

BET365 STRATEGIC MARKET EXIT AS LEGITIMACY DECOUPLING IN CHINA

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Bet365 Strategic Market Exit as Legitimacy Decoupling in China

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I have written this Master's Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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Kwan Shun Sam Lau

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Introduction

On 19 March 2025, Bet365 — one of the world's largest privately held online gambling operators — dispatched emails to its entire Chinese customer base announcing that it would cease operations in China within eight days. No buyer was announced, no customer book was transferred, and no structural successor entity was put in place. The Chinese market, which had at its peak in approximately 2014 constituted an estimated 20% of the firm's total revenue, was abandoned completely, with unsettled wagers voided and remaining player balances subject to a limited withdrawal window (EGR Intel, 2025; SiGMA, 2025). The company's sole public explanation — that it intended to "consolidate its resources to centre on gaining market share in regions that provide long-term sustainable revenue" — was conspicuously silent on why the decision was made in March 2025 rather than earlier, why structural separation was not pursued, and why the withdrawal took the form of abrupt, unannounced termination rather than an orderly market exit.

These questions are not merely of interest to the gambling industry. They represent an analytically significant puzzle for international business theory. The foreign divestment literature has documented extensively that firms exit markets characterised by poor financial performance, institutional hostility, or strategic misalignment with the parent firm's core competencies (Benito & Welch, 1997; Ozkan, 2020; Nguyen, 2026). What it has not theorised is the specific mechanism whereby a firm voluntarily exits a market that, while operationally deteriorating, remains nominally revenue-generating — and does so not in response to regulatory enforcement but in anticipation of the credibility requirements of regulators in geographically distinct third-country markets. This mechanism, which this thesis terms legitimacy decoupling, involves the deliberate severance of a firm's organisational identity and reputational profile from a grey-market presence whose residual institutional risk has become structurally incompatible with its white-market legitimisation strategy.

The Chinese online gambling market constitutes a canonical grey-market environment: gambling for Chinese nationals is comprehensively prohibited under Chinese law, yet a large and commercially significant offshore-operator ecosystem served this market for approximately two decades through informal payment channels, affiliate recruitment networks, and mirror-site access infrastructure. Bet365's sustained engagement with this market from approximately 2006 through March 2025 provides a longitudinal window onto how a globally branded, heavily regulated multinational enterprise managed the tension

between profitable grey-market participation and the institutional compliance requirements of its increasingly significant licensed operations in the United Kingdom, the United States, and Brazil. The firm's March 2025 withdrawal — occurring within weeks of Brazil's regulated gambling market launch on 1 January 2025, and during a period of active licensed expansion in thirteen US states — transforms this tension into an analytically tractable research event.

The central research question animating this thesis is: *how do international business theories explain the decision of a heavily regulated multinational enterprise to fully exit a legally ambiguous grey-market jurisdiction?* A subsidiary question of equal analytical importance concerns why the same institutional environment produced categorically different responses in two firms — Bet365's full exit versus Pinnacle Sports' structural separation through a Costa Rica-incorporated entity — exposing the firm-level and model-level variables that environmental accounts alone cannot capture. Taken together, these questions situate the thesis at the intersection of five established theoretical streams: foreign divestment and de-internationalisation, institutional volatility and selective enforcement, legitimacy decoupling, shadow economy transaction costs, and family firm socioemotional wealth.

The thesis employs a qualitative single-case study design, with Bet365 as the primary case and Pinnacle Sports as a polar-type comparator, following the methodological principles articulated by Eisenhardt (1989a) and the case selection logic developed by Fletcher et al. (2018). Primary data were collected through semi-structured elite interviews with two former mid-level managers — one from each firm — who held operational responsibility for the Chinese market during the period under investigation. This primary data is triangulated against a curated corpus of industry analyst reports, regulatory announcements, and financial press coverage, and analysed using the six-phase thematic analysis framework of Braun and Clarke (2006). The resulting analytical framework integrates the five theoretical streams into a composite account centred on the legitimacy decoupling mechanism.

The thesis makes three bounded theoretical contributions to the international business literature. First, it advances the concept of legitimacy decoupling as a novel and analytically distinct mechanism for explaining MNE exit from grey markets — a mechanism in which exit precedes regulatory enforcement and functions as a proactive prophylactic act of identity management rather than a reactive response to reputational damage. Second, it extends Liu et al.'s (2025) typology of decoupling modes — originally developed in a geopolitical supply-chain context — to the domain of reputational-legitimacy management in grey-market iGaming, demonstrating that the determinant of which decoupling mode is feasible is the global visibility of the firm's brand rather than the severity of the institutional pressure it

faces. Third, the Pinnacle Sports comparison demonstrates that the same institutional environment can produce categorically different strategic outcomes depending on the business model of the operator, thereby refining Ozkan's (2020) misalignment framework by identifying model fit as an additional determinant of exit propensity alongside strategy-environment alignment.

The remainder of the thesis proceeds as follows. Chapter 1 constructs the theoretical framework across five sections, surveying the divestment and de-internationalisation literature, the institutional volatility and selective enforcement literature, the legitimacy decoupling literature, the shadow economy and transaction cost literature, and the family firm socioemotional wealth literature. Chapter 2 provides the empirical context: China's online gambling prohibition and the grey-market ecosystem it generated, and the operational profiles of Bet365 and Pinnacle. Chapter 3 justifies the qualitative single-case methodology, describes the elite interview data collection, and outlines the thematic analysis procedure. Chapter 4 presents and analyses the findings, synthesising the empirical evidence against the five theoretical streams and articulating the legitimacy decoupling mechanism as the integrating analytical construct. The thesis concludes with a discussion of theoretical contributions, managerial and policy implications, limitations, and directions for future research.

Keywords: Internationalisation, Multinational Enterprises, Divestment, Institutional Environment, Shadow Economy

CERCS: S190 Management, administration; S180 Economics, econometrics and economic theory

Chapter 1: Literature Review and Theoretical Framework

1.1 Internationalization Theory as a Foundation: Cross-Jurisdictional Legitimacy and the Liability of Foreignness

The foundational theoretical account of multinational enterprise internationalisation is the Uppsala model, originally formulated by Johanson and Vahlne (1977) on the basis of empirical observations of Swedish manufacturing firms expanding internationally. The model proposes that internationalisation proceeds not through rational market optimisation but through incremental commitment driven by experiential learning: firms accumulate market-specific knowledge primarily through direct operational engagement, and this experiential knowledge — concerning business climate, customer characteristics, and institutional norms — cannot be transferred across national contexts. As knowledge accumulates, firms incrementally increase their resource commitments to the foreign market, progressing through what Johanson and Vahlne (1977) termed the establishment chain. The foundational logic is that uncertainty, generated by knowledge gaps, is the primary constraint on international expansion.

Johanson and Vahlne (2009) substantially revised this model by reconceptualising the international business environment not as a market of independent actors but as a web of relationships — a network — in which firms are embedded to varying degrees. This generates a decisive theoretical shift: the primary source of competitive disadvantage is no longer informational unfamiliarity but what Johanson and Vahlne (2009) term the liability of outsidership. A firm excluded from the trust, knowledge, and commitment relationships that characterise insider status in the relevant host-country networks faces a structural impediment qualitatively more consequential than psychic distance. In the revised model, insidership is a necessary condition for sustainable foreign operations; its absence is a structural liability. Röell et al. (2025), applying this framework to emerging market contexts, demonstrate that where the conversion from outsider to insider status is structurally unavailable — as it is, by definition, for any operator seeking formal embeddedness in a legally prohibited market — the liability of outsidership becomes permanent rather than transitional.

These foundational concepts — outsidership and the liability of foreignness — are analytically productive for the present thesis not primarily in their standard application to market entry, but through the cross-jurisdictional extension that recent scholarship has developed and that constitutes the theoretical centrepiece of this section. The liability of foreignness (LOF) was originally formalised by Zaheer (1995) as the totality of additional costs a firm incurs abroad relative to domestic competitors, arising from unfamiliarity with the host environment, absence of relational embeddedness, and discriminatory treatment by institutional actors. Eden and Miller (2004) disaggregated LOF into three hazard categories: unfamiliarity hazards from knowledge deficits; relational hazards from absent network embeddedness; and discrimination hazards from differential institutional treatment. The structural driver of all three is institutional distance — the cognitive, normative, and regulatory gap between home and host environments. An (2025), examining MNE subsidiaries in weak institutional environments, confirms that all three dimensions can compound into a qualitatively more severe disadvantage than LOF research in developed-market contexts has documented, particularly where the host country's institutional framework is itself characterised by selective enforcement.

The critical theoretical development for the present thesis, however, is Shin and Jung's (2025) demonstration that LOF is not spatially contained within the host market where the liability originates. Foreign firms bearing a legitimacy deficit in one jurisdiction face capital market and licensing penalties in third-country markets, where regulators assess the applicant's global institutional profile rather than its performance in any single host environment alone. This cross-jurisdictional radiation of LOF is the foundational theoretical mechanism for the thesis's central argument. A firm that operates in a legally prohibited market — generating what this thesis terms reputational cross-contamination — does not incur the primary cost of that operation within the prohibited market itself, where all operators face equivalent exposure. The cost is incurred in the white-market licensing jurisdictions where the firm's global brand profile is evaluated: regulators in those jurisdictions can observe the firm's grey-market association and factor it into licensing assessments, even when formal exclusionary criteria are not codified. Shin and Jung's (2025) mechanism is precisely this: the illegitimacy generated in one jurisdiction propagates outward through the firm's global identity to third-country regulatory contexts where the firm's legitimacy matters most. This cross-jurisdictional LOF mechanism provides the foundational explanatory link between Bet365's Chinese grey-market exposure and its US and Brazilian

licensing strategy — a link elaborated through the legitimacy decoupling concept developed in Section 1.4.

The analytical implication of this theoretical baseline for the present case is threefold. First, the liability of outsidership in China's grey market is permanently irresolvable: formal institutional embeddedness is structurally unavailable to a foreign operator in a prohibited market, making the standard Uppsala path of progressive commitment reduction through experience categorically inapplicable. Second, the cross-jurisdictional LOF mechanism established by Shin and Jung (2025) means that this irresolvable outsidership in China radiates outward to contaminate the firm's legitimacy profile in US and Brazilian licensing evaluations. Third, this radiation is not passive: its intensity is mediated by the global visibility of the firm's brand, such that a globally recognised operator faces greater third-country contamination than a less visible one operating in the same grey market. These three implications — permanent outsidership, cross-jurisdictional radiation, and brand-visibility mediation — frame the analytical architecture of the four theoretical streams that follow.

1.2 Foreign Divestment, De-internationalisation, and Strategy Misalignment

The deliberate reduction of a firm's international engagement has received comparatively limited theoretical treatment relative to the extensive scholarship on market entry, an asymmetry several authors have explicitly lamented (Benito & Welch, 1997; Wan et al., 2015). This neglect is analytically striking: firms on average divest approximately half of their formerly acquired international operations (Wan et al., 2015), and the decision to withdraw from a foreign market is as strategically consequential as the decision to enter it.

The earliest systematic treatment of foreign divestment is attributed to Boddewyn (1979), who documented the growing incidence of voluntary exits by United States, European, and Japanese multinationals during the late 1960s and 1970s. Boddewyn established that financial underperformance alone could not explain divestment: firms also divested units that did not fit their broader corporate portfolios even when those units remained profitable. This early observation — that strategic misalignment as well as financial failure motivates exit — proved generative for subsequent scholarship. The conceptual

vocabulary for the field was then substantially advanced by Welch and Luostarinen (1988), who first introduced the concept of de-internationalisation to the international business literature, and by Benito and Welch (1997), who offered its first systematic theorisation. Departing from the dominant view that internationalisation follows a linear, stage-based path of increasing commitment, Benito and Welch proposed that de-internationalisation — encompassing divestment, mode switching to lower-commitment forms, and full market withdrawal — is an inherent feature of the internationalisation process rather than an exceptional deviation from it. Tang et al.'s (2021) thematic review of 218 articles synthesised four decades of evidence on de-internationalisation, documenting its antecedents, consequences, and moderating conditions across diverse theoretical traditions.

Research on the antecedents of foreign subsidiary divestment has since accumulated across multiple theoretical paradigms. Schmid and Morschett's (2020) meta-analysis of 45 divestment studies identified subsidiary-level factors as the strongest predictors of exit, with the resource-based view and transaction cost economics providing better predictive power than organisational learning theory or institutional theory in isolation. Berry (2013) found that both poor subsidiary performance and geographical market differences — particularly when a subsidiary operated in a market increasingly dissimilar from the firm's core markets — significantly increased divestment likelihood. These findings converge on a portrait of divestment as a rational portfolio correction in which firms exit when the marginal cost of sustaining a foreign position exceeds its marginal return.

Mata and Freitas (2012) offered a theoretically distinct contribution by demonstrating that foreign firms are intrinsically more footloose than domestic counterparts, and that this footlooseness increases rather than decreases with age — contrary to the received prediction from the liability of foreignness literature. Drawing on longitudinal data from Portuguese firms, they found that exit rates for foreign firms increase with age while those of domestic firms decrease, producing a growing divergence. They attributed this to the greater willingness and ability of foreign firms to contemplate alternative locations — a structural flexibility unavailable to purely domestic firms. Critically, Mata and Freitas further showed that footlooseness is amplified when the foreign presence has never accumulated the formal sunk costs — regulatory commitments, incorporated subsidiaries, legally binding obligations — that would otherwise anchor commitment and raise the exit threshold.

Benito (2005) applied the integration-responsiveness framework to the question of divestment propensity, arguing that the type of international strategy pursued shapes exit likelihood in characteristic ways. Subsidiaries embedded in transnational strategies face the highest divestment rates due to tensions between local adaptation and global efficiency pressures, while those forming part of global standardisation strategies are least likely to be divested in the long run. Peripheral operations maintained outside a firm's formal global integration architecture — informally linked to the licensed core and without formal regulatory standing in the host market — occupy the configuration Benito associates with elevated exit propensity. Ozkan (2020) extended this logic through a contingency lens, arguing that the fundamental driver of premature foreign exit is misalignment between a firm's strategy and the risk environment of the foreign market. Analysing 62 cases of market exit, Ozkan found a consistent pattern in which firms entered markets with strategies calibrated to one risk profile, only to find that the risk environment had evolved beyond what their organisational capabilities and risk management processes could accommodate.

The role of organisational identity and image in divestment decisions was theorised by Wan et al. (2015), who proposed a behavioural framework in which an MNE's propensity to divest is shaped by the interaction between its organisational image — the impressions external stakeholders hold of the firm — and its organisational identity — the firm's own understanding of its central, distinctive, and enduring characteristics. Firms are more likely to divest foreign operations that generate reputational spillovers in host-country environments when those spillovers threaten to contaminate the firm's image in third-country markets regarded as strategically more significant. This image-preservation logic predicts elevated divestment propensity toward peripheral operations in legally ambiguous jurisdictions for firms whose global brand identity is closely associated with white-market regulatory credibility. The political and social dimensions of divestment decisions were further foregrounded by Soule et al. (2014), who demonstrated that firms' exit decisions are not made in isolation from their environment: the divestment decisions of peer firms, the political characteristics of the home country, and the firm's positioning within intergovernmental networks all significantly predict exit likelihood. The political friction and bilateral geopolitical dynamics between home and host nations further amplify exit propensity (Nguyen et al., 2022). Nguyen (2026), in the most recent comprehensive review of the field, identified a shift since 2014 away from joint-venture dynamics and financial performance toward strategic outcomes such as re-internationalisation and de-globalisation, underscoring

the recognition that divestment is embedded in corporate strategy rather than reducible to operational failure.

The resource redeployment perspective, developed by Lieberman et al. (2017), reframes exit as the first stage of an investment sequence rather than a terminal event. A firm's decision to divest is shaped not only by the performance of the exited operation but by the potential to redeploy resources into more related, higher-value activities elsewhere. Relatedness between the exited operation and the firm's remaining portfolio is central: the more closely related the alternative uses of freed resources, the lower the sunk cost of exit and the more credible the subsequent reinvestment. Sohl and Folta (2021) provided the first large-scale empirical test of this framework in the global retail sector, confirming that internal resource redeployment is most likely when businesses are closely related. Mariotti et al. (2023) extended this by demonstrating that relational owners — including family-controlled firms — tend to exhibit escalation of commitment in declining foreign markets, setting higher performance persistence thresholds that delay but do not prevent exit once those thresholds are crossed.

