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Ph.D. DISSERTATION
TESE DE DOUTORADO

**The role of host country institutions and firm factors on the
internationalization process of emerging market multinationals entering in
developed and developing economies**

**O papel das instituições dos países hospedeiros e dos fatores da firma no
processo de internacionalização das multinacionais de países emergentes
ingressando em economias desenvolvidas e em desenvolvimento**

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**THE ROLE OF HOST COUNTRY INSTITUTIONS AND FIRM FACTORS ON THE
INTERNATIONALIZATION PROCESS OF EMERGING MARKET MULTINATIONALS
ENTERING IN DEVELOPED AND DEVELOPING ECONOMIES**

**O PAPEL DAS INSTITUIÇÕES DOS PAÍSES HOSPEDEIROS E DOS FATORES DA
FIRMA NO PROCESSO DE INTERNACIONALIZAÇÃO DAS MULTINACIONAIS DE
PAÍSES EMERGENTES INGRESSANDO EM ECONOMIAS DESENVOLVIDAS E EM
DESENVOLVIMENTO**

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ABSTRACT

This Ph.D. dissertation aims to identify the determinant factors that influence the choice of Emerging Market Multinational Enterprises (EMNEs) to carry out a greenfield investment or an acquisition in both developing and developed countries. To reach this goal, we proposed a conceptual framework composed of different dimensions related to the firm, industry and host country factors. We grounded our model on concepts derived from institutional theory, transaction cost theory, internationalization theories and studies on entry mode choice. We used several complementary methods such as: exploratory factor analysis, cluster analysis, Manova and binary logistic regression. Moreover, we used an innovative method in international business studies called Qualitative Comparative Analysis (QCA). We collect data from different secondary sources such as OECD, World Economic Forum, World Bank, Brazilian Multinationals Observatory, Bovespa, Orbis database, among others. More than 1,000 Brazilian subsidiaries were identified in more than 50 countries. Preliminary results point to differences between the role of institutions in EMNEs operations in developed and developing countries. It seems that institutions play a relevant role in the internationalization behavior of EMNEs. However, multinationals can develop certain competencies that reduce the level of perceived internal and external uncertainty. In addition, our study findings reveal how each studied dimension contributes in a different way to the choice between performing a greenfield investment or an acquisition.

Keywords: acquisitions, greenfield investment, institutions, emerging multinationals, firm-advantage factors.

RESUMO

Esta tese de doutorado tem por objetivo identificar os fatores determinantes que influenciam na escolha de multinacionais emergentes entre realizar uma aquisição e um investimento *greenfield* em países em desenvolvimento e desenvolvidos. Para o alcance do objetivo proposto é elaborado um modelo analítico composto por diferentes dimensões relacionadas à firma, indústria e país anfitrião. O modelo analítico tem como base os conceitos oriundos da teoria institucional, teoria dos custos de transação, teorias de internacionalização de empresas e os estudos sobre modos de entrada. Como metodologia de pesquisa, adotou-se métodos diversos e complementares, tais como: análise fatorial exploratória, análise de cluster, Manova e regressão logística. Ainda, o método qualitativo denominado Análise Qualitativa Comparada. Os dados que compõem o estudo foram levantados em diferentes fontes secundárias, provenientes de institutos internacionais de pesquisa, como OECD, World Economic Forum, OECD, World Bank, Observatório de Multinacionais Brasileiras, Bovespa, Orbis database, entre outros. Foram mapeadas mais de mil subsidiárias brasileiras em mais de 50 países. Os resultados preliminares apontam para diferenças entre o papel das instituições na atuação das multinacionais emergentes em países desenvolvidos e em desenvolvimento. Ao que parece, as instituições têm um papel relevante no processo de internacionalização. No entanto, a firma pode desenvolver certas competências que contribuem para que ela lide melhor com esse processo, reduzindo assim o nível de incerteza interna e externa. Além disso, os achados do estudo revelam como cada dimensão estudada contribui para a escolha entre realizar um investimento *greenfield* ou uma aquisição.

Palavras-chave: aquisição, investimento *greenfield*, instituições, multinacionais emergentes, fatores internos.

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ABBREVIATIONS

AQ – Acquisitions

BMO – Brazilian Multinationals Observatory

CD – Cultural Distance

EMNEs – Emerging Markets Multinationals Enterprise

EMNCs – Emerging Markets Corporations

EOS – Executive Opinion Survey

EU – European Union

CEE – Central and Eastern Europe

CSA – Country-specific advantage

FDI – Foreign Direct Investment

FSA – Firm-specific advantage

GCI – Global Competitiveness Index

GF – Greenfield

IB – International Business

IMF – International Monetary Fund

IPRs - Intellectual Property Rights

JVs – Joint ventures

LA – Latin America

MANOVA – Multivariate Analysis of Variance

M&As – Merger and Acquisitions

MNCs – Multinational Corporations

ODI – Outward Direct Investment

OECD – Organization for Economic Co-operation and Development

QCA – Qualitative Comparative Analysis

RICYT – La Red Iberoamericana e Interamericana de Indicadores de Ciencia y Tecnología

SOE – State Owned Enterprise

UNCTAD – United Nations Commission on Science and Technology for Development

VC – Venture Capital

WEF – World Economic Forum

WIPO – World Intellectual Property Organization

WOS – Whole Owned Strategy

WOFS – Whole Owned Foreign Subsidiaries

GENERAL INTRODUCTION

Entry mode can be characterized as organizational arrangements to conduct and organize business transactions across boundaries (Root, 1994). Thus, entry mode can take different forms such as (i) export modes, (ii) non-equity investments—e.g., franchises, licensing, subcontracting of production, technical agreements, and (iii) equity investments —e.g., acquisitions, greenfield investments, and international joint ventures (Root, 1994). Each of these entry strategies offers advantages and disadvantages, demanding from firm's different levels of resources and commitment. In this study, we analyze the choice between performing an acquisition or a greenfield investment —which are named in the academic literature as establishment mode choice. This strategic option consists of high risk and high control equity mode (Demirbag, McGuinness, & Altay, 2010).

Establishment mode choice: greenfield investment vs. acquisition

Establishment mode research seeks to understand the MNEs choice between entering a specific market through greenfield investment or acquisition (Cho & Padmanabhan, 1995). Greenfield investment refers to building from scratch a new subsidiary, whereas acquisition refers to purchasing an existing firm in whole or in part (Slangen & Hennart, 2007). On the one hand, acquisitions are a part of a defensive strategic model that may help maintain the competitiveness level in high growth industries (Wilson, 1980). They are related to some benefits such as higher speed of entry into new markets and access to local resources —e.g., machinery, workforce, distribution channels, brands, and reputation (Buckley, Forsans, & Munjal, 2012; Harzing, 2002; Meyer, Estrin, Bhaumik, & Peng, 2009).

Moreover, acquisitions allow combining the resources of the acquired firm with the resources and management competencies of the acquirer (Lee & Lieberman, 2010). In this manner, acquisitions work as a vehicle to obtain local knowledge. Thereby, reducing the uncertainty levels related to the business environment and transaction costs. A stream of the IB literature preconizes that acquired businesses would be more familiar with the host country institutions (Peng et al., 2009; Brouthers, Brouthers, & Werner, 2002; Quer, Claver, & Rienda, 2012). However, acquisitions may be associated with post-acquisition integration failures, which are often rooted in cross-cultural differences and technological divergences (Dikova & van Witteloostuijn, 2007).

On the other hand, greenfield investments afford MNEs protect and replicate their firm-specific advantages in foreign markets more efficiently (Dikova & Brouthers, 2015). They would favor

an efficient transfer of management practices since the preservation of the corporate culture abroad (Dikova & van Witteloostuijn, 2007; Larimo, 2003). When compared to acquisitions, greenfield investments take longer to be operationalized, but they allow firms to gradually commit to new markets or to divest at a lower cost (Slangen & Hennart, 2008). Nevertheless, this entry mode entails a longer period of time to become operational compared to acquisitions (Slangen, 2013) and it requires more time to build business networks locally (Dikova & van Witteloostuijn, 2007). In locations with a low level of institutional quality, greenfield investments would become more expensive and technology transfer would not be sufficiently protected against property rights infringements (Dikova & van Witteloostuijn, 2007).

In the past decades, several researchers have been investigating the determinants that influence MNCs foreign investment decisions (Meyer, Estrin, Bhaumik, & Peng, 2009; Meyer & Peng, 2016). Consequently, entry mode choice it became one of the most researched topics in international business studies (Hennart & Slangen, 2014; Canabal & White, 2008). However, despite the extensive literature addressing this topic, there is still a need for more research to advance the understanding of how host country institutions affect the decision between performing an acquisition or a greenfield investment (van Hoorn & Maseland, 2016; Brouthers, Brouthers, & Werner, 2002; Hennart, 2012; Meyer & Peng, 2016), and how firm's own experience may be considered as a source of cumulative knowledge about foreign markets, and its impact on subsequent entries (Dikova & Brouthers, 2015; Chang, 1995; Gao & Pan, 2010). We share the view that different types of institutions can affect managerial choices in different ways (Berry, Guillén, & Zhou, 2010) impacting on firms' resources and the development of capabilities (Peng, 2003; Peng & Khoury, 2009).

Scholars show that institutions have a great impact on MNCs activities (Peng, 2003) playing a critical role in the performance of foreign subsidiaries (Peng & Khoury, 2009). Moreover, institutions are related to the uncertainty level and the cost of doing business abroad (Brouthers, Brouthers, & Werner, 2002; Brouthers, 1995). However, it is still unclear for academicians if institutions have a different role across countries, especially in the context of developing countries (Fernandes, 2011; Guler & Guillén, 2010; Nguyen & Rugman, 2014; van Hoorn & Maseland, 2016).

According to Dikova & Brouthers (2015), just a few studies are focused on EMNCs context. Most of the frameworks and theories explaining MNCs were grounded on firms from the triad—North America, Europe, and Japan (Cuervo-Cazurra & Ramamurti, 2014). These models and concepts presumed that for a local firm to become a multinational, it had to be from a

country with a strong institutional infrastructure and technological expertise. We still lack knowledge if established theories and empirical generalizations derived from developed countries context apply to EMNCs (Cuervo-Cazurra, 2012). Moreover, the number of firms in Latin American countries with more than US\$1 billion in annual revenues doubled between 2003 and 2013, many of these firms are in high-technology industries, and some of them are global leader in their segments (BCG, 2016; Casanova, 2009).

From this context, this study seeks to answer the following research questions:

- (i) Which institutional factors determine FDI in emerging markets?
- (ii) Which factors affect establishment mode choice of emerging market multinationals expanding in Latin America and the Caribbean region?
- (iii) How firms' international experience(s) and host country institutions are associated with the internationalization behavior of emerging market multinationals entering in both developed and developing countries?

To answer these questions, we explore a wide range of host countries institutions and firm characteristics on international business activities. Although the theory postulates that there is an association between the institutions and the process of internationalization of companies (Brouthers et al., 2007; Hennart, 2012; Meyer & Peng, 2016), recent studies question the true role of institutions in this process shedding light on the fragility of these studies (van Hoorn & Maseland, 2016). It is important to highlight the need of understanding the differences between the role of institutions in developed and developing economies context (Dikova & Brouthers, 2015; Guler & Guillén, 2010; Meyer et al., 2009; Nguyen & Rugman, 2014).

This dissertation consists of three papers focused on central gaps of empirical research in entry mode choice. The first paper reviews the empirical literature about FDI and its relationship with emerging markets institutions; the second illustrates how these variables are applied to the reality of Brazilian Multinationals operating in Latin America and Caribbean region; and the third paper empirically investigates the role of institutions and firms international experience(s) on the behavior of EMNEs entering in both developing and developed countries. An overview of the papers is present in Table I.

	Paper I	Paper II	Paper III
<i>Type</i>	Conceptual	Empirical	Empirical
<i>Title</i>	Institutional (dis)similarity over emerging market countries: how attractive is Latin America region for Foreign Direct Investment?	How host country institutions matter for emerging market multinationals expanding in Latin America and the Caribbean: a configurational approach	The role of experience(s) and host country institutions on the internationalization behavior of EMNEs entering in developed and developing countries
<i>Dependent variable</i>	X	AQ vs GF	AQ vs GF
<i>Independent Variables</i>	Country-level Business environment Financial support Innovation systems Labor market Political stability FDI openness	Firm-level International experience Ownership structure (publicly-traded or not) Regional experience Country diversit Industry-level Technological intensity Country-level (time-varying - institutional score) Country competitiveness Institutional distance	Firm-level International experience First mode experience Acquisitions experience Technological intensity Ownership structure MNE size Country-level Host country size GDP per capita Level of development Innovation systems Financial development Political stability Cultural distance
<i>Main Findings</i>	Identification of the host country dimensions used in the field of EMNEs studies. Ranking of the most developed countries in Latin America and the Caribbean region regarding their institutional quality. Identification of four groups of similar countries that share common institutional characteristics in LA	EMNEs developed different firm-specific advantages to mitigate external uncertainty stemming from technological intensity and institutional distance when operating in Latin American and the Caribbean countries	Experience in performing acquisitions minimizes the effect of host country institutions on establishment mode choice. Moreover, host country innovation system is associated to acquisitions in both developed and developing countries.
<i>Data source</i>	Literature review Executive Opinion Survey by the World Economic Forum	Brazilian Multinationals Observatory Executive Opinion Survey by the World Economic Forum International Standard Industrial Classification - OECD BOVESPA	Brazilian Multinationals Observatory BOVESPA Orbis database Company website Worldwide Governance Indicators Financial Structure Database US Patent and Trademark Office database Hofstede cultural dimensions score World Bank database International Standard Industrial Classification - OECD
<i>Methods</i>	Exploratory factorial analysis Cluster analysis Manova	Qualitative Comparative Analysis (QCA)	Binary logistic regression

Table 1 Dissertation roadmap

In the paper I, we review early studies that analyze the host-country determinants of FDI in emerging markets. We then developed a conceptual framework that synthesizes six dimensions of institutional quality of 20 Latin American countries from 2006 to 2014. These dimensions allow us to examine the level of competitiveness and changes in the institutional environment of these countries. We also underline trends of convergence and divergence between these countries in recent years. Results show a ranking of the most developed countries in Latin America and the Caribbean regarding their institutional quality, and four similarity groups of countries sharing common institutional characteristics.

