

Market Exit and Re-Entry in a Volatile Emerging Economy: A Case Study of Yamaha Motorcycles in Pakistan

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Abstract

Purpose – This study was aimed at understanding the dynamics underpinning the exit and re-entry strategies adopted by multinational enterprises (MNEs) in an emerging market, Pakistan.

Design/methodology/approach – We undertook an in-depth historical case study of Yamaha Motorcycles, which had initially entered Pakistan as a joint venture but had then exited and re-entered as a wholly-owned subsidiary.

Findings – We found that, despite its status as a market leader and one of the older players in the Pakistani market, changing market dynamics in the 2000s—especially the increased competition brought by more affordable (inexpensive) Chinese motorcycles and the weak enforcement of industrial policies—had pushed Yamaha Motorcycles to exit. Another factor that had contributed to its exit were differences in risk perception and strategies with its local joint venture partner (a Pakistani business group). Hence, both firm-level and institutional factors had played significant roles in Yamaha’s market exit. We further found that re-entering in a wholly owned subsidiary operation mode had been beneficial for the firm, as it gained a significant market share due to its focus on innovation and on capturing a market niche, which had earlier not been its main focus. Our findings also suggest that opportunity logics and multiple forms of learning can be important for a firm’s re-entry into a host market—such as experiential (i.e., learning from experience) and vicarious learning (i.e., learning from other organizations, including suppliers and competitors) in an emerging market context, in which institutions evolve amid political and policy uncertainty. Finally, we found that exit and re-entry timing is an important factor for the development of competitive advantage in a host market.

Originality – Our study is among the few to have investigated the exit and re-entry strategies of MNEs in emerging markets. The relatively short time during which Yamaha Motorcycles had been out of the market had benefited it on its re-entry, as the firm had been able to capitalize on its prior learning and ties to suppliers’ networks.

Keywords: Foreign market exit, Market re-entry, Divestment, Learning, Auto industry, Emerging economy, Volatile markets, Pakistan, Historical methods

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1. Introduction

Market exits, also referred to as divestments or divestitures, are among the most critical decisions facing firms, as they influence current performance and also have significant implications for future strategies (Kolev, 2016; Sartor & Beamish, 2020; Mariotti et al., 2023). Prior studies have highlighted that multinational enterprises (MNEs) tend to exit foreign markets due to internal inefficiencies, different commitments, operational hurdles encountered in the host country, and increased uncertainties in the external environment (Arte & Larimo, 2019; Kolev, 2016; Kuiken, Wentrup, & Schweizer, 2020; Sartor & Beamish, 2020). Some scholars have further argued that MNE market exits can be helpful in improving the coordination across their remaining subsidiaries and in alleviating any issues associated with the misallocation of resources (e.g., Arte & Larimo, 2019; Kolev, 2016; Kuiken et al., 2020). However, at the same time, it has been argued that MNE managers tend to hesitate in undertaking market exits because such decisions can be perceived as the outcomes of personal failures (Vissak et al., 2020), and may also result in conflicts both within and outside the organizations (e.g., Song & Lee, 2017). Despite the importance of MNE market exits or divestments, Arte and Larimo (2019) lamented that the phenomenon is rather little researched, particularly when compared to its opposite—market entry strategies—which have been extensively studied. Hence, our study was aimed at addressing this gap in the international business (IB) literature by analyzing the foreign market exit and re-entry mode choices made by an MNE in the relatively volatile and under-researched emerging market context of Pakistan.

At the same time, foreign MNEs intending to enter emerging markets often face significant challenges (Arslan & Larimo, 2017; Lupton et al., 2021). These markets are riddled with significant institutional voids that hamper firm survival and negatively impact business performance due to intermediary inefficiency and the absence of institutional market support (Khanna & Palepu, 1997). Given such emerging-market environment dynamics, business groups need to be best positioned to mitigate the effects of any institutional voids by means of their market influence and linkages with the power elites (Gaur & Delios, 2015). As a consequence, joint venture partnerships with business groups may provide essential resources to foreign firms entering into and aspiring to succeed in emerging markets. In this regard, existing research suggests that the chances of survival

of joint ventures can be improved by local partners having relational assets and strong connections with power elites (Kim & Kim, 2018). However, joint ventures with business groups could also potentially lose value in the local economy due to any conflictual and opportunistic behaviors on the part of the partners. Also, there is evidence that joint venture management can be problematic as the strategic orientations and market perceptions of local business groups tend to differ from those of foreign MNEs (e.g., Guillen, 2003). Furthermore, institutional and firm-level factors tend to coevolve in determining firms' strategic choices, including exit and re-entry, especially in emerging markets (cf. Ahworegba, Garri and Estay, 2022; Liu et al., 2021; Peng et al., 2008).

Against this background, we drew on key insights from institutional and organizational learning theories to present the case of a foreign MNE's initial entry into, exit from, and subsequent re-entry into the Pakistani market. We did so because many prior studies have highlighted the essential role played by institutions in shaping firms' strategic choices, especially in uncertain and volatile contexts (Ahworegba et al., 2022; Golgeci et al., 2020; Peng, 2003; Peng et al., 2008), and have found that organizational learning based on hands-on market experience helps in such cases (Arslan & Dikova, 2015; Surdu et al., 2018). Specifically, we focused on the unique case of Yamaha motorcycles in Pakistan, which had entered this market as a joint venture, exited, and then re-entered using a different operation mode (i.e., wholly-owned subsidiary). Yamaha had been among the first foreign entrants in the Pakistani market and had remained a market leader until about the early 1990s. The firm had been among the firms that had pioneered the introduction of 2- and 4-stroke 100cc motorcycles in the market, but had had to exit the market in 2008 due to severe competition from rising competitors—including Honda, Suzuki, and Chinese assemblers—as well as to differences with its local joint venture partner in regard to the long-term operations and strategies for the host market. In addition, poor incentives and inconsistent industrial policies, together with their weak enforcement from the host government had contributed to its exit from Pakistan. In a relatively recent study, Yayla et al. (2018) analyzed Turkish firms' investments and divestments in Egypt and reported that firms may choose to re-enter a foreign market they had abandoned in the past following improvements in the relevant environmental conditions. The case presented in our paper supports this notion.