Taken together, the divestment and de-internationalisation literature has progressively moved beyond financial underperformance toward a recognition that strategic misalignment, identity preservation, legitimacy considerations, and resource redeployment logic all shape exit decisions. A significant theoretical gap nonetheless persists. Andersson et al. (2026), in a recent review of subsidiary strategy in modern multinationals, confirm that divestment scholarship has yet to account fully for legitimacy-driven exit from legally ambiguous markets. Existing frameworks explain divestment from markets that are economically underperforming, institutionally hostile, or strategically misaligned. They do not theorise the mechanism whereby a firm voluntarily exits a grey-market presence — one that, while operationally deteriorating, remains nominally revenue-generating — specifically as a precondition for securing regulatory legitimation in geographically distinct third-country white markets. It is this gap that the concept of legitimacy decoupling, developed across Sections 1.3 and 1.4, seeks to address.

1.3 Institutional Volatility, Selective Enforcement, and Strategic Response

The institutional environment within which a multinational enterprise operates is not merely a background condition but an active determinant of strategic choice, operational feasibility, and organisational survival. A substantial body of international business scholarship, rooted in neoinstitutional theory, has established that firms operating across national borders must simultaneously satisfy legitimacy demands from multiple, often conflicting, institutional environments.

Applied to the multinational context, the neoinstitutional framework established by Meyer and Rowan (1977) and DiMaggio and Powell (1983) demonstrates that organisations conform to institutionalised rules — through coercive, mimetic, and normative isomorphic pressures — not primarily for technical efficiency but to gain legitimacy, resources, and survival prospects. These mechanisms explain how institutional pressures shape operational practices across an industry even without direct regulatory enforcement, and why firms operating in high-scrutiny regulatory fields converge in their compliance postures irrespective of formal enforcement action.

The question of how organisations respond strategically to institutional pressures — rather than merely conform to them — was systematically addressed by Oliver (1991), who developed a typology of firm responses ranging from acquiescence through compromise and avoidance to defiance and manipulation. Oliver's contribution was significant in demonstrating that organisations are not passive recipients of institutional pressure: strategic choice, resource dependence, and the multiplicity of institutional demands all create space for active agency. Nell et al. (2015) extended this by examining institutional duality in the context of MNC subsidiaries operating in emerging markets, demonstrating that when subsidiaries face simultaneous pressures from the host-country environment and from the parent organisation's own compliance requirements, the range of viable strategic responses is substantially constrained.

A theoretically important distinction must be drawn between two qualitatively different forms of institutional difficulty that MNEs encounter in cross-border operations: institutional voids, characterised by the absence or underdevelopment of market-supporting infrastructure, and institutional volatility, characterised by the unpredictable application or withdrawal of formally existing rules. Doh et al. (2017), reviewing two decades of scholarship on international business responses to institutional voids, established that the absence of formal institutions — reliable courts, transparent banking, enforceable contracts

— generates specific transaction costs and shapes firms' resource commitment and operational strategies. Liedong et al. (2020), reviewing the literature on institutional voids and firms' resource commitment in emerging markets, demonstrated that the effects of voids on MNE strategy are mediated by their severity and predictability: voids that firms can anticipate and plan around are qualitatively different from those whose application is unpredictable. Andrews and Luiz (2024) further nuanced this picture by showing that the perceived severity of institutional voids is shaped by the home-country institutional experience of the MNE's management. Firms with experience of strong institutional environments tend to perceive voids as more severe and unpredictable than firms whose home environments are themselves characterised by institutional weakness.

Dieleman et al. (2022) theorised selective enforcement as an underexplored dimension of institutional voids, challenging the assumption that formal institutions are uniformly applied within a jurisdiction. Selective enforcement theory focuses on the non-enforcement of formally existing rules, arising either from a lack of state capacity or a lack of political will. This form of institutional environment is analytically distinct from both institutional void and institutional hostility: the formal prohibition exists, formal enforcement apparatus exists, but application is discretionary, politically contingent, and temporally irregular. Cuervo-Cazurra et al. (2019) provided a dynamic framework for understanding such environments through the pro-market reforms and reversals perspective, proposing that institutional change in emerging economies follows a pendulum dynamic — periods of liberalisation alternating with regulatory re-tightening driven by ideological and competitive pressures — rather than a linear trajectory toward stability.

Tang et al. (2024) examined the specific implications of institutional unpredictability for foreign divestment among business-to-business service firms, finding that variability of enforcement intensity over time is a significantly stronger predictor of divestment than institutional underdevelopment per se. For service firms whose assets are embedded in relationships, platform infrastructure, and brand rather than in physical plant, the inability to plan around regulatory change generates particularly acute operational risks. Witte et al. (2020), analysing the divestment patterns of Dutch MNEs, demonstrated that political instability in the host country significantly increases divestment likelihood — not solely by raising operational costs but by eroding the relational capital that binds a firm to a foreign market. When political risk events dismantle relational networks — through enforcement

campaigns, the prosecution of intermediaries, or the suspension of informal infrastructure — the relational devaluation is both rapid and structurally difficult to reverse. Eisenhardt's (1989b) analysis of decision-making in high-velocity environments is also pertinent here. Eisenhardt demonstrated that in environments characterised by rapid, unpredictable change, effective strategic decisions are made quickly, using real-time information and experienced internal advisors rather than elaborate formal planning. High-velocity institutional environments narrow the window for deliberate, phased strategic response. Leis and Öim (2026) extend this insight to the network context, demonstrating that VUCA conditions can sever the relational embeddedness on which firms depend for market access, compounding the exit pressure generated by enforcement volatility.

Taken together, the institutional literature surveyed in this section establishes that the most challenging environment for a licensed MNE operating across jurisdictions is not one characterised by acute, escalating hostility but one characterised by chronic, non-uniform incompatibility — where formal prohibition coexists with cyclical, politically contingent enforcement that never stabilises into a predictable pattern and therefore cannot be managed through standard operational adaptation. This form of sustained structural incompatibility, as distinct from either episodic crackdown or linear deterioration, provides the institutional context within which the legitimacy decoupling mechanism theorised in Section 1.4 becomes the most analytically tractable explanatory framework.

1.4 Legitimacy Decoupling and Stakeholder Pressure

Legitimacy — understood as the generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within a socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995, p. 574) — is widely recognised as a precondition for organisational survival and resource acquisition. For the multinational enterprise, the pursuit of legitimacy is rendered structurally complex by the multiplicity of institutional environments in which it simultaneously operates.

Suchman's (1995) canonical synthesis of the legitimacy literature distinguished three qualitatively distinct forms. Pragmatic legitimacy rests on the self-interested calculations of

an organisation's immediate audience. Moral legitimacy reflects a positive normative evaluation of the organisation and its activities, grounded in shared values about responsible or appropriate conduct. Cognitive legitimacy, the deepest and most taken-for-granted form, involves acceptance of an organisation as a necessary or inevitable feature of its environment. Suchman further argued that legitimacy is not merely a property to be acquired but a process to be managed, and that once lost it is extremely difficult to rebuild — an asymmetry that gives proactive legitimacy management a significant strategic advantage over reactive repair.

The distinctive complexity of legitimacy in the multinational context was theorised by Kostova and Zaheer (1999), whose foundational analysis identified three compounding forms of complexity that MNEs face. Complexity of the legitimating environment arises from the multiplicity and variety of host-country institutional environments in which MNE subunits operate. Complexity of the organisation involves the tension between the MNE's internal legitimacy requirements and the external demands of host-country environments. Complexity of the legitimation process arises from the bounded rationality of institutional evaluators who must judge an organisation operating across many jurisdictions they cannot all observe. Crucially, Kostova and Zaheer developed the concept of positive and negative legitimacy spillovers: the legitimacy of the MNE as a whole is affected by the legitimacy — or illegitimacy — of its individual subunits in specific host environments. A subunit that generates negative legitimacy in a high-visibility environment can contaminate the overall legitimacy of the parent organisation in markets where that contamination matters most.

Suddaby et al. (2017), in the most comprehensive recent meta-theoretical review of the legitimacy literature, proposed a tripartite conceptualisation of legitimacy as property, as process, and as perception. As a property, an organisation either possesses or lacks legitimacy at a given point in time, shaped by its structural alignment with institutional expectations. As a process, legitimacy is continuously constructed, negotiated, and contested through the interactions of an organisation with its various audiences. As a perception, legitimacy is ultimately a judgement made by individual evaluators whose assessments are shaped by field-level norms, cognitive frameworks, and social cues. This three-fold conceptualisation underscores that legitimacy management is not merely reactive but necessarily anticipatory: organisations must manage their perceived legitimacy profile before formal evaluation takes place, because field-level norms shape individual judgements before any formal decision is rendered.

Bitektine and Haack (2015) developed a multilevel theory demonstrating how field-level evaluations — the collective assessments of audiences such as regulatory communities and investor coalitions — translate downward to influence firm-specific legitimacy judgements made by individual evaluators. This macro-to-micro transmission mechanism establishes that once a field-level norm is stabilised and maintained by a regulatory community as a collective audience, it becomes internalised into the strategic deliberations of individual firms before any formal regulatory enforcement action is taken. Meyer and Tse (2025), in the most recent systematic treatment of MNE legitimacy in emerging economies, identified three categories of legitimacy challenge facing foreign MNEs in institutionally deficient markets: challenges based on regulatory compliance, on local stakeholder endorsement, and on global institutional conformity. Each of these categories presents distinct management challenges, and in environments where formal regulatory compliance is structurally impossible, the burden of legitimacy management falls on the remaining two dimensions.

Zaheer's (1995) concept of the liability of foreignness acquires a modified dimension in markets where all foreign operator activity is technically prohibited. In standard LOF analysis, the liability arises from unfamiliarity with local business practices, absence of local network embeddedness, and discriminatory treatment by host-country institutional actors. In prohibited markets, however, the liability of foreignness is not primarily constituted by these standard sources: operators may develop considerable practical expertise in informal channels. Rather, the liability is constituted by the reputational exposure that a globally branded firm incurs by operating in a jurisdiction where all activity is technically prohibited — an exposure that is asymmetrically distributed, since domestic illegal operators face no equivalent third-country reputational penalty because they have no licensed presence in other jurisdictions to protect. For globally visible licensed operators, grey-market participation generates a distinctive form of LOF — what this thesis terms reputational cross-contamination — whose costs are incurred not in the grey market but in the white markets where the firm's brand is subject to regulatory evaluation.

Liu et al. (2025), developing a typology of MNE decoupling strategies under selective de-globalisation, distinguished between substantial decoupling — full exit from a geopolitically exposed relationship — symbolic decoupling — maintaining operational links while severing visible corporate associations — and balanced decoupling — partial

restructuring to reduce exposure while preserving commercial value. Liu et al. demonstrated that the selection of decoupling mode is a theoretically meaningful variable, determined not only by the intensity of institutional pressure but by the nature of the organisational element through which the firm's exposure is constituted. Hou and Rui (2025), in a longitudinal case study of a Chinese bank's structural separation from the US-led global financial system, demonstrated that decoupling is rarely a single strategic event but a co-evolutionary process in which environmental pressures and organisational adaptations interact iteratively, with each enforcement or regulatory episode incrementally adjusting the firm's strategic calculus.

The concept of legitimacy decoupling, as advanced in this thesis, integrates these streams into a distinct mechanism. Legitimacy decoupling refers to the deliberate severance of a firm's organisational identity and reputational profile from a grey-market presence whose residual institutional risk has become structurally incompatible with its white-market legitimisation strategy. This mechanism is distinct from the existing divestment literature's treatment of legitimacy, which focuses on the consequences of reputational damage already incurred, and from the structural decoupling literature, which theorises entity separation as the primary management tool. It differs from both in proposing that full market exit — rather than structural restructuring — may be required when the firm's brand identity itself constitutes the vector of legitimacy contagion, such that no corporate restructuring can sever the associative link visible to white-market regulatory audiences.

1.5 Shadow Economy Risk and Transaction Cost Economics

A fourth explanatory stream is required to account for the operational and financial frictions that progressively undermine the viability of grey-market engagement from a cost-efficiency standpoint. Transaction cost economics (TCE), developed foundationally by Williamson (1985) and extended to the multinational enterprise by Teece (1986), provides the analytical tools to examine how the structural characteristics of the shadow economy generate specific costs that are absent from formally institutionalised markets.

Applied to the shadow economy, Williamson's (1985) transaction cost framework establishes that when transactions exhibit high asset specificity and high environmental uncertainty — conditions generating acute vulnerability to opportunism — hierarchical

governance is preferable to market contracting. Crucially, when neither governance form is viable because the operating environment systematically subverts both, the arrangement becomes structurally unsustainable over time. Teece (1986) applied TCE principles to the multinational enterprise, identifying the nature of the technology, the appropriability regime, and the characteristics of the host market as the key determinants of governance choice. In markets where the appropriability regime is functionally nil — where intellectual property cannot be defended and counterparty identity cannot be verified — both the technology transfer and the market contracting options are structurally degraded.

Schneider and Enste (2000), in a comprehensive survey of shadow economy research, established the definitional and empirical baseline for understanding the scale, causes, and consequences of informal economic activity. Shadow economies, in their taxonomy, encompass all economic activities that circumvent formal institutional oversight, whether by evading taxes, avoiding regulation, or operating in sectors where formal participation is legally prohibited. Schneider and Enste identified a systematic relationship between shadow economy participation and three contextual factors: the regulatory burden, the intensity of enforcement, and the availability of formal alternatives. When the regulatory burden is high, enforcement is selective, and formal alternatives are absent, shadow economy participation expands but simultaneously attracts periodic enforcement attention that raises the effective cost of informal operations. This dynamic produces a characteristic cost trajectory — low initial transaction costs that rise non-linearly as enforcement intensifies and operational workarounds accumulate overhead.

The most empirically analogous contribution in this literature is Arscott's (2022) study of risk management among illegal offshore bookmakers operating in the US sports gambling market. Arscott demonstrated that offshore bookmakers — operating in a legal configuration analogous to grey-market gambling operators in prohibited jurisdictions — face a distinctive financial governance challenge: lacking access to external capital markets, they must maintain internally generated reserves sufficient to meet all potential payout obligations. High-reputation offshore bookmakers employ book-balancing pricing strategies more consistently than low-reputation counterparts, because their bankruptcy costs are higher — a reputation-damaging default would destroy the franchise value constituting their primary competitive advantage. This finding establishes that in informal markets, a firm's global brand reputation simultaneously constitutes its principal competitive advantage and its

principal vulnerability: the same reputational franchise value that must be protected from operational failure is precisely what is most exposed by sustained grey-market association.

Kano and Verbeke (2019), developing a microfoundational perspective on MNE theory, argued that the cognitive limitations of individual managers — their bounded rationality and exposure to opportunism from partners in institutionally opaque environments — are the ultimate microfoundation of TCE governance choices. In opaque institutional environments, the inability to distinguish legitimate counterparties from opportunistic ones is not primarily a technological failure but a structural and institutional one: verification protocols that are sophisticated relative to informal market norms may remain systematically inadequate relative to the scale of exploitation they face. This governance failure is attributable to institutional opacity rather than managerial error and is therefore not correctable through incremental operational learning.

Liedong et al. (2020) established that institutional voids increase MNE resource commitment insofar as firms invest to buffer themselves against environmental uncertainty, but that this buffering exhibits diminishing returns when the void is both severe and persistent. Andrews and Luiz (2024) added the variable of predictability: voids that firms can anticipate and plan around generate a different strategic calculus from voids whose timing and form are inherently unpredictable. Across these contributions, TCE and shadow economy scholarship converges on a consistent finding: grey-market operating environments impose transaction costs that are structurally unreducible through standard operational adaptation, and that these costs rise non-linearly as enforcement campaigns, counterparty opportunism, and compliance overhead accumulate. When these mounting governance costs are assessed against the returns available from formally institutionalised alternative markets, the TCE logic of exit becomes compelling independently of the legitimacy considerations theorised in Section 1.4.