In paper II, we propose a novel approach in the field to test our conceptual framework. Adopting the configurational approach, we bundle different country, industry, and firm level factors to identify how their combinations influence the choice between an acquisition and a greenfield investment. We test our conceptual framework in a sample of 316 Brazilian foreign subsidiaries operating in 16 Latin American and Caribbean countries from 2000 to 2015. Results show that emerging market multinationals have different firm-specific advantages to mitigate external uncertainty stemming from the technological intensity, and institutional distance when operating in Latin American and the Caribbean countries. These findings contribute to our understanding of how host country institutions matter for emerging market multinationals entering in markets located in a specific geographic region.

In paper III, we expand our research effort by analyzing EMNEs entering in both developing and developed countries, and the dynamics of institutional constraints and different types of firm internationalization experience(s) in Brazilian multinationals international trajectory. Our sample consists of 429 Brazilian foreign subsidiaries operating in 55 countries over 1969 to 2017. Different than other studies in the field, we decompose international experience into three types: (i) general international experience; (ii) first mode experience, and (iii) acquisitions experience. Our results show that experience in performing acquisitions minimizes the effect of host country institutions on establishment mode choice. Moreover, our findings indicate a strong relationship between host country innovation system and the entry by acquisitions in both developed and developing countries.

The research dataset is composed of multiple secondary data. Initially, we collect subsidiary-level data from Brazilian operations using the Brazilian Multinationals Observatory, one of the few databases available of Brazilian overseas investments. We also validated these data through company's website, and then we complement those information by using Orbis database, and BOVESPA to gathering data about ownership structure and financial settings. Thus, to support the development of the independent variables associated with host country level, we used reputable secondary sources as Worldwide Governance Indicators, Financial Structure Database, US Patent and Trademark Office database, Hofstede cultural dimensions score, World Bank database, International Standard Industrial Classification –OECD, and Executive Opinion Survey by the World Economic Forum.

We contribute to the literature in three ways. First, identifying EMNCs behavior investing in developing and developing countries. Second, by shedding light on the institutional constraints, these companies face in the different host countries. And third, showing how different types of prior experience affect the decision between perform an acquisition or a greenfield investment. We believe that new research efforts regarding emerging markets context may answer the call to generate new insights to entry mode literature and further contribute to expanding the empirical samples since just a few studies about establishment mode choice focus on EMNCs (van Hoorn & Maseland, 2016; Dikova & Brouthers, 2015; Hennart & Slangen, 2014).

Institutional (dis)similarity over emerging market countries: how attractive is Latin America region for Foreign Direct Investment?

Abstract

One of the central assumptions behind the internationalization theory is that the similarity between countries increases the levels of Foreign Direct Investment (FDI). In this paper, we advance the understanding of the host country context in International Business studies answering the following questions: Which institutional factors determine FDI in emerging markets? Which countries show higher and lower levels of institutional quality in Latin America and the Caribbean region? Do Latin American countries have a similar institutional profile? To answer these questions, we review early studies that analyze the host-country determinants of FDI in emerging markets. We then developed a conceptual framework that synthesizes six dimensions of institutional quality of 20 Latin American countries from 2006 to 2014. These dimensions allow us to examine the level of competitiveness, similarities and changes of the institutional environment of these countries over time. Results show a ranking of the most developed countries in Latin America and the Caribbean regarding their institutional quality, and four similarity groups of countries sharing common institutional characteristics.

Keywords: FDI, Emerging Markets, Latin America and the Caribbean, Institutional Profile, Competitiveness, Institutional Quality.

Introduction

According to van Hoorn & Maseland (2016), operate in a certain country implies that firms are embedded in and face distinct challenges and opportunities that derive from this specific institutional environment. Authors affiliated to institutional perspective understand that institutions set the context in which MNCs do business and compete worldwide (La Porta & Lopez-de-Silanes, 1998; North, 1990; Whitley, 1998). Thus, institutions are a crucial component to improve country competitiveness, as well economic growth and development (Kaufmann, Kraay, & Zoido, 1999; Leković, 2013).

Despite this understanding, it is still unclear for academicians if institutions have a different role across countries, especially in the context of developing economies like Latin America (Fainshmidt, Judge, Aguilera, & Smith, 2015; Meyer & Peng, 2016). Differences concerning cultural, economic, social, political environment, may impose barriers for firms to act across boundaries (Berry et al., 2010; Hofstede, 1991; Hymer, 1960; Johanson & Vahlne, 2009) having a great impact on MNCs performance (Peng & Khoury, 2009).

From a theoretical standpoint, we noted that a weakness of the cross-national studies is the lack of theoretical foundation and a narrow focus on a little set of dimensions that not represent the complexity of the host-country institutional environment (Berry, Guillén, & Hendi, 2014; Berry et al., 2010; Fainshmidt et al., 2015). Most of the studies overlooks the importance of the context using institutions as an exploratory variable (Berry et al., 2010; van Hoorn & Maseland, 2016). We share the view that firms cannot be understood separately from the national context in which they are embedded (Morgan, 2001). In this way, we believe that the country's institutional profile can facilitate or discourage Foreign Direct Investment (Hlepas & Getimis, 2015; Kostova, 1997). Therefore, academicians argued that there is a need for a better understanding of the host-country context in International Business Studies (Hoskisson, Wright, Filatotchev, & Peng, 2013).

In this paper, we analyze the institutional development of 20 Latin American and the Caribbean countries. We identify through an extensive literature review several indicators of institutional quality. We use exploratory factor analysis to develop a parsimonious framework that is composed of six contextual dimensions: Business environment, Political stability, Labor market, Innovation system, FDI openness, and Financial development. We then rank Latin American economies regarding institutional quality.

We use the Executive Opinion Survey data from the World Bank to build our dimensions, because this survey is publicly available, comprehensive, and provide longitudinal scores for the most of Latin American and the Caribbean economies. We also performed a cluster analysis to underline trends of convergence and divergence between these countries. Results show four similarity groups of countries in Latin America region.

Our study contributes to International Business literature in different ways. First, reviewing recent institutional research, we expand earlier studies proposing a more comprehensive and up-to-date framework. We go beyond to previous frameworks as Hofstede (1980) and Berry (2010) by considering additional institutional dimensions such as Business environment, Labor market, and FDI openness. As stated by Berry et al. (2010), defining and measuring subnational institutions along multiple dimensions is important, because different types of institutions can affect firm, managerial or individual decisions in different ways. Therefore, these differences make countries more different or similar than others from a given focal country (Morgan, Campbell, Crouch, Pedersen, & Whitley, 2010). Such variations allow us to extend the institution perspective from cross-country comparisons by concentrating on inter-regional differences (Sun, Peng, Lee, & Tan, 2015).

Second, we answer the call for more research encompass emerging markets context focusing in an understudied region —Latin America (Fastoso & Whitelock, 2015; Fainshmidt et al., 2015; Hoskisson et al., 2013). Cuervo-Cazurra (2016), stated that an additional opportunity exists to contribute to the academic debate by analyzing how some of the unique characteristics of Latin American countries influence the internationalization of firms. Furthermore, Latin America has grown at an annual rate of 3.7% in the last decade, a significant expansion both in historical terms and in comparison with other regions (García-Herrero et al., 2014). It is estimated that 315 million people will live in 198 large cities in Latin America in 2025 and these cities will have per capita GDP higher than some European countries such as Portugal, i.e. (McKinsey, 2011).

Third, we analyze the geographical dynamics of Latin American region seeking if globalization has encouraged convergence across these economies over recent years (Berry et al., 2014; Fernandes, 2011; Flores & Aguilera, 2007). Berry et al. (2014) show that countries have not evolved significantly similar to one another, although groups of countries based on their membership in trade blocs exhibit increasing internal

convergence and divergence from one another. Moreover, Banalieva & Dhanaraj (2013), suggest that institutional diversity determine firms' home-region orientation. Regionalization has been pointed out as an important emerging theme for future IB research (Griffith, Cavusgil, & Xu, 2008).

The article begins by outlining the conceptual background. We identify the key indicator of institutional quality adopted in emerging markets research. Following that, the dimension development procedure is described, and the reliability and validity of the integrative framework are tested. We use cluster analysis to identify convergences and divergences between Latin American and Caribbean countries. Finally, we discuss how such institutional framework would be useful to advance the knowledge about institutions and country's competitiveness in International Business Studies, support government policy and managerial implications.

The role of cross-national institutions on Foreign Investment Decisions

Since the foundation of the field scholars in international business have theorized about how similarities and dissimilarities between home and host countries influence foreign investment decisions. Initially, Hymer (1960) draw attention to the disadvantage that MNEs suffers in doing business in an unfamiliarity environment proposing the concept of "liability of foreignness." Later, this concept has been extended for other academics such as Johanson & Vahlne (2009) "Liability of outsidership" and Boeh & Beamish (2012) "Liability of distance" adding to the field new insights about the web of relationships, and the spatial separation as the root of uncertainty on MNEs behavior. For instance, Vernon (1967) recognized the effect of country characteristics on foreign operations arguing that innovations will be introduced first in countries with similar institutional and economic environments, and in which demand should be analogous to the home market.

Similarly, the Eclectic Paradigm proposed by Dunning (1977) explore the role of the institutions on the internationalization process of firms suggesting that the lack of location-specific advantages such as government regulation, infrastructure, cultural aspects may hamper MNEs activities abroad, while Johanson & Vahlne (1977) point to the weight of differences concerning language, education, business practices, culture, and industrial development on the foreign market commitment. These approaches shed light

on the location advantage of a country/geographical unit and his role in determining where FDI will go (Davidson, 1980).

Despite the evolution of the internationalization theory throughout the years, systematic approaches that define and measure institutions along multiple dimensions still scarce (Berry et al., 2010). Historically, Hofstede (1980) was one of the first scholars to propose a framework to analyses how subnational institutions affect international businesses. Nerveless, Hofstede summarized institutional differences in few cultural dimensions that not represent the complexity of host-country institutional environment (Beugelsdijk, Kostova, & Roth, 2016). Another study that proposes a more updated and parsimonious framework considering institutional characteristics has been made by Berry et al. (2010). The authors propose a set of multidimensional measures grounded on institutional theories of National Business Systems (Whitley, 1998), National Governance Systems (Henisz, 2000; La Porta & Lopez-de-Silanes, 1998), and National Innovation Systems (Nelson & Rosenberg, 1993) to desegregate institutional aspects in several contextual dimensions.

However, previous studies leave a gap open since they do not propose integrative frameworks and comprehensive reviews that summarize host country determinants of FDI outside the Triad countries—USA, Europe and Japan (Xie, Reddy, & Liang, 2017; Luo & Zhang, 2016; Dikova & Brouthers, 2015), especially regarding Latin American context (Cuervo-Cazurra, 2016; Martinez & Kalliny, 2012; Pérez-Batres, Pisani, & Doh, 2010). The traditional approaches limit our understanding of the influence of emerging market institutions on MNEs operations and neglect the heterogeneity of developing economies (Paul & Benito, 2017; Hoskisson et al., 2013). The institutional perspective stated that countries have idiosyncratic characteristics in their national institutional environment (Kostova & Zaheer, 1999; Meyer & Rowan, 1977). In this way, we believe that it is important built institutional indicators that take into consideration a specific context as Latin America case. We share the view that the quality of the institutional environment may be a key determinant of FDI flows (Bénassy-Quéré, Coupet, & Mayer, 2007).

The effect of emerging markets institutions on FDI

In the last decades, global integration has grown rapidly, approximately one-third of outflow FDI in the whole world comes from developing economies (UNCTAD, 2017).

This phenomenon has been stimulating research into how firms enter and operate within these new geographies (Luo & Zhang, 2016). However, surprisingly, little attention has been paid to what and how country-specific determinants influence FDI location in emerging markets (Xie et al., 2017).

To build our integrative literature review, we focus on emerging markets literature seeking for papers that analyze host-country determinants that affect Foreign Direct Investment decisions in emerging markets. We began our investigation by searching empirical papers published on FDI regarding emerging markets context. Among the key words we used were foreign direct investment, inward investment, outward investment, foreign market entry, entry modes, establishment modes, diversification mode, acquisitions, greenfields, joint ventures. We decided to restrict our review to published empirical studies in academic journals. Following Dikova & Brouthers (2015), we excluded theoretical or descriptive papers, case studies, working papers, papers dealing with economic modeling without data analysis and conference proceedings.

We identify several indicators of institutional quality used in these studies. We attempt to fill this gap and provide theoretical and empirical insights into the role of institutional environment and its impact on FDI on emerging markets context. In this section, we present the dimensions that emerged from the literature review and that support our research framework.

Business environment

We understand the business environment dimension as one of the multiple elements that characterize the institutional environment of a given location. Based on the World Economic Forum definition, we conceptualize the business environment as the availability of local suppliers, customers orientation, supporting industries, and business networks. In sum, the business environment can be understood as the basic infrastructure to doing business, and their interface (WEC, 2015) like the supply-and-demand conditions and their competitive setting. Countries with efficient goods markets are more competitive to produce the right combination of goods and services given their supply-and-demand conditions (WEC, 2015). On the other hand, changes in the competition policy of a given business environment offer additional opportunities for foreign investors since MNEs can explore their competitive advantage abroad (Spar, 2001).

A study made by Cui & Jiang (2009), shows that Chinese firms seek for market opportunities intra-regionally, and in other developing countries with high industry growth rate. For market-seeking purpose in these high growth industries, a key issue is to establish an advantageous market position before competitors. Thus, Chinese firms operating in emerging markets may use an incumbent partner to gain rapidly competitive position and to integrate into the upstream supply chain. Conversely, Slangen (2013), stated that firms entering in industries with low growth rates prefer to acquire a competing firm, because increases in supply reduce incumbents' market shares and profits, what may motivate a competitive response from them. Further, Hurst (2011), demonstrate that Chinese SOE is drawn to invest in places which provides advantages such as ease of doing business.