Our study makes important contributions to the extant IB and foreign market exit and re-entry literature streams. Firstly, it is among the first studies to focus on exit and re-entry in an emerging market, Pakistan, which is a relatively under-explored context from an IB perspective

(Khan, 2020). Its second contribution stems from its elucidation of the different roles formal and informal institutions (e.g., Holmes Jr. et al., 2013, 2018; Pajunen, 2008) had played in relation to Yamaha's operational history in Pakistan and its re-entry. In volatile contexts like Pakistan, a better understanding of institutional dynamics and specificities becomes even more critical for foreign MNEs, especially given that recent evidence has revealed that organizational survival in volatile contexts is strongly linked to a clear understanding of the role played by institutions and to the ability and resilience needed to navigate institutional dynamics in such contexts (cf. Ahworegba et al., 2022; Amankwah-Amoah et al., 2019; Golgeci et al., 2020).

Third, our study highlights the importance of organizational learning for re-entry, including learning about informal institutional factors (e.g., industry dynamics, supplier relationships and industry associations etc.) before market exit to guide subsequent re-entry. Our case findings support the vital role played by prior experience (experiential learning) and vicarious learning in guiding firms to develop successful re-entry strategies and timing. These findings further contribute to the existing scholarship, which suggests the importance of learning and experience in the internationalization processes of firms (Johanson & Vahlne, 2009; Vahlne & Johanson, 2017). Similarly, drawing wrong inferences from prior learning and experience may negatively contribute to a firm's optimal entry mode choice (Surdu et al., 2018; Zeng et al., 2013a, b). One of the important implications of our study is that multiple forms of learning (such as learning from prior experience and from other organizations, including suppliers and competitors) are vital for firms' re-entry in the context of emerging markets where institutions evolve under conditions of significant political and policy uncertainty. Our findings also suggest that reasons of opportunity play an important role in re-entry mode choice, indicating that a firm's re-entry into an emerging market is shaped by combinatory strategies such as various modes (e.g., experiential and vicarious) of learning and opportunity logics (cf. Leppäaho et al., 2023), and that these can be important in the context of uncertain and volatile emerging markets.

Further, existing research has shown that firms often use the same entry mode when they re-enter a market (e.g., Surdu et al., 2018); however, this was not the case for Yamaha, which switched from joint venture to wholly-owned subsidiary. Indeed, institutional and firm-level factors had played vital roles in the new re-entry mode choice. In particular, institutional signals emerging from Pakistan's new five-year auto development policy (2016-2021) had provided substantial incentives to new entrants to go for wholly-owned operations rather than their pre-exit

joint venture strategies. Hence, our study makes a final contribution in providing a nuanced view and adding important insights to the extant literature, which had hitherto predominantly focused on the influence of firm-level factors on exit and re-entry strategies. Our findings highlight how institutions and firm-level strategies coevolve, in turn shaping firms' strategic choices, including their re-entry strategies.

The rest of the paper is organized as follows. The next section presents a theoretical discussion on market exit and re-entry in relation to the role played by institutions and organizational learning. Then, the case, as well as the key findings, of Yamaha's exit from and re-entry into the Pakistani market are presented. Finally, theoretical and managerial implications are offered, as well as a discussion on future research directions.

2. Theoretical Background

Business groups play a significant role in local economic development in emerging markets, including Pakistan, and often have well-established political ties to the government (Guillen, 2000; Khanna & Rivkin, 2001; Shaukat & Gomes, 2020). Therefore, when entering unfamiliar institutional environments, MNEs can benefit from partnering with business groups—e.g., by using their suppliers and distributors networks and accessing their political capital (Gaur et al., 2019). Such resources can be extremely important for MNEs to offset their liabilities of foreignness (e.g., Zaheer, 1995).

Institutions are vital for MNEs' strategies because they represent immobile factors that significantly influence the cost of operating in a foreign location (North, 1990; Peng et al., 2008). North (1990: 3) defined institutions as “*humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and their enforcement characteristics*”. We similarly expected formal and informal institutions to influence the market exit and re-entry decisions of MNEs in international markets.

Formal institutions represent codified and explicit rule and standard structures that shape interaction among societal members; as such, they can affect the actions of firms by facilitating or prohibiting certain types of exchanges (North, 1990). In the case of foreign subsidiary operations, particular host-country formal institutions can affect both the costs and the success of doing business. For example, policies regarding the repatriation of profits, tariffs on imports, partnership

requirements, local supply problems, and tax policies can all determine what MNEs are allowed to do within the host country (Banalieva et al., 2018). The subsidiary operations of MNEs in emerging economies are also significantly influenced by the regulatory networks (and ambiguities) that restrict local activities and operations (e.g., Ahworegba et al., 2022; Arslan & Larimo, 2017; Gaur et al., 2019). Institutions also play vital role in entrepreneurial activities (Ferreira et al. 2023), and international opportunity development (Romanello et al. 2022). All these factors eventually drive the success or failure of MNEs in their host markets, including their entry mode choices.