1.6 Family Firm Governance and Socioemotional Wealth

A fifth theoretical stream — the literature on family firm governance and socioemotional wealth (SEW) — is required to explain dimensions of exit behaviour that financial and institutional accounts alone cannot capture: specifically, the timing, the form,

and the particular weight given to reputational and criminal exposure in the strategic calculus of family-controlled firms. This section is grounded entirely in secondary sources and theoretical inference, consistent with the methodological boundaries described in Chapter 3.

The SEW framework was introduced by Gómez-Mejía et al. (2007) in a study of Spanish olive oil mill cooperatives, and has since become the dominant paradigm for explaining the distinctive strategic behaviour of family-controlled firms. The central proposition is that family firms use the potential loss of their socioemotional wealth — the affective, psychological, and social endowments embedded in the firm and inseparable from the family's identity — as their primary reference point in strategic decision-making. When a strategic choice risks SEW loss, family firms willingly accept higher financial risk to avoid it. Conversely, when a choice threatens only financial performance without directly implicating SEW, family firms exhibit greater risk aversion than non-family counterparts. This dual pattern of risk behaviour — simultaneously risk-seeking in defence of SEW and risk-averse in its absence — is fundamentally different from the utility-maximising model assumed in standard financial theory.

Berrone et al. (2012) operationalised the SEW construct through the FIBER framework, identifying five analytically distinct dimensions of socioemotional endowment: Family control and influence over the firm; Identification of family members with the firm; Binding social ties within and through the firm; Emotional attachment of family members to the firm; and Renewal of family bonds through dynastic succession. Each dimension carries distinct implications for strategic behaviour. The identification dimension is particularly consequential for firms in which the family's brand identity is extensively fused with its personal reputation: reputational threats to the firm are experienced as personal threats to the family's standing, activating SEW-protective strategic responses that may override financial calculations. The renewal dimension introduces a temporal horizon systematically longer than that of publicly traded firms, creating a preference for decisions that preserve the firm's long-term legitimacy profile even at the cost of short-term financial performance.

Kim et al. (2019), studying foreign divestitures in Korean family multinationals, introduced the concept of socioemotional favoritism — the tendency of family CEOs to apply differential affective weights to foreign subsidiaries based on their proximity to the family's identity and emotional investment. Kim et al. demonstrated that this favoritism systematically shapes both the selection of divestment targets and the timing of exit decisions, with

operations that carry greater affective significance to the controlling family being retained for longer even in the face of financial underperformance. Crucially, this logic also operates in reverse: operations that carry negative affective significance — constituting a source of potential reputational exposure or shame rather than an affective endowment — are more likely to be divested than financial logic alone would predict.

Wu et al. (2024) integrated the SEW perspective with the friction lens, providing empirical evidence that historical military friction — the legacy of violent conflict and persistent geopolitical antagonism between a firm's home and host country — significantly increases family firms' propensity to exit foreign markets. Analysing 1,455 subsidiaries of Chinese family firms operating internationally between 2009 and 2018, Wu et al. demonstrated that historical military friction raises exit propensity because it activates a perceived threat to the family's non-financial assets: the firm's reputation, identity, and standing are endangered by continued operation in a market geopolitically associated with national rivalry. They further demonstrated that family management amplifies the friction-exit relationship, and that this amplification is strongest when the family firm is controlled by the founding generation — precisely because founding families possess the most emotionally concentrated SEW investment in the firm's identity and legacy. This finding establishes geopolitical context as a distinct moderator of the SEW-divestment relationship, operating through the identification and binding-social-ties dimensions of the FIBER framework.

Symeonidou et al. (2022) demonstrated that family firms exhibit systematically different performance thresholds than non-family firms. They persist with underperforming ventures for longer before triggering exit, because the non-financial cost of exit — the perceived loss of SEW — raises the effective performance threshold required to justify withdrawal. Exit is therefore triggered not when financial performance falls below a standard hurdle rate but when the SEW cost of continued presence begins to exceed the SEW cost of departure. This threshold effect has direct implications for the timing of exit: family firms in declining markets may appear to delay exit beyond the point of financial rationality, but their behaviour is fully rational when the full cost-benefit calculation includes the non-financial dimensions of the SEW framework.

Chirico et al. (2020), examining the choice among merger, sale, and liquidation as exit modes in family-controlled firms, found that family firms strongly prefer exit modes that

preserve some degree of organisational continuity and the family's ongoing association with the surviving entity. The preference for continuity-preserving modes reflects the identification and dynastic dimensions of SEW: so long as the family retains some associative connection to the exited operation, its socioemotional investment is partially preserved. This finding has a direct corollary: in contexts where the family's strategic objective is to sever rather than preserve the associative linkage — where the operation to be exited constitutes a source of reputational liability rather than an affective endowment — the SEW identity-protection logic predicts the opposite preference: complete, unambiguous exit that leaves no residual organisational trace through which the association could be maintained.

Taken together, the SEW literature establishes that the timing, form, and trigger of exit in family-controlled firms are systematically different from those predicted by financial or institutional accounts alone. The performance-threshold literature explains why family firms may persist in declining markets longer than non-family peers. The identity-protection literature explains the preference for complete rather than partial exit when the operation to be divested constitutes a threat to family identity. The friction and geopolitical literature establishes that bilateral political environment is an independent moderator of exit propensity in family firms, operating through the non-financial cost structure that SEW theory makes legible. These theoretical predictions form the fifth pillar of the analytical framework applied in the empirical analysis.

"Table 1. Theoretical Framework Summary: Five Streams and Their Applicability to the Bet365 Case."

| Theoretical Stream | Core Concept | Key Authors | Application to Bet365 | Explanatory Scope |
|--|--|--|--|---|
| Foreign Divestment & Resource Redeployment | Strategic exit driven by misalignment, identity, and resource redeployment logic rather than financial failure alone | Boddewyn (1979); Benito & Welch (1997); Ozkan (2020); Lieberman et al. (2017); Mariotti et al. (2023) | Exit as forward-looking redeployment of resources from peripheral grey market to core licensed markets (US/Brazil); escalation of commitment explains delay | Strong — explains strategic logic and timing of exit |
| Institutional Volatility & Selective Enforcement | Chronic institutional incompatibility driven by non-uniform, politically contingent enforcement rather than linear escalation | DiMaggio & Powell (1983); Oliver (1991); Dieleman et al. (2022); Tang et al. (2024); Witte et al. (2020) | Chinese grey-market characterised by cyclical rather than escalating enforcement; cumulative friction exceeded the firm's compliance threshold | Strong — explains environmental conditions; limited on firm-specificity |
| Legitimacy Decoupling | MNE proactively severs grey-market identity to protect white-market regulatory credibility; driven by negative spillover logic | Suchman (1995); Kostova & Zaheer (1999); Suddaby et al. (2017); Liu et al. (2025) | Full exit rather than structural separation as the only mode adequate to sever brand-to-grey-market association visible to US/Brazilian regulators | Strong — thesis's primary theoretical contribution; explains form of exit |
| Shadow Economy Transaction Costs | Governance environment of informal markets systematically inflates operational costs through opportunism, asset-specificity, and enforcement uncertainty | Williamson (1985); Schneider & Enste (2000); Arscott (2022); Kano & Verbeke (2019) | No-crypto constraint, KYC structural failure, same-name fraud, and payment agent reliance collectively made governance environment operationally unsustainable | Strong on operational dimension; does not explain exit timing |

BET365 STRATEGIC MARKET EXIT AS LEGITIMACY DECOUPLING IN CHINA

| | | | | |
|---|---|--|--|--|
| Family Firm Socioemotional Wealth | Family-controlled firms weight non-financial (reputational, dynastic) assets heavily; higher performance persistence threshold; identity-protective exit mode preference | Gómez-Mejía et al. (2007); Berrone et al. (2012); Kim et al. (2019); Symeonidou et al. (2022); Wu et al. (2024) | Decade-long managed decline reflects SEW commitment trap; full, unannounced exit with no residual trace reflects identity-severance preference; geopolitical friction amplifies SEW risk | Theoretically inferred — no primary data; explains timing and form of exit |
|---|---|--|--|--|

Chapter 2: Contextual Background

The theoretical framework constructed in Chapter 1 is analytically productive only insofar as it is applied to a case whose empirical specificities warrant the explanatory tools being deployed. The present chapter provides that empirical grounding. It establishes the contextual conditions within which Bet365's March 2025 exit from the Chinese market occurred: the legal and regulatory architecture of China's online gambling prohibition, the mechanics and evolution of the grey-market ecosystem through which foreign operators historically served Chinese customers, the geopolitical forces that elevated the cost of continued grey-market engagement during the period 2018–2025, and the distinctive operational profiles of the two firms at the centre of the study — Bet365 as the primary case and Pinnacle as the polar-type comparator.

2.1 China's Online Gambling Prohibition and the Grey-Market Ecosystem

Online gambling is comprehensively prohibited in the People's Republic of China. The legal framework for this prohibition is constituted primarily by the Criminal Law of the People's Republic of China, which criminalises the operation of gambling houses and the organisation of gambling activities; the State Council's Regulations on Gambling, which extend the prohibition to online platforms; and the Ministry of Public Security's enforcement directives, which have periodically targeted both operators and their domestic intermediaries. The prohibition is not limited to Chinese nationals engaging with offshore operators: it encompasses the marketing, payment facilitation, and affiliate promotion of gambling services within Chinese jurisdiction, creating a multi-layered enforcement architecture that implicates not only platform operators but the entire supporting ecosystem of payment agents, customer acquisition affiliates, and promotional intermediaries. The only exception to this prohibition framework is the state-operated lottery system, which functions as a government-monopoly gambling channel but is structurally distinct from the sports betting and casino products offered by offshore operators.

Despite this comprehensive formal prohibition, a large and commercially significant grey market developed from approximately the mid-2000s onward, as the combination of internet penetration, growing disposable incomes, and the global availability of offshore betting platforms created both the demand and the technical means for Chinese consumers to

access foreign gambling services. The mechanisms through which offshore operators served this market are well-documented in industry sources and consistent with industry analyst documentation of Chinese grey-market operations during the period. Platform access was maintained through mirror sites — alternative domain clones of the operator's primary website — which replicated the betting interface while using different web addresses and IP configurations to bypass the Great Firewall's blocking mechanisms. Customer acquisition was conducted indirectly through affiliate networks, who recruited players through sports-adjacent content — football and basketball commentary, odds comparison, and sports news — before converting interested consumers through private WeChat and QQ group channels, maintaining a degree of separation between the promotional content and the explicitly gambling-branded platform. Payment processing, which presented the most acute operational challenge given China's strict capital controls and the prohibition on formal banking involvement with gambling transactions, was managed through informal underground banking networks and commissioned payment agents, with players transacting under their real names via bank transfers to agent accounts from which funds were credited to their betting accounts.

The scale of this grey market was substantial during its peak years. Analysis by Regulus Partners, a specialist gambling industry research firm, estimated that China accounted for approximately 20% of Bet365's total revenue in 2014, making it the firm's second-largest market after the United Kingdom (EGR Intel, 2025). The Chinese grey-market customer base was characterised by several features that distinguished it from Western licensed markets: a high incidence of bonus arbitrage and matched betting, driven by the sophistication of the bettor population and the competitive bonus environment maintained by operators competing for acquisition; structural KYC failures driven by the impossibility of conducting formal identity verification through unofficial payment channels; and a vulnerability to payment fraud, particularly through same-name exploitation schemes in which scammers recruited individuals whose names matched existing player accounts to manipulate transfer systems.

The enforcement environment governing this grey market was, as theorised in Section 1.3, characterised by selective and cyclical rather than consistent application of the formal prohibition. Chinese law enforcement agencies conducted periodic crackdowns on grey-market activity, typically concentrated around politically significant events — major Party congresses, sensitive diplomatic periods, and annual anti-vice campaigns — before

enforcement intensity receded to a background level that operators and their intermediaries had learned to manage through operational adaptation. This enforcement pattern is consistent with the selective enforcement framework theorised by Dieleman et al. (2022) and documented in industry analyst reporting. The structural predictability of this cyclicity provided a degree of operational certainty that allowed grey-market participants to persist despite formal prohibition, though it simultaneously prevented any stable, long-term investment in the market's infrastructure.

The trajectory of enforcement intensity shifted materially during the COVID-19 pandemic (2020–2022), when Chinese authorities conducted a series of major enforcement operations targeting the affiliate networks that constituted the primary customer acquisition infrastructure for offshore operators. Chinese authorities conducted mass arrests of gambling promotion affiliates during this period, dismantling the customer acquisition infrastructure on which offshore operators had relied. Trade press reporting confirmed that withdrawal processing for Chinese players was significantly disrupted during this period, with delays attributed to the suspension of informal banking channels (EGR Intel, 2025).

The geopolitical context within which these domestic enforcement episodes occurred is analytically significant. The period 2018–2025 was characterised by accelerating economic and technological decoupling between the United States and China, documented empirically by Witt et al. (2023) and Godsell et al. (2023) and contextualised theoretically by Witt (2019) and Witt et al. (2021) as a structural reversal of the globalist integration that had characterised the post-WTO period. For online gambling operators seeking licensed market entry in the United States — the largest and most commercially attractive new gambling market created by the Supreme Court's 2018 PASPA decision — the US-China geopolitical climate directly shaped the regulatory context of licensing applications. The broader implications of this geopolitical context for operators seeking licensed entry into the US market form part of the empirical analysis in Chapter 4.

2.2 Firm Profiles: Bet365 and Pinnacle's Operational Footprints

Bet365 was founded in 2000 by Denise Coates, who established the online sports betting platform with a £15 million loan secured against the family's chain of licensed betting offices, itself founded by her father, Peter Coates. The firm is headquartered in Stoke-on-Trent, United Kingdom, and has grown to become one of the world's largest online

gambling operators by revenue and active customers. It remains entirely privately held, with Denise Coates serving as joint Chief Executive and controlling the majority of the firm's equity alongside her brother John Coates and father Peter Coates. Bet365's primary licensed markets include the United Kingdom, Ireland, Australia, and several European jurisdictions; its global expansion trajectory in the early-to-mid 2020s was oriented toward two major new regulated markets — the United States, where the firm had secured licensed sportsbook operations in 13 states by early 2025, and Brazil, where it was among the licensed operators approved when Brazil's regulated online betting market launched on 1 January 2025.

The financial trajectory of Bet365's Chinese market engagement followed a pattern of peak, gradual decline, and terminal exit consistent with the misalignment and commitment trap dynamics theorised in Sections 1.2 and 1.6. At its peak in approximately 2014, China represented approximately 20% of the firm's total revenue. The subsequent decade saw this share diminish progressively, as a combination of deliberate operational retrenchment following the COVID-era affiliate crackdowns, increasingly effective state disruption of payment and acquisition channels, and the rapid growth of the firm's regulated market revenues combined to reduce China's proportional significance. By the time of the March 2025 exit, Regulus Partners estimated that China represented less than 5% of Bet365's annual revenue — characterised by the same analysts as the company's last material dark grey market (EGR Intel, 2025). The exit itself was not costless: financial reports released later in 2025 indicated that Bet365 incurred £59 million in one-off restructuring and reorganisation costs directly associated with its withdrawal from certain markets including China.

The public communication of the exit was conducted with deliberate minimalism. On 19 March 2025, Bet365 dispatched emails to its Chinese customer base announcing the impending cessation of services. In formal statements to the gambling industry press, a Bet365 spokesperson elaborated that the firm intended to "align its focus to its core competencies in its core markets by consolidating its resources to centre on gaining market share in regions that provide long-term sustainable revenue," and that as a result it would "shortly cease operations into various jurisdictions including China" (Yogonet; SiGMA, 2025). Services to Chinese customers ceased on 27 March 2025, with unsettled bets voided and stakes returned; Chinese customers were granted until 30 April 2025 to withdraw remaining funds.