Wes, Lankes, & Jarolim (2001), found that in transition economies in Central and Eastern Europe (CEE) some of the productivity and market access spillovers operate via the linkages between foreign affiliates and their local suppliers and customers. The backward linkages arise from the relationship of the foreign subsidiary with suppliers, while forward linkages stem from interactions with customers. In contrast, Nguyen & Rugman (2014) point out that the host country business environment is insignificant to explain FDI in developing economies because investment firms do not have such in-depth knowledge about local institutions.

Financial support

According to Guler & Guillén (2010), financial markets are part of the institutional infrastructure enabling firms founding and development. When markets are efficient, and institutions are well established, firms can easily obtain financial support through the capital market (Li & Ferreira, 2011). However, countries differ regarding financial systems, particularly developing economies in which capital markets are immature and where the access to financial services is constrained (Hryckiewicz & Kowalewski, 2010). In this way, one of the main challenges that MNEs face in developing economies is how to finance their expansion across markets (Fernandes, 2011).

Buckley, Forsans, & Munjal (2012), noted that Indian foreign acquisitions are associated with the rising stock pricing of Indian MNEs. Indian firms might have used the capital raised during the boom years in the domestic capital market to financing these foreign acquisitions. Analyzing the same continent, Sun et al. (2015), show that only a few

Chinese firms are publicly listed and even those that are listed still mainly rely on internal financing. In 2007, only 10% of total financing for investment came from equities. In contrast, private firms in India enjoy better access to domestic financial markets, which enable them to raise capital to fund cross-border M&As (Sun et al., 2015). Conversely, Contractor et al. (2014), found that foreign investor entering in China and India tends to achieve minority acquisition over full or majority acquisition when the institutional distance is lower.

Grounded on Central and Eastern Europe countries context, Li & Ferreira (2011), suggest that in the absence of traditional sources of financial leverage and government-based institutions, firms may seek for informal sources of financing (D. Li & Ferreira, 2011) (D. Li & Ferreira, 2011) (D. Li & Ferreira, 2011). Moreover, Hryckiewicz & Kowalewski (2010), argued that most foreign banks entering in Central European countries tend to reallocate capital from their home markets into the host countries, providing financial support for their foreign subsidiaries.

Already from Latin America context, Khoury, Junkunc, & Mingo (2012), found that the size of Venture Capital Investments is related to financing via international capital markets. During earlier stages of development, venture capital in Latin America relying more heavily on financing from family, government, business groups, and other strategic partnerships. On the other hand, Bevan, Estrin, & Meyer (2004), point out that the financial reform in emerging markets increased business opportunities for foreign investors. Countries with more developed capital markets received more FDI inflow since the quality of their financial institutions and lower transaction costs. Another aspect that makes emerging markets more attractive for foreign investors is that local customers are also more likely to gain access to bank credit increasing demand.

Fernandes (2011), analyzed the impact of globalization on financial markets of more than 30 emerging economies after the 1990s indicating that country characteristics and macroeconomic environment have become less important over time, and that Firm-Specific Advantages (FSAs) are nowadays the most important source of variation in the financing choices of emerging-market firms due to their institutional similarity with developed economies. Moreover, Hur, Parinduri, & Riyanto (2011), suggest that the level of financial development of host countries does not seem to be an important determinant of M&A inflow in emerging markets, in this way the level of financial development of

origin countries that matters, not that of host countries. Corroborating with this idea, Nguyen & Rugman (2014), proposed that host-country institutional factors are deficient in providing external financing opportunities for foreign firms. Thus, most of emerging-market firms use own resource to finance their internationalization process.

Innovation system

Khoury & Peng (2011), stated that a host country's innovation system might be captured by its knowledge-based activities, such as the production of patent applications and scientific publications. Therefore, some of the technology that the foreign firm gains access to may not be owned by an acquired firm, but shared knowledge in the host country (Meyer et al., 2014). The importance of location characteristics will be greater for foreign subsidiaries focus on complex technological activities and knowledge sourcing (Cantwell & Piscitello, 2002). In this vein, the institutional stability may increase the absorptive capabilities of host systems of innovation, and also can increase the attraction of foreign investors (Álvarez & Marín, 2010).

Ramasamy, Yeung, & Laforet (2012), pointed that Chinese MNEs are attracted to countries like Malaysia and Thailand that can convert core research into products and services. In contrast, countries with high intensity of core research and number of registered patents show a significant negative coefficient. Meyer et al. (2014), shows that when host technology increases from low to high, Chinese state-owned firms tend to decrease their control level or cash flow rights in their acquired subsidiaries, whereas private firms tend to increase their control level in their subsidiaries. Moreover, they suggest that Chinese firms tend to acquire high control over acquired companies in technology-rich countries in order to better internalize technological resources. They also found a high correlation between the rule of law and host technology. Besides, Luo (2001), also studied the behavior of Chinese MNEs. They found that the wholly-owned entry mode is preferred when intellectual property rights are not well protected, and the number of firms in the industry is growing fast.

Further, Buckley et al. (2012), highlights the need of Indian MNEs to access advanced technology and know-how to complement their FSAs and to upgrade their capabilities. They found that the number and the value of Indian foreign acquisitions are positively associated with a host country's endowments of knowledge-based asset.

Dimension	Main references	Data source	Country-level variables
<i>Business environment</i>	Nguyen & Rugman (2014), Slangen (2013), Hurst (2011), Cui & Jiang (2009), Slangen & Hennart (2008), Dikova and Van Witteloostuijn (2007), Wes & Lankes (2001)	Economic freedom by Fraser Institute European Bank for Reconstruction and Development Primary survey	Ease of doing business, Supplier/customer relations, Industry demand growth*, Competition, Host industry growth
<i>Financial support</i>	Sun et al. (2015), Nguyen & Rugman (2014), Contractor et al. (2014), Buckley et al. (2012), Khoury, Junkunc & Mingo (2012), Fernandes (2011), Hur, Parinduri & Riyanto (2011), Li & Ferreira (2011), Hryckiewicz and Kowalewski (2010), Neto et al. (2010), Bevan & Estrin (2004)	Worldscope database International Monetary Fund World Economic Outlook Database World Bank database United Nations database Cross-National Distance Database IMF International Financial Statistics Yearbook Bombay Stock Exchange	Bank credit, Market capitalization, Creditors' rights, Taxes, Access to finance, Tax rate, Availability of grants and incentives, Exchange rate, Inflation, Country risk, Bank regulations index, Stock market capitalization, Ratio of market capitalization, Investor protection, Shareholder protection, Financial market openness, Financial distance, Cost of capital, Domestic capital market
<i>Innovation system</i>	Meyer et al. (2014), Buckley et al. (2012), Ramasamy et al (2012), Hur, Parinduri & Riyanto (2011), Alvarez & Marin (2010), Khoury & Peng (2010)	OECD Patent Statistics NBER database Institute of Scientific Information's - Science Citation Index WIPO-collected data RICYT World Intellectual Property Organisation Triadic Patent Families Primary survey	Host technology, Patents/GDP, Patents application, Number of publications/GDP, Scientific publications, Technological advancement, Endowment of knowledge based, Industry-specific host country technology advantage
<i>Labor market</i>	Kang and Jiang (2012), Hurst (2011), Khoury & Peng (2011), Estrin et al. (2009), Bevan & Estrin (2004), Bevan, Estrin, & Meyer (2004), Wes & Lankes (2001)	IMF International Financial Statistics Yearbook Ernst & Young International Human Capital database Heritage Foundation International Labour Organisation Yearbook of Labour Statistics World Bank - World Development Indicators Primary survey	Regulations, Human resource distance, Human development index, Labor cost, Productivity of labor, Labor force size, Non-wage labor costs, Labor freedom
<i>Political stability</i>	White, Boddewyn & Galang (2015), Jiang et al. (2015), Slangen (2013), De Beule and Duanmu (2012), Khoury, Junkunc & Mingo (2012), Demirbag et al (2010), Guler & Guillén (2010), Khoury & Peng (2011), Cui & Jiang (2009), Buckley et al. (2007), Demirbag et al (2007), Luo (2001)	Political hazards index by Henisz The political constraints index - POLCON Government Stability dimension - ICRG database Transparency International's corruption index Transparency International's bribe payers index Index of political rights Quality of Government Institute International country risk guide World Bank's World Governance Indicator	Political tie intensity, Political hazards, Policy uncertainty, Political risk, Political stability, Political constraints, Corruption, Social and Political environment, Rule of law, Ethical uncertainties and arbitrariness, Risk of Interventions, Political-Economic, Uncertainties, Political system
<i>FDI openness</i>	De Beule et al (2014), Sun et al. (2014), Kang & Jiang (2012), Li et al. (2012), Husrt (2011), Neto et al. (2010), Demirbag et al (2010), Demirbag et al. (2008), Buckley et al. (2007)	Heritage Foundation Unctad FDI database World Competitiveness Yearbook National Bureau of Statistics of China	Country openness, Attitude towards FDI, Inward FDI activities, Investment freedom, Openness to FDI, FDI restriction, Industry-level inward FDI
<i>Legal constraints</i>	White, Boddewyn & Galang (2015), Sun et al. (2014), De Beule and Duanmu (2012), Khoury, Junkunc & Mingo (2012), Neto et al. (2010), Khoury & Peng (2010), Buckley et al. (2007)	Fraser Institute - Economic Freedom of the World La Porta et al.'s (1998) - classification of countries according to legal tradition Quality of Government Institute World Bank database - Doing Business United Nations Statistic Division National Economic Research Institute (NERI)	Commercial law inadequacy, Judicial arbitrariness, Efficiency of judicial system, Quality of legal system, Legal regulations, Law enforcement, Business restrictions, Legal environment openness, English legal system, Strength of legal system, Rule of law, Policy liberalization, Investor rights protection, Property rights enforcement, Consumer rights protection
<i>Others</i>	Paul & Benito (2017), Cuervo-Cazurra (2016), Drogendijk & Martín Martín (2015), Goh, Wong, & Tham (2013), Wu, Xueyuan, & Qihai, (2012), Buckley et al. (2012), Hur et al. (2011), Meyer, Estrin, Bhaumik, & Peng (2009), Duanmu & Guney (2009), Filatotchev et al.(2007), Nachum (2004)		Religion distance, Linguistic distance, Cultural distance, International Relations of the Host Country, Geographical isolation, Trade linkages, Violence, Host-government restrictions, Exchange rate*, Exports and imports*, Inflation*, GDP*

Khoury & Peng (2011), note that the reform of intellectual property rights (IPRs) in Latin American countries without a substantial domestic innovation base does not lead to more inbound FDI. They also suggest that countries such as Columbia, Ecuador, or Uruguay can increase their domestic innovation with early participation in intellectual property treaties. In contrast, early adoption of the IPR reform for lowest innovation base countries, such as El Salvador, Honduras, and Paraguay seems to be not a promising initiative to raise the level of inbound FDI. Hurst (2011), corroborate with this idea indicating that the gain from reforming institutions in developing countries is smaller than that in developed countries. Moreover, he proposes that the technological advancement of the host countries located in emerging markets might not be important determinants of cross-border M&A inflows.

Álvarez & Marín (2010), argued that the technological indicators as R&D and patents are among the most important factors to defining the gap between developing and developed economies, and in which dissimilarities concerning the innovation system are even more pronounced than other institutional dimensions. However, despite that, they do not find an empirical association between the quality of the National Systems of Innovation and the attraction of foreign investors in emerging markets.

Labor market

The cost and quality of the labor market play an important role in the decision to invest in a particular location (Bevan & Estrin, 2004; Dunning & Lundan, 2008; Brienens, Burger, & van Oort, 2010; Kang & Jiang, 2012). For example, Central and Eastern Europe still have low labor costs compared with Western Europe, although higher than some locations in Southeast Asia (Bevan et al., 2004). Countries that are rich in low-cost and low-skilled labor provide opportunities for labor-intensive production and sales (Estrin, Baghdasaryan, & Meyer, 2009). However, firms entering foreign markets for the first time may find the local workforce not able to match their practices (Estrin, Baghdasaryan, & Meyer, 2009).

Wes et al. (2001), investigated the labor market of Central and Eastern Europe (CEE), they found that the share of skilled labour costs in total production costs is higher for greenfield investment than for M&As, whereas the share of unskilled labor is more than twice as high for M&As as for greenfield investors. In contrast, the wage rates for greenfield investments and M&As are roughly the same. In Addition, Bevan et al. (2004), found that FDI in developing economies in Europe is

significantly higher between countries where the relative unit labor cost advantages of relocation are greater. Thus, the attraction of the relocation opportunity depends not only on the level of wages and productivity in the host economy.

Bevan & Estrin (2004), based on the transition economies in Europe highlights that the membership in a geographic and economic region as the EU entails firms to relocate production to countries with lower labor costs. In this way, they found FDI flows are greater to locations with relatively lower unit labor costs, independent of distance or host country size. This phenomenon may be explained by the fact that EU firms are seeking lower labor costs and perceiving relatively low transaction costs in managing production facilities over a short distance.

Estrin et al. (2009), find that in six emerging economies (Egypt, Hungary, India, Poland, South Africa, and Vietnam), the effect of human resource distance complements the effects of formal and informal institutional distance for first-time investors while causing opposite effects for investors already established in the country. In this way, at low levels of distance, the cost effect may dominate, while at high levels, the benefits effect is more important. Moreover, Khoury & Peng (2011), noted that host countries in Latin America and The Caribbean with a greater labor force size are all associated with more inbound FDI since one of the main motivations for MNEs to invest in developing economies it is the productivity of the local labor force.

