H1) and third (H3) hypotheses, while (H2) was not supported. Concluding the results, a country's ethnic and religious fractionalization affected ride-sharing platforms' market entry mode choice.

Theoretical contribution

From the theoretical perspective, the contribution of this master thesis is twofold. First, despite the necessity, to my best of knowledge, none of the previous studies investigated the international market entry modes within sharing economy business environments. Thus, the novelty of this study was to tackle this research gap and provide new insights into the choice of international market entry modes by ride-sharing firms. Furthermore, most of the previous studies revealed that the existing international business theories do not explain the internationalization process of sharing economy firms and emphasize the necessity of new frameworks to tackle this issue. In this respect, the empirical results of this study supported the effect of ethnic

fractionalization of a society in terms of ethnicity and religion as one of the primary determinants of the local condition of the market (Benito-Osorio & García-Moreno, 2021) on entry mode decision of ride-sharing platforms. Generally speaking, using local parameters such as ethnic heterogeneity of the market as a determinant of market entry mode is not a common approach. The reason is that most of the previous market entry-related studies were based on the internationalization of traditional MNEs, where individuals have only been considered as the consumer of products and services and not a crucial part of the value creation process.

However, such an approach is especially relevant in sharing economy context since people are not only consumers but also suppliers of products and services within these economic systems. Therefore, another contribution of this master thesis was to suggest a new perspective for future studies in the field of international business, especially to understand the choice of market entry within the sharing economy business environment. Besides, the study results revealed that the percentage of the population using the internet and market openness are also related to the market entry modes of ride-sharing firms, providing an ideal topic for further investigation of the reasons behind such relationship in future studies.

Managerial implication

From the practical point of view, in general, one of the main challenges that sharing economy firms would face in their process of international expansion is to accurately evaluate the market potential and their chance of success in dealing with various post-entry challenges. A wrong evaluation of the market condition would lead to the mass failure of the firm in the host market, which sometimes would become an existential threat for these firms. As previously happened for Uber in the Chinese market, early entry into a market does not necessarily guarantee a foreign platform's success since the firm's first-mover advantage would be at risk as soon as a local competitor rises, primarily because of its stronger social ties within the society. In this regard, I would suggest that, among the others, the ethnic fragmentation rate of the host market in terms of ethnicity and religion would be one of the influential parameters on the market potential for the creation and expansion of a sustainable user network. Thus, if a market is ethnically heterogeneous or has a low religious diversity, acquiring an already operating platform or jointly entering into such a market would be an ideal alternative for independent entry, even if the market is still in its early stages and has no dominant

player. By adopting such an entry mode strategy, a ride-sharing firm would be able to utilize the other firm's current user network and social ties to overcome the post-entry challenges and intense competition with other counterparts in the mid or long-term.

Furthermore, although the focus of this study was on ride-sharing firms, I would suggest that such a framework would also apply to any sharing economy sector which follows the same business mode as ride-sharing platforms since the nature of challenges and threats those firms will face, would be identical to ride-sharing firms. However, this proposition is not empirically tested and thus needs more investigation in future studies.

Research limitations and future studies

Like any other academic research, this master thesis has also been subject to some limitations. Firstly, although the number of entry cases by ride-sharing firms is relatively more than other sharing economy sectors, it is still constrained compared to the studies regarding the international market entry modes of MNEs. Thus, in future studies performing the same analysis with a larger sample size would improve the accuracy of the results. Furthermore, the outcome of this study is not generalizable, which means that it is not applicable to all sharing economy business models. The reason behind this deficiency is that any small change in the business model of sharing economy firms would result in a substantial difference in the nature of their post-entry challenges, competition environment, and the incentives of people to join their user network. Thus, the subject is still in its early stages, and more research is necessary to develop new theories regarding the market entry modes of sharing economy firms in general.

Moreover, since the resources for market entry of sharing economy firms are scares, it wasn't possible to compare the outcome of this study and the previous findings on this topic. However, this master thesis would be a great starting point for future studies to develop new theories on the internationalization of sharing economy firms from the local condition perspective. Last but not least, due to the scope limitations of the master thesis, in this study, I mainly focused on the equity modes of entry. Nevertheless, it would be suggested that the future studies investigating the non-equity modes of market entry in the field of sharing economy could lead to the development of a revised market entry mode categorization, adjusted to the characteristics and specifications of

sharing economy business environment and could improve our understanding of this economic system.