Pinnacle Sports presents a study in strategic contrast. Founded in 1998 and domiciled offshore — operating variously under Curaçao, Antigua, and most recently Costa Rica

licensing arrangements — Pinnacle has historically pursued a business model fundamentally differentiated from the mainstream European sportsbook industry. Where operators such as Bet365 build revenue through high-margin recreational customer acquisition, supported by large promotional bonus structures and broad media marketing, Pinnacle's model is predicated on the acceptance of sharp, high-volume, and arbitrage-sophisticated bettors. By offering the lowest hold percentages in the industry — margins typically below 2%, compared to the 5–8% standard among recreational-facing books — and refusing to limit or restrict winning bettors, Pinnacle positions itself as the terminal liquidity provider in the global sports betting market. This model requires exceptional trading capability and generates revenue through volume rather than margin extraction.

Pinnacle's operational approach to the Chinese market was shaped by its distinctive business model. Where recreational-facing operators invested substantially in customer acquisition and bonus-driven retention strategies, Pinnacle's trading-centred model was designed to accommodate the mathematically sophisticated, high-volume betting activity that characterised the Chinese bettor population. The implications of this business model differentiation for Pinnacle's strategic response to regulatory pressure are examined in Chapter 4.

Pinnacle's regulatory trajectory in the period relevant to this study mirrors Bet365's in its direction but diverges critically in its mechanism. In 2023, Pinnacle withdrew from the United Kingdom, departing a market it had entered with significant ambitions but had been unable to license successfully under the UK Gambling Commission's increasingly rigorous regulatory standards. However, where Bet365 resolved its white-market tension by exiting China, Pinnacle resolved it by restructuring its governance without exiting the market. From the summer of 2024, Pinnacle China — the B2C operation serving Chinese customers — was legally separated from the main Pinnacle entity and transferred to an offshore Costa Rica company, AP Gaming. Industry reporting and the firm's own corporate restructuring documentation indicate that this separation was driven by tightening offshore licensing requirements rather than by any direct requirement from a major white-market regulator, with the strategic implications of this distinction examined in Chapter 4.

The divergence between the two firms' strategic responses to structurally similar environmental conditions — the central empirical puzzle of this thesis — is examined in Chapter 4, where the primary data from both informants is analysed against the theoretical framework developed in Chapter 1.

Chapter 3: Methodology

This chapter establishes the methodological foundations of the study, demonstrating that the chosen research design is epistemologically coherent, the primary data collection instruments are appropriate to the research context, and the analytical procedures are sufficiently rigorous to support the theoretical contributions advanced in Chapters 1 and 4. The chapter proceeds in three parts. Section 3.1 justifies the qualitative single-case study design with an embedded polar-type comparator. Section 3.2 justifies the use of semi-structured elite interviews as the primary data collection instrument, characterises the informants and the purposive sampling logic, and describes the conduct and documentation of the interviews. Section 3.3 addresses the secondary data sources used for triangulation and describes the thematic analysis procedure applied to the combined primary and secondary dataset.

3.1 Qualitative Single-Case Study Design in Opaque Markets

The research question that animates this thesis — how do international business theories explain the decision of a heavily regulated multinational enterprise to exit a legally ambiguous grey-market jurisdiction? — is inherently processual, context-dependent, and involves motivations, perceptions, and strategic deliberations that are neither observable through publicly available data nor reducible to measurable variables. These epistemological characteristics make a quantitative research design inappropriate and a qualitative approach not merely permissible but necessary. As Welch et al. (2011) established in their typology of theorising from case studies, qualitative IB research is distinguished by its emphasis on the phenomenon within its real-life context, its plurality of data sources, and its purpose of confronting theory with empirical reality. The present study employs what Welch et al. (2011) characterise as an abductive theorising logic: the research begins with theoretically grounded propositions drawn from the five streams surveyed in Chapter 1, then uses empirical data to develop, refine, and in some respects challenge those propositions, arriving at a more analytically nuanced account than could have been generated from theory alone.

The case study is the methodological form most suited to achieving this abductive purpose. Yin (2009, as reviewed in Ridder, 2012) defines a case study as an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context,

especially when the boundaries between phenomenon and context are not clearly evident. This definition applies with precision to the present study: Bet365's withdrawal from the Chinese grey market is a contemporary strategic event whose causes are deeply embedded in a specific institutional, geopolitical, and firm-level context that cannot be disentangled from that context for analytical purposes. The grey market itself — characterised by informal payment channels, shadow economy governance structures, and selective regulatory enforcement — is by definition opaque to standard data collection methods.

The choice of a single primary case is justified on several grounds. Siggelkow (2007) established that a single, well-chosen case can function as a "talking pig" — a theoretically revealing instance that generates insights precisely because of, not despite, its specificity. The epistemological value of a single case derives not from statistical representativeness but from analytical generalisability. Bet365's March 2025 exit constitutes such a strategically chosen case on three grounds. First, it is a revelatory case in the sense identified by Fletcher et al. (2018): it provides access to a phenomenon — the deliberate legitimacy-driven exit of a major licensed operator from a grey-market jurisdiction — that was previously inaccessible to scholarly inquiry. Second, it is a critical case in Yin's (2009) sense: a case that tests, extends, and in some dimensions challenges the existing theoretical propositions reviewed in Chapter 1. Third, the timing — March 2025 — means the case reflects the most advanced stage of US-China geopolitical decoupling and the most current configuration of licensed gambling regulation in the Americas, making it a theoretically rich contemporary instance of a broader class of legitimacy-driven exit decisions.

The study incorporates Pinnacle Sports as a polar-type comparator, an embedded design element that Eisenhardt (1989a) specifically identified as methodologically productive for theory-building research. Polar-type cases are selected not to generate statistical comparison but to illuminate the theoretical mechanisms under investigation by presenting contrasting manifestations of the same underlying conditions. Fletcher et al. (2018), reviewing twenty years of case selection practice in IB research, confirmed that polar-type selection is among the most theoretically productive strategies available to qualitative IB researchers. In the present study, Bet365 (full exit) and Pinnacle (structural separation via AP Gaming) faced materially similar environmental conditions — the same Chinese grey-market regulatory environment, the same Curaçao licence-tightening pressure, and comparable awareness of white-market regulatory expectations — yet arrived at categorically different strategic responses.

A methodological note on generalisability is required. Qualitative single-case studies do not produce statistical generalisation; they produce analytical generalisation — the elevation of empirical observations to theoretical propositions that extend, refine, or challenge existing frameworks in ways applicable to a broader class of cases, as Yin (2009, as reviewed in Ridder, 2012) argued. The present thesis claims analytical generalisation in a specific and bounded sense: the legitimacy decoupling mechanism theorised here is proposed as a theoretically valid explanation for a class of MNE exit decisions — those in which a globally branded firm operating in a grey market seeks licensed entry into a white market whose regulatory authorities scrutinise the applicant's jurisdictional exposure.

3.2 Elite Interviews and Purposive Sampling

The primary data for this study was collected through semi-structured elite interviews with two former mid-level managers who held operational responsibility for the Chinese market at Bet365 and Pinnacle Sports respectively. The decision to use elite interviews as the primary instrument reflects three epistemological necessities specific to the research context.

First, the opacity of the shadow economy precludes quantitative data collection. Operational metrics, payment flows, internal risk assessments, and compliance deliberations pertaining to grey-market activity are neither publicly disclosed nor recoverable through archival analysis. The knowledge this thesis requires — about internal strategic framing, risk perception, payment infrastructure, KYC failures, and the licensing link between Chinese market exit and US and Brazilian regulatory applications — exists exclusively as tacit, experiential knowledge held by individuals who participated directly in the operations under inquiry. Harvey (2011) established that elite informants possess precisely this type of knowledge: tacit, contextually embedded, and inaccessible to external observers.

Second, the semi-structured format is epistemologically appropriate to the abductive logic of the study. A fully structured interview would artificially constrain informant responses to categories predetermined by the theoretical framework, risking the suppression of emic categories — explanatory frames and causal narratives generated by the informants themselves — that may illuminate the phenomenon in ways the existing theory does not anticipate. A fully unstructured interview would sacrifice the theoretical anchoring necessary to connect empirical observations to the five streams of Chapter 1. Harvey (2011) specifically recommended semi-structured formats for elite interviews in business and management

contexts, noting that elites prefer to articulate their views rather than be confined to closed-ended responses.

Third, the grey-market context creates specific access and confidentiality constraints that the semi-structured elite interview is particularly well-equipped to navigate. Informants discussing the operations of a firm in an illegally adjacent market face real legal and reputational exposure that shapes both their willingness to disclose and the level of specificity they can offer. Harvey (2011) documented strategies for managing precisely these kinds of difficult interview scenarios — establishing trust through transparency about the academic nature of the research and the anonymisation of informants; accepting that some questions will receive deflected or non-committal responses, as occurred with the Coates family question (D4); and recognising that even indirect or hedged testimony carries evidential value that the analyst must interpret with appropriate epistemic care.

The sampling strategy employed is purposive elite sampling, a non-probabilistic approach in which informants are selected for the specific epistemic access they possess rather than their statistical representativeness of a broader population. Eisenhardt (1989a) established that theoretical sampling — the selection of informants for theoretical rather than statistical reasons — is the appropriate logic for theory-building research. Informant A, the former marketing manager for Bet365's Chinese market, possessed first-order operational knowledge of the payment architecture, affiliate recruitment strategy, KYC compliance procedures, and competitive positioning of Bet365's Chinese operation. Informant B, the former regional manager for Pinnacle's B2C Chinese market, possessed equivalent operational depth from the polar-type comparator perspective, with additional direct knowledge of the AP Gaming structural separation and the Curaçao licence-tightening process that drove it.

A significant methodological limitation must be explicitly acknowledged. Both informants occupied mid-level rather than senior executive positions within their respective organisations. This positional limitation constrains the depth of testimony they could provide on certain dimensions — most acutely the management board's decision regarding the US and Brazil licensing strategy (question D1) and the role of the Coates family's values in strategic risk assessment (question D4). The present study explicitly acknowledges this distinction throughout the analysis. Where informants testified from direct operational experience — payment processes, KYC procedures, affiliate recruitment, withdrawal delays — their evidence is treated as primary and evidentially primary. Where informants testified

from organisational rumour or indirect inference, their evidence is treated as corroborative and interpreted with appropriate epistemic hedging. The socioemotional wealth theoretical stream, for which no primary interview data was obtainable, is argued entirely from secondary sources and theoretical inference, as acknowledged in Section 1.6.

The interviews were conducted in 2025 in a semi-structured format using the question guide reproduced in Appendix A. Both informants were granted full anonymisation: Informant A is identified only as a former marketing manager at Bet365 with responsibility for the Chinese market, and Informant B as a former regional B2C manager at Pinnacle with responsibility for the Chinese market. The firms are identified by name, consistent with standard practice in case study research where the firm is the unit of analysis and anonymisation of the case would undermine the analytical value of the study. Both informants provided informed consent for the use of their responses in academic research. The interviews were conducted asynchronously in written format — given the sensitivity of the subject matter and the geographic location of the informants — with follow-up questions submitted in subsequent exchanges where initial answers were analytically insufficient. A follow-up exchange was conducted with both informants after the initial round to address identified data gaps; the resulting merged transcript (version 2) constitutes the primary data corpus and is reproduced in Appendix B.

3.3 Secondary Data Triangulation and Thematic Analysis

The primary interview data is triangulated against a curated corpus of secondary sources comprising industry analyst reports, regulatory announcements, company statements, financial press coverage, and iGaming industry publications. The triangulation rationale follows Eisenhardt's (1989a) principle that multiple data collection methods provide stronger grounding for theoretical claims than any single instrument, because convergent evidence from independent sources increases construct validity while divergent evidence surfaces important analytical tensions requiring explicit theoretical treatment. The secondary sources serve four distinct triangulation functions.

The first function is factual corroboration: the financial figures cited in Chapter 2 — China's share of Bet365's revenue declining from approximately 20% in 2014 to under 5% in 2025, the £59 million restructuring charge, and Brazil's licensed market launch on 1 January 2025 — are drawn from Regulus Partners industry analysis and reporting in EGR Intel, The

Guardian, Covers, and SiGMA. The second function is contextual enrichment: Racing Post reporting on Coates family discussions with Wall Street banks about a potential initial public offering, and Eilers and Krejčík analyst commentary on Bet365's US strategic orientation, provide secondary evidence for the socioemotional wealth and legitimacy decoupling arguments that cannot be supported through primary interview data. The third function is analytical contrast: the deliberately minimalist public statements made by Bet365 — citing a "business decision" to "consolidate resources" — are themselves analytically significant, confirming that the firm declined to offer a substantive public legitimacy account of the exit. The fourth function is regulatory contextualisation: the academic literature reviewed in Chapter 1 provides the macro-institutional framework within which the case evidence is situated.

The analytical procedure applied to the combined dataset is thematic analysis, conducted following the six-phase framework established by Braun and Clarke (2006). Braun and Clarke (2006) define thematic analysis as a method for identifying, analysing, and reporting patterns — or themes — within qualitative data, offering a theoretically flexible approach applicable across diverse epistemological positions and research designs. As Forbes (2022), reviewing Braun and Clarke's (2021) extended treatment of the method, observed, the 2006 framework remains the foundational citation for thematic analysis in management and social science research precisely because it makes explicit the analytical choices that other qualitative methods leave implicit.

The six phases were applied to the interview corpus as follows. Phase 1 — data familiarisation — involved repeated reading of the merged interview transcript across both informants, with initial observations noted in the analytical margin. Because the asynchronous written format of the interviews generated a verbatim record rather than a spoken transcript requiring transcription, the familiarisation phase focused on identifying patterns of emphasis, deflection, spontaneous elaboration, and epistemic hedging in the informants' responses. Phase 2 — generating initial codes — involved systematic coding of the interview corpus using NVivo qualitative analysis software, assigning initial codes to every analytically relevant passage. Phase 3 — searching for themes — involved collating the initial codes into potential themes by identifying shared patterns of meaning across the two informant datasets. The present study employs a hybrid approach: a set of a priori codes derived from the five theoretical streams of Chapter 1 provided the initial thematic structure, while emergent codes were incorporated as they arose.

The a priori thematic codes corresponded to the five theoretical streams: (1) divestment and resource redeployment logic; (2) institutional volatility and enforcement perception; (3) legitimacy concerns and licensing pressures; (4) transaction costs and shadow economy frictions; and (5) socioemotional wealth and family firm governance. Two analytically significant emergent codes arose from the data. The first — designated "reputation as competitive moat" — captures the Bet365 informant's account of brand reputation as the firm's principal competitive advantage during the 2024 withdrawal delays. The second — designated "structural separation as postponed option" — captures the Bet365 informant's disclosure that the creation of a separate offshore entity for the Chinese operation was explicitly discussed internally and then shelved rather than rejected. Both emergent codes are integrated into the Chapter 4 analysis.

Phases 4 and 5 — reviewing and defining themes — involved an iterative process of refining the candidate themes against the coded data extracts and the full dataset. Following Braun and Clarke's (2006) quality criterion that themes should be internally coherent, consistent, and distinctive, themes were collapsed, subdivided, or discarded as the analysis progressed. Phase 6 — producing the report — is represented by Chapter 4 itself, in which the thematic analysis findings are presented alongside selected verbatim extracts from the interview data.

The validity and reliability of the study are addressed through four established quality criteria for qualitative case study research. Construct validity is achieved through the use of multiple evidence sources and through the systematic documentation of the evidentiary basis for each analytical claim in Chapter 4. Internal validity is addressed through the theoretical triangulation across five independent streams that converge on the legitimacy decoupling mechanism, and through the explicit engagement with alternative explanations. Analytical generalisability is claimed in the bounded sense appropriate to a single revelatory case. Reliability is addressed through the full documentation of the interview guide (Appendix A), the complete interview transcript (Appendix B), and the chain of evidence connecting each empirical datum to the theoretical claims of Chapter 4. Braun and Clarke's (2006) fifteen-point quality checklist for thematic analysis was applied as a procedural audit at the conclusion of the analysis phase.