Hurst (2011), indicates that for low-cost Chinese firms, an increase in wages might have an impact on labor-intensive push them into efficiency-seeking outward FDI. Another study regarding the FDI location choice of Chinese multinationals in East and Southeast Asia was performed by Kang & Jiang (2012), they point out that Chinese firms enjoy a comparative advantage in low-cost labor and labor-intensive production domestically. However, they suggest that FDI activities by Chinese MNEs are becoming more driver efficiency, in this way higher labor cost in a host economy located in Asia served as an obstacle for Chinese FDI.

Political stability

The political stability may increase the attractiveness of a host country leaving firms less exposed to unforeseen imposition, political hazards, risk of intervention, expropriation, and others (Khoury et al., 2012). The coercive power of the state forces firms to behave in the way that the new regulative and political environment requires (Slangen, 2013). IB literature preconizes that MNEs

acting in institutional environments with high political constraints tend to choose lower equity stakes to avoid risk (Delios & Henisz, 2000). Contradictorily, high political risk also offers higher returns (Buckley et al., 2007). Countries like Thailand and Mexico enjoy high FDI flows despite their high corruption image since MNEs developed instruments to manage the risk associated with low-quality host institutions (Demirbag, Glaister, & Tatoglu, 2007). We also observed that over the years, the relationship between MNEs and host governments in emerging economies has become more cooperative (Jiang, Peng, Yang, & Mutlu, 2015).

Khoury & Peng (2011), underlines that host countries with greater political rights and a stronger legal system are all associated with more inbound FDI. Corroborating with this idea, a study performed by Jiang, Peng, Yang, & Mutlu (2015), using a dataset with 7101 FDI projects from 113 emerging economies, summarized that MNEs are more likely to invest in privatization projects in politically more stable countries. This means political stability has more favorable effects on the survival of MNE investment projects than purely domestic investment projects. Moreover, the authors found that MNEs are more likely to invest in acquisition projects than greenfield investments in emerging economies with lower political stability.

Buckley et al. (2007), found no evidence that Chinese FDI is associated to host country political risk. Chinese foreign investors seem not to perceive political risk in the same way as industrialized country firms. They suggest that home country embeddedness may enable Chinese firms with ownership advantages to mitigate the risk associated with operating in similar institutional environments abroad. In addition, they also argued that relative inexperience of Chinese MNEs may have led to FDI projects being undertaken with insufficient due diligence and attention to associated risk. Moreover, Cui & Jiang (2009), noted that Chinese MNEs facing high country risk retain flexibility and shift risk to local firms by using the JV entry mode to minimize their resource commitments. Thus, country risk does not have a significant impact on FDI entry mode choice. Luo (2001), also analyzed the Chinese environment suggesting that joint ventures are preferred when perceived governmental intervention or environmental uncertainty is high, or host country experience is low. Moreover, Luo (2001), suggests that the Chinese joint venture is preferred when perceived governmental intervention or environmental uncertainty is high or host country experience is low.

Another study was undertaken by De Beule & Duanmu (2012), to test how industry differences can influence the location choice of Chinese and Indian foreign acquisitions. While the rule of law and control of corruption are found to be important for India's acquisitions, political stability proves to be a negative estimator. In the mining industry, India's acquisitions are more likely to take place in countries with unstable political environments, and deficient control of corruption, which is very similar results to Chinese acquisitions. When the target firm's profitability is high, the importance of institutional quality rises. However, in other industries, none of the institutional variables are found to have any effect on the location decision of Chinese acquisitions, except for political instability. As well the authors found a high correlation between political instability, the rule of law, regulatory quality, and control of corruption. They conclude that Chinese and Indian acquirers are willing to accept some political risk, in line with their own countries' political hazards.

Demirbag et al. (2007), show that foreign MNEs investing in Turkey, where the environment present high political constraints, will select a lower equity mode compared to a wholly owned subsidiary. Furthermore, they pointed out that corruption perception does not appear to have any significant marginal impact on the preference for majority-owned joint venture and co-ownership JVs, but appears to have a significant negative marginal effect on WOS and minority-owned joint venture strategies. On the other hand, Demirbag, McGuinness, & Altay (2010), analyzed Turkish firms investing in the transitional economies of the Central Asian Republics. Findings indicate that greater ethical-societal uncertainties and perceived risk of intervention result in a preference for risk sharing strategy of joint venture with a local partner over wholly owned subsidiary entry mode.

Khoury et al. (2012), shed light on how the level of political hazards affect venture capital (VC) investment strategies in Latin American countries. The authors find a negative relationship between investment size and the political hazards risk. In the later stage of VC, they perceive that the amount invested in a round decreases as the level of political hazards increases. They also found that with increasing risks of political hazards, the differences in the investment amount received in a round between middle and later stage ventures tend to disappear. Furthermore, higher political hazards show a correlation with lower quality legal systems. Instead, Slangen (2013), noted that policy uncertainty increases the likelihood that MNEs choose wholly owned greenfield over full acquisition entry. Greenfield investments can also be advantageous because it allows

MNEs to buy external inputs sequentially, giving them the option to exit at lower costs or slow down entry if policy uncertainty resolves unfavorably during the construction phase.

From the Philippines context, White, Boddewyn, & Galang (2015), demonstrate that there is a positive association between managerial perceptions of political tie intensity and ex-ante commercial law incompleteness and ex-post judicial arbitrariness. They also found that political network intensity grows stronger with the simultaneous presence of perceived ex-ante commercial law incompleteness and ex-post judicial arbitrariness. Further, their results show that the positive association of perceived ex-ante commercial law inadequacy and political tie intensity grows stronger when a WOFS is committed to adapting organizational capabilities to the local context, and the positive association of perceived ex-post judicial arbitrariness and political tie intensity grows stronger when a WOFS is engaged in strategic positioning in an emerging market environment.

FDI openness

International Business theory stated that high degree of country openness and investment incentive policies might attract more FDI and increase trading flow (Buckley et al., 2007; Neto, Brandão, & Cerqueira, 2010). This fact may manifest itself in trade and tax regulatory structures encouraging location decisions by MNEs (Demirbag et al., 2010). Furthermore, the quality of host country institutions can affect FDI flow since host countries may provide market imperfections attracting foreign investors (De Beule & Duanmu, 2012; Brewer, 1993). From a mainstream perspective, the higher the government's policy toward international capital and potential for trade relationships the more FDI that is attracted to the host country (Kang & Jiang, 2012).

Buckley et al. (2007), investigates the determinants of Chinese outward direct investment between 1984 and 2001. They found that the host country openness to FDI, exchange rate, and geographic distance affect Chinese outward decisions. These factors are important locational determinants for the period 1984 to 1991, with the distance variable showing that market familiarity has influenced the destination of earlier Chinese investment outflows. On the other hand, Hurst (2011), analyzed China's State-owned Outward Direct Investment in OECD and Non-OECD countries. He underlines that Chinese ODI in developing (non-OECD) economies is motivated by trade relationships with less developed economies. Conversely, in the OECD economies, Chinese state-owned foreign investment is influenced by the presence of good investment practices and a

favorable investment environment in locations that are less internationally active and have lower domestic competition.

For instance, Kang & Jiang (2012), also noted that Chinese MNEs tended to locate their overseas operations in economies with which China had a smaller difference in institutions directly regulating FDI activities. Chinese firms prefer a friendly regulative regime directly linked to FDI activity, while not paying much attention to the broad regulative environment in a host country. In this manner, the market openness of a host country is associated to Chinese market-seeking FDI. Further, Li & Shapiro (2012), examines how inward FDI influences EMNEs' knowledge-seeking outward FDI. They suggest that inward FDI in an industry in China, measured as the average foreign capital ratio, reduces the propensity of Chinese firms to invest in a host country with similar technology advantage.

De Beule & Duanmu (2012), studied the locational determinants of Chinese and Indian international acquisitions. They observe that economic openness and market size have a strong association with locational choice of Chinese cross-border acquisitions. However, high-income countries do not seem to overly attract Chinese multinationals. The results also suggest that India's acquisitions tend to take place in countries with lower income but better regulatory quality, legal system, and better control of corruption. In sum, host country trade openness is shown to be an important factor for these multinationals to be able to export as well as import goods and services.

Demirbag, Tatoglu, & Glaister (2008), focused on the role of Turkish Government on FDI attraction. They noted that a foreign investor is more likely to choose a greenfield investment over an acquisition mode when investment incentives are perceived as important. Furthermore, they found that taxation policy and special economic zones play an important role in location choice and entry mode strategy. On the other hand, Demirbag et al. (2010), explore Turkish executives' perceptions of environmental uncertainty in the transitional economies of the Central Asian Republics. They argued that when investors perceive more positive attitudes towards FDI in the host country, they will select a wholly owned subsidiary over a joint venture. Pro-FDI flow' in nature can act as a key driver in creating positive perceptions of host country attitudes to MNEs. However, the data does not support the prevailing consensus of the importance of liberalization policies as a key driver in creating positive perceptions of host country attitudes.

Finally, Neto et al. (2010), emphasized that the degree of openness, measured by the sum of exports and imports to the country's GDP, and the size of the economy are associated with inward and outward investment in developing and developed countries. Therefore, countries which exhibit higher levels of openness tends to attract more foreign investment due to the reduction of trading costs. Nevertheless, they do not find evidence that the degree of openness directly affects the decision to acquire companies or the establishment of new affiliates abroad.

Legal constraints

According to Sun et al. (2015), a host country legal system consists in one of the most important features of a country's governance infrastructure. In this way, the host country legal constraints can be characterized by a set of laws, rules, and regulations that influence firm's investments and operations. An efficient legal system minimizes opportunistic behavior, collaborates with contract enforcement, protect investors from expropriation risk, facilitate transactions, resolve disputes and regulate FDI flows and domestic competition (La Porta & Lopez-de-Silanes, 1998; North, 1990; Zhou & Poppo, 2010). However, emerging markets are often governed by laws that are ambiguous, underdeveloped and inconsistently implemented (White et al., 2015). Low-quality legal systems lead to higher transaction costs obstructing foreign investment (Khoury et al., 2012). Evidence indicated that in emerging markets transaction costs are often guided by informal norms or more relational forms of contracting (Khoury et al., 2012; North, 1990; Park & Luo, 2001).

White et al. (2015), argued that the fragility of laws in emerging markets may influence MNEs to mitigate legal system uncertainty developing a personal relationship and lobbying activities with government actors. They analyzed a sample of 181 wholly owned foreign subsidiaries in the Philippines, results point out that the association between managerial perceptions of ex-ante commercial law inadequacy and the intensification of political ties increases when a foreign subsidiary is committed to organizational adaptation to the local context, while the association between managerial perceptions of ex-post judicial arbitrariness and the intensification of political ties increase when a foreign subsidiary is engaged in strategically positioning operations in emerging markets.

Instead, Sun et al. (2015), desegregated the legal environment dimension in four interrelated aspects: rule of law and its enforceability, firm and investor rights protection, property rights enforcement, and consumer rights protection. They noted that China's enforcement of rule of law

depends on governor's capacity. This fact shed light on the weight of the regional government in protecting private property rights and contracts to minimize transaction cost. They also conclude that the degree of legal environment openness of a home country influences MNEs decision and the pace of outward internationalization. Corroborating with this idea, Buckley et al. (2007), underline that liberalization of Chinese FDI policy in 1992 allowed Chinese firms under government supervision to increase their internationalization process. For the authors, this is an evidence of how home country institutions play a significant role in determining the flow and direction of Chinese foreign investments.

De Beule & Duanmu (2012), found that Indian acquisitions are attracted to host countries with more developed legal constraints. However, in the mining industry, Indian acquisitions are more likely to take place in countries with poor rule of law, and legal system, which is comparable with Chinese acquirers. Neto et al. (2010), found that the higher is the investor protection policies in emerging markets, the higher is the likelihood of MNEs to invest through M&A over greenfield investments.

From a western perspective, Khoury et al. (2012), explore how the quality of a nation's legal system affect venture capital (VC) investment strategies in Latin American Countries. Results indicate that lower quality legal systems are associated with larger investments. The greater the risk to informal means of subjugating contracts, the greater the transaction costs and cost of capital. They also found that improvements to the legal system, increasingly larger investments go to early-stage ventures. Instead, Khoury & Peng (2011), also noted that Latin American and the Caribbean host countries with a stronger legal system are all associated with more inbound FDI.

Other factors

We also found in the literature review others country-level determinants of FDI. Firstly, we identify in our sample the *cultural distance* dimension. Prior research has shown that cultural differences may impact on Foreign Direct Investment decisions in emerging markets (Sumon Kumar Bhaumik & Gelb, 2005). One variation of cultural distance adopted in these studies is *Religion distance* (Drogendijk & Martín Martín, 2015). Authors believe that religion may affect cultural differences shaping people's norms, values and behaviors leading to misunderstandings, misinterpretations, and disagreements. In this way, religion differences may influence interactions and information flows. Moreover, *Linguistic distance*, (Bevan et al., 2004; Demirbag et al., 2007),

has been used in entry mode studies. Linguistic differences may reflect executives' strategic approach to foreign operations and perception of risk and uncertainty. Academicians found a moderate correlation between the linguistic distance dimensions and cultural distance (West & Graham, 2004).

Furthermore, we found dimensions associated with the regional-level such as *International Relations of the Host Country* (Demirbag et al., 2010). This factor reflects the interdependence of international, home country, host country government policies as the risk associated to operate into the international environment. Another dimension is *Geographical isolation* (Cuervo-Cazurra, 2016) that reflect the level of global connections between countries. According to the author, Latin America is one of the regions with the highest isolation levels in the world. We also identify a dimension named as *Trade linkages and membership of international organizations* (Buckley et al., 2012; Goh, Wong, & Tham, 2013). This dimension has been used as a commonwealth indicator adding explanatory power to the Eclectic Paradigm approach.

Concerning host-country government environment, we found dimensions as *Host-government restrictions* (Meyer, Estrin, Bhaumik, & Peng, 2009), that advocates that a reduction of restrictions on FDI policies may reduce the need for a local partnership and less interface with local authorities. Furthermore, legal restrictions may limit the equity stake that foreign investors are allowed to hold. Moreover, we identify another dimension named *violence* (Cuervo-Cazurra, 2016; Hur et al., 2011; Wu, Xueyuan, & Qihai, 2012). Academicians argued that violence has serious implications on MNEs operations because violence may increase political uncertainty and reduce profitability or viability of capital investments. Thus, a high level of violence endangers the lives of managers and employees.