Informal institutions are enduring systems of shared meanings and collective understandings. They reflect a socially constructed reality that shapes cohesion and coordination among individuals in a society (Scott, 2008). It should be further noted that informal institutions manifest themselves primarily in the form of societal norms and local culture (North, 1990; Peng et al., 2008; Peng & Beamish, 2014). Informal institutions establish a shared understanding of different issues, for example, what actions are considered acceptable, and desirable in a society (Khan et al., 2019; Thornton et al., 2013), as such, they tend to be more difficult for foreign firms to deal with compared to their formal counterparts (e.g., Arslan & Larimo, 2017). Informal institutions can also influence MNEs' management of foreign subsidiaries due to any differences in the expectations held by local employees and expatriates (e.g., Horak & Yang, 2016; McNulty & Selmer, 2017), and to the willingness to implement new organizational practices in subsidiaries (e.g., Khan et al., 2019).

A good awareness of the relevant institutional context is critical to understand the role played by formal and informal institutions in volatile economies (Ahworegba et al., 2022; Golgeci et al., 2020). It is very difficult to intuitively envisage the specific aspects of formal or informal institutions that influence MNE entry decisions because the context, along with MNE specificities (including the length of earlier operations and learning, as well as other relevant factors such as attitudinal and psychological commitment), tends to make each case unique (cf. Tan et al., 2007), which justifies our choice of a single in-depth case study. The complex interplay between modern and traditional, and formal and informal arrangements in such context yields uncertainty (Hall et al., 2014) and, consequently, volatility (Golgeci et al., 2020). Specifically, any unequal power relationships among market players may shape resource access (Hall et al., 2014), especially in emerging economies (Adomako et al., 2021), thus potentially exerting a negative influence on an MNE's subsidiary performance, to the point of even forcing it to exit.

Alongside the influence of formal and informal institutions in a volatile context, learning from direct experience in a host country has long been highlighted in the IB literature as a unique resource for MNEs, especially in dealing with local institutions (Arslan & Dikova, 2015; Surdu et al., 2018). Furthermore, supporting institutions decreases market exits (Fuentelsaz et al. 2021). At the same time, the organizational learning literature has long established that the experience accumulated over time can translate into increased organizational confidence (Levitt & March, 1988; Surdu et al., 2018). This further increases the ability of a firm to evaluate its external environment and associated risks (e.g., Buckley et al., 2018; Oetzel & Miklian, 2017). Hence, such abilities can be significantly beneficial in relation to re-entering a market, should an MNE decide to do so. Similarly, the internationalization literature suggests that learning, attitudinal and psychological commitment play important role for internationalization readiness as well as de-internationalization related decisions (cf. Tan et al., 2007; Kuiken et al., 2020).

In prior research, it has been further argued that the way in which firms use their experiential learning in their decision making depends not only on the ‘frequency’ of past experiences—i.e., the length of experience in a foreign market (Surdu et al., 2018)—but also on how closely ‘related’ such experiences are to the decisions being made (Aguzzoli et al., 2020). This relatedness of learning and experience is particularly important in the case of volatile emerging economies like Pakistan. Hence, the re-entering MNEs are expected to know which institutional aspects (both formal and informal) need more attention for operational success and how those aspects can be dealt with based on prior experience (and failure). The role played by experiential learning in entry mode choice is well recognized in the literature (Casillas & Moreno-Menendez, 2014; Johanson & Vahlne, 1977; Meschi & Métais, 2013; Tan et al., 2007). Recently, scholars have noted that firms can also draw wrong inferences from their experiences (Zeng et al., 2013a,b). MNEs re-entering markets may not effectively utilize their experience to their advantage, which may impact their entry mode choices, thus leading to high failure rates. It is thus important to examine the role played by experiential learning and the extent to which it helps firms to define their re-entry strategies.

2.1. Market Entry, Exit, and Re-entry

Numerous scholarly works have examined firms’ internationalization processes and the conditions under which they succeed or fail in host markets (Kafouros & Aliyev, 2016; Kuiken, et al., 2020; Liesch et al., 2007; Lu et al., 2018), However, little attention has been paid to the various phases of internationalization, which include initial market entry, de-internationalization by market exit,

and re-internationalization by market re-entry (Chen et al., 2019; Surdu et al., 2018, Surdu et al., 2019; Kafouros et al., 2022; Mariotti et al., 2023). The scholarly work focused on internationalization assumes that the process is limited to market entry (Bernini et al., 2016). Hence, it is also critical to understand market exit and re-entry, as these are also important phenomena (Mohr et al., 2018; Mariotti et al., 2023). Scholars have also argued that firm internationalization does not follow a linear approach and that, regardless of entry mode (e.g., joint venture or wholly-owned subsidiary), firms can then exit and/or re-enter markets (D' Angelo et al., 2020; Gaur et al., 2019; Yang et al., 2017; Welch and Welch, 2009). Our case-study of Yamaha Motorcycles is a perfect practical example to test this theoretical claim, as the firm had initially entered the market as a joint venture and had then re-entered it successfully as a wholly-owned subsidiary.

In regard to market entry or internationalization, studies have emphasized the role of firm's capabilities, resources, and learning processes that help in international readiness (Tan et al., 2007) and the influence of readiness with initial and subsequent export performance (Gerschewski et al. 2020). However, internationalization also involves cycles that include market activity reduction or even complete divestment. The de-internationalization phase may be followed by increases in international activities or even market re-entry (Chen et al., 2019). The IB literature implicitly assumes that internationalization is a non-reversible activity (Bernini et al., 2016). Hence, scholars have argued that market exit and re-entry studies also make substantial contributions to the IB literature (Kafouros et al., 2022). In regard to market re-entry, the literature asserts that, by re-entering a market, a firm may be able to salvage any prior sunk cost and tap into new opportunities and cheap resources to improve its performance (Chen et al., 2019). On the other hand, it is also argued that firms are often reluctant to re-enter a market despite the availability of new opportunities (Javalgi, et al., 2011). Hence, as a process, market re-entry is much more complicated than initial entry.