The principal limitations of the methodology are three. First, the positional limitation of both informants constrains the depth of evidence available on the senior strategic deliberations most significant to the analysis. This limitation is most acute for the

socioemotional wealth stream and is explicitly acknowledged throughout the analysis. Second, the asynchronous written interview format limits the researcher's ability to probe emergent themes in real time; the follow-up exchange partially mitigates but does not eliminate this constraint. Third, the single-case design with two informants cannot support claims of statistical representativeness, and the thesis makes no such claims.

Chapter 4: Findings and Analysis

The present chapter integrates the theoretical framework, empirical context, and methodological apparatus established in the preceding chapters into a sustained analytical argument. Section 4.1 examines the internal drivers of Bet365's exit decision, drawing on the interview data and secondary sources to map the empirical evidence against the five theoretical streams of Chapter 1. Section 4.2 develops the Pinnacle Sports comparison. Section 4.3 synthesises the findings into a theoretical interpretation, articulating the legitimacy decoupling mechanism as the integrating analytical construct.

4.1 Internal Drivers of Bet365's Exit Decision

The empirical evidence assembled in this study converges on a portrait of Bet365's March 2025 exit as the outcome of a dual deterioration dynamic whose two constituent processes — operational degradation and disproportionate regulatory liability — mutually reinforced each other until the residual case for continued presence collapsed entirely. Neither process was, by itself, sufficient to trigger exit: the operational deterioration was gradual and, as the informant confirmed, partially manageable; the regulatory liability was informal and uncodified. It was the structural interaction of the two — a declining market position whose residual risk profile was becoming acutely incompatible with the firm's global strategic trajectory — that produced the exit decision. This interaction maps with precision onto Ozkan's (2020) misalignment framework, which identifies as the primary driver of premature foreign exit a growing distance between a firm's operational strategy and the risk environment of the foreign market.

The operational deterioration of Bet365's Chinese market engagement is documentable across three sequential phases. During the first phase, extending roughly from market entry through the mid-2010s, the Chinese operation constituted approximately 20% of the firm's total revenue and represented a commercially significant growth market (EGR Intel, 2025). The second phase, initiated by the COVID-era enforcement campaigns that dismantled the affiliate recruitment infrastructure, is characterised by the informant as a managed maintenance regime: "Since we stopped recruiting new affiliates, we were left with maintaining operations with existing players and preventing fraud from new players" (Informant A, C2). This account is analytically consistent with Mariotti et al.'s (2023)

concept of the commitment trap — the pattern by which relational owners persist with underperforming foreign operations beyond the point of financial optimality because the non-financial costs of exit raise the effective performance threshold for divestment. By the time of the March 2025 exit, China represented less than 5% of Bet365's group margin (Regulus Partners, cited in EGR Intel, 2025) — a figure that had declined to the point where the opportunity cost of continued engagement had become, in the informant's own formulation, "simple mathematics" (Informant A, D2).

The transaction cost dimension of this deterioration is well-evidenced in the primary data. Bet365's operational infrastructure in China was constituted by informal payment agents compensated on commission, manual identity verification procedures incapable of distinguishing same-name fraudsters from legitimate account holders, and a deliberate group-level prohibition on cryptocurrency payment channels. The compliance department's inability to resolve the same-name vulnerability was not primarily a technological failure but a structural one: the absence of formal KYC infrastructure made systematic identity verification organisationally impossible regardless of the sophistication of the individual verification protocol deployed (Informant A, C1, follow-up). Kano and Verbeke (2019) identify precisely this kind of governance failure — the institutional and cognitive limits of managers operating under institutional opacity — as the microfoundation of TCE governance breakdown in MNE contexts.

The no-cryptocurrency policy, however, warrants separate and more prominent analytical treatment, as it is the single most theoretically significant datum in the entire primary dataset. The informant confirmed that the prohibition on cryptocurrency payment channels was a top-level group policy decision, not an operational constraint imposed by external technical limitations (Informant A, B3, follow-up). By 2025, cryptocurrency rails had become the predominant transaction mechanism for VIP-segment Chinese bettors, following the dismantling of underground banking networks during the 2024 enforcement campaigns. A firm exiting China primarily for financial reasons would have been compelled, under straightforward commercial logic, to adopt cryptocurrency infrastructure: the alternative was the structural exclusion of its highest-value remaining customer segment, accelerating precisely the revenue deterioration that the financial account treats as the primary exit driver. Bet365 made the opposite choice, and sustained it across multiple years.

BET365 STRATEGIC MARKET EXIT AS LEGITIMACY DECOUPLING IN CHINA

This decision is most parsimoniously interpreted not as a governance failure but as a deliberate act of compliance identity management. Adopting cryptocurrency payment channels in a prohibited grey market would have created a documented, traceable association between the Bet365 brand and the category of financial infrastructure most acutely scrutinised by anti-money-laundering regulators in major licensed jurisdictions — particularly the United States, where Bank Secrecy Act obligations make cryptocurrency-facilitated gambling transactions a category of elevated supervisory attention. The group-level prohibition on cryptocurrency, sustained over multiple years in the face of its clear commercial cost, is therefore evidence that the firm's global compliance identity was already actively constraining its Chinese market operations, prioritising white-market regulatory credibility over grey-market revenue optimisation. From this vantage, the no-cryptocurrency policy is not merely a transaction cost symptom of grey-market operational difficulty. It is an early and persistent instance of the same legitimacy management logic that ultimately produced the March 2025 exit — the most concrete single piece of evidence available in the primary data that legitimacy decoupling was a process operating continuously across the final years of Bet365's Chinese engagement, rather than a singular strategic event triggered by the exit announcement.

The 2024 payment channel disruptions brought these transaction cost frictions to their most acute expression. Following the crackdowns on underground banking networks, Bet365's withdrawal processing was suspended for periods of several weeks to two months for some Chinese players, generating public complaints and a temporary erosion of the reputational buffer that had constituted the firm's principal competitive advantage over domestic platforms (Informant A, B2). Arscott's (2022) analysis of shadow-economy bookmakers identifies reputation as the primary asset of high-credibility offshore operators: a firm that cannot guarantee timely payout is structurally indistinguishable, in the player's perception, from the lower-credibility platforms it has distinguished itself from. The informant's observation that "our reputation could guarantee payout, as there were many domestic platforms that would simply not pay out" (Informant A, B2) confirms that reputational capital was the operative competitive mechanism — and simultaneously identifies the acute vulnerability this created as enforcement intensity increased.

The legitimacy dimension of the exit decision is the most theoretically significant and the most evidentially constrained. The primary data is clear that an internal narrative linking the Chinese market exit to US and Brazilian licensing requirements was circulating within the

firm prior to the withdrawal: "company rumours were spreading — because of the US and Brazil licences, we need to leave the Chinese market" (Informant A, D1). The informant's characterisation of the licensing link as "under the table, not formal — maybe part of the US-China political issue" (Informant A, D1) is epistemically important: it confirms that the connection between grey-market exposure and white-market licensing credibility was a live strategic consideration within the firm without codifying that connection as a formal regulatory condition. The thesis treats this testimony as corroborative rather than primary evidence of the legitimacy decoupling mechanism — a methodologically appropriate epistemic calibration, given the informant's mid-level positional access, consistent with the approach recommended by Harvey (2011). The secondary evidence is convergent and substantial: industry analyst commentary explicitly linked the China exit to the firm's US strategic positioning, while *Racing Post* reporting connected the withdrawal to deliberations about a potential US stock exchange listing for which documented grey-market exposure would constitute a material barrier (*Racing Post*, 2025).

The mechanism through which the legitimacy concern operated is theorised by Kostova and Zaheer (1999) as negative legitimacy spillover: the reputational illegitimacy of the MNE's subunit in one host environment contaminates the overall legitimacy of the parent organisation in markets where that contamination is most consequential. For Bet365, whose US and Brazilian licensing applications required the firm to present a coherent regulatory identity consistent with the normative expectations of those jurisdictions' gambling authorities, the Chinese grey-market operation constituted precisely this kind of contaminating subunit. Suchman's (1995) tripartite legitimacy framework situates the operative threat in the moral legitimacy register: the association of the Bet365 brand with an unlicensed, state-prohibited gambling operation was categorically incongruent with the normative profile that regulators in major licensed markets require of applicant firms.

The socioemotional wealth dimension of the exit decision must be treated as theoretical inference rather than direct evidence, given the absence of primary data from the Coates family itself — a methodological limitation acknowledged in Chapter 3. Nevertheless, the secondary evidence is consistent with the analytical predictions of the SEW framework, and the framework does distinct explanatory work that financial and institutional accounts cannot replicate. The decade-long trajectory of managed decline in China is illustrative of the threshold-raising persistence pattern that Symeonidou et al. (2022) associate with family firms, in which the non-financial cost of exit elevates the effective performance threshold for

withdrawal beyond what purely financial logic would predict — though it must be acknowledged that operational deterioration alone is also consistent with this trajectory, and the SEW interpretation is therefore corroborative rather than determinative for the timing dimension.

Where the SEW stream does its most distinctive and least substitutable explanatory work is in accounting for the *form* of the exit rather than its timing. The exit was complete, unannounced, and devoid of residual organisational trace — no sale of customer accounts, no handover to a successor platform, no maintained affiliate relationship, no publicly offered rationale beyond the minimalist "consolidate resources" formulation. This specific configuration is consistent with the SEW identity-protection logic articulated by Berrone et al. (2012): for a family whose corporate identity is fusionally identified with its global brand, the prospective reputational exposure of sustained grey-market association constitutes a threat to the SEW identification dimension that requires not merely a reduced presence but a complete and unambiguous severance. No other theoretical stream in this framework generates the prediction that the mode of exit would be total and residual-trace-free rather than phased or structurally mediated. Chirico et al.'s (2020) finding — that family firms strongly prefer exit modes that preserve some organisational continuity when the exited operation carries affective significance, but prefer the opposite when it constitutes a reputational liability — provides a directly applicable framework: the complete withdrawal reflects the identity-severance logic that activates when the operation to be exited is experienced as a threat rather than an endowment. This is the SEW stream's most defensible and empirically most tractable contribution to the overall account.

4.2 The Pinnacle Comparison: Business Models, Risk Perception, and the Logic of Structural Separation

The analytical value of Pinnacle Sports as a polar-type comparator in this study derives not from the divergence in outcome — full exit versus structural separation — which is apparent from the public record, but from the divergence in the strategic logic through which identical institutional pressures generated those categorically different responses. Both firms operated in the same Chinese grey-market environment, faced the same enforcement cycles, confronted the same KYC and payment infrastructure limitations, and were exposed

to the same external licensing pressures. Yet Bet365 concluded that full market exit was the only strategically tenable response, while Pinnacle concluded that entity-level structural separation was sufficient. Unpacking this divergence reveals the firm-level and model-level variables — rather than environmental variables — as the decisive determinants of exit form.

Pinnacle's persistence in the Chinese grey market rests on a structural advantage that is not available to recreational-facing operators: its model converts the source of its competitors' losses into its own primary revenue mechanism. The informant's account is unequivocal: "We occupy most of the arbitrage betting in the market, as our trading team is one of the best in the world and we are able to digest it and convert it to profit" (Informant B, E1). The arbitrage-dominated Chinese bettor population — characterised by mathematical sophistication and high-volume sharp wagering — is precisely the customer profile that Pinnacle's model is designed to serve. Arscott's (2022) analysis of shadow-economy bookmakers identifies book-balancing capacity as the primary operational differentiator: firms with superior trading capability can digest arbitrage volume that would generate losses for margin-dependent recreational books.

The operational risk management comparison illuminates this model-contingent divergence with particular clarity. Where Bet365's compliance posture drove sustained investment in identity verification protocols that remained structurally inadequate — asking players for timestamped photo-video identification while being unable to resolve same-name exploitation — Pinnacle's approach was explicitly triage-based: "KYC and payment are something uncontrollable. It is useless to fight against scammers from China. We just focus on margin risk and bonus abuse" (Informant B, E2). This selective abandonment of unwinnable governance challenges in favour of concentrated control over manageable risk dimensions is consistent with Andrews and Luiz's (2024) framework of void severity perception: firms whose business models position them to perceive institutional voids as lower-severity will maintain engagement in environments that trigger divestment in firms with higher void-severity perceptions.

The regulatory comparison between the two firms is more nuanced than a simple tolerance-for-risk story. The informant confirmed that the structural separation of Pinnacle China into the AP Gaming Costa Rica entity was driven not by white-market regulatory pressure but by the Curaçao licensing authority's tightening of its requirements for Chinese market operations: "It is because the Curaçao licence strengthened its requirements, especially for the Chinese market, and the company made the decision to separate Pinnacle

B2B and Pinnacle China B2C" (Informant B, E3, follow-up). This finding is analytically significant: it distinguishes Pinnacle's structural separation from Bet365's full exit not on the dimension of regulatory pressure — both firms were responding to external licensing constraints — but on the dimension of the target audience for the legitimacy management strategy. Bet365's legitimacy audience was US and Brazilian gambling regulators, whose scrutiny is intensive and whose white-market regulatory standards are among the most demanding in the world. Pinnacle's legitimacy audience was the Curaçao licensing authority, whose standards, while tightening, remain offshore-calibrated and structurally less demanding. Liu et al.'s (2025) typology of decoupling modes maps directly onto this divergence: Pinnacle's AP Gaming restructuring constitutes symbolic decoupling; Bet365's complete withdrawal constitutes substantial decoupling.

The informant's account of Pinnacle's experience in the United Kingdom provides a critical — and analytically underexplored — comparative datum. Asked whether the Chinese grey-market operation would affect a future US or UK licensing application following the AP Gaming separation, the informant stated: "I believe the Chinese grey market would not affect a licence application in the US or UK, as they are now a different company and officially managed by different people" (Informant B, E4, follow-up). This belief — that structural separation provides sufficient regulatory insulation — is precisely what Bet365 internally considered and rejected. As the Bet365 informant confirmed, the creation of an offshore entity for the Chinese operation was explicitly discussed at the internal level but shelved in favour of the US and Brazil strategic pivot (Informant A, D5).

The significance of this divergence in conclusion is sharpened considerably by the factual record of Pinnacle's UK experience. Pinnacle withdrew from the United Kingdom in 2023, departing a market it had entered with significant operational investment but had been unable to license successfully under the UK Gambling Commission's regulatory standards (as noted in Chapter 2 and confirmed by the informant in Appendix B, E4). The thesis does not have access to the UKGC's internal reasoning for the licensing outcome, and no claim of direct causation is made here. However, the sequence is analytically notable: Pinnacle underwent structural separation of its Chinese operation and simultaneously found itself unable to sustain a licensed position in the UK — the regulatory environment whose standards most closely approximate those of the US market. The informant's confidence that the AP Gaming separation provides adequate regulatory insulation for future white-market applications may

therefore be premature, and may itself reflect the positional limitation of a mid-level manager whose access to the board-level deliberations surrounding the UK licensing outcome is constrained.

This observation refines rather than undermines the brand-visibility thesis. Rather than a clean binary — symbolic decoupling sufficient for less visible brands, substantial decoupling required for globally recognised ones — the evidence suggests that the brand-visibility variable operates along a spectrum. For globally visible operators such as Bet365 whose licensing ambitions target the most demanding white-market regulatory environments in the world (US state commissions, Brazilian federal authority), full market exit is the only mode of decoupling adequate to sever the grey-market association visible to those regulators. For less globally visible operators such as Pinnacle whose primary offshore licensing audience is Curaçao — a structurally less demanding standard — symbolic decoupling through entity separation is sufficient to satisfy the immediate licensing constraint. The UK licensing outcome, however, indicates that even for Pinnacle, the adequacy of symbolic decoupling may be jurisdiction-specific rather than universal: it may satisfy Curaçao while falling short of the UKGC. The decisive variable is therefore not merely brand visibility in the abstract, but the interaction between brand visibility and the regulatory stringency of the target licensing authority. Kostova and Zaheer (1999) establish that legitimacy challenges facing MNEs are positively related to the firm's visibility across institutional environments. Liu et al.'s (2025) typology of decoupling modes — substantial, symbolic, and balanced — may be most productively understood as arrayed along a continuum of regulatory stringency: the more demanding the target licensing authority, the more substantial the decoupling required, regardless of brand recognition alone.