Other group of dimensions is related to *macroeconomic factors* (Duanmu & Guney, 2009; Filatotchev, Strange, Piesse, & Lien, 2007; Nachum, 2004). These factors are mainly originated from Transaction Cost Theory. We found dimension such as *Exchange rate, exports, and imports, inflation, market growth*. These dimensions are traditionally adopted in entry mode research since the field foundation.

Methodology

Sample and data

To build the ranking of the economies that show higher and lower levels of institutional quality in the Latin American and Caribbean region, we collect data from the Executive Opinion Survey by the World Economic Forum. The Executive Opinion Survey consists in a perceptual instrument that takes into consideration business leaders opinion about a broad range of topics for which data sources are scarce or nonexistent on a global scale (Unctad, 2016). This survey is used in the calculation of the Global Competitiveness Index that illustrates the competitiveness profile of 144 economies worldwide. Most questions in the survey ask respondents to evaluate, on a Likert scale of 1 to 7, one specific aspect of their operational environment. These data have been used by international and nongovernmental organizations and think tanks for empirical and policy work such as the Organization for Economic Co-operation and Development (OECD), the World Bank, and the International Monetary Fund (IMF). Additionally, some examples of academic papers that adopted this dataset are Liou, Chao, & Yang (2016); Brown, Cavusgil, & Lord (2015); Fainshmidt et al. (2015); Takeda (2010). Our final sample is composed of 20 Latin American and the Caribbean countries profile, which amounts to 180 countries observations from 2006 to 2014.

To compose our research dataset, we follow Khoury & Peng (2011) recommendation considering countries that share a common religion, culture, and political dynamism. According to the authors, this research criterion offers some control for latent influences since most MNE operations are often regional. Thus, we excluded of our sample French and English colonies located in the Caribbean region such as Barbados, Belize, Haiti, Jamaica, and Trinidad and Tobago. A short description of the final research sample is presented in table 2, where we present some additional information about the countries profile.

Table 2A Research sample

<i>Country</i>	<i>Domestic market size index</i>	<i>Foreign market size index</i>	<i>GDP (PPP\$ billions)</i>	<i>Exports as a percentage of GDP</i>
Argentina	4.829	5.077	183654.800	22.599
Bolivia	3.009	3.727	10275.806	38.165
Brazil	5.640	5.457	561964.955	13.104
Chile	4.204	4.868	69184.650	40.075
Colombia	4.590	4.707	115818.226	18.801
Costa Rica	3.208	3.936	16070.481	42.946
Dominican Rep.	3.533	3.926	22899.181	27.322
Ecuador	3.660	4.127	27588.792	31.909
El Salvador	3.162	3.515	12974.947	26.435
Guatemala	3.459	3.688	21018.905	21.977
Guyana	1.718	2.766	1208.139	75.976
Honduras	2.988	3.670	8908.171	45.565
Mexico	5.445	5.794	401904.104	30.771
Nicaragua	2.735	3.181	7286.923	31.786
Panama	3.001	4.016	9345.650	66.910
Paraguay	2.950	3.658	9829.582	43.873
Peru	4.214	4.595	62762.274	26.207
Porto Rico	3.363	4.579	18579.941	82.761
Uruguay	3.080	3.535	12033.475	26.367
Venezuela	4.314	4.765	73472.595	28.969
<i>L.A. average</i>	<i>3.655</i>	<i>4.179</i>	<i>82339.080</i>	<i>37.126</i>

Source: Unctad (2017)

Variable and measures

Based on the literature review, we select some items from the Global Competitiveness Index (GCI) to build our independent variables. The GCI is divided into 127 items or indicators grouped into 12 pillars of competitiveness. Seeking to identify associations between these observational variables, we conducted a factor analysis adopting varimax rotation to define the existence of a common factor (Hair, 2009).

The factor analysis confirmed our theoretical dimensions that explained a total of 86.3 percent of the observed variance. The six factors it is summarized as Business environment, Political stability, Labor market, Innovation system, FDI openness, Financial support, as shown in Table 3. The KMO test showed results at 0.813, signaling the appropriateness our constructs. Further, Bartlett's Test of Sphericity (BTS) indicates $p < 0.050$ (sig.), confirming the required assumption for the analysis (Hair et al., 2009).

Table 3A Factor analysis - rotated component matrix

<i>Variable</i>	<i>Commonalities</i>	<i>Factors</i>					
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
Competition	.896	.296	.348	.399	.051	.586	.428
Customers	.853	.110	.270	.339	.101	.648	.473
Int_Distr	.903	.220	.205	.026	.211	.868	.123
Financing_local_equity	.798	.835	.193	.110	-.145	.080	.154
Ease_access_loan	.931	.879	-.003	.122	.258	.238	.141
Venture_capital	.904	.854	.189	.149	.309	.124	.081
Capacity_innovation	.883	.090	.705	.132	.227	.510	-.223
Quality_scientific	.913	.090	.858	-.124	.232	.222	.222
Availability_scientists	.887	.215	.855	.043	.178	.059	.270
Flexibility	.886	.370	-.134	.791	-.215	.167	.176
Hiring	.895	-.092	-.082	.892	.234	.128	.111
Payment_produc	.895	.421	.359	.736	.035	.033	.210
Public_Trust	.938	.047	.246	.009	.917	.124	.139
Favoritism	.886	.243	.314	.048	.792	.171	.263
Transparency_govern	.924	.167	-.007	.238	.584	.529	.467
Foreign_own	.923	.139	.239	.143	.239	.184	.857
Rules_FDI	.899	.321	.103	.373	.330	.182	.710
% of variance		47.043	14.270	9.739	7.778	5.569	5.093
Cronbach Alpha		.850	.872	.822	.897	.865	.889

In using Factor Analysis, we produce a country-level composite index of six dimensions of institutional quality of Latin American countries. We then use the factorial scores to carry out a cluster analysis seeking to identify similarity and dissimilarities between countries regarding institutional profile. In this phase, we choose k-means method. The Distances between the clusters were calculated using Euclidean distance measure. According to Walsh (2005, p.146), “as with factor analysis, cluster analysis does not deliver a true solution but rather leaves the decision on the appropriate number of clusters largely up to the researcher.” Thus, we opt for the elbow criterion to decide on the number of clusters. We identify four similarity groups of countries in the Latin American and Caribbean region. The sources of the variables and the definitions used to build the dataset are summarized in Table 4.

For elaborate the ranking of Latin America and Caribbean countries’ institutional quality, we multiplied the matrix of factorials coefficients by the matrix of original data. In this way, factor scores were calculated for each country.

Table 4A Research dimensions of institutional quality

<i>Dimension</i>	<i>Description</i>	<i>Years available</i>	<i>Sources</i>
<i>Business environment</i>			
Intensity of local competition	How intense is competition in the local markets? 1-7 (best)	2006-2015	WEF
Degree of customer orientation	How well do companies treat customers? 1-7 (best)	2006-2015	WEF
Control of international distribution	To what extent are international distribution and marketing from your country owned and controlled by domestic companies? 1-7 (best)	2006-2015	WEF
<i>Financial support</i>			
Financing through local equity market	How easy is it for companies to raise money by issuing shares on the stock market? 1-7 (best)	2006-2015	WEF
Ease of access to loans	How easy is it to obtain a bank loan with only a good business plan and no collateral? 1-7 (best)	2006-2015	WEF
Venture capital availability	How easy is it for entrepreneurs with innovative but risky projects to find venture capital? 1-7 (best)	2006-2015	WEF
<i>Innovation system</i>			
Capacity for innovation	To what extent do companies have the capacity to innovate? 1-7 (best)	2006-2015	WEF
Quality of scientific research institutions	How would you assess the quality of scientific research institutions? 1-7 (best)	2006-2015	WEF
Availability of scientists and engineers	To what extent are scientists and engineers available? 1-7 (best)	2006-2015	WEF
<i>Labor market</i>			
Flexibility of wage determination	How are wages generally set? 1-7 (best)	2006-2015	WEF
Hiring and firing practices	How would you characterize the hiring and firing of workers? 1-7 (best)	2006-2015	WEF
Pay and productivity	To what extent is pay related to worker productivity? 1-7 (best)	2006-2015	WEF
<i>Political stability</i>			
Public trust in politicians	How would you rate the ethical standards of politicians? 1-7 (best)	2006-2015	WEF
Favoritism in decisions of government officials	To what extent do government officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts? 1-7 (best)	2006-2015	WEF
Transparency of government policymaking	How easy is it for businesses to obtain information about changes in government policies and regulations affecting their activities? 1-7 (best)	2006-2015	WEF
<i>FDI openness</i>			
Prevalence of foreign ownership	How prevalent is foreign ownership of companies? 1-7 (best)	2006-2015	WEF
Business impact of rules on FDI	To what extent do rules and regulations encourage or discourage foreign direct investment (FDI)? 1-7 (best)	2006-2015	WEF

To test the discriminant power of the cluster analysis, we employed the Multivariate Analysis of Variance (MANOVA) to verify differences between the country groups. The MANOVA results are shown in Table 8.

Analysis and discussion

Table 5 presents the descriptive statistics and correlation coefficients for overall research dimensions.

Table 5A Descriptive statistics and correlation matrix for research dimensions

<i>Variable</i>	<i>Mean</i>	<i>s.d.</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1. Business environment	4.3285	0.4638	1					
2. Financial support	2.9772	0.5861	.488**	1				
3. Innovation system	3.3788	0.5687	.591**	.358**	1			
4. Labor market	3.9786	0.6151	.538**	.423**	0.123	1		
5. Political stability	2.9478	0.6300	.580**	.368**	.526**	.245**	1	
6. FDI openness	4.7124	0.8276	.693**	.488**	.418**	.503**	.639**	1

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

Table 6, show the general ranking for institutional quality of Latin American countries. Among the Latin American and the Caribbean countries, the one with the most favorable *Business environment* is Chile (13.348), followed by Brazil (12.968), and Costa Rica (12.837). Instead, countries with lower quality of *Business environment* are Bolivia (9.763), Ecuador (9.297) and Venezuela (9.268).

We noted that Brazil's fall in this ranking in recent years (see table 9). The country has been convulsed by protests, corruption scandals, and negative economic growth (Global Americans, 2017). In contrast, historically, Costa Rica comes up in the ranking of institutional quality regarding the business environment dimension. Costa Rica has been working to create a friendly climate for foreign investment over the years.

Another aspect analyzed in our study refers to host-country financial institutions. Academic literature, point out that financial markets are part of host-country institutional environment enabling firms to obtain financial support for their growth and development (Guler & Guillén, 2010; Li & Ferreira, 2011). We found that the L.A. countries with the best quality of *Financial support* for foreign investors, are Panama, (11.332), Chile (11.035) and Peru (9.514). Conversely, the countries with lower quality of *Financial support* are Uruguay (6.6811), Ecuador (6.494) and Argentina (6.291). According to the World Bank (2017), considering the average of FDI inflows in the last three years, Argentina is among the top five destinations of foreign investments in Latin

America region (see table 10). Since Argentina present a low-quality financial environment, this finding may reinforce the argument that most of MNEs uses own resource to financing their internationalization in emerging markets (Nguyen & Rugman, 2014). We also highlight that Chile holds the third position of FDI inflows in the region, only behind of Brazil and Mexico (See table 6).

Table 6A General ranking for institutional quality dimensions

<i>Country</i>	<i>Business environment</i>	<i>Financial support</i>	<i>Innovation system</i>	<i>Labor market</i>	<i>Political stability</i>	<i>FDI openness</i>	<i>General Index</i>
Argentina	10.648	6.291	9.872	7.545	5.825	7.715	7.630
Bolivia	9.763	7.926	8.025	9.821	7.269	6.495	7.975
Brazil	12.968	8.912	10.787	9.507	7.521	8.823	9.209
Chile	13.348	11.036	10.865	12.130	11.735	11.040	11.388
Colombia	12.711	8.751	9.468	10.988	8.147	8.969	9.219
Costa Rica	12.837	7.346	11.713	11.720	9.774	10.530	11.122
Dominican Rep.	11.849	7.000	7.862	11.565	6.823	9.874	8.868
Ecuador	9.297	6.495	7.065	8.189	6.347	6.088	6.780
El Salvador	12.677	8.210	7.867	11.851	8.151	9.258	8.734
Guatemala	12.805	7.524	9.084	11.828	8.037	9.193	9.138
Guyana	11.520	7.758	8.442	11.684	7.971	8.450	8.446
Honduras	11.310	6.999	8.202	10.362	7.875	9.158	8.680
Mexico	12.226	8.009	9.724	10.555	8.177	10.114	9.919
Nicaragua	10.077	7.360	7.754	11.297	7.207	8.625	8.190
Panama	12.265	11.333	9.437	10.281	8.387	10.709	10.495
Paraguay	11.035	7.786	6.504	10.085	6.292	8.088	7.937
Peru	12.576	9.514	8.382	11.017	7.879	10.324	9.919
Porto Rico	11.850	8.260	10.814	10.331	7.800	9.199	9.765
Uruguay	11.451	6.681	9.473	7.241	11.492	10.588	10.030
Venezuela	9.268	6.751	8.073	7.602	5.344	5.704	7.176
<i>L.A. average</i>	<i>11.624</i>	<i>7.997</i>	<i>8.971</i>	<i>10.280</i>	<i>7.903</i>	<i>8.947</i>	<i>9.031</i>

* General Index it is calculated using the median of six variables of research

According Khoury & Peng (2011), and Meyer et al. (2014), some of the technology that the MNEs gains may originate from the host country knowledge-based activities. Thus, the institutional quality of countries' innovation system can attract foreign investors (Álvarez & Marín, 2010). Our data reveals that Costa Rica (11.713), Chile (10.865), and Porto Rico (10.814) have the best *Innovation Systems* in Latin America. In contrast, Nicaragua (7.753), Ecuador (7.065), and Paraguay (7.786) have the less developed innovation systems in the region. This results may corroborate with Khoury & Peng (2011) findings, point out that the early adoption of the International Propriety Right reform for lowest innovation base countries, such as Nicaragua, Ecuador, and Paraguay seems to be not a promising initiative to raise the level of inbound FDI.