Concluding the outcome of this master thesis, the results of this study approved the existence of a relationship between ethnic and religious fragmentation of society and the choice of market entry mode by ride-sharing firms entering the market. Thus, as Benito-Osorio & García-Moreno (2021) also suggested, for further development of the subject, I would recommend that future studies focus on the other aspects of the market local conditions like the relationship between different political systems and the market entry modes of ride-sharing firms (Stallkamp & Schotter, 2021). Besides, although the relationship between language diversity of the host market and the market entry mode of ride-sharing firms was not supported, it would be interesting to explore the possibility of the relationship between language distance between the host market and already operating countries of the platforms with their choice of market entry mode to those markets. Furthermore, investigating the causal relationship between ethnic and religious fragmentation and ride-sharing firms' choice of market entry mode is recommended, because it would develop our understanding of the reasons behind the success or failure of ride-sharing platforms in different social settings.

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Appendix

Appendix A: Sample of international market entries and modes of entries

No	Platform	Market	Territory	Entry mode	Target Firm	Source
1	CABIFY	Argentina	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264775
2	CABIFY	Brazil	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264776
3	CABIFY	Chile	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264775
4	CABIFY	Colombia	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264775
5	CABIFY	Dominican Republic	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264776
6	CABIFY	Ecuador	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264777
7	CABIFY	Mexico	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264778
8	CABIFY	Panama	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264779
9	CABIFY	Peru	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264780
10	CABIFY	Uruguay	Latin America and the Caribbean	Acquisition	Easy Taxi	https://apps.apple.com/us/app/easy-taxi-a-cabify-app/id567264781
11	DIDI	Argentina	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=983&type=news
12	DIDI	Australia	Pacific	Independent		https://www.didiglobal.com/news/newsDetail?id=446&type=news
13	DIDI	Brazil	Latin America and the Caribbean	Acquisition	99 taxi	https://www.didiglobal.com/news/newsDetail?id=171&type=news
14	DIDI	Chile	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=676&type=news
15	DIDI	Colombia	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=676&type=news
16	DIDI	Costa Rica	Latin America and the Caribbean	Independent		https://costarica.didiglobal.com/sobre-didi/?utm_source=(direct)&utm_medium=(none)&utm_campaign=none&d_ga_id=GA1.2.2114827973.1644585010&d_gcl_au=1.1.1283206240.1644237033

17	DIDI	Dominican Republic	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=983&type=news
18	DIDI	Ecuador	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=993&type=news
19	DIDI	Egypt	Arab States	Independent		https://egypt.didiglobal.com/about-us/
20	DIDI	Hong Kong	East Asia	Independent		https://www.didiglobal.com/about-special/milestone
21	DIDI	Japan	East Asia	Joint venture	Softbank	https://www.softbank.jp/en/corp/news/press/sbkk/2018/20180719_02/ https://www.didiglobal.com/news/newsDetail?id=656&type=news
22	DIDI	Kazakhstan	Central and South Asia	Independent		https://kz.didiglobal.com/3370/
23	DIDI	Mexico	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=416&type=news
24	DIDI	New Zealand	Pacific	Independent		https://www.didiglobal.com/news/newsDetail?id=983&type=news
25	DIDI	Panama	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=983&type=news
26	DIDI	Peru	Latin America and the Caribbean	Independent		https://www.didiglobal.com/news/newsDetail?id=983&type=news
27	DIDI	Russia	Europe	Independent		https://www.didiglobal.com/news/newsDetail?id=953&type=news
28	DIDI	South Africa	Sub-Saharan Africa	Independent		https://www.didiglobal.com/news/newsDetail?id=993&type=news
29	FREENOW	Argentina	Latin America and the Caribbean	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/
30	FREENOW	Austria	Europe	Independent		https://free-now.com/at/
31	FREENOW	Chile	Latin America and the Caribbean	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/
32	FREENOW	Colombia	Latin America and the Caribbean	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/
33	FREENOW	France	Europe	merger	Kapten	https://free-now.com/fr/press/
34	FREENOW	Greece	Europe	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/
35	FREENOW	Ireland	Europe	merger	Hailo	https://group.mercedes-benz.com/investors/reports-news/
36	FREENOW	Italy	Europe	Independent		https://free-now.com/at/
37	FREENOW	Mexico	Latin America and the Caribbean	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/
38	FREENOW	Peru	Latin America and the Caribbean	Acquisition	The beat	https://group.mercedes-benz.com/investors/reports-news/

39	FREENOW	Poland	Europe	Independent		https://free-now.com/at/
40	FREENOW	Portugal	Europe	merger	Kapten	https://free-now.com/pt/imprensa/
41	FREENOW	Romania	Europe	Acquisition	Clever Taxi	https://group.mercedes-benz.com/investors/reports-news/
42	FREENOW	Spain	Europe	Independent		https://free-now.com/at/
43	FREENOW	Sweden	Europe	Independent		https://free-now.com/at/
44	FREENOW	United Kingdom	Europe	merger	Hailo	https://group.mercedes-benz.com/investors/reports-news/
45	GOJEK	Singapore	East Asia	Independent		https://www.gojek.com/sg/about/
46	GOJEK	Vietnam	East Asia	Independent		https://www.gojek.com/vn/about/
47	GRAB	Cambodia	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
48	GRAB	Indonesia	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
49	GRAB	Malaysia	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
50	GRAB	Myanmar	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
51	GRAB	Philippines	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
52	GRAB	Thailand	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
53	GRAB	Vietnam	East Asia	Acquisition	Uber	https://www.grab.com/sg/press/business/grab-merges-with-uber-in-southeast-asia/
54	Lyft	Canada	North America	Independent		https://www.lyft.com/
55	OLA	Australia	Pacific	Independent		https://ola.com.au/blog/ola-one-of-the-worlds-largest-ridesharing-companies-announces-its-plans-to-enter-australi/
56	OLA	New Zealand	Pacific	Independent		https://ola.co.nz/blog/ola-kicks-off-ridesharing-services-in-new-zealand-with-multi-city-launch/
57	OLA	United Kingdom	Europe	Independent		https://ola.co.uk/about-us/
58	Uber	Algeria	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
59	Uber	Andorra	Europe	Independent		https://www.uber.com/global/en/cities/
60	Uber	Argentina	Latin America and the Caribbean	Independent		https://www.uber.com/global/en/cities/
61	Uber	Australia	Pacific	Independent		https://www.industry.gov.au/data-and-publications/uber-in-australia

62	Uber	Austria	Europe	Independent		https://www.uber.com/de-AT/blog/vienna/wien-dein-uberx-ist-da/
63	Uber	Azerbaijan	Central and South Asia	Joint venture	Yandex	https://www.uber.com/newsroom/uber-yandex/
64	Uber	Bahrain	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
65	Uber	Bangladesh	Central and South Asia	Independent		https://www.uber.com/en-BD/blog/dhaka/dhakalaunch
66	Uber	Belgium	Europe	Independent		https://www.uber.com/global/en/cities/
67	Uber	Bolivia	Latin America and the Caribbean	Independent		https://www.uber.com/es-BO/blog/santa-cruz-tu-uber-esta-llegando/
68	Uber	Brazil	Latin America and the Caribbean	Independent		https://www.uber.com/pt-BR/blog/rio-de-janeiro/uber-lanca-oficialmente-no-rio-de-janeiro/
69	Uber	Cameroon	Sub-Saharan Africa	Joint venture	Yandex	https://taxi.yandex.com/company/
70	Uber	Canada	North America	Independent		https://www.uber.com/en-CA/newsroom/onmunicipalities/
71	Uber	Chile	Latin America and the Caribbean	Independent		https://www.uber.com/es-CL/blog/santiago/santiago-lleguen-con-estilo-en-los-primeros-ubers-secretos/
72	Uber	Colombia	Latin America and the Caribbean	Independent		https://www.uber.com/es-CO/blog/barranquilla/barranquilla-llegaron-los-uber-secretos/
73	Uber	Costa Rica	Latin America and the Caribbean	Independent		https://www.uber.com/es-CR/blog/uber-llega-a-costa-rica/
74	Uber	Cote d'Ivoire	Sub-Saharan Africa	Independent		https://www.uber.com/fr-CI/blog/abidjan-votre-uber-arrive/
75	Uber	Croatia	Europe	Independent		https://www.uber.com/en-hr/blog/we-arrived-at-the-croatian-coast-with-a-weekend-of-free-rides/
76	Uber	Czech Republic	Europe	Independent		https://www.uber.com/global/en/cities/
77	Uber	Dominican Republic	Latin America and the Caribbean	Independent		https://www.uber.com/es-DO/blog/santo-domingo/la-opcion-de-transporte-privado-mas-comodo-seguro-y-rapido-llego-a-santo-domingo/
78	Uber	Ecuador	Latin America and the Caribbean	Independent		https://www.uber.com/es-EC/blog/uber-llega-ecuador/
79	Uber	Egypt	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
80	Uber	El Salvador	Latin America and the Caribbean	Independent		https://www.uber.com/es-SV/blog/nuestro-primer-aniversario-juntosenelviaje-sv/
81	Uber	Estonia	Europe	Independent		https://www.uber.com/global/en/cities/
82	Uber	Finland	Europe	Independent		https://www.uber.com/global/en/cities/

83	Uber	France	Europe	Independent		https://www.uber.com/global/en/cities/
84	Uber	Germany	Europe	Independent		https://www.uber.com/global/en/cities/
85	Uber	Ghana	Sub-Saharan Africa	Independent		https://www.uber.com/en-GH/blog/accra/accra-your-uberx-is-arriving/
86	Uber	Greece	Europe	Independent		https://www.uber.com/global/en/cities/
87	Uber	Guatemala	Latin America and the Caribbean	Independent		https://www.uber.com/es-GT/blog/guate-tu-uber-esta-llegando/
88	Uber	Honduras	Latin America and the Caribbean	Independent		https://www.uber.com/es-HN/blog/la-app-de-uber-llego-a-honduras/
89	Uber	Hong Kong	East Asia	Independent		https://www.uber.com/zh-HK/blog/uberx_chi/
90	Uber	India	Central and South Asia	Independent		https://www.uber.com/en-IN/blog/mumbai/uber-has-officially-launched-in-mumbai/
91	Uber	Iraq	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
92	Uber	Ireland	Europe	Independent		https://www.uber.com/en-IE/blog/dublin/dublin-uberx-is-here-and-its-free/
93	Uber	Israel	Europe	Independent		https://www.uber.com/en-IL/blog/jerusalem-your-uber-is-arriving-now/
94	Uber	Italy	Europe	Independent		https://www.uber.com/en-IT/blog/milan/how-uber-charmed-its-1st-italian-city/
95	Uber	Jamaica	Latin America and the Caribbean	Independent		https://www.uber.com/global/en/cities/kingston-jamaica/
96	Uber	Japan	East Asia	Independent		https://www.uber.com/global/en/cities/
97	Uber	Jordan	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
98	Uber	Kenya	Sub-Saharan Africa	Independent		https://www.uber.com/en-KE/blog/nairobi-your-uberx-is-arriving-now/
99	Uber	South Korea	East Asia	Independent		https://www.uber.com/global/en/cities/seoul/
100	Uber	Kuwait	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
101	Uber	Kyrgyzstan	Central and South Asia	Joint venture	Yandex	https://taxi.yandex.com/company/
102	Uber	Latvia	Europe	Joint venture	Yandex	https://taxi.yandex.com/company/
103	Uber	Lebanon	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
104	Uber	Lithuania	Europe	Independent		https://www.uber.com/global/en/cities/vilnius/

105	Uber	Macao	East Asia	Independent		https://www.uber.com/global/en/cities/macau/
106	Uber	Mexico	Latin America and the Caribbean	Independent		https://www.uber.com/es-MX/blog/mexico-city/uber-se-queda-en-la-ciudad-de-mexico/
107	Uber	Moldova	Europe	Joint venture	Yandex	https://taxi.yandex.com/company/
108	Uber	Morocco	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
109	Uber	Netherlands	Europe	Independent		https://www.uber.com/en-NL/blog/eindhoven-your-uber-has-arrived/
110	Uber	New Zealand	Pacific	Independent		https://www.uber.com/global/en/cities/
111	Uber	Nigeria	Sub-Saharan Africa	Independent		https://www.uber.com/en-NG/blog/abuja-your-uberx-is-arriving-now-2/
112	Uber	Norway	Europe	Independent		https://www.uber.com/en-NO/blog/oslo-uber-launching-new-products/
113	Uber	Pakistan	Central and South Asia	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
114	Uber	Palestine	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
115	Uber	Panama	Latin America and the Caribbean	Independent		https://www.uber.com/global/en/cities/
116	Uber	Paraguay	Latin America and the Caribbean	Independent		https://www.uber.com/global/en/cities/
117	Uber	Peru	Latin America and the Caribbean	Independent		https://www.uber.com/es-PE/blog/lima/uber-llego-a-las-playas-del-sur/
118	Uber	Poland	Europe	Independent		https://www.uber.com/global/en/cities/
119	Uber	Portugal	Europe	Independent		https://www.uber.com/pt/blog/uberemtodoopais/
120	Uber	Qatar	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
121	Uber	Romania	Europe	Independent		https://www.uber.com/global/en/cities/
122	Uber	Russia	Europe	Joint venture	Yandex	https://www.uber.com/newsroom/uber-yandex/
123	Uber	Saudi Arabia	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
124	Uber	Senegal	Sub-Saharan Africa	Joint venture	Yandex	https://taxi.yandex.com/company/
125	Uber	Serbia	Europe	Joint venture	Yandex	https://taxi.yandex.com/company/
126	Uber	Slovakia	Europe	Independent		https://www.uber.com/global/en/cities/
127	Uber	South Africa	Sub-Saharan Africa	Independent		https://www.uber.com/en-ZA/blog/pe-your-uber-is-arriving-now/
128	Uber	Spain	Europe	Independent		https://www.uber.com/es-ES/blog/madrid-tu-uberx-ya-esta-aqui/

129	Uber	Sri Lanka	Central and South Asia	Independent		https://www.uber.com/en-LK/blog/colombo/colombolaunch/
130	Uber	Sweden	Europe	Independent		https://www.uber.com/sv-SE/blog/stockholm/vi-presenterar-uberx-den-billiga-ubern/
131	Uber	Switzerland	Europe	Independent		https://www.uber.com/fr-CH/blog/geneva/geneva-were-bringing-uber-to-you-2/
132	Uber	Taiwan (ROC)	East Asia	Independent		https://www.uber.com/zh-TW/blog/taipei/ubertaipeisoftlaunch/
133	Uber	Tanzania	Sub-Saharan Africa	Independent		https://www.uber.com/en-TZ/blog/dar-es-salaam-your-uberx-has-arrived/
134	Uber	Turkey	Europe	Independent		https://www.uber.com/global/en/cities/
135	Uber	Uganda	Sub-Saharan Africa	Independent		https://www.uber.com/global/en/cities/
136	Uber	Ukraine	Europe	Independent		https://www.uber.com/uk-UA/newsroom/kyivuberx
137	Uber	United Arab Emirates	Arab States	Acquisition	Careem	https://www.uber.com/en-JO/newsroom/uber-careem-close-jo/
138	Uber	United Kingdom	Europe	Independent		https://www.uber.com/en-GB/blog/london/introducing-uberx-same-uber-quality-but-cheaper-than-a-black-cab/
139	Uber	Uruguay	Latin America and the Caribbean	Independent		https://www.uber.com/es-UY/blog/montevideo/uber-montevideo/
140	Uber	Uzbekistan	Central and South Asia	Joint venture	Yandex	https://taxi.yandex.com/company/
141	YANDEX	Armenia	Central and South Asia	merger	Uber	https://www.uber.com/newsroom/uber-yandex/
142	YANDEX	Azerbaijan	Central and South Asia	merger	Uber	https://www.uber.com/newsroom/uber-yandex/
143	YANDEX	Belarus	Europe	merger	Uber	https://www.uber.com/newsroom/uber-yandex/
144	YANDEX	Cameroon	Sub-Saharan Africa	Joint venture	Uber	https://taxi.yandex.com/company/
145	YANDEX	Cote d'Ivoire (Ivory Coast)	Sub-Saharan Africa	Joint venture	Uber	https://taxi.yandex.com/company/
146	YANDEX	Estonia	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
147	YANDEX	Finland	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
148	YANDEX	Georgia	Central and South Asia	merger	Uber	https://www.uber.com/newsroom/uber-yandex/
149	YANDEX	Ghana	Sub-Saharan Africa	Joint venture	Uber	https://taxi.yandex.com/company/
150	YANDEX	Israel	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
151	YANDEX	Kazakhstan	Central and South Asia	merger	Uber	https://www.uber.com/newsroom/uber-yandex/

152	YANDEX	Kyrgyzstan	Central and South Asia	Joint venture	Uber	https://taxi.yandex.com/company/
153	YANDEX	Latvia	Europe	Joint venture	Uber	https://ir.yandex/press-releases?year=2018&id=0315
154	YANDEX	Lithuania	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
155	YANDEX	Moldova	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
156	YANDEX	Norway	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
157	YANDEX	Senegal	Sub-Saharan Africa	Joint venture	Uber	https://taxi.yandex.com/company/
158	YANDEX	Serbia	Europe	Joint venture	Uber	https://taxi.yandex.com/company/
159	YANDEX	Uzbekistan	Central and South Asia	Joint venture	Uber	https://taxi.yandex.com/company/

Appendix B: Fractionalization index (Alesina et al., 2003)