Oliver's (1991) typology of strategic responses to institutional processes provides the analytical vocabulary for characterising the two firms' divergent responses at the organisational level. Bet365's trajectory — from avoidance through buffering and concealment, to the ultimate escape of market exit — maps onto Oliver's avoidance-escape progression: a sequence of increasingly radical responses to institutional pressures that the firm's global compliance identity renders progressively less tolerable. Pinnacle's response maps onto the avoidance-buffering mode: the structural separation of the Chinese operation into a distinct entity constitutes the buffering tactic that Oliver describes as reducing the

firm's exposure to external scrutiny by partially detaching its technical activities from institutional contact. The divergence between these response modes is a direct function of the firms' institutional contexts: for Bet365, the interconnectedness of the global gambling regulatory environment rendered buffering insufficient; for Pinnacle, buffering remained a viable institutional strategy. A further firm-level variable reinforces this divergence. Pinnacle's corporate structure — privately held but without the family-ownership concentration that fuses the Coates family's personal reputational identity with the Bet365 brand — generates no equivalent SEW constraint on exit mode. Where Bet365's complete and unannounced withdrawal reflects, in part, the identity-severance logic of a family firm whose brand *is* its owners' reputational capital, Pinnacle's structural separation is consistent with a governance calculus unconstrained by socioemotional wealth considerations.

4.3 Theoretical Interpretation: Legitimacy Decoupling as Integrating Mechanism

The five theoretical streams developed in Chapter 1 converge, in the empirical analysis of Sections 4.1 and 4.2, on a composite explanatory portrait whose organising logic is the mechanism of legitimacy decoupling as theorised in Section 1.3. Each stream contributes a distinct explanatory element — divestment and resource redeployment (the strategic logic of exit), institutional volatility (the environmental conditions generating it), legitimacy decoupling (the mechanism through which those conditions interact with the firm's identity), shadow economy transaction costs (the operational frictions that made continued participation unsustainable), and socioemotional wealth (the firm-level governance factors that shaped the timing and form of the response) — and it is the interaction among these elements, rather than any single stream in isolation, that produces the full analytical account.

The divestment and resource redeployment stream, anchored in Lieberman et al. (2017) and Mariotti et al. (2023), establishes the strategic logic of the exit as purposive and forward-looking rather than reactive. China's declining revenue share — from approximately 20% at peak to under 5% by 2025 — made the resources previously absorbed by the Chinese operation available for redeployment toward the US and Brazilian white markets. Lieberman et al.'s (2017) core proposition, that relatedness between the exited business and the firm's remaining portfolio determines the attractiveness of internal redeployment over external divestment, applies with precision: licensed sports betting and casino services in the United

States and Brazil are closely related to the core business whose resources were being freed from the Chinese operation. The "simple mathematics" formulation offered by the informant (Informant A, D2) is a colloquial encapsulation of exactly this redeployment calculus.

The institutional volatility stream, anchored in DiMaggio and Powell (1983), Oliver (1991), and Cuervo-Cazurra et al. (2019), establishes the environmental conditions within which this strategic calculation was made. The Chinese regulatory environment was not escalating in a linear sense but chronically unstable in the specific mode identified by Dieleman et al. (2022) as selective enforcement: cyclical enforcement campaigns that were politically contingent in their timing, structurally predictable in their occurrence, and cumulatively corrosive in their effect on the operational infrastructure of grey-market participants. The thesis's reframing of the enforcement narrative — from escalating institutional volatility to sustained structural incompatibility — is the analytically most significant conceptual contribution of the primary data, because it forces a more precise characterisation of the Chinese regulatory environment that better accounts for both firms' persistence in the market across multiple enforcement cycles.

The legitimacy decoupling mechanism — the thesis's central theoretical contribution — integrates the divestment logic and the institutional volatility account into a single explanatory framework by identifying the specific mechanism through which environmental conditions interacted with firm-level identity to produce exit. Legitimacy decoupling, as proposed in this thesis, refers to the deliberate severance of a firm's organisational identity and reputational profile from a grey-market presence whose residual institutional risk has become structurally incompatible with the firm's white-market legitimation strategy. This mechanism is analytically distinct from the existing divestment literature's treatment of legitimacy, which explains divestment primarily as a response to reputational scandal or financial failure in the host market. It is equally distinct from the structural decoupling literature, which conceptualises entity separation as the primary mechanism for managing conflicting legitimacy demands. Kostova and Zaheer's (1999) negative spillover proposition is the foundational theoretical mechanism: the Chinese operation's illegitimacy in the host environment contaminated the parent firm's overall legitimacy profile in the institutional environments — US and Brazilian licensing authorities — where that contamination was most consequential. The cross-jurisdictional propagation of this contamination — from Bet365's Chinese grey-market association through the firm's global brand identity to US and Brazilian regulatory evaluations — operates through precisely the mechanism identified by

Shin and Jung (2025): illegitimacy incurred in one jurisdiction radiates outward to third-country licensing contexts where the firm's global institutional profile is assessed, imposing capital market and licensing penalties that are not borne by the grey-market operation itself but by the licensed presence the firm is seeking to build elsewhere.

A critical theoretical objection to the anticipatory framing of this mechanism must be addressed directly. The informant's characterisation of the licensing link as "under the table, not formal — maybe part of the US-China political issue" (Informant A, D1), combined with the absence of any explicit, codified regulatory condition requiring grey-market exit in the formal licensing criteria of either the United States or Brazil, might appear to undermine the claim that Bet365's exit was proactive rather than reactive. If no formal regulatory requirement mandated exit, the objection runs, the legitimacy decoupling account risks functioning as a post-hoc theoretical rationalisation of a decision driven primarily by financial deterioration. The thesis rejects this objection on the following grounds.

As established in Section 1.4, Bitektine and Haack's (2015) macro-to-micro transmission mechanism provides the explanatory link: field-level normative expectations, once stabilised among a regulatory community, are internalised into firm-level strategic deliberations before formal enforcement is codified. The informant's characterisation of the licensing link as "under the table, not formal" is precisely what this transmission looks like from a mid-level vantage — a strategic consensus sufficiently stabilised to generate directional framing without formal articulation. The absence of explicit regulatory compulsion is not evidence against the anticipatory account; it is a characteristic feature of how proactive legitimacy management operates.

The shadow economy transaction cost stream establishes that the operational frictions of grey-market participation had grown to the point where continued engagement could not be justified on purely financial grounds even before the legitimacy calculus was applied. The structural KYC failures, the no-cryptocurrency governance constraint, the reliance on commission-based informal payment agents, and the bonus arbitrage exploitation collectively constituted a governance environment whose transaction costs — measured in fraud exposure, operational complexity, compliance overhead, and reputational risk from payment disruptions — were disproportionate to the approximately 5% of group margin that remained. The comparison with Pinnacle is instructive: Pinnacle's cryptocurrency infrastructure and

triage-based risk management framework positioned it to manage the same operational environment at structurally lower cost, because its model was designed for, rather than despite, the governance conditions of the grey market.

The socioemotional wealth stream, argued from secondary evidence and theoretical inference, makes its most defensible contribution not to explaining the timing of exit — where financial and operational deterioration provide an independently sufficient account — but to explaining the form of exit. The completeness and abruptness of the withdrawal, with no sale, no customer handover, and no residual organisational trace, is consistent with the identity-severance logic articulated by Berrone et al. (2012) and operationalised by Chirico et al.'s (2020) finding that family firms select against continuity-preserving exit modes when the operation to be divested constitutes a reputational liability rather than an affective endowment. No other theoretical stream in this framework generates this specific prediction about mode. The timing dimension is more ambiguous: the decade-long commitment trap trajectory is consistent with Symeonidou et al.'s (2022) performance threshold argument, but the same trajectory is also consistent with standard financial logic applied to a gradually declining peripheral market, and the SEW interpretation of timing is therefore treated as corroborative of the broader account rather than analytically primary. Mariotti et al.'s (2023) commitment trap prediction — that family-controlled relational owners exhibit escalation of commitment in declining foreign markets, delaying but not preventing exit once performance thresholds are crossed — maps onto the overall trajectory of Bet365's Chinese engagement, though with the same epistemic caveat that primary evidence on the Coates family's deliberative process is absent.

Taken together, the five theoretical streams and the empirical evidence of this study generate three specific theoretical contributions to the international business literature. First, the legitimacy decoupling concept provides a novel mechanism for explaining MNE exit from grey markets — demonstrating that exit may precede both reputational damage and regulatory enforcement, functioning as a proactive prophylactic act of identity management designed to satisfy the credibility requirements of third-country white markets. Second, the thesis extends Liu et al.'s (2025) decoupling typology beyond its geopolitical supply-chain context to the domain of reputational-legitimacy management in grey-market iGaming, demonstrating that the determinant of which decoupling mode is feasible is the global visibility of the firm's brand rather than the severity of the institutional pressure. Third, the Pinnacle comparison demonstrates that the same institutional environment can generate

categorically different strategic responses depending on the business model of the firm — advancing the model-contingent understanding of risk perception theorised in Andrews and Luiz (2024) and refining Ozkan's (2020) misalignment framework by identifying business model fit as an additional determinant of exit propensity. These contributions are bounded by the limitations of a single-case qualitative design and the positional constraints of mid-level informant testimony, and their generalisability is analytical rather than statistical — claims about theoretical mechanism rather than empirical frequency.

4.4 Refutation of Alternative Explanations

The analytical account developed across Sections 4.1 through 4.3 advances the legitimacy decoupling mechanism as the primary explanatory construct for Bet365's March 2025 exit. Before this account can be accepted as analytically robust, it must engage directly with the most powerful alternative explanation available in the evidence: that Bet365 exited the Chinese market for straightforwardly financial reasons — because the market had deteriorated to the point of commercial insignificance, and no theoretical apparatus beyond standard divestment logic is required to explain the exit decision.

The financial deterioration account draws substantial support from the empirical record assembled in this study. China's share of Bet365's group margin had declined from approximately 20% at its peak in 2014 to under 5% by 2025. Affiliate recruitment had been suspended since the COVID-era enforcement campaigns. Payment processing had been disrupted for weeks to months during the 2024 crackdowns. The informant characterised the eventual exit decision as "simple mathematics" (Informant A, D2). On this reading, the exit requires no legitimacy theorisation: it is the rational liquidation of a declining, operationally degraded, high-friction peripheral market whose continued engagement absorbed management attention and compliance overhead disproportionate to its commercial contribution. Lieberman et al.'s (2017) resource redeployment framework and Ozkan's (2020) misalignment theory both apply without the additional explanatory layer of legitimacy decoupling.

This account fails, however, to explain the Pinnacle contrast — and it is the Pinnacle contrast that is analytically decisive. If financial deterioration alone drove the exit, the

prediction follows that firms with structurally thinner margins and comparable Chinese market exposure should have exited first or simultaneously. Pinnacle operates with industry hold percentages typically below 2%, against Bet365's substantially higher recreational-facing margins. Pinnacle's Chinese market similarly represented a small and operationally complex share of group revenue, subject to the same payment infrastructure disruptions, the same KYC deficiencies, and the same enforcement cycles as those that confronted Bet365. Under the financial deterioration hypothesis, Pinnacle should have been at least an equally likely exit candidate. It was not: Pinnacle chose to remain in the Chinese market through structural separation, sustaining engagement under operational conditions no less demanding than those Bet365 cited as triggers for exit. The asymmetry in outcomes, across two firms facing structurally similar financial conditions in the same market, cannot be explained by financial logic alone. It requires the firm-level variable — specifically, the divergence in brand visibility and in the target audience for each firm's legitimacy management strategy — that the decoupling mechanism supplies.

The no-cryptocurrency policy constitutes a second, independent refutation of the purely financial account. A firm exiting China for financial reasons would have maximised the commercial life of its Chinese operation by adopting cryptocurrency payment infrastructure — the dominant payment mechanism for VIP-segment Chinese bettors by 2025, following the dismantling of the underground banking network during the 2024 enforcement campaigns (Informant A, B3). Bet365 instead maintained a group-level prohibition on cryptocurrency channels across the entirety of the market's terminal decline — a prohibition confirmed by the informant as a deliberate policy decision at the level of group management (Informant A, B3, follow-up). This prohibition was commercially costly: it structurally excluded the firm's highest-value remaining customer segment and accelerated the revenue deterioration that the financial account treats as the primary exit driver. Its persistence over multiple years is consistent with a single explanation: that the firm's global compliance identity, calibrated to the scrutiny of US and Brazilian regulators for whom cryptocurrency-facilitated grey-market gambling transactions would constitute a significant licensing concern, was already actively overriding Chinese market revenue optimisation. A firm whose primary exit motive was financial would not have sustained this self-imposed competitive disadvantage.

The "simple mathematics" formulation offered by the informant, superficially supportive of the financial deterioration account, warrants more precise interpretive treatment. The formulation represents a retrospective characterisation of how the exit decision was communicated and processed internally — not an account of its underlying strategic motivation. It is precisely the nature of proactive legitimacy management, as Suchman (1995) and Suddaby et al. (2017) observe, that its anticipatory character is rendered legible to participants primarily in operational and financial registers, while the normative field-level pressures driving it operate without formal codification or explicit articulation. "Simple mathematics" is the operational register in which a legitimacy-driven strategic calculus is communicated to, and processed by, mid-level managers who are not party to the board-level deliberations in which the licensing calculus is most explicitly considered. It reflects, in this reading, the Bitektine and Haack (2015) macro-to-micro transmission mechanism operating precisely as theorised: field-level normative pressures internalised into firm-level strategic consensus and then further translated downward into the operational language of mid-level management, without formal regulatory codification at any stage of this transmission.

The financial deterioration account is therefore necessary but not sufficient. It explains why the residual case for continued engagement in China was commercially weak by March 2025. It does not explain why Pinnacle, facing equivalent financial conditions and operational pressures, chose a categorically different response; why Bet365 sustained a commercially costly no-cryptocurrency constraint throughout the period of decline; or why the exit was executed as a complete, unannounced, residual-trace-free withdrawal rather than a phased wind-down or structural separation. Each of these features — the divergence from Pinnacle, the no-cryptocurrency posture, and the mode of exit — requires the legitimacy decoupling mechanism for a full analytical account. Financial logic narrows the field of viable explanations; legitimacy decoupling identifies the operative mechanism.

Conclusion

This thesis set out to explain, through the lens of international business theory, why Bet365 — a globally prominent, family-controlled, heavily regulated online gambling operator — chose to fully and abruptly exit the Chinese grey market in March 2025, after

approximately two decades of engagement, rather than pursuing the structural separation that its principal comparator, Pinnacle Sports, simultaneously adopted. The analysis has generated a multi-level explanatory account that integrates five theoretical streams — foreign divestment and resource redeployment, institutional volatility and selective enforcement, legitimacy decoupling, shadow economy transaction costs, and family firm socioemotional wealth — into a unified argument whose organising mechanism is the concept of legitimacy decoupling.

Summary of Findings

The empirical analysis of Chapter 4 established that Bet365's exit constituted a proactive act of legitimacy decoupling — a deliberate severance of organisational identity from a grey-market presence whose residual institutional risk had become structurally incompatible with the firm's white-market legitimation strategy. This mechanism operated within the context of a dual deterioration dynamic: a declining operational position, driven by payment infrastructure disruptions, structural KYC failure, bonus arbitrage exploitation, and a deliberate no-cryptocurrency policy that rendered the firm structurally incompatible with the grey market's dominant payment architecture; and a disproportionate regulatory liability, arising from the incompatibility of the firm's Chinese grey-market brand association with the credibility requirements of US and Brazilian gambling licensing authorities. The resource redeployment logic of Lieberman et al. (2017) provides the forward-looking strategic rationale: China's resources were redirectable toward licensed markets offering substantially superior growth potential and regulatory predictability. The institutional volatility analysis established that the operative environmental characteristic was not escalating enforcement but chronic structural incompatibility. The legitimacy mechanism, theorised through Kostova and Zaheer's (1999) negative spillover proposition, identified the Chinese operation as a contaminating subunit threatening the parent firm's overall legitimacy profile. The shadow economy transaction cost analysis demonstrated that structural KYC failure and the no-cryptocurrency constraint had made the governance environment operationally unsustainable. The socioemotional wealth analysis contributed most distinctively to explaining the form of the exit — complete, unannounced, and devoid of residual organisational trace — consistent with the identity-severance logic of Berrone et al. (2012), while remaining corroborative rather than determinative for the timing dimension.