Additionally, the findings regarding Costa Rica, Chile and Porto Rico, may be an evidence that is no empirical association between the quality of the National Systems of Innovation and the attraction of foreign investors in emerging markets (Álvarez & Marín, 2010), since these countries are not the main destinations for FDI in Latin America (WIR, 2017). We also highlight that in recent years Brazil and Chile fall in the ranking concerning the innovation environment, as shown in Table 9.

Another core determinant of FDI decision stressed in the IB literature is the cost and quality of host country labor market (Bevan & Estrin, 2004; Dunning & Lundan, 2008). Bevan & Estrin (2004), argued that the membership in a geographic and economic region as Latin America may encompass firms to move production to countries with lower labor costs. Our results show that the most favorable countries regarding cost, labor quality and easiness of hiring and firing workers in Latin America and the Caribbean are Chile (12.129), El Salvador (11.850) and Guatemala (11.827). Instead, the countries with the lowest quality *Labor Market* are Venezuela (7.601), Argentina (7.544), and Uruguay (7.241). Alaimo et al. (2017), point out that high-income countries like Argentina, Brazil, and Chile tend to have higher mandated contributions and job security provisions. On the other hand, low-income countries like Honduras, Guatemala, Nicaragua, and Paraguay present a larger minimum cost of salaried labor. Based on our ranking, we highlight some countries as Guatemala (12.498), Porto Rico (12.108), Chile (12.068), Costa Rica (11.660), and Guyana (11.374) where pay was strongly related to worker productivity in 2014. Moreover, we noted that in the last years some countries as Chile are losing labor competitiveness due the currency appreciation (García-herrero & Urbiola, 2014).

Khoury et al. (2012), show that political stability may impact the attractiveness of a host country for foreign investors since the risk of political hazards, intervention, expropriation, and others. Despite the geographic proximity, Latin American countries differ from each other regarding political systems. We found that countries with the highest quality of *Political stability* in the region are Chile (11.735), Uruguay (11.492) and Costa Rica (9.774). Whereas Paraguay (6.291), Argentina (5.825) and Venezuela (5.343) are at the top of the list of those with lower *Political stability*. The political stability dimension is based on ethical standards of politicians and transparency of government policymaking. Since Argentina is among the countries with the greatest investment inward flows and lower political stability in Latin America, we suggest that

political risk may not have a significant impact on FDI decisions since some emerging market multinationals are willing to accept some political instability, in line with their own countries' political hazards (De Beule & Duanmu, 2012; Cui & Jiang, 2009). We also observed that, in the last nine years, Chile, Uruguay, and Costa Rica are at the top of the ranking regarding political stability (see table 9). These countries there has been a substantial movement toward the creation of political democracy (Haber, 2009).

Finally, we analyzed the weight of rules and regulations to encourage FDI. Some authors suggest that the degree of country openness to foreign investment may increase trading flow (Buckley et al., 2007; Neto et al., 2010). Our study indicated that the countries with a higher quality of *FDI openness* are Chile (11.039), Panama (10.708) and Uruguay (10.588). We noted these countries are not among the top 20 host economies in the world, where are countries as Brazil and Mexico (WIR, 2017). Conversely, the countries with low-quality *FDI openness* are Bolivia (6.494), Ecuador (6.088) and Venezuela (5.704). Bolivia and Venezuela are among the top 5 home economies regarding outflows in the region (WIR, 2017). Moreover, our ranking reveals that Brazil's and Mexico FDI openness scores are falling over the years. The top scores belong to less recent years observations (see table 9). This fact may indicate that the quality of FDI openness in Latin America and the Caribbean region is decreasing over time. This finding may corroborate with Demirbag, Tatoglu, & Glaister (2008) that not find evidence of the importance of liberalization policies as a key driver of inward FDI. This downward trend in foreign investment flows is accelerated by factors as economic recession, weak commodity prices, higher currency volatility, and the ascension of emerging economies in Asia (WIR, 2017).

Country's cluster in Latin America

Results of the cluster analysis are presented in Table 7. Four country groups emerged within the database. The description of each cluster and the characteristics of the institutional environment is present in Table 7 as well. We classified the institutional quality of these countries in three levels: low, average and high, taking in consideration the weighted average score of the Latin America and the Caribbean countries.

Table 7A Country's cluster in Latin America and the Caribbean

	<i>Cluster 1</i>	<i>Cluster 2</i>	<i>Cluster 3</i>	<i>Cluster 4</i>
<i>Levels of development</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Number of cases</i>	38	75	28	37
<i>Business environment</i>	Low	High	High	High
<i>Financial support</i>	Low	Average	High	High
<i>Innovation system</i>	Low	Low	High	High
<i>Labor market</i>	Low	High	Low	High
<i>Political stability</i>	Low	Low	High	High
<i>FDI openness</i>	Low	Average	Low	High
<i>Most predominant countries in the cluster</i>	Argentina Bolivia Ecuador Paraguay Venezuela	Colombia Dominican Republic El Salvador Guatemala Guyana Honduras Nicaragua Peru	Brazil Costa Rica Mexico Uruguay	Chile Panama Puerto Rico

Table 8A Manova – multivariate tests

<i>Test</i>	<i>Value</i>	<i>F</i>	<i>Sig.</i>	<i>PES</i>	<i>Observed Power</i>
Pillai's Trace	1.604	32.728	.000	.535	1.000
Wilks' Lambda	.068	42.070	.000	.591	1.000
Hotelling's Trace	5.575	51.934	.000	.650	1.000
Roy's Largest Root	4.168	118,799 ^c	.000	.807	1.000

Results show that cluster 1 contains five countries (Argentina, Bolivia, Ecuador, Paraguay, and Venezuela) and 38 observations. This cluster is characterized by economies with high levels of state intervention and substantial institutional voids. Overall research dimensions scores in cluster 1 are below of the region's average (see table 5), except for Argentina's innovation system dimension. The average of the *innovation system* dimension among Latin American the Caribbean countries is 8.971, and Argentina present a score of 9.872. Regarding comparison, the World Economic Forum classified the world economies in three stages of development. The first stage is named *factor-driven economies*, which competition is based on unskilled labor and natural resources. And firms compete by price and sell basic products or commodities, their low

productivity reflected in low wages. The World Economic Forum classification grouped Bolivia and Venezuela as *factor-driven economies*. In the second stage of development denominated as *efficiency-driven economies*. In this second stage of development, economies become more competitive, productivity increase and wages rise, production is more efficient and product quality increase.

Cluster 2 is the largest group in our analysis composed of eight economies. Results show that the most favorable dimensions in this cluster are *Labor market* which regards the cost of the workforce, labor quality and easiness of hiring and firing workers, and *Business environment* that represent the quality of local competition, customer orientation and control of international distribution. These economies are focusing on developmental policies seeking to provide a healthy environment for firm's growth and foreign investment. We draw attention to two cases: Colombia and Peru. Colombia presents scores above Latin America average regarding overall research dimensions. However, Colombia is in cluster 2, because their scores are very close to the regional average. Already, Peru has been showing good indicators regarding institutional quality, their scores for *Political stability* and *Innovation system* are below to Latin America average. Moreover, we noted that countries that composed cluster 2 exhibit low quality of *Innovation system* and *Political stability*. We consider these factors as two of the main challenges for Latin American economies, improving their political democracy and innovation development. We also compare our results with WEF classification. We observed that economies that are included in cluster 2 are classified by the WEF as efficiency-driven economies, except by Honduras that are classified as a factor-driven economy. Nicaragua is not in the classification, because of data availability issues.

Cluster 3 is the smaller group in our study being represented by four economies (Brazil, Costa Rica, Mexico, Uruguay). We consider cluster 3 as rapidly developing economies. These economies face some challenges concerning the quality of their institutional environment. Brazil exhibit low-quality of *Political stability* and *Labor market*. Costa Rica and Uruguay exhibit low quality of *Labor market* and *Financial support*. Moreover, we draw the attention to the fact that some countries in cluster 3 are focusing in improve their global competitiveness. For example, Uruguay is strengthening investment promotion and trade in services providing market access for foreign investors (WEF, 2017). Costa Rica and Mexico are taking part in the TISA that aims at opening markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce,

maritime transport, and professionals moving abroad temporarily to provide services (European Commission, 2017). On the other hand, we highlight Mexico that shows higher scores in this cluster. Mexico and Brazil are among the top host economies in Latin America and the Caribbean. Using the WEF classification, we noted that Brazil, Costa Rica, Mexico, and Uruguay are in transition from stage 2 (efficient-driven economies) to stage 3 (Innovation-driven economies). When countries move into the innovation-driven stage, wages will have risen, and firms must compete by producing new and different goods using most sophisticated production processes and by innovating new ones.

Finally, Cluster 4 is made up of 3 economies (Chile, Panama and Puerto Rico) sharing several of the characteristics of cluster 2 as high levels of *FDI openness*, *Financial support*, *Business environment*, and others. However, in cluster 4 overall research dimensions feature scores above the region's average pointing to greater maturity regarding *Labor market* and *FDI openness*. These economies are more focused on growth and development. Chile shows the best scores between the economies grouped in this cluster. On the other hand, Panama is the economy that shows lower scores in the cluster. According to WEF (2017), Chile and Panama are classified as efficiency-driven economies and Puerto Rico as an innovation-driven economy. One of the reasons that may justify this high level of institutional quality may be the participation of these countries in international agreements and the emphasis on creating policies to increase FDI flows.

Discussion, implication, and limitations

This paper is one of the first studies to explore the influence of regional institutions on FDI flows, complementing previous research in the field. Adopting institutional perspective, we analyze the institutional profile of 20 Latin American and the Caribbean countries over 2006 to 2014. This unique context of developing economies consists in an opportunity to contribute to the academic debate by analyzing how some of the characteristics of Latin American and the Caribbean region affect the internationalization of firms (Cuervo-Cazurra, 2016). Through an extensive literature review, we propose a theoretical framework composed of six contextual dimensions: Business environment, Political stability, Labor market, Innovation system, FDI openness, and Financial support, empirically validated. We then rank these countries underlining trends of convergence and divergence between them.

Results show that most of the Latin America and the Caribbean countries suffer from political issues, and other institutional deficiencies. We noted that the countries that present lower levels of institutional quality in the region are Venezuela, Ecuador, Argentina, and Bolivia. On the other hand, Chile, Costa Rica, Panama, Peru, Colombia, Brazil, Mexico exhibit the higher levels of institutional quality in the region. We highlight countries like Colombia and Peru that are growing fast regarding international competitiveness.

We also observed that economies as Brazil, Mexico, and Chile regarding dimensions as size and FDI flows fall in our ranking of institutional quality over time. We found that the institutional quality of overall Latin American and the Caribbean countries are decreasing in recent years, except for Puerto Rico and Guatemala. Our findings point out that the major challenges for Latin American countries consist in to improve the quality of their political democracy, financial support institutions, and FDI policies maintaining itself as an attractive region for foreign investors.

Our results also reveal four similarity groups of countries sharing common institutional characteristics in Latin America and the Caribbean. The first group is characterized by countries with high levels of state intervention and substantial institutional voids (Argentina, Bolivia, Ecuador, Paraguay, and Venezuela). The second group is composed of eight economies located mainly in Central America and The Caribbean that are more competitive regarding *Labor market* and *Business environment*. Cluster 3 is represented by rapidly developing economies (Brazil, Costa Rica, Mexico, Uruguay) that present deficiencies regarding *Labor market* and *FDI openness*. And, cluster 4 is made up economies with greater maturity concerning our research dimensions (Chile, Panama and Puerto Rico) showing high levels of institutional quality.

We believe that our study contributes to international business research and theory in several ways. First, reviewing recent institutional research, we expand earlier studies proposing a more comprehensive and up-to-date framework. Second, we answer the call for more research encompass emerging markets context focusing in a understudied region —Latin America (Fastoso & Whitelock, 2015; Fainshmidt et al., 2015; Hoskisson et al., 2013). Third, we analyze the geographical dynamics of Latin American and Caribbean region seeking if globalization has encouraged convergence across these economies over recent years (Berry et al., 2014; Fernandes, 2011; Flores & Aguilera, 2007).

Moreover, these study findings have important implications for managers to consider the influence of host countries institutions on FDI decisions. Our research framework should be useful to identify factors that affect MNEs operations abroad. Moreover, our findings also indicate the most competitive economies in Latin America and the Caribbean regarding six contextual dimensions. We pointed out the countries that are more similar in the region. This effort may help managers to internationalize their firms to more similar countries. On the other hand, we present some government implications showing some aspects that may improve countries' competitiveness and their evolution over the years. We think our findings may be helpful in the proposition of government policies to increase inward FDI.

We identify some limitations of our study. First, we recognize that institutional diversity exists within national contexts. Second, we did not include in our sample some economies that may offer additional insights. Third, we use only one dataset to create our research dimensions. Fourth, we believe that several factors that influence FDI follows do not complain in our study. Further, we did not explore some factors related to a market-seeking strategy that consists in one of the main motivators for EMNEs internationalization.

The future studies could better address the following questions: How EMNEs obtain financial support to their growth and development abroad? Is it liberalization policies a key driver of inward FDI in emerging markets? The membership in a geographic and economic region encompass firms to move production to countries with lower labor costs? How emerging market countries can increase their levels of innovation? What is the true role of host country institutions for EMNEs? Moreover, future studies may test our framework in different emerging market context. We also believe that qualitative research with managers and countries' experts may be useful to validate our research framework.