Despite their importance for the IB field, only a handful of studies have hitherto examined the determinants and consequences of market exit and re-entry (Berry, 2013; Dachs et al., 2019; Konara & Ganotakis, 2020; Lee et al., 2019; Mohr et al., 2020; Rodrigues & Dieleman, 2018). The key studies are outlined in Table 1.

Insert Table 1 here

The review presented in Table 1 reveals that there is scope to extend the scholarly work on market entry and re-entry in the context of emerging economies like Pakistan. Hence, our case study of the Yamaha Motor Company Limited fills this gap by examining the institutional environment, entry timing, and entry mode, all of which have been relatively neglected in the extant literature.

3. Methodology

A case-study approach provides an in depth analysis of a firm's situation (Ghauri & Firth, 2009). For our research, we thus adopted an in-depth historical case study of Yamaha Motorcycles, which had initially entered Pakistan as a joint venture, but had then exited and re-entered as a wholly owned subsidiary. The context was suited for the adoption of a case study approach, for which a purposeful sampling has been suggested (Zarghami & Zwikael, 2022). Furthermore, historical studies are relatively rare in the IB field (cf. Buckley, 2021; Cheung et al., 2020; Niittymies, Pajunen, & Lamberg, 2022; Pant & Ramachandran, 2017); thus, by performing a historical case analysis, we aimed at providing important insights into the phenomenon under examination.

4. Case Study Description

In developed nations, many people associate riding a motorcycle with enjoyment and recreation. However, in numerous emerging markets located in Asia (e.g., Pakistan, India, Bangladesh, China etc.) and Africa (e.g., Nigeria, South Africa, Tanzania, Ghana, Uganda), motorcycles are considered an essential mode of transportation and commuting (Schmid & Mitterreiter, 2018). Motorcycles can be categorized dichotomously as: 1) road motorcycles, which are mostly used for transportation purposes (in emerging economies) and recreational purposes (in developed economies) and, in terms of engine sizes, range between 400cc (small), 750cc (medium), and 1400cc (large); and 2) off road motorcycles, which are mostly used for adventure purposes and have engine sizes that usually do not exceed 400cc, mainly due to the lower speeds and less power required on bumpy roads.

Particularly in the context of Pakistan, motorcycles are mostly used as a mode of transportation, rather than for recreation, and the related industry is among the leading sectors in

terms of sales volumes. Approximately, one million motorcycles are produced annually in this market (McD, 2021). Overall, the sector has grown in many other emerging markets, including China, India, and Vietnam. The Pakistani motorcycle industry is mainly dominated by three Japanese players: Honda, Suzuki, and Yamaha, and some Chinese (e.g., unbranded bikes) and local brands (e.g., Metro and Road Prince). The motorcycle production data are presented in Table 2.

Insert Table 2 here

Globally, Pakistan has also emerged as one of the top five countries in relation to the production and export of high quality motorcycles, with a 23% annual export growth rate (Khan et al., 2018). Furthermore, more than 1,000 firms supply the core assemblers in this market, making it one of the prominent manufacturing sectors in the country, which is thus highly competitive in terms of new market entrants (Khan et al., 2018). The importance of the industry can be further emphasized as, despite the negative impact of the COVID-19 pandemic on several industries in Pakistan, a recent report has revealed that the automotive sector grew significantly by 23.38% in 2020 (PES, 2021). Specifically, from July 2020 to April 2021, the motorcycle sector experienced a 33.5% increase in production compared to the July 2019-April 2020 period. The PES report also noted that, while a drop in the exchange rate had led to inflation conditions and an increase in the price of rice, motorcycle demand had been sustained in the market. This was mainly because, given the absence of public transportation, the sector offers a preferred mean of transport, and thus enjoys a continuous growth potential.

The Yamaha Motor Company Limited (henceforth referred to as Yamaha) is a Japanese producer of motorcycles, marine products, and other motorized products. The company was set up in 1955, when it split from its parent Yamaha Corporation. Manufacturing started with the YA-1 model, a German inspired 2 stroke 125 CC motorcycle that won the Mount Fuji Ascent race within seven months of its launch and earned Yamaha a reputation, goodwill, and a name (Horsepower, 2020; Road Racing World, 2011). This gave Yamaha confidence in its machines and encouraged it to seek other markets. Due to its rapidly growing automotive industry, Pakistan was an attractive market for Yamaha. For example, General Tyre and Rubber Pakistan Limited had begun production in Karachi in 1963 (GentiPak, 2021), while Raja Auto Cars had introduced the well-known Vespa scooter and rickshaw in 1965 (Automark, 2017). However, during the 1970s, Pakistan had undergone a nationalization process whereby many companies had been bought by or

merged with others. Under these conditions, it had been difficult for Yamaha to directly serve the Pakistani market (Automark, 2017). Thus, in 1976, under the umbrella of the Dawood Group of Companies, Dawood Yamaha Limited had been formed in a joint venture with Yamaha (Rind, 2015). The key milestones of Yamaha's history in Pakistan are summarized in Table 3.

Insert Table 3 here

Dawood Yamaha Limited had been responsible for the manufacturing and marketing of Yamaha-branded motorcycles in Pakistan. Initially, Dawood Yamaha Limited had focused on 2-stroke engine designs, which were easy to maintain (Yamaha News, 2004). The engine could be returned to its original performance level by replacing a few parts, which had helped Dawood Yamaha Limited to build customer trust in the brand. For decades, Dawood Yamaha Limited had remained the second-largest player in the motorcycle segment, trailing just behind Honda. This had partially been due to the lack of competition in the Pakistani market resulting from the strict regulatory measures enforced by the government. In the 1970s, the motorcycle industry had been nationalized; this had hindered the entry of foreign players in the industry, leading to the stagnation of the sector, with limited growth and technology development and transfer (SMEDA, 2005). However, in the 1990s, the automotive industry had been de-regulated, which had allowed non-Japanese motorcycles mainly Chinese bike assemblers (e.g., Qingqi in 1997) to enter the Pakistani market. This had increased market competition due to competitive price differences (Qingqi's Rs. 14,360 vs. Rs. 23,448 for the Yamaha YB 100 in 1999), consequently leading to a sharp decrease in the market share of Dawood Yamaha Limited: from 30% to 19.3% by 2000 (Naqvi, 2015). According to Fazl-E-Haider (2018), Yamaha (and other Japanese motorcycle makers) had lost their share of the Pakistani motorcycle market to 51% to non-Japanese motorcycle makers.