The Pinnacle Sports comparison demonstrated that the same institutional environment produced a categorically different strategic response — symbolic decoupling through the AP Gaming Costa Rica entity — because the determinant of response was not environmental but firm-level and model-level. Pinnacle's odds-making model converts the source of Bet365's operational losses — the arbitrage-sophisticated Chinese bettor population — into its primary revenue mechanism, generating a model-contingent risk tolerance that made the grey market structurally manageable. Pinnacle's more opaque corporate identity, furthermore, did not face the same intensity of brand-visibility-driven legitimacy contagion that made structural separation insufficient for Bet365.

Theoretical Contributions

The thesis makes three specific contributions to the international business literature. The first is the concept of legitimacy decoupling as a mechanism for explaining MNE exit from grey markets. Existing accounts of legitimacy-driven divestment explain exit as a response to reputational damage already incurred or regulatory enforcement already suffered. The Bet365 case demonstrates that exit may precede both: it may function as a proactive prophylactic act of identity management, designed to satisfy the *anticipated* credibility requirements of third-country white-market regulators whose scrutiny of applicant firms' jurisdictional exposure is intensive but whose formal exclusionary criteria may not explicitly proscribe grey-market involvement. This anticipatory logic — exiting before being asked to — is theoretically underspecified in the existing divestment literature and represents the thesis's most novel analytical contribution.

The second contribution is the extension of Liu et al.'s (2025) typology of decoupling modes — substantial, symbolic, and balanced — from its original geopolitical supply-chain context to the domain of reputational-legitimacy management in grey-market iGaming. The thesis demonstrates that the decisive variable determining which decoupling mode is feasible is not the severity of the institutional pressure experienced but the global visibility of the firm's brand. A globally recognised brand, whose name is itself the vector of legitimacy contagion, cannot achieve the regulatory insulation that entity-level structural separation promises. A less globally visible operator, by contrast, can achieve adequate insulation through symbolic decoupling, because the contagion vector — brand recognition — is attenuated.

The third contribution is a refinement of Ozkan's (2020) misalignment framework. Ozkan identified strategy-environment misalignment as the primary driver of premature foreign exit. The Pinnacle comparison demonstrates that business model fit — the structural compatibility between a firm's revenue model and the specific risk characteristics of the market — is an additional determinant of exit propensity that the misalignment framework does not capture. Two firms operating in the same grey-market environment, facing the same enforcement cycles, can arrive at categorically different exit propensities if their underlying business models generate different risk-return profiles from the same market conditions.

Managerial and Policy Implications

For operators in the licensed gambling industry — and by extension for any heavily regulated MNE operating at the intersection of white-market compliance and grey-market engagement — the thesis offers three practical implications. First, the cost of grey-market association is not primarily borne in the grey market itself but in the licensing evaluation processes of white markets. Operators who benchmark the risk of grey-market participation against the enforcement likelihood in the grey market are systematically underestimating their exposure. Second, the structural separation option may provide adequate insulation for operators whose brands are not globally visible, but it is insufficient for globally recognised brands whose name itself constitutes the contagion vector. Third, the model-contingent nature of grey-market risk perception suggests that operators whose business models are structurally adapted to grey-market conditions face qualitatively different risk-return profiles than recreational-facing operators.

For regulators in major white-market gambling jurisdictions, the thesis suggests that the implicit credibility norm — that licensed operators must not simultaneously serve prohibited markets — is already generating strategic behaviour in the industry without being formally codified in licensing criteria. Formalising this norm through explicit jurisdictional disclosure requirements in licensing applications would both increase regulatory transparency and provide clearer strategic guidance to operators, reducing the information asymmetry that the "under the table, not formal" characterisation of the licensing link reflects.

Limitations

Three principal limitations of the study require explicit acknowledgement. The first concerns informant seniority. Both informants occupied mid-level rather than senior executive positions within their respective organisations. As Harvey (2011) established, the level of strategic visibility possessed by an informant is a critical determinant of the analytical depth achievable from elite interview testimony. The informants' evidence on direct operational processes is robust and evidentially strong. Their evidence on the senior strategic deliberations is necessarily inferential and is treated as corroborative throughout the analysis. The thesis's most significant empirical limitation is the complete absence of primary data on the socioemotional wealth stream: no informant had access to the Coates family's deliberative process, and this stream is argued entirely from secondary evidence and theoretical inference.

The second limitation concerns the single-case design. As Welch et al. (2011) established, qualitative single-case studies produce analytical rather than statistical generalisation — claims about theoretical mechanism applicable to a bounded class of cases, not claims about the frequency or typicality of the observed phenomenon. The legitimacy decoupling mechanism proposed here is advanced as a theoretically valid explanation for a class of MNE exit decisions in which brand-visible firms operating in grey markets seek licensed entry into white markets whose regulatory authorities scrutinise jurisdictional exposure. Whether this mechanism operates with equivalent force in other industries, geographies, or firm types is a question for future research. The third limitation is the asynchronous written interview format, which limited the researcher's ability to probe emergent themes in real time; the two-round follow-up exchange mitigates but does not eliminate this constraint.

Directions for Future Research

The thesis opens several directions for future inquiry. The most pressing is a study of legitimacy decoupling across multiple cases: a cross-case comparison of licensed gambling operators that exited grey markets at different points in the period 2018–2025, examining whether the brand-visibility-as-mode-determinant thesis holds systematically across a larger sample. Such a study would enable a more precise operationalisation of brand visibility as an independent variable, moving beyond the binary contrast of Bet365 and Pinnacle toward a continuous measure applicable to quantitative analysis.

A second direction concerns the temporal dynamics of legitimacy decoupling. Hou and Rui (2025) demonstrated that decoupling is co-evolutionary rather than singular. A longitudinal, archival study of the sequence of adaptive responses that preceded Bet365's exit — the cessation of affiliate recruitment, the tightening of payment procedures, the shelving of the offshore entity option — would provide a more precise characterisation of the decoupling trajectory and test the co-evolutionary model in a grey-market context.

A third direction concerns the SEW stream. The absence of primary evidence on the Coates family's deliberative process is the most significant empirical gap in the thesis. Future research using alternative methodologies — content analysis of the firm's public statements over time, analysis of Companies House filing patterns, or interviews with advisors or former senior employees with greater strategic visibility — could provide primary evidence for or against the SEW interpretation of Bet365's exit timing and form. As Nguyen (2026) observed, the interaction between ownership type and legitimacy dynamics represents one of the most theoretically productive unexplored frontiers in the de-internationalisation field.

Across these limitations and future directions, the thesis's core analytical claim remains robust: Bet365's March 2025 exit from the Chinese grey market is best understood not as a response to financial failure, regulatory enforcement, or operational collapse, but as a deliberate act of legitimacy decoupling — a proactive severance of organisational identity from a grey-market presence whose residual institutional risk had become structurally incompatible with the credibility requirements of the white-market regulatory authorities whose licences the firm was actively seeking. The mechanism of legitimacy decoupling, and the brand-visibility variable that determines its mode, constitute the thesis's contribution to a field that has documented extensively how firms exit declining markets but has not yet theorised fully how and why firms exit residually revenue-generating markets to protect the regulatory identity they are constructing elsewhere.

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Appendix A

Interview Guide

Source: compiled by the author.

Note: This appendix reproduces the complete semi-structured interview guide administered to both informants. The guide was adapted per informant role (Bet365 or Pinnacle) as indicated. Questions in Sections C and D were directed only at Informant A (Bet365); questions in Section E were directed only at Informant B (Pinnacle).

Section A — Organisational Context

A1. Could you describe your role at [Company], particularly concerning the Chinese market?

A2. How was the Chinese market understood and discussed internally — framed as a revenue opportunity, operational challenge, compliance risk, or some combination? Did that framing change over time?

Section B — Market Operations and the Shadow Economy

B1. Without needing to disclose anything confidential, could you describe how the company operationally reached Chinese customers — in terms of platform access, localisation, and customer acquisition?

B2. How did the company manage payment processing for Chinese customers, given the absence of conventional banking channels? What mechanisms were in place, and how did these change following the 2024 crackdowns on underground banking networks?

B3. To what extent did the inability to use cryptocurrency, or the difficulty converting and repatriating RMB, create practical liquidity or operational problems?

Section C — Compliance and Regulatory Risk (Informant A — Bet365 — only)

C1. How did the company monitor and respond to changes in the Chinese regulatory environment? Was there a formal risk assessment process?

C2. Did the regulatory risk feel more like a stable background condition that the company had learned to manage — or did it feel like something genuinely escalating and becoming harder to predict?

C3. Were there specific incidents — crackdowns, frozen accounts, or enforcement actions — that felt like inflection points internally?

Section D — The Exit Decision (Informant A — Bet365 — only)

D1. As Bet365 was actively pursuing licensed presence in the US and Brazil, did you observe any internal conversation about whether the Chinese grey-market operation was a liability to those licensing efforts?

D2. What were the primary internal triggers for the March 2025 decision to exit the Chinese market? Financial calculation, regulatory risk, reputational concern — or a combination?

D3. China represented a small and declining share of total revenue by 2025, partly due to payment disruptions and bonus arbitrage problems. What do you think kept the operation running as long as it did — and what finally made exit the preferred option?

D4. Bet365 is a privately held, family-controlled firm. In your experience, did the Coates family's personal values, reputational concerns, or risk appetite play a visible role in strategic decisions — particularly around markets that carried criminal or reputational exposure?

D5. In hindsight, what specific institutional or operational change would have been required to make continued operations in China viable for a brand like Bet365?

Section E — Pinnacle's Strategic Differentiation and Continued Presence (Informant B — Pinnacle — only)

E1. Pinnacle has historically operated with a different model — accepting sharp bettors and offering tighter margins. How did this shape the company's approach to the Chinese market?

E2. How did Pinnacle manage the operational challenges in the Chinese market — payment friction, KYC gaps, regulatory uncertainty? Were these manageable or existential risks?

E3. Did Pinnacle ever internally debate whether its presence in grey markets like China posed a risk to its regulatory standing or licensing applications in other jurisdictions?

E4. What would need to change — either in Pinnacle's strategic direction or external environment — for Pinnacle to reconsider its approach to the Chinese market?

Appendix B

Interview Transcripts

Source: compiled by the author.

Note: This appendix reproduces the complete merged and anonymised interview transcripts from both informant interviews, including the follow-up exchange conducted to address identified data gaps. Informant A = former marketing manager, Bet365 Chinese market. Informant B = former regional B2C manager, Pinnacle Chinese market. Both informants provided informed consent for use of their responses in academic research. Analytical annotations from the researcher are italicised.

PART A — INFORMANT BACKGROUND AND ORGANISATIONAL CONTEXT

A1. Could you describe your role at the company and the scope of your responsibilities as they related to the Chinese market specifically?

Informant A (Bet365): I was the marketing manager for Bet365's Chinese market. I handled paid ads and maintained the daily operation.

Informant B (Pinnacle): I was the regional manager for Pinnacle's B2C market. I oversaw the daily operation, marketing, and overall performance of the Chinese market.

A2. How was the Chinese market understood and discussed internally — framed as a revenue opportunity, operational challenge, compliance risk, or some combination? Did that framing change over time?

Informant A (Bet365): Before I joined — like ten years ago — the Chinese market was a golden egg. But after the government froze more payment accounts and arrested affiliates for promoting gaming, and with the rise of different competitors, revenue dropped year by year, especially after Covid. KYC was always an issue as there are so many Chinese

people with the same name. In recent years, arbitrage betting became more serious and we were losing part of the margin because of that.

Informant B (Pinnacle): China is a key market internally discussed at Pinnacle. It is known for a huge amount of bonus abuse, a lack of effective KYC methods, and the need for domestic marketing channels unlike other markets.

Follow-up — Informant B — has the framing changed over the past 3–5 years?:

Informant B (Pinnacle): It did not change much, as it is still one of the biggest markets internally.

PART B — OPERATIONAL MECHANICS IN THE SHADOW ECONOMY

B1. Without needing to disclose anything confidential, could you describe how the company operationally reached Chinese customers — in terms of platform access, localisation, and customer acquisition?

Informant A (Bet365): Before, it was mostly via affiliates and ads. We were an international brand and not much we needed to do, to be honest. However, after the mass arrests of affiliates during Covid, we turned down all new affiliate requests and only maintained operations with existing players without spending much on promotion. We tried to grow, but competition was high and we did not want to spend heavily on bonuses.

Informant B (Pinnacle): We recruit new affiliates through a personal approach — visiting different sports betting shops in China, using video ads and social media marketing. Not gambling content, but football and basketball related content, which then converts to private WeChat or QQ groups for conversion.

B2. How did the company manage payment processing for Chinese customers, given the absence of conventional banking channels? What mechanisms were in place, and how did these change following the 2024 crackdowns on underground banking networks?

Informant A (Bet365): This is a bit confidential. We only accepted bank transfers under the player's official name. It changed quite a lot as we found that fraud emerged when players and scammers had the same name — scammers would recruit people with identical names and manipulate our payment system to transfer funds to different accounts, leading to frozen accounts on our end. For the 2024 incidents, we did ask some players to wait — a few weeks to two months — but ultimately we settled everything.

Informant B (Pinnacle): We use different payment agents and pay them commission. We also accept crypto. Now, more than 90% of players are using crypto.

Follow-up — Informant A — were there public complaints or chargeback threats in 2024?:

Informant A (Bet365): Yes, so many players complained about it publicly, but we had no choice. The good thing was our reputation could guarantee payout, as there were many domestic platforms that would simply not pay out.

Follow-up — Informant B — impact of 2024 crackdowns on Pinnacle operations?:

Informant B (Pinnacle): As told by our payment solution provider, this kind of account freezing used to happen before major government meetings or special dates. But since most of our players moved to crypto, we no longer feel the pain. In terms of affiliates, none of ours were arrested — our data did not leak to anyone. I heard that most of the caught affiliates belonged to Yabo and AG, two of the biggest operators based in the Philippines. I heard that police arrested a manager's relatives in China and forced him to give out the affiliate list. This is only a rumour.

B3. To what extent did the inability to use cryptocurrency, or the difficulty converting and repatriating RMB, create practical liquidity or operational problems?

Informant A (Bet365): Different companies have different approaches. At Bet365, our bottom line was to stay away from crypto. This did have a significant effect on the market, as the main trend — especially for VIP players where money laundering and frozen bank accounts happen so frequently — was crypto usage.

Informant B (Pinnacle): It did not affect us, given our crypto infrastructure.

Follow-up — Informant A — was the no-crypto policy a group-level compliance decision?:

Informant A (Bet365): Yes, but management turned it down straight away. That is the bottom line, as far as I know.

PART C — INSTITUTIONAL ENVIRONMENT AND RISK PERCEPTION

C1. How did the company monitor and respond to changes in the Chinese regulatory environment? Was there a formal risk assessment process?

Informant A (Bet365): There was not much we could do, as the Chinese environment can change rapidly. Since we stopped recruiting new affiliates, we were left with maintaining operations with existing players and preventing fraud from new players.

Informant B (Pinnacle): As Chinese regulation is always changing, and as we are mostly using crypto, everything is fine from an operational continuity perspective.

Follow-up — Informant A — was there a dedicated compliance function for China?:

Informant A (Bet365): Yes, we did have a department to review. But it was operated by non-Chinese staff who were not familiar with the market. We used to ask players for photos and videos holding their identity document and proof of address, with a television or computer screen showing the actual time of the photo or video being taken. However, it could not distinguish the bank account holder from someone with the same Chinese name.