How host country institutions matter for emerging market multinationals expanding in Latin America and the Caribbean region: a configurational approach

Abstract

Institutional research on entry mode choice has often obtained mixed empirical results. Most of the studies in the field consider institutional characteristics as homogenous, since they use a single reference point to understand the role of institutions on entry mode choice. We address these research issues by proposing a novel approach on entry mode research. Adopting the configurational approach, we bundle different country, industry, and firm level factors to identify how their combinations influence the choice between an acquisition and a greenfield investment. We test our conceptual framework in a sample of 316 Brazilian foreign subsidiaries operating in 16 Latin American and Caribbean countries from 2000 to 2015. Results show that emerging market multinationals have different firm-specific advantages to mitigate external uncertainty stemming from technological intensity and institutional distance when operating in Latin American and the Caribbean countries. These findings contribute to the understanding of how host country institutions matter for emerging market multinationals entering in markets located in a specific geographic region.

Keywords: Entry mode, Institutions, Emerging Market Multinationals, Latin America and Caribbean, Qualitative Comparative Analysis.

Introduction

Entry mode choice is among the most research topics in international business (IB) studies (Canabal & White, 2008; Morschett, Schramm-Klein & Swoboda, 2010). A current challenge in the field concerns the effect of institutions on entry mode choice (Dikova & Brouthers, 2015; Slangen & Hennart, 2007). Most studies analyzing the role of institutions on entry mode choice merely use a single reference point (van Hoorn & Maseland, 2016), which results in dissonance when conceptualizing and operationalizing institutional factors that potentially impact foreign market entry (Berry, Guillén, & Zhou, 2010; Dikova & Brouthers, 2015). Moreover, just a few studies on entry mode choices of emerging market multinationals (EMNEs) in Latin America and the Caribbean exacerbates this issue (Cuervo-Cazurra, 2016). Given the importance of the institutional framework—both formal and informal (North, 1990)—in mitigating uncertainty and reducing transactions (Dikova, Sahib, & van Witteloostuijn, 2010; Khanna, Palepu, & Sinha, 2005; Peng & Heath, 1996), we aim to answer the research question: what are the institutional factors that affect entry mode choice of emerging market multinationals in Latin America and the Caribbean countries?

There are several entry mode choices available for firms (Root, 1994). However, greenfield investment and acquisition—known in the literature as establishment mode choice (Cho & Padmanabhan, 1995; Slangen & Hennart, 2007)—are among those strategic options that entail higher risk and higher outlay of resources (Demirbag, McGuinness, & Altay, 2010). Building on the argument in which different types of institutions can affect managerial entry mode choices (Berry et al., 2010), we seek to advance the research on entry mode by focusing on the relationship between host country institutions and establishment mode choice. To reach this goal, we first develop a multidimensional framework of country-level conditions that impact the entry of emerging market multinationals in an understudied region—Latin America and the Caribbean (Cuervo-Cazurra, 2016; Fainshmidt, Judge, Aguilera, & Smith, 2016). We then combine other relevant industry and firm level conditions that predict entry mode choice to provide a holistic understanding of the factors affecting this decision.

Second, we adopt a set-theoretic method to understand this relationship. Early studies mainly use regression analysis in seeking to extend causal models (Dikova & Brouthers, 2015; Shaver, 2013). The adoption of correlational methods presents some limitations (Fiss, 2007; Ragin, 2008) when

exploring complex configurations as those represented by foreign market entry. In addition, set-theoretic methods consist of a novel approach in entry mode studies. This approach enables researchers to determine how the presence or absence of institutional components influences establishment mode choice, thereby identifying the key complementarities and substitution effects among them (Garcia-Castro & Aguilera, 2014).

Moreover, we answer the call for more research encompassing the emerging markets context (Fainshmidt et al., 2016; Fastoso and Whitelock, 2011; Hoskisson et al., 2013) by applying our framework in a sample of 316 Brazilian foreign subsidiaries operating in 16 Latin American and Caribbean countries from 2000 to 2015. This study contributes to the nascent literature that uses country or location “distance” metrics to show how MNEs being “multiple embedded” can take advantage by acting within the same geographical region (Contractor, Lahiri, Elango, & Kundu, 2014; Meyer & Mudambi, 2011). In addition, the study of institutional variations allows us to extend theories from cross-country comparisons, and thus opening up new research avenues (Cuervo-Cazurra, 2016; Sun, Peng, Lee, & Tan, 2015).

The paper is structured as follows. First, we describe the nature of establishment mode choice by focusing on the current state of research regarding greenfield investment and acquisition. We then develop a conceptual framework by identifying different factors affecting establishment mode choice. Next, we describe our research methodology and present our results. Lastly, we conclude the paper by discussing the implications of our study, sharing its limitations, and proposing prospective avenues that we open through this research.

Theoretical framework

Country-level factors affecting establishment mode choice

Country competitiveness

Country competitiveness is defined as the set of institutions, policies, and factors that influence the level of productivity of a given country (UNCTAD, 2017). On the one hand, the level of productivity is associated with the level of prosperity that can be reached by an economy. On the other hand, the productivity level also determines the rates of return obtained by investments in an

economy, which in turn are the fundamental drivers of its growth rates and economic development (Kaufmann, Kraay, & Zoido, 1999; Leković, 2013). Hence, country competitiveness become an attractive force for multinationals to enter a specific market.

Institutional distance

According to Dunning (1977), countries are “distant” from each other not only geographically, but also in terms of institutional characteristics such as economic, financial, and political profiles that impose challenges for MNEs to act across boundaries (Morgan, Campbell, Crouch, Pedersen, & Whitley, 2010). Different types of distance can affect firm, managerial, or individual decisions in different ways such as increasing the uncertainty level related to knowledge flow and affecting the cost of doing business abroad (Berry et al., 2010). Thus, MNEs need to deal with a complex web of institutional environments that may exert opposing pressures on their businesses (Kostova, Roth, & Dacin, 2008). It is expected that the level of uncertainty and costs to operate abroad increase as the distance between the home and host countries becomes wider. A high level of uncertainty may require a greater degree of control on foreign operations, which would seek to guarantee greater efficiency in the form of governance adopted, by reducing the asymmetry of information and the risk of opportunism (Anderson & Gatignon, 1986).

Multidimensional framework of country-level factors

Scholars argue for the need to explain how host country’s institutional environment matter for MNEs entry mode choice (van Hoorn & Maseland, 2016). Efforts in the field to provide a comprehensive framework recognizing that countries differ from one another on a number of dimensions are scarce (Berry et al., 2010). Furthermore, theoretical development is grounded on the reality of the triad regions: Japan, Western Europe and North America (Cuervo-Cazurra, 2012). Thus, a gap exists regarding a more holistic theoretical foundation for understanding the impact of institutional diversity on international business focusing on country-level institutions (Fainshmidt et al., 2016), particularly in emerging markets (van Hoorn & Maseland, 2016).

Based on an extensive literature review, we identify six institutional dimensions used to conceptualize country-level factors that are associated with entry mode choice in emerging markets: (1) FDI openness (F), (2) Innovation system (I), (3) Political stability (P), (4) Financial support (Fi), (5) Business environment (B), and (6) Labor market (L) – see table 1.

Table 1B Existing literature on the relationship between six institutional dimensions and entry mode choice

Study	Country-level factor*	Sample
<i>Acquisitions</i>		
Alvarez & Marin (2010)	F, I	Developed and developing economies from 1998 to 2004
Buckley, Forsans, & Munjal (2012)	I	Acquisitions undertaken abroad by Indian firm from 2000 to 2007
De Beule & Duanmu (2012)	F, I, P	15,574 Chinese and Indian foreign acquisitions from 2000 to 2008
Meyer et al. (2014)	I, P	Chinese MNEs listed in the Shanghai and Shenzhen Stock Exchanges in 2009
Neto et al. (2010)	Fi	Firms in 53 countries from 1996 to 2006
Slangen (2013)	B	172 foreign entries by Dutch MNEs in developed and developing markets
Wes, Lankes, & Jarolim (2001)	L	4,049 foreign subsidiaries in the Czech Republic between 1994 and 1998
<i>Greenfield</i>		
Alvarez & Marin (2010)	F, L	Developed and developing economies from 1998 to 2004
Estrin et al. (2009)	GI	876 foreign investment in six emerging economies, originating from 55 countries of origin
Neto et al. (2010)	Fi	Firms in 53 countries from 1996 to 2006
Slangen (2013)	P	172 foreign entries by Dutch MNEs in developed and developing markets
Wes, Lankes, & Jarolim (2001)	L	4,049 foreign subsidiaries in the Czech Republic between 1994 and 1998
<i>Indifferent</i>		
Alvarez & Marin (2010)	L	Developed and developing economies from 1998 to 2004
Hur, Parinduri, & Riyanto (2011)	P, F	165 countries from 1997 to 2006
Neto et al. (201)	F	Firms in 53 countries from 1996 to 2006

*Notes: F: FDI openness, I: Innovation systems, P: Political stability, Fi: Financial support, B: Business environment, L: Labor market

Several studies that focused on developed markets point out that countries with significant levels of FDI openness (F) may attract more foreign investors and support MNEs exports and imports (Buckley, Forsans, & Munjal, 2012; De Beule & Duanmu, 2012). Similarly, emerging market

MNEs —e.g., those from China and India— also seek large and open markets not only when acquiring new subsidiaries (Buckley, Forsans, & Munjal, 2012; De Beule & Duanmu, 2012) but also when making greenfield investments (Álvarez & Marín, 2010). However, there are also studies that do not find support for the effect of liberalization policies to FDI inflow (Hur, Parinduri, & Riyanto, 2011; Neto, Brandão, & Cerqueira, 2010).

With regard to innovation systems (I), research found evidence on the association between the quality of host country systems of innovation and acquisition as entry mode in emerging markets (Álvarez & Marín, 2010). It seems that firms tend to acquire companies in technology-rich countries in order to better internalize technological resources (Meyer, Ding, Li, & Zhang, 2014). For example, Chinese MNEs prefer entering the market through acquisitions in high-tech manufacturing sectors (De Beule & Duanmu, 2012). In contrast, Indian MNEs prefer to acquire competitors in a less technological host country (De Beule & Duanmu, 2012).

Political risk (P) in the host country is also argued to have a relationship with acquisitions (Meyer et al., 2014). For instance, Indian MNEs acquire subsidiaries in similar politically unstable markets to enhance their existing firm-specific advantages (Buckley et al., 2012). But if the deal is large and the profitability of the target is high, the acquisition will take place in political stable countries. Conversely, greenfield investment is also likely to occur in markets with unstable policies (Slangen, 2013). Construction time of greenfield investments potentially becomes an advantage, since MNEs can leave target counties at lower costs. Yet, there is also evidence showing that political stability has no significant relationship with entry mode choice (e.g., Hur et al. 2011).

Concerning host country financial support (Fi), there is empirical evidence suggesting its positive relationship with the likelihood of acquisitions (Álvarez & Marín, 2010; De Beule & Duanmu, 2012; Neto et al., 2010) and greenfield investments (Neto et al. 2010). In the same way, a developed business environment (B) attracts MNEs to acquire subsidiaries, especially when they expect either very low or very high industry demand growth (Slangen, 2013).

Lastly, research has shown that decreasing labor costs (L) draws interest for acquisitions and greenfield investments (Wes, Lankes, & Jarolim, 2001). However, there is also evidence showing that labor costs and the level of human capital in host countries located in emerging economies do not seem to play a significant role in international acquisitions (Álvarez & Marín, 2010).

Because of these contradictory effects to establishment mode choice of different institutional dimensions used in comparing different countries —i.e., country competitiveness and institutional distance, we build a multidimensional framework by aggregating those country-level institutions to provide a more holistic understanding of the effects to establishment mode choice of country-level factors (e.g., Fainshmidt et al., 2016).

Industry-level factors affecting establishment mode choice

Technological intensity

The technological intensity of an industrial sector can also be considered as a barrier to new entrants. Although acquisitions provide access to complementary knowledge and reduce resource transfer costs such as the cost of expatriation and training (Barkema & Vermeulen, 1998; Brouthers & Brouthers, 2000), greenfield investments are argued to compensate greater control needs of businesses with higher technological complexity (Anderson and Gagneton, 1987; Zhao et al., 2004). Thus, greenfield investment seems to be the preferred establishment mode choice for firms operating in high technological environments.

Firm-level factors affecting establishment mode choice

Institutional theory recognizes how national institutions often shape the bundles of resources and capabilities that firms possess (Berger & Dore, 1996; Soskice, 1999; Carney, Gedajlovic, & Yang, 2009). There are several firm-level factors that could impact various aspects of institutional distances when entering foreign markets (Dow & Larimo, 2011; Estrin, Baghdasaryan, & Meyer, 2009).

Different types of firm-specific advantages may emerge as distinct responses to the learning gained when operating in different institutional environments (Soskice & Hall, 2001). For example, the firm can develop capabilities to manage a foreign subsidiary and to moderate the levels of internal and external uncertainty (Erramilli, 1991; Larimo, 2003).

One way to reduce vulnerability related to environmental uncertainties is through acquisitions of local firms, since MNEs would be "buying" tacit knowledge needed to operate in the host country. However, firms that already have experience in the host country could also opt for greenfield investment because they have probably developed a greater understanding of the local business

environment. By choosing greenfield investment, firms could avoid risks related to information asymmetry and the post-integration process (Agarwal & Ramaswani, 1992).

International experience

When a firm decides to internationalize, it faces an institutional environment that is different from its country of origin or the countries in which it already has operations. This lack of experience potentially becomes a barrier to foreign expansion (Johanson & Wiedersheim-Paul, 1975; Johanson & Valhne, 1977). Those firms lacking well-established managerial routines and practices arising from less international experience typically would prefer to enter foreign markets via acquisitions (Cho & Padmanabhan, 1995). However, it is also possible that MNEs with greater international experience would be more reluctant to make acquisitions because they are less in need of local partner helping them navigate the host economy (Meyer et al. 2014).