In order to increase its market presence, Yamaha had introduced new models with innovative designs and higher prices. As affirmed by Yamaha (2003), *"In Pakistan, where political reforms are promoting open markets, the motorcycle market is expected to show growth after expanding 138% in 2002 vs. 2001 to record total demand of 166,000 units. In this booming market, the YAMA4 (YD100), the first Yamaha 4-stroke model produced for the Pakistani market"* (p. 10). Besides, the first multipurpose showroom—Yamaha Town Lahore—had been established to build Yamaha's brand image and create a strong market base (Yamaha, 2005). These initiatives had helped Dawood Yamaha Limited to find its niche in the Pakistani motorcycle segment.

By 2008, Pakistani importers had started to import low-cost Chinese motorcycles as a result of the cut in customs duties enacted by former Finance Minister Shaukat Aziz (Naqvi, 2015). Also, local Pakistani business units were manufacturing replicas of Japanese motorcycles, including Guangta Sitara, Jinan, Super Star & Star (Automark, 2017). In this situation, Yamaha had started a discussion with the Dawood Group of Companies aimed at introducing innovation in product designs, launching a sportier motorcycle, and expanding production capacity (Horsepower, 2020). However, the Dawood Group of Companies had not been ready to take the risk, which eventually caused the joint venture to be called off. As argued by Muhammad Khalid, a 3S Yamaha dealer, “*Dawood Yamaha Limited failed to introduce new Yamaha models in Pakistan and gave Honda a walk through*” (Khan, 2016, p. 1). Accordingly, in 2008, Dawood Yamaha Limited had engaged in image transformation and had changed its name to Dawood Yamaha Limited Motorcycles (DYL, 2021). From that point, Yamaha had started pursuing its independent re-establishment in Pakistan (The News, 2010).

However, formally moving into Pakistan presented challenges for Yamaha due to the heavy import duties imposed on complete motorcycles and their components (Naqvi, 2015). Being a new entrant, Yamaha needed additional benefits to survive in Pakistan’s competitive motorcycle market. Yamaha’s delegates negotiated its new-entrant benefits with the government, prefiguring a potential increase in Pakistan's exports in terms of motorcycles. Finally, Yamaha and Pakistani government finalized a deal that involved starting with a 15% localization and a commitment to add 15% each year (Khan, 2016). This reflected Pakistan’s government’s strong institutional support for foreign direct investment (Rind, 2015). Yamaha’s President, Hiroyuki Yanagi, also mentioned that “*Pakistan is all set to become one of the top global markets of motorcycles*” (The Tribune, 2015).

In 2013, Yamaha’s 100% subsidiary was formed with the name Yamaha Motor Pakistan (Pvt.) Ltd. This led to the launch of a motorcycle manufacturing factory at the Bin Qasim Industrial Park Karachi in 2015 with approximately 1,400 employees and a production target of 400,000 units by the end of 2020 (Ullah, 2015). Yamaha Motor Pakistan (Pvt.) Ltd. introduced the YBR125 model with a 125cc engine and sporty design. The response was tremendous, with 140 dealers selling it across Pakistan (Ani, 2015). In this regard, Bilal Khan, the strategy director at Spectrum Y&R said, “*Yamaha was absent from the market for five years and, with its recent comeback, it has disrupted the local motorcycle category by launching sporty designs. Most Pakistanis are*

under 30 years of age. This is a huge opportunity for YMPK and we, as their partner, are tasked with making it the number one motorcycle brand of choice for Pakistan's youth" (Javed, 2017, p.1).

Yamaha's re-entry into Pakistan represents an expansion strategy into a market with high growth potential. With its innovation and high-end motorcycle design, Yamaha Motor Pakistan (Pvt.) Ltd. managed to erode Suzuki's erstwhile strong position. This was evidenced by the achievement of the Motorcycle of the Year award in PakWheels (Yamaha, 2017). The Yamaha YBR125G also secured the title of Best Bike in terms of safety, comfort, features, design, and environmental friendliness (Yamaha, 2017), and Yamaha emerged as Pakistan's favorite motorcycle brand. Meanwhile, the government of Pakistan had enacted several automotive industry development policies. The most recent of these was formulated in 2016 to provide a five-year institutional framework suited to promote and develop the sector. One of the guiding aspects of this policy was to encourage foreign manufacturer investment and market entry (cf. Automark, 2016).

5. Conclusions and Implications

The findings of our case study on Yamaha's operations in Pakistan support the scholarly contention that foreign firms can often find understanding a host country's informal institutions to be more challenging than comprehending its formal ones (e.g., Arslan & Larimo, 2017; Holmes Jr et al., 2013; Thornton et al., 2013). In particular, in the context of Pakistan, the informal cultural differences in risk assessment had played an important role in Yamaha's earlier market exit. The extant literature provides abundant evidence on the difficulties associated with operating joint ventures in emerging economies, including Pakistan (Carrillo, 1996; Khan et al., 2015). These difficulties can be compounded due to high risk and volatility, which were visible factors in Pakistan when Yamaha had decided to exit the market. At the same time, there is scholarly evidence concerning the difficulties faced by MNEs in managing joint ventures with local business groups in emerging economies (e.g., Guillen, 2003; Holmes Jr et al., 2018). In this regard, our findings consistently reveal that joint venture, as a strategy, had been ineffective for Yamaha in the host market of Pakistan. Moreover, it is unsurprising that, in re-entering Pakistan, Yamaha had taken into account its prior experiences and the organizational learning (Buckley et al., 2018; Surdu et al., 2018) it had accumulated during its operation as a joint venture in the country. Table 4 presents

our key findings in relation to Yamaha's entry strategy in Pakistan and other emerging markets, its re-entry and the related timing.