Follow-up — Informant B — was there a dedicated compliance function for China?:

Informant B (Pinnacle): Yes, we had a department for that. However, before I joined, they could not even detect photos that had been Photoshopped. I educated the whole department about the fake photos and fake videos made by Chinese scammers and forced suspicious players to provide proof of identity and proof of address with actual timestamps.

C2. Did the regulatory risk feel more like a stable background condition that the company had learned to manage — or did it feel like something genuinely escalating and becoming harder to predict?

Informant A (Bet365): There is nothing that can be predicted in a grey market like China. We all learned how to respond to different risks.

Informant B (Pinnacle): We all learned how to manage most changes from Chinese authorities. For example, we recruit all our Chinese staff overseas, we recruit them not in the name of Pinnacle, and we let them use different names publicly.

Follow-up — both informants — did enforcement intensity escalate noticeably after 2022–2023?:

Informant A (Bet365): Not much difference, as it is part of the daily operation. This happened quite frequently and we do not have data for this.

Informant B (Pinnacle): See response to B2 follow-up above — the account freezing pattern was cyclical and tied to political events, not genuinely escalating.

C3. Were there specific incidents — crackdowns, frozen accounts, or enforcement actions — that felt like inflection points internally?

Informant A (Bet365): Yes — the mass arrests of affiliates during Covid. Since then, we stopped recruiting new affiliates, because it could potentially expose our payment infrastructure.

Informant B (Pinnacle): Bonus abuse was the main ongoing concern. As we are a "winners welcome" and arbitrage-welcome platform, we could not offer high bonuses like other platforms, but we still needed to remain competitive in the market.

Follow-up — Informant A — did the company explore alternative acquisition channels after stopping affiliates?:

Informant A (Bet365): We tried a bit, but it was no use. Then we completely gave up affiliate acquisition and just kept some normal ads running.

PART D — BET365-SPECIFIC: LEGITIMACY, LICENSING AND THE EXIT DECISION (Informant A only)

D1. As Bet365 was actively pursuing licensed presence in the US and Brazil, did you observe any internal conversation about whether the Chinese grey-market operation was a liability to those licensing efforts?

Informant A (Bet365): From internal unofficial channels, yes — there were rumours that the US and Brazil licences may require us to leave the Chinese market.

Follow-up — Informant A — nature of these conversations; formal condition or strategic precaution?:

Informant A (Bet365): I really do not have much information about this — my position was not high enough to know things like this. But company rumours were spreading: because of the US and Brazil licences, we need to leave the Chinese market. I believe every conversation regarding this was under the table, not formal — maybe part of the US-China political issue. I do not know.

D2. What were the primary internal triggers for the March 2025 decision to exit the Chinese market? Financial calculation, regulatory risk, reputational concern — or a combination?

Informant A (Bet365): I believe our management board had considered all the conditions. Operating in China — a grey market — involved approximately 5% of the group margin. Compared to the US market, where the marketing, legal, and growth potential are much greater than China, it was simple mathematics.

D3. China represented a small and declining share of total revenue by 2025, partly due to payment disruptions and bonus arbitrage problems. What do you think kept the operation running as long as it did — and what finally made exit the preferred option?

Informant A (Bet365): I believe the final decision was driven by the Brazil and US licensing issue. The Chinese iGaming environment is one where operators, players, and affiliates all suffer because of the unlicensed issue — players do not trust platforms, political

issues affect affiliates, operators have no means to conduct better KYC checks, and they suffer from fraud and bonus abuse which leads to higher operational costs. Everything adds up and the result was: we leave the Chinese market.

D4. Bet365 is a privately held, family-controlled firm. In your experience, did the Coates family's personal values, reputational concerns, or risk appetite play a visible role in strategic decisions — particularly around markets that carried criminal or reputational exposure?

Informant A (Bet365): I do not know about that. I cannot make any comment.

Researcher note: No data obtained on this question. The socioemotional wealth theoretical stream is supported entirely through secondary sources and theoretical inference.

D5. In hindsight, what specific institutional or operational change would have been required to make continued operations in China viable for a brand like Bet365?

Informant A (Bet365): That is easy — like other operators, we could just rebrand the page, create a new company under a different offshore iGaming licence, and keep it running.

Follow-up — Informant A — did this option come up internally, and why was it rejected?:

Informant A (Bet365): Yes, it did come up — but there is no plan to do it now. It is like postponed unless management changes its mind. I believe they have put the US and Brazil at the top priority for the company going forward. The Chinese market is no longer important compared to the US and Brazil.

PART E — PINNACLE-SPECIFIC: STRATEGIC DIFFERENTIATION AND CONTINUED PRESENCE (Informant B only)

E1. Pinnacle has historically operated with a different model — accepting sharp bettors and offering tighter margins. How did this shape the company's approach to the Chinese market?

Informant B (Pinnacle): Yes — we occupy most of the arbitrage betting in the market, as our trading team is one of the best in the world and we are able to digest it and convert it to profit.

E2. How did Pinnacle manage the operational challenges in the Chinese market — payment friction, KYC gaps, regulatory uncertainty? Were these manageable or existential risks?

Informant B (Pinnacle): We do not handle those — KYC and payment are something uncontrollable. It is useless to fight against scammers from China. We just focus on margin risk and bonus abuse. We have a zero-tolerance policy on bonus abuse: once a player is suspicious, we remove them.

E3. Did Pinnacle ever internally debate whether its presence in grey markets like China posed a risk to its regulatory standing or licensing applications in other jurisdictions?

Informant B (Pinnacle): That is why Pinnacle China and Pinnacle are two different companies. From the summer of 2024, Pinnacle China is no longer under the Curaçao licence. Instead, management opened an offshore Costa Rica company to oversee it.

Follow-up — Informant B — was this separation driven by regulatory risk management, or other reasons?:

Informant B (Pinnacle): It is because the Curaçao licence strengthened its requirements, especially for the Chinese market, and the company made the decision to separate Pinnacle B2B and Pinnacle China B2C. Now Pinnacle B2B is called AP Gaming. Everyone in the industry knew about the changes to the Curaçao licence requirements.

E4. What would need to change — either in Pinnacle's strategic direction or external environment — for Pinnacle to reconsider its approach to the Chinese market?

Informant B (Pinnacle): As long as the business model remains the same, there is not much that can change our position.

Follow-up — Informant B — if Pinnacle pursued a US/UK licence, would the Chinese operation be incompatible?:

Informant B (Pinnacle): We tried to enter the UK market years ago — we used to have a big office in London as well — but we just could not get the licence, and in 2023 we left the UK. I believe the Chinese grey market would not affect a licence application in the US or UK, as they are now a different company and officially managed by different people.

Appendix C

Bet365 Exit from the Chinese Market — Background Documentation

Source: compiled by the author from publicly available press reports and industry analyst materials.

Note: This appendix compiles the secondary source documentation pertaining to Bet365's March 2025 withdrawal from the Chinese market, including contemporaneous press reports, industry analyst commentary, and company statements referenced in the thesis. Direct URLs to all sources are provided below. All URLs were verified as active on 15 April 2026.

Key Secondary Sources Referenced in This Thesis

Asia Gaming Brief (2025, March 25). Bet365 to exit Chinese market by March 27th. Asia Gaming Brief (AGB). Retrieved from:

<https://agbrief.com/news/china/25/03/2025/Bet365-to-exit-chinese-market-by-march-27th/>

[Source for commentary by Alun Bowden, SVP Strategic Insight at Eilers & Krejcik Gaming, on Denise Coates's US strategic priority.]

Covers (2025, March 25). Bet365 withdrawing from Chinese market. Covers.com. Retrieved from:

<https://www.covers.com/industry/Bet365-withdraws-from-chinese-regulated-market-march-25-2025>

[Source for Eilers & Krejcik analyst Alun Bowden's quote that Denise Coates is "gunning for US market share."]

EGR Intel (2025). Bet365 announces its withdrawal from China. EGR Intel. Retrieved from:

<https://www.egr.global/intel/news/Bet365-announces-its-withdrawal-from-china/>

[Primary trade press source for the withdrawal announcement; primary vehicle for Regulus Partners revenue estimates cited in Chapter 2.]

BET365 STRATEGIC MARKET EXIT AS LEGITIMACY DECOUPLING IN CHINA

Racing Post (2025a, May 1). Bookmaking giant Bet365 could be up for sale for £9 billion — report. Racing Post. Retrieved from:

<https://www.racingpost.com/news/britain/bookmaking-giant-Bet365-could-be-up-for-sale-for-9-billion-report-akOrr017XU20/>

[Source for Coates family discussions with Wall Street banks and US advisers about full or partial sale; approximate valuation of £9 billion; medium-term plan to float on a US stock exchange. Original report attributed to The Guardian.]

Racing Post (2025b, December 23). Bet365 profits crash 44 per cent to £349m as Denise Coates takes £280m in dividends and pay. Racing Post. Retrieved from:

<https://www.racingpost.com/news/britain/Bet365-profits-crash-44-per-cent-to-349m-as-majority-shareholder-denise-coates-takes-280m-in-dividends-and-pay-aU2rq5j6VzzX/>

[Source for Bet365's £59.2 million one-off restructuring and reorganisation charge, confirmed in Companies House filing as arising from "exit from certain markets."]

ReadWrite (2025, March 25). Bet365 confirms exit from China as focus shifts to regulated markets. ReadWrite. Retrieved from:

<https://readwrite.com/Bet365-confirms-exit-from-china/>

[Source for Regulus Partners analysis: China below 5% of group revenue by exit; 90%+ of business in domestically regulated environments post-China exit.]

SiGMA (2025, March 27). Bet365 exits China to expand in US. SiGMA. Retrieved from:

<https://sigma.world/news/Bet365-exits-china-expand-in-us/>

[Source for verbatim company spokesperson statement on "consolidating resources" and "long-term sustainable revenue."]

Yogonet (2025, March 27). Bet365 to exit China's grey online betting market to focus on core regions. Yogonet International. Retrieved from:

<https://www.yogonet.com/international/news/2025/03/27/99586-Bet365-to-exit-china-39s-grey-online-betting-market-to-focus-on-core-regions>

[Source for verbatim company statement; confirmation of cessation date of 27 March 2025 and customer withdrawal window until 30 April 2025.]

BET365 STRATEGIC MARKET EXIT AS LEGITIMACY DECOUPLING IN CHINA

Regulus Partners (2025). Industry analysis of Bet365 revenue composition [Reproduced in NEXT.io, March 2025]. Retrieved from:

<https://next.io/news/betting/Bet365-confirms-plan-exit-chinese-market/>

[Source for the following data points cited in Chapter 2: China at approximately 20% of total revenue at peak (2014); China at materially below 5% of current group revenue at exit (2025); characterisation of China as Bet365's "last material dark grey market"; confirmation that post-China exit, more than 90% of Bet365's business is conducted in domestically regulated environments. The Chinese market is estimated by Regulus at approximately \$20 billion in annual revenue.]

Note on Company Statement

On 19 March 2025, Bet365 dispatched emails to its Chinese customer base announcing the cessation of services within eight days. The firm's formal public statement, confirmed to multiple trade outlets, read: "The Group has decided to align its focus to its core competencies in its core markets by consolidating its resources to centre on gaining market share in regions that provide long-term sustainable revenue. As a result, Bet365 will shortly cease operations into various jurisdictions including China" (Yogonet; SiGMA, 2025). Services to Chinese customers ceased on 27 March 2025, with unsettled bets voided and stakes returned to withdrawable balances. Chinese customers were granted a withdrawal window until 30 April 2025, after which accounts required manual intervention through customer support. Bet365 described the decision internally and in customer-facing communications as "a business decision."

Resüme

BET365 STRATEEGILINE TURUVÄLJUMINE KUI LEGITIIMSUSE LAHUTAMINE HIINAS

Käesolev magistritöö uurib, kuidas rahvusvahelise äri teooriad selgitavad tugevalt reguleeritud hargmaise ettevõtte otsust täielikult lahkuda õiguslikus hallis tsoonis asuvalt turult. Uurimuse keskmeks on Bet365 – Suurbritannias asuv perekonnakontrolliga online-hasartmänguoperaator – ja selle märtsis 2025 aastal aset leidnud äkiline lahkumine Hiina halliturult, pärast ligikaudu kahe aastakümne pikkust tegevust kõnealusel turul. Peamine uurimisküsimus on: kuidas selgitavad rahvusvahelise äri teooriad tugevalt reguleeritud hargmaise ettevõtte otsust lahkuda täielikult õiguslikus hallis ruumis asuvast turukeskkonnast?

Töö rakendab kvalitatiivset ühe juhtumi uurimismetoodikat, milles Bet365 on peamine osaline ja Pinnacle Sports esindab nn polaartüüpi võrdlusjuhtu. Mõlemad ettevõtted tegutsesid samasuguses Hiina hallituru reguleerimiskeskkonnas, kuid jõudsid kvalitatiivselt erinevatele strateegilistele lahendustele: Bet365 lahkus turult täielikult, samas kui Pinnacle Sports eristas oma Hiina tegevuse struktuurselt, asutades Costa Rica kohaliku juriidilise üksuse AP Gaming kaudu. Peamised andmed koguti poolstruktureeritud eliitintervjuude kaudu kahe endise kesktaseme juhiga – üks kummastki ettevõttest – ning trianguleeriti tööstusanalüütikute aruannete, regulatiivsete teadaannete ja finantsmeediale avaldatud artiklitega. Analüüs viidi läbi Braun ja Clarke (2006) kuuefaasilise temaatilise analüüsi raamistiku abil.

Töö teoreetiline raamistik integreerib viis rahvusvahelise äri teoreetilist voolu: välismaistest investeringutest loobumise ja ressursside ümbertõstmise teooria; institutsionaalse volatiilsuse ja selektiivse jõustamise teooria; legitiimsuse lahutamise teooria; varjumajanduse tehingukulu teooria; ning perekonnanfirma sotsioemotsionaalse rikkuse (SEW) teooria. Empiiriline analüüs näitas, et Bet365-e lahkumine ei olnud reaktsioon finantsprobleemidele ega regulatiivsele sunnile, vaid proaktiivne organisatsioonilise identiteedi kaitsmise akt. Ettevõtte Hiina tegevuse jääkrisk oli muutunud struktuurselt kokkusobimatuks ettevõtte valgete turgude legitimisatsioonistrateegiaga – eelkõige seoses litsentsi taotlustega USAs ja Brasiilias.

Analüüs toob esile kolm põhilist teoreetilist panust. Esiteks esitatakse legitiimsuse lahutamise kontseptsioon uue mehhanismina hallilt turult lahkumise selgitamiseks: lahkumine eelneb regulatiivsele jõustamisele ja toimib ettevõtte identiteedi kaitsmisel ennetava tegevusena, mille eesmärgiks on vastata valgete turgude reguleerivate asutuste usaldusväärsus nõuetele. Teiseks laiendatakse Liu jt (2025) lahutamise tüpoloogiat geopoliitilise tarneahela kontekstist iGaming-sektori mainehaldusesse: lahutamise viisi – substanttsiaalne versus sümboolne – määrab ettevõtte globaalne brändi tuntus, mitte institutsionaalse surve tugevus. Kolmandaks tõendab Pinnacle Sports'i võrdlus, et identne institutsionaalne keskkond võib toota kvalitatiivselt erinevaid strateegilisi vastuseid sõltuvalt ettevõtte ärimudelist, täiustades Ozkani (2020) strateegilis-keskkondliku mittevastavuse raamistikku ärimudeli sobivuse lisateguritega.

Töö peamine empiiriline piirang on asjaolu, et mõlemad informandid omasid kesktaseme positsiooni ega saanud anda otsest teavet tippjuhtkonna strateegiliste kaaluutluste kohta. Sotsioemotsionaalse rikkuse teoreetiline vool toetub üksnes teisele allikatele ja teoreetilisele järeltulele, kuna primaarsed intervjuu andmed Coatesi perekonnalt puuduvad. Töö järeltule on analüütiliselt üldistuvad – need käsitlevad teoreetilisi mehhanisme, mitte empiirilisi sagedusi, mis on kooskõlas ühe juhtumi kvalitatiivse uurimisdisaini epistemoloogiliste eesmärkidega.

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