In emerging markets, Indian MNEs have acquired subsidiaries more frequently than their Chinese counterparts (De Beule & Duanmu, 2012). They have more international experience and they also carry out larger deals. Interestingly, both Indian and Chinese MNEs not only focus on the richest markets but they also target other lower income economies. This is primarily due to their specific experience and expertise in dealing with lower income clients and customers from their home markets. But in political unstable countries, some MNEs prefer greenfield investments (Slangen, 2013) because they already have incurred high sunk costs in establishing other host country subsidiaries, making them especially fearful of high exit costs (Hill et al., 1990).

Regional knowledge

Regional knowledge can also complement international experience when influencing entry mode choice. Scholars argue that prior experience within the region of the prospective host country can help MNEs recognize and capture opportunities, thereby, helping to reduce the value of local assets (Chen, Cui, Li, & Rolfe, 2016). Entry to the country or region is facilitated by capabilities such as knowledge of the institutional framework and contacts with local partners and government authorities (Meyer, 2001). Therefore, regional experience enhances the firms' capabilities to manage internalized businesses (Gomes-Casseres, 1989; Hennart, 1991).

Geographic diversification

Geographic diversification enables emerging market MNEs to avoid uncertainty arising from focusing merely on a single host country (Rugman, 1979). It allows MNEs to access resources overseas (Nachum, 2004) not only to develop new capabilities to overcome liabilities of foreignness, but also to adapt existing capabilities when competing in a new market (Delios & Beamish, 2001). There is empirical evidence suggesting that large and experienced firms can share their resources to implement economies of scale and scope across operations, minimizing the marginal costs of an additional entry (Meyer, 2001). Moreover, empirical studies reveal an association between the extent of the geographic scope and performance of MNEs (Delios & Beamish, 1999; Geringer, Beamish, & da Costa, 1989; Tallman & Li, 1996). More importantly, research has evidence showing that geographic diversification has a significant positive effect on the rate of foreign acquisitions (Nadolska & Barkema, 2007).

Publicly-traded firms

Research on entry mode contends that large firms would have a predilection to enter foreign markets through acquisitions (Andersson & Svensson, 1994, Cho & Padmanabhan, 1995, Barkema & Vermeulen, 1998; Larimo, 2003) because larger firms have more resources and capital when compared to smaller firms, and because there would be a limit rate for a firm to recruit and train managers (Penrose, 1959). Firms typically become larger when they start to get listed in the stock exchange because they are able to increase capital inflow. Moreover, there is evidence showing a further increase of capital arising from rising stock pricing of MNEs is associated to an increase also of foreign acquisitions (Buckley et al. 2012). This tendency suggests that companies with more resources are more capable to finance their foreign expansions (Meyer et al. 2014).

Data and methodology

Analytical approach

We use a set-theoretic approach through qualitative comparative analysis (QCA) to identify the bundles of factors affecting establishment mode choice by Brazilian multinationals in the Latin America and Caribbean countries. QCA is a research technique that relies on set-theoretic relations, rather than correlations, to analyze complex relationships (Fiss, 2011). It uses Boolean

algebra to identify whether different combinations of conditions are consistently producing a specific outcome (Ragin, 2008). QCA is the current prevailing tool used to analyze the three characteristics of set-theoretic relations: conjunctural causation, equifinality, and causal asymmetry (Misangyi et al. 2017).

Conjunctural causation refers to the combination of different attributes that jointly lead to an outcome (Schneider & Wagemann, 2012). In the current study, we test our conceptual framework by analyzing how different conditions bundle together to explain the establishment mode choices of Brazilian multinationals in the Latin American and Caribbean countries. QCA allows us to analyze configurations arising from the combinations of the presence or absence of several conditions that yield either greenfield investment or acquisition.

Equifinality refers to the possibility that different bundles of conditions yield the same outcome (Katz & Kahn, 1978). Unlike regressions that suggest linear relationships between different variables, QCA explores alternative paths when analyzing relationships among a group of variables. Since our literature review on the determinants of entry mode reflects contradictory results, we believe that it is likely to have different combinations of conditions result in the same establishment mode.

As QCA builds on conjunctural causation and equifinality, it also analyzes the possibility of causal asymmetry, which means that the reverse of the combinations of presence and absence of conditions resulting in the outcome may be related to the reverse of the outcome (Berg-Schlosser et al. 2009). Our study here attests if the reverse of the conditions leading to greenfield investment results in acquisition as the establishment mode choice.

Sample and data collection

Methodological procedures were based on the collection of multiple secondary data. Initially, we gathered firm-level data from Brazilian foreign subsidiaries operating in Latin America and the Caribbean countries. We considered the 39 countries in South America, Central America, and the Caribbean region, in which we excluded those countries referred as offshore financial centers (UNCTAD, 2015).

The list of foreign subsidiaries by country was obtained from the Brazilian Multinationals Observatory (BMO) —one of the few databases available for the Brazilian overseas investments

abroad. Firm-level data correspond to (i) company name; (ii) industrial sector; (iii) target country; (iv) year of entry; and (v) establishment mode (acquisition or greenfield investment). We restricted our sample to firms operating in Latin America from 2000 to 2015, due to lack of availability of host country information prior to this period of time. This is because of the methodological challenges concerning data collection in the context of Latin America where secondary data is scarce and company collaboration is a problem by itself (Fastoso and Whitelock, 2011).

For the purpose of this study, we only accounted for multinational firms that have made investments abroad in physical assets such as business offices, distribution centers, manufacturing plants, and research and development centers. In this study, ownership is considered when the Brazilian multinational firm is the main shareholder in the foreign venture. For the institutional-level factors, we collected secondary data from UNCTAD (2015).

The final sample consists of 316 Brazilian subsidiaries in 16 Latin American countries between 2000 to 2015. The firms belong to the manufacturing sector (70.9%), services sector (22.8%), and primary sector (6.3%). Brazilian MNEs operating in Latin America on average possess 8 years of international experience in the region. Startups with less than 10 years of international experience account for 78.8% of the cases. Greenfield investments amounted to 51.6% of the cases, whereas acquisitions accounted for 48.4% of the cases. Brazilian manufacturing subsidiaries in Latin America operate in low-technology industries (25%), medium-high-technology industries (24.4%), medium-low-technology industries (21.1%), and high-technology industries (7%). When analyzing the ownership type, we noted that 47.5% of the MNEs are publicly traded, whereas 52.5% are not.

Calibration of conditions

One of the crucial steps in performing QCA is calibrating variables into either crisp or fuzzy sets. We summarize the calibration of the conditions in Table 1, and we describe how we operationalized the variables of interest.

Table 2B Calibration of outcome and conditions

Variable		Type	Calibration		
			Membership degree	Criteria	Threshold/ Code
Outcome	Establishment mode	Binary	Greenfield Acquisition	Established Purchased	1 0
Conditions					
Country	Country competitiveness	Fuzzy	Fully in	Category 4	1
			More in	Category 3	0.67
			More out	Category 2	0.33
			Fully out	Category 1	0
	Institutional distance	Fuzzy	Fully in	+1 SD of mean	2.13
			Crossover	Mean	1.24
			Fully Out	-1 SD of mean	0.35
Industry	Technological intensity	Fuzzy	Fully in	High	1
			More in	Medium-high	0.67
			More out	Low-Medium	0.67
			More out	Low	0.33
			Fully out	Services	0
Firm level	International experience	Binary	Fully in	≥10 years	1
			Fully out	<10 years	0
	Publicly traded	Binary	Fully in	Yes	1
			Fully out	No	0
	Regional experience	Binary	Fully in	≥10 years	1
			Fully out	<10 years	0
	Country diversity	Fuzzy	Fully in	≥ 5 countries	1
			More in	3-4 countries	0.67
			More out	2-3 countries	0.33
			Fully out	0-1 countries	0

Establishment mode choice

The establishment mode choice was measured through a categorical variable created and codified in the following way: 0 for acquisition —the purchase of an operation abroad; and 1 for greenfield investment —the implementation of an operation abroad from the scratch (Barkema & Vermeulen, 1998; Harzing, 2002; Hennart & Park, 1993; Tan, 2009).

Country competitiveness

We use the Executive Opinion Survey of the World Economic Forum to produce a composite index of the six dimensions of institutional quality of Latin American countries. We then use the

factorial scores to carry out a cluster analysis, seeking to identify similarity and dissimilarities between Latin American and Caribbean countries in terms of country competitiveness. Thus, we identify four similarity groups of countries in the region.

Those countries that belong to cluster 4 are highly competitive markets that are coded as 1, while those that belong to cluster 1 are less competitive markets that are coded as 0. Countries belonging to cluster 3 are more likely to be competitive that are then coded as 0.67, whereas those that belong to the cluster 2 are less likely to be competitive that are coded as 0.33.

Institutional distance

Following Kogut and Singh's (1988) formula for cultural distance, this study uses a similar formula in calculating institutional distance by incorporating the variation in the sample along different dimensions. This approach becomes a more realistic incorporation of distance rather than merely calculating the differences in country scores. After calculating the distance concerning the six dimensions identified in this study, we create an aggregate index used to create the institutional distance condition. The institutional distance in our study is calculated as follows:

$$ID_j = \sum_{i=1}^6 [(I_{ij} - I_{in})^2 / V_i] / 6$$

Where ID_j is the institutional distance between country j and Brazil, I_{ij} is country j 's score on the i^{th} institutional dimension, I_{in} is the score of Brazil's on this dimension, and V_i is the variance of the score of the dimension. It is important to mention that this paper uses institutional distance values in the year of investment or the nearest available year, rather than using single values for the FDI strategy analysis during a time period of 15 years (2000–2015).

The condition is a continuous variable that is converted to fuzzy set using the direct calibration technique facilitated by the fsQCA software. The crossover point is pegged at the mean, in which we argue that those cases with values above the average are considered to have far institutional distance with Brazil and those cases with values below the average are considered to have close institutional distance with Brazil. Fully in threshold is one standard deviation above the mean, while fully out threshold is one standard below the mean.

Technological intensity

Following several IB studies (Hennart & Park, 1993; Brouthers & Brouthers, 2000; Larimo, 2003), we used the International Standard Industrial Classification by the Organization for Economic Cooperation and Development to classify manufacturing firms into four different level of technological intensity. Services firms were not classified through this taxonomy. The conversion to fuzzy set is follows: Brazilian multinationals that operate in high technological industries are coded as 1, those that operate in medium-high industries are coded as 0.67, those that operate in low-medium and low industries are coded as 0.33, and those that are operating in service industries are coded as 0.

International experience

International experience was calculated using the difference between the year of the subsidiaries' founding and the year of 2015 (Harzing, 2002). The information on the founding year was taken from the BMO. International experience is a continuous variable that is converted into a binary condition. Those subsidiaries that have been operating for at least ten years are coded as 1, while those that have not been coded as 0. Prior research argues that MNEs become more experience to international operations if it has operated already for at least ten years (Narula, 2012).

Publicly-traded firms

The condition is a binary variable. Those firms that were publicly traded at the period of interest are coded as 1, while those that were not are coded as 0.

Regional knowledge

We measured MNE's prior internationalization experience within Latin America and the Caribbean by using the number of years from the first entry to the region (Chang & Rosenzweig, 2001; Li, Eden, Hitt, & Ireland, 2008; Smarzynska Javorcik, 2004). The condition for regional knowledge is a continuous variable that is also converted to binary. Those companies that entered the region for more than ten years are coded as 1, while those that entered within ten years are coded as 0.

Geographic diversification

The country diversity condition is converted to fuzzy set. Those Brazilian multinationals that entered in at least five countries are fully diverse, which is coded as 1. Whereas, those that entered only in one country is not diverse, which is coded as 0. Entry to three to four countries are more in, which is coded as 0.67. Meanwhile, entry to two to three countries are more out, which is coded as 0.33.

Fuzzy set analysis

We use the fsQCA software to proceed with the research analysis. Before proceeding with QCA, we performed an analysis of the necessity and sufficiency of individual conditions. A condition is considered necessary if the condition is required in any configuration to produce an outcome, while a condition is considered sufficient if the condition produces the outcome solely by itself (Ragin, 2008). Necessary conditions should meet a consistency score of at least 0.90, while sufficient conditions should meet a consistency score of at least 0.80 (Ragin, 2006).

We then performed a fuzzy set QCA, given that some of our conditions were converted to fuzzy sets. The resulting configurations were then evaluated using their consistency and frequency scores. On the one hand, consistency is the measure of fit among different conditions forming the configurations (Ragin, 2006). We use two thresholds for consistency: raw consistency of at least 0.80 and PRI consistency of at least 0.75 (Fiss, 2011; Ragin 2006). On the other hand, the frequency is the number of cases needed to be observed in order to consider the configuration. With our large sample size, we set our frequency threshold at three cases to cover 87 percent of the cases in the analysis (e.g., Fiss, 2011; Misangyi & Acharya, 2014), which meets the recommended 80 percent threshold (Ragin, 2008; Rihoux & Ragin, 2009).

Only those configurations that meet our thresholds are presented with their coverage scores in a configuration table. Coverage displays how different cases are distributed to show the empirical relevance of the configurations (Ragin, 2006). In presenting the results, we follow the format suggested by Fiss (2011): “●” for the presence of the condition; “⊗” for the absence of the condition; and a blank space for “don’t care” conditions that may be either present or absent in configurations.

Although intermediate solutions are recommended when presenting the results of QCA, we only consider the complex solutions presented in Table 3B. Our decision to take complex solutions is because of our relatively large sample size, in which those solutions that do not meet our frequency threshold means that they are rare or occurring by chance (e.g., Garcia-Castro & Aguilera, 2014; Garcia-Castro et al. 2013).

Analysis and results

Out of the 128 (2^7) rows of possible theoretical combinations that yield either greenfield investments or acquisitions, only 44 combinations meet our frequency threshold of rows having at least three observations. The number of combinations corresponds to 87% of cases in the sample, which amply exceeds the 80% minimum coverage of cases when logically reducing the solutions (Ragin, 2008). Table 2 presents the configurations that emerged from the analysis. Final results reveal four solutions, with an overall consistency of 0.86 and overall coverage of 0.14, for greenfield investment as the establishment mode choice. Alternatively, there are three solutions, with an overall consistency of 0.87 and overall coverage of 0.09, for acquisition as