MARKET	ETHNIC	LANGUAGE	RELIGION
<i>Algeria</i>	0.34	0.44	0.01
<i>Andorra</i>	0.71	0.68	0.23
<i>Argentina</i>	0.26	0.06	0.22
<i>Armenia</i>	0.13	0.13	0.46
<i>Australia</i>	0.09	0.33	0.82
<i>Austria</i>	0.11	0.15	0.41
<i>Azerbaijan</i>	0.20	0.21	0.49
<i>Bahrain</i>	0.50	0.43	0.55
<i>Bangladesh</i>	0.05	0.09	0.21
<i>Belarus</i>	0.32	0.47	0.61
<i>Belgium</i>	0.56	0.54	0.21
<i>Bolivia</i>	0.74	0.22	0.21
<i>Brazil</i>	0.54	0.05	0.61
<i>Cambodia</i>	0.21	0.21	0.10
<i>Cameroon</i>	0.86	0.89	0.73
<i>Canada</i>	0.71	0.58	0.70

<i>Chile</i>	0.19	0.19	0.38
<i>Colombia</i>	0.60	0.02	0.15
<i>Costa Rica</i>	0.24	0.05	0.24
<i>Croatia</i>	0.37	0.08	0.44
<i>Czech Republic</i>	0.32	0.32	0.66
<i>Dominican Republic</i>	0.43	0.04	0.31
<i>Ecuador</i>	0.66	0.13	0.14
<i>Egypt</i>	0.18	0.02	0.20
<i>El Salvador</i>	0.20	N/A	0.36
<i>Estonia</i>	0.51	0.49	0.50
<i>Finland</i>	0.13	0.14	0.25
<i>France</i>	0.10	0.12	0.40
<i>Georgia</i>	0.49	0.47	0.65
<i>Germany</i>	0.17	0.16	0.66
<i>Ghana</i>	0.67	0.67	0.80
<i>Greece</i>	0.16	0.03	0.15
<i>Guatemala</i>	0.51	0.46	0.38
<i>Honduras</i>	0.19	0.06	0.24
<i>Hong Kong</i>	0.06	0.21	0.42
<i>India</i>	0.42	0.81	0.33
<i>Indonesia</i>	0.74	0.77	0.23
<i>Iraq</i>	0.37	0.37	0.48
<i>Ireland</i>	0.12	0.03	0.16
<i>Israel</i>	0.34	0.55	0.35
<i>Italy</i>	0.11	0.11	0.30
<i>Ivory Coast</i>	0.82	0.78	0.76
<i>Jamaica</i>	0.41	0.11	0.62
<i>Japan</i>	0.01	0.02	0.54

<i>Jordan</i>	0.59	0.04	0.07
<i>Kazakhstan</i>	0.62	0.66	0.59
<i>Kenya</i>	0.86	0.89	0.78
<i>Kuwait</i>	0.66	0.34	0.67
<i>Kyrgyzstan</i>	0.68	0.59	0.45
<i>Latvia</i>	0.59	0.58	0.56
<i>Lebanon</i>	0.13	0.13	0.79
<i>Lithuania</i>	0.32	0.32	0.41
<i>Macao</i>	N/A	0.25	0.55
<i>Malaysia</i>	0.59	0.60	0.67
<i>Mexico</i>	0.54	0.15	0.18
<i>Moldova</i>	0.55	0.55	0.56
<i>Morocco</i>	0.48	0.47	0.00
<i>Myanmar</i>	0.51	0.51	0.20
<i>Netherlands</i>	0.11	0.51	0.72
<i>New Zealand</i>	0.40	0.17	0.81
<i>Nigeria</i>	0.85	0.85	0.74
<i>Norway</i>	0.06	0.07	0.20
<i>Pakistan</i>	0.71	0.72	0.38
<i>Palestine</i>	N/A	N/A	N/A
<i>Panama</i>	0.55	0.39	0.33
<i>Paraguay</i>	0.17	0.60	0.21
<i>Peru</i>	0.66	0.34	0.20
<i>Philippines</i>	0.24	0.84	0.31
<i>Poland</i>	0.12	0.05	0.17
<i>Portugal</i>	0.05	0.02	0.14
<i>Qatar</i>	0.75	0.48	0.10
<i>Romania</i>	0.31	0.17	0.24