Insert Table 4 here

5.1. Theoretical implications

Our findings have both theoretical and managerial implications. Existing studies suggest that re-entering firms usually opt for an entry mode similar to that they had at the time of their first entry, but Yamaha's case illustrates that prior experience and relationships with network partners play a vital role in re-entry mode choice and in the formation of a new entry strategy. These findings provide a fine-grained view of the conditions under which prior learning is helpful for firms, which may also draw the wrong inferences from it (Zeng et al., 2013a, 2013b). Therefore, theory development on market exit and re-entry needs to incorporate the specificities related to the exit and re-entry conditions found across different markets to enhance its explanatory capabilities in different contexts.

Our case findings also suggest that institutions and firm entry strategies coevolve. Specifically, in our case, such co-evolution had involved the government of Pakistan formulating new industrial policies for the automotive sector, incentivizing new entrants with lower import duties on machinery, plants, and components—see AIDP 2016-2021 (Automark, 2016). We provide important insights to the market exit and entry literature by showing how institutional settings and firms' re-entry strategies co-evolve. Our findings on re-entry timing also add novel insights to the extant literature, given that few studies have hitherto focused on its related issues in the market exit and re-entry literature (Surdu et al., 2019). The co-evolution of institutions and firm strategies and the specific role played by timing are aspects that should also become more visible in the theoretical development of this stream of literature. The Pakistani automotive industry (particularly the motorcycle sector) is dynamic and growth-oriented; as such, it has developed significant backward and forward linkages. Therefore, the examination of the re-entry strategies of MNE assemblers in relation to their prior learning and experiences adds useful insights to the literature (e.g., Surdu et al. 2018).

Scholars have been calling for more research to be conducted on market entry and re-entry (Kafouros et al., 2022). Hence, the practical and real-life case of Yamaha in the context of the emerging market of Pakistan provides evidence-based results and contributes to the theoretical body of knowledge on exit and re-entry strategies. Specifically, prior experiences, learning, and institutional reforms and policy are important factors for a successful re-entry and mode choice. The findings suggest that the signals coming from formal institutions can play an important role in the re-entry mode choices of MNEs in host markets. In a recent study, Leppäaho et al. (2023) stressed the role played by opportunity seeking and microhistory in the context of internationalization. We also argue that, in the case of Yamaha, multiple forms of learning—e.g., experiential (learning from prior experience) and vicarious (learning from partners, suppliers, and competitors)—combined with opportunity seeking had played an important role in its re-entry mode choice. So far, hardly any study had been conducted on market exit and re-entry in relatively volatile emerging markets, particularly in Pakistan. Given the low ranking held by Pakistan in relation to ease of doing business (108 out of 190 economies) (Trading Economics 2020), our paper highlights the critical role played by learning and opportunity-related aspects for successful re-entry in such a context.

The findings also contribute to the recent scholarly discussions advocating historical approaches in the field of IB (cf. Buckely, 2021; Cheung et al., 2020; Pant & Ramachandran, 2017). By utilizing historical methods, we shed light on the factors and timing related mechanisms driving market exit and re-entry strategies adopted by foreign firms in host markets (cf. Niittymies et al., 2022).

5.2. Managerial implications

The case of Yamaha provides important insights to managers responsible for foreign market initial entry, re-entry, and exit decisions. When selecting an optimal mode choice to enter unfamiliar foreign markets, managers need to make tradeoffs. On the one hand, managers want to exert the greatest possible control over the operations of their firms by opting for high commitment modes. On the other hand, they want to mitigate the risks associated with such modes. In such a context, the institutional environments and the signals emerging from their actors in host markets can play a vital role in shaping managers' market entry commitment level decisions. Our findings suggest that managers need to carefully evaluate the signals coming from formal institutions in terms of

industrial policies and to adjust their entry strategies accordingly. As institutions shape firms' strategic choices—including those pertaining to market exit and re-entry strategies—managers need to design such strategies in order to benefit from any support potentially provided by the local institutions.

Our findings also support the role played by host country networks and experiential learning. Networks play important role in the internationalization of firms, and managers need to utilize their network resources and knowledge in devising foreign market re-entry strategies. Emerging markets are plagued by significant institutional voids; thus, having close connections within relevant networks can be vital for managers to mitigate the effects of such voids and adjust their firms' strategies appropriately. In additions, managers should develop network connections with the relevant stakeholders—including policymakers, industry associations, and supply chain networks—in order to benefit from their resources during re-entry. The ability to take advantage of networking and external opportunities and resources during re-entry will foster firm success (Sousa et al., 2021). Our findings also suggest that prior experience and learning from past operations can be crucial in devising foreign market re-entry strategies. Hence, managers need to carefully evaluate their prior experiences and avoid drawing wrong inferences in regard to foreign market re-entry decisions and choices. Our findings suggest that opportunity-related logics and multiple forms of learning can be vital in adjusting market entry and re-entry strategies in the context of emerging markets; thus, managers need to pay more attention to any relevant learning channels and incorporate them into their opportunity recognition for foreign market entry and re-entry strategies. Such combinatory strategies (i.e., learning and opportunity related logics) can be important in regard to entering emerging markets, which are riddled with institutional voids.