<i>Russia</i>	0.25	0.25	0.44
<i>Saudi Arabia</i>	0.18	0.09	0.13
<i>Senegal</i>	0.69	0.70	0.15
<i>Serbia</i>	0.57	N/A	N/A
<i>Singapore</i>	0.39	0.38	0.66
<i>Slovakia</i>	0.25	0.26	0.57
<i>South Africa</i>	0.75	0.87	0.86
<i>South Korea</i>	0.00	0.00	0.66
<i>Spain</i>	0.42	0.41	0.45
<i>Sri Lanka</i>	0.42	0.46	0.49
<i>Sweden</i>	0.06	0.20	0.23
<i>Switzerland</i>	0.53	0.54	0.61
<i>Taiwan (ROC)</i>	0.27	0.50	0.68
<i>Tanzania</i>	0.74	0.90	0.63
<i>Thailand</i>	0.63	0.63	0.10
<i>Turkey</i>	0.32	0.22	0.00
<i>Uganda</i>	0.93	0.92	0.63
<i>Ukraine</i>	0.47	0.47	0.62
<i>United Arab Emirates</i>	0.63	0.49	0.33
<i>United Kingdom</i>	0.12	0.05	0.69
<i>Uruguay</i>	0.25	0.08	0.35
<i>Uzbekistan</i>	0.41	0.41	0.21
<i>Vietnam</i>	0.24	0.24	0.51

Appendix C: Report of binary logistic regression analysis

Case Processing Summary

Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	147	92.5
	Missing Cases	12	7.5
	Total	159	100.0
Unselected Cases		0	0.0
Total		159	100.0

a. If weight is in effect, see classification table for the total number of cases.

Dependent Variable Encoding

Original Value	Internal Value
Independent	0
M&A/JV	1

Block 0: Beginning Block

Iteration History^{a,b,c}

Iteration	-2 Log likelihood	Coefficients	
		Constant	
Step 0	202.252	-0.204	
	202.252	-0.205	

a. Constant is included in the model.

b. Initial -2 Log Likelihood: 202,252

c. Estimation terminated at iteration number 2 because parameter estimates changed by less than ,001.

Classification Table^{a,b}

Observed	Entry mode		Predicted		
			Entry mode		Percentage Correct
			Independent	M&A/JV	
Step 0		Independent	81	0	100.0
		M&A/JV	66	0	0.0
Overall Percentage					55.1

a. Constant is included in the model.

b. The cut value is ,500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-0.205	0.166	1.525	1	0.217	0.815

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	Urban population %	1.715	1	0.190
		Population internet usage %	1.951	1	0.162
		Regulatory efficiency	2.798	1	0.094
		Open market	12.075	1	0.001
Overall Statistics			12.741	4	0.013

Block 1: Method = Enter

Iteration History^{a,b,c,d}

Iteration		-2 Log likelihood	Coefficients				
			Constant	Urban population %	Population internet usage %	Regulatory efficiency	Open market
Step 1	1	188.767	2.358	-0.002	0.007	0.009	-0.051
	2	188.461	2.689	-0.001	0.008	0.013	-0.061
	3	188.460	2.703	-0.001	0.008	0.013	-0.062
	4	188.460	2.703	-0.001	0.008	0.013	-0.062

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 202,252

d. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	13.792	4	0.008
	Block	13.792	4	0.008
	Model	13.792	4	0.008

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	188,460 ^a	0.090	0.120

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	11.338	8	0.183

Classification Table^a

Observed			Predicted		Percentage Correct
			Independent	M&A/JV	
Step 1	Entry mode	Independent	59	22	72.8
		M&A/JV	32	34	51.5
Overall Percentage					63.3

a. The cut value is ,500

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Step 1^a								
Urban population %	-0.001	0.013	0.011	1	0.915	0.999	0.973	1.024
Population internet usage %	0.008	0.012	0.443	1	0.506	1.008	0.984	1.033
Regulatory efficiency	0.013	0.027	0.233	1	0.629	1.013	0.961	1.067
Open market	-0.062	0.021	8.700	1	0.003	0.940	0.902	0.979
Constant	2.703	1.506	3.223	1	0.073	14.930		

a. Variable(s) entered on step 1: Urban population %, Population internet usage %, Regulatory efficiency, Open market.

Block 2: Method = Enter

Iteration History^{a,b,c,d}

Iteration	-2 Log likelihood	Coefficients									
		Constant	Ethnic fractionalization	Language fractionalization	Religious fractionalization	Urban population %	Population internet usage %	Regulatory efficiency	Open market		
Step 1	176.874	0.760	2.383	-0.087	-2.221	-0.013	0.027	0.029	-0.056		
	175.892	1.055	2.942	-0.197	-2.755	-0.016	0.033	0.038	-0.072		
	175.881	1.085	3.000	-0.205	-2.820	-0.016	0.034	0.039	-0.074		
	175.881	1.085	3.001	-0.205	-2.821	-0.016	0.034	0.039	-0.074		

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 191.003
d. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Omnibus Tests of Model Coefficients

Step	Chi-square	df	Sig.
Step 1	15.122	4	0.004
Block	15.122	4	0.004
Model	26.371	7	0.000

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
Step 1	175,881 ^a	0.164	0.220

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
Step 1	5.780	8	0.672

Classification Table^a

Observed	Entry mode	Predicted	Entry mode		Percentage Correct
			Independent	M&A/JV	
Step 1	Entry mode	Independent	63	18	77.8
		M&A/JV	28	38	57.6
	Overall Percentage				68.7

a. The cut value is .500

Variables in the Equation

Step	Variables	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)		
								Lower	Upper	
1	Ethnic fractionalization	3.001	1.332	5.073	1	0.024	20.105	1.476	273.824	
	Language fractionalization	-0.205	1.191	0.030	1	0.864	0.815	0.079	8.418	
	Religious fractionalization	-2.821	1.070	6.950	1	0.008	0.060	0.007	0.485	
	Urban population %	-0.016	0.015	1.060	1	0.303	0.985	0.956	1.014	
	Population internet usage %	0.034	0.015	4.994	1	0.025	1.035	1.004	1.066	
	Regulatory efficiency	0.039	0.031	1.607	1	0.205	1.039	0.979	1.104	
	Open market	-0.074	0.023	10.099	1	0.001	0.928	0.887	0.972	
	Constant	1.085	1.738	0.390	1	0.532	2.959			

a. Variables entered on step 1: Ethnic fractionalization, Language fractionalization, Religious fractionalization, Urban population %, Population internet usage %, Regulatory efficiency, Open market.

Correlations

		Ethnic fractionalization	Language fractionalization	Religious fractionalization	Urban population %	Population internet usage %	Regulatory efficiency	Open market
Ethnic fractionalization	Pearson Correlation	1	.660**	0.147	-.285**	-.474**	-.243**	-.325**
	Sig. (2-tailed)		0.000	0.069	0.000	0.000	0.002	0.000
	N	157	154	155	156	151	156	156
Language fractionalization	Pearson Correlation	.660**	1	.385**	-.432**	-.360**	-0.119	-.247**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.141	0.002
	N	154	155	155	154	149	154	154
Religious fractionalization	Pearson Correlation	0.147	.385**	1	-0.002	0.158	.314**	0.105
	Sig. (2-tailed)	0.069	0.000		0.977	0.054	0.000	0.193
	N	155	155	156	155	150	155	155
Urban population %	Pearson Correlation	-.285**	-.432**	-0.002	1	.667**	.368**	.451**
	Sig. (2-tailed)	0.000	0.000	0.977		0.000	0.000	0.000
	N	156	154	155	157	152	156	156
Population internet usage %	Pearson Correlation	-.474**	-.360**	0.158	.667**	1	.517**	.565**
	Sig. (2-tailed)	0.000	0.000	0.054	0.000		0.000	0.000
	N	151	149	150	152	152	151	151
Regulatory efficiency	Pearson Correlation	-.243**	-0.119	.314**	.368**	.517**	1	.595**
	Sig. (2-tailed)	0.002	0.141	0.000	0.000	0.000		0.000
	N	156	154	155	156	151	157	157
Open market	Pearson Correlation	-.325**	-.247**	0.105	.451**	.565**	.595**	1
	Sig. (2-tailed)	0.000	0.002	0.193	0.000	0.000	0.000	
	N	156	154	155	156	151	157	157

** . Correlation is significant at the 0.01 level (2-tailed).

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Ethnic fractionalization	0.383	2.608
	Language fractionalization	0.367	2.725
	Religious fractionalization	0.683	1.465
	Urban population %	0.435	2.298
	Population internet usage %	0.323	3.092
	Regulatory efficiency	0.530	1.886
	Open market	0.528	1.894

a. Dependent Variable: Entry mode

Casewise List^b

Case	Selected Status ^a	Observed	Predicted	Predicted Group	Temporary Variable		
		Entry mode			Resid	ZResid	SResid
68	S	M*	0.914	M	-0.914	-3.262	-2.263
57	S	M**	0.124	I	0.876	2.664	2.118

a. S = Selected, U = Unselected cases, and ** = Misclassified cases.

b. Cases with studentized residuals greater than 2.000 are listed.