5.3. Future research directions

Future studies could build on our findings to further extend this relatively nascent stream. Scholars could explore the specificities of timing in relation to formal and informal institutions in different markets and analyze them in the context of firm exit and re-entry. Conducting longitudinal studies aimed at gauging longevity (survival) vs. market exits over time across different sectors and markets would also be beneficial. In addition, future studies could consider how changes in internal and external factors and the experience of firms in other similar markets affect market re-entry decisions and entry modes. Studies could also compare the performance of new entrants with that

of firms that had exited and re-entered the market. The role played by different forms of experiential knowledge (e.g., marketing, institutional, business) could also be investigated, and so could the role played by cultural distance. In line with the suggestion made by Arte and Larimo (2019), future studies could consider exit barriers and industry-country interactions. Further, how the home and host environments influence market exit could be explored (Sapouna et al., 2018).

Our study highlighted the importance of innovative product development and of focusing on previously untapped niche markets (e.g., by utilizing opportunity logics) after re-entry. This is an important finding, which could be further examined in-depth in different contexts. The role played by those business groups that have a significant influence on the informal (and, in some cases, also on the formal) institutions in emerging economies is featured in our study. Future studies could further probe this specific aspect to see how business groups influence the market entries and exits of foreign MNEs, particularly those that had previously partnered with them in some way. There is also scope for future studies to examine both firm- and industry-level factors to expanding our understanding of market exit and re-entry strategies. Future studies could also pay attention to the role played by non-market strategies in foreign market re-entry, as we believe that such strategies may be important in facilitating the re-entry of firms into emerging markets in which formal institutions are in a state of flux. Studies could examine the exit and re-entry strategies of multiple firms and compare different re-entry cases across emerging markets for increased generalizability. Such studies could combine organizational learning and opportunity logics and explicate their role in re-entry and survival of firms in host markets. Finally, from a methodological standpoint, scholars could adopt a mixed method approach (interviews and surveys), which would distill further information regarding market exit and re-entry strategies.

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Table 1. Key Studies on Market Entry and Exit Literature

Authors	Objective	Method and Sample	Theory and Context	Findings
Konara and Ganotakis (2020)	To understand the role of different subsidiary level resources and capabilities in market exit.	Spanish panel data set spanning nine years (2008-2015) based on foreign owned subsidiaries. The sample consists of 1,672 firms over a period of nine years. Out of these, 1,185 sell-off cases were identified.	The study used resource-based theory with foreign divestment literature. The context of the study was Spain.	The study finds that subsidiaries with higher levels of innovation capabilities are less likely to divest.
Lee et al. (2019)	To understand the role of mandate portfolio of subsidiary in survival.	165,551 foreign subsidiary-year data of 4,877 Japanese multinationals from 1991 to 2017 that were located in 16 countries: Australia, Brazil, Canada, France, Germany, Mexico, Nigeria, New Zealand, the People's Republic of China, the Republic of Korea, Saudi Arabia, South Africa, Spain, the United Kingdom, the United States	The study applied the resource dependency theory, and the context of the study was Japanese firms' foreign subsidiaries.	The study finds that high mandate portfolios with greater scope in relation to same parent subsidiary enhance survival chances.

		of America, and Vietnam.		
Berry (2013)	To understand the characteristics of the host market in divestment from the market.	Annual survey of USA direct investment overseas from 1989-2004. 759 firms in manufacturing industries with a total of 12,430 subsidiary investments were studied.	No specific theory was applied. The context was U.S. multinational firms.	Poor performance is a significant predictor of divestment. The relationship is moderated by product and geographic market characteristics.
Chen et al. (2019)	To examine the exporting firms' entry and re-entry stages by considering the role of time-out period.	The study utilized the export data from the Chinese Customs for the 2000-2009 period. The study was based on 58,857 export market exit instances over the 2000–2009 period, occurring among 17,873 Chinese exporting firms, out of which 605 exporting firms were observed as exiting from a foreign market more than once.	The study applied resource-based view and decision theories.	The study specifically finds the importance of the exit stage in re-shaping entry decisions. In re-entering the market, firms can capitalize on any emerging opportunities and new resources in improving performance.
Surdu (2019)	To understand the market re-entry strategies.	The study used business information and research databases, namely Factiva (Dow Jones) and	The study used organizational learning theory with institutional change literature.	Exit motives significantly impact the re-entrants' decision to re-enter via a different mode of operation by either increasing or decreasing their

		LexisNexis (Reed Elsevier. The observation period starts in 1980 and ends in 2016 and includes a total of 1,020 events.		commitment to the market. We show that re-entrants do not replicate unsuccessful operation mode strategies if they had previously underperformed in the market.
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Source: table by authors

Table 2. History of Yamaha Motor Pakistan (Pvt.) Ltd.

Years	Milestones	Description
1955	Foundation of Yamaha Motor Company Limited, Japan.	Yamaha Motor Company Limited was founded in Japan with the launch of the YA-1 model.
1976	Entry into Pakistan	Yamaha Motor Company entered into Pakistan via a joint venture with Dawood Group of Companies. It was named as Dawood Yamaha Limited.
1990s	Deregulation of automotive industry	The automotive industry was de-regularized with a huge boom in auto production.
2000	Decline in Dawood Yamaha Limited	Decline in market share of Dawood Yamaha Limited due to higher fuel prices and two-stroke engines.
2003	Launch of 4-stroke model	Dawood Yamaha Limited launched one of the popular models - Yamaha YD-100 Junoon.
2008	Conflict between Dawood Group and Yamaha Management	Market competition in Pakistan increased due to the launch of low-cost Chinese motorcycle. This led to conflict between Dawood Yamaha Limited and Yamaha Motor Company Limited on the launch of innovative models.
2008	Joint venture dissolved	The joint venture came to a close and Dawood Yamaha Limited changed its name to Dawood Yamaha Limited Motorcycles.
2012	No sale/manufacturing of Yamaha motorcycles	Dawood Groups stopped manufacturing and selling Yamaha branded motorcycles as per the technical support agreement.
2012-2013	Negotiations on re-entry in Pakistan	Yamaha Motor Company Limited started negotiations with the Pakistani government for re-entry.
2013	Establishment of subsidiary	100% subsidiary of Yamaha Motor Company Limited was established to solely manufacture and distribute Yamaha Brand Motorcycles.
2015	Launch of manufacturing factory	The launch ceremony of Yamaha Motor Pakistan (Pvt.) Ltd. manufacturing factory was held. A commitment was also made to localize operations at a rate of 15pc per annum.
2015	Launch of YBR125 model	First launch of motorcycle model YBR125 (for young groups) with a network of 140 dealerships. The presence of Yamaha Motor Pakistan (Pvt.) Ltd. was marked via TV ad.
2017	Award win	YBR125 won Top Motorcycle Award in Pakistan.
2022	100% manufacturing in Pakistan	Yamaha Motor Pakistan (Pvt.) Ltd. decides to conduct whole manufacturing operation of spare parts and engine in Pakistan.

Source: table by authors

Table 3. Production units of motorcycles in Pakistan (2019-2020)

Brands	Production units (2019-2020)
Honda	871,119
Yamaha	17,987
Suzuki	16,175
Total Japanese production	905,281
United Auto	298,340
Road Prince	97,417
Super Star	65,909
Hi Speed	49,989
Super Power	46,337
Crown	29,171
Metro	26,969
Rohi	10,680
Union Star	3,592
New Asia	3,062
Bionic	3,123
Super Style	2,235
Total Pakistani production	636,824

Source: AutoMark Magazine, September 2020 Issue. (<https://www.automark.pk/motorcycle-production-data-for-year-2019-20>)

Table 4: Findings

Theme of the finding	Key Findings
Joint venture as an ineffective strategy for Yamaha in Pakistan	Yamaha found it difficult to effectively run the joint venture with the Dawood group in its earlier operations due to the differences in understanding and managing the risks associated with operating in a market, where the entry of more affordable (inexpensive) Chinese motorcycles presented new and tough competition. By contrast, success was found when it switched its re-entry mode into the market. Indeed, what Yamaha did with motorcycles in Pakistan was similarly played out in China, where Yamaha had first entered as a joint venture with the Jianshe machine tool factory in 1980 and in 2001, before changing the mode of operation to wholly owned subsidiary. Presently, the China subsidiary holds a 12.8% share of the machine-tool market in China (Statista, 2021). Hence, Yamaha seemed not to find joint venture to be an effective strategy not only in the context of Pakistan but also for other emerging markets.
Yamaha strategies in other markets	Considering the cases of other emerging markets, whence Yamaha never exited, we found contrasting results. For example, in the context of Nigeria, it had entered the market as a wholly owned subsidiary in 1980s, and had subsequently retrenched its entire local production in 2005 due to market decline (Yamaha, 2014). Since then, it has been operating as a joint venture in the country. Similarly, in India, Yamaha had first entered as a joint venture in 1996, had become a wholly owned subsidiary in 2001, and is currently operating as a joint venture. These contrasting situations suggest that emerging market dynamics can differ from one another. Hence, our case study based approach

	<p>was useful to shed light onto different factors that contribute to market exit and re-entry success or failure.</p>
Yamaha re-entry	<p>Yamaha's decision to re-enter the Pakistani market with a wholly-owned subsidiary operation mode clearly showed long term commitment to the market, despite being a riskier strategy compared to the lower-commitment joint-venture entry mode. Furthermore, the establishment of a wholly-owned subsidiary would enable Yamaha to run operations according to its own strategic vision and resources, which is a critical advantage of wholly-owned subsidiary over joint venture. It is worth noting that the evidence of Yamaha successfully re-entering as a wholly-owned subsidiary is in contrast to some studies that suggest that re-entrants tend to manage risk by using partnering modes (Surdu & Ipsmiller, 2021).</p> <p>It is also worth noting that the role played by institutional reforms (such as in the form of the new auto industry development policy 2016-2021) and relative stability (represented by less volatility and terrorism) have played key roles in Yamaha's decision to switch mode on re-entry. This is in line with prior studies, which have highlighted that relative stability compared to earlier volatility increases market attractiveness, especially in emerging economies (Ahsan & Musteen, 2011; Yayla et al., 2018).</p>
Timing of re-entry	<p>Another key finding of our case study relates to the timing Yamaha's re-entry in Pakistan. Prior scholars have argued that, if a firm exits a market, it should not remain absent for a lengthy period, as this can result in it being slowly forgotten by consumers as well as other reputational damage (Wan et al., 2015). In our study case, we observed</p>

	<p>that, even though had Yamaha exited the market due to problems with the joint venture and to being unable to cope with the sudden competition brought by inexpensive Chinese motorcycles, it had re-entered the market after just five years. This relatively short time between exit and entry may have helped Yamaha to regain its competitive position in Pakistan, as it focused on innovation and niche market segments (e.g., 125cc motorcycles) on re-entry. For example, Yamaha had attained 15% market share in the 125cc engine category in 2017 and had sold 30,000 units over two years (Rizvi, 2017). In addition, the firm had been able to capitalize on its prior experience and learning and had reused this knowledge for its re-entry strategies, given that the limited time spent away from the market had not resulted in the loss of crucial prior knowledge and supply chain connections. Also, the firm had utilized multiple forms of learning and opportunity and had adjusted its re-entry timing and re-entry mode choice.</p>
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Source: table by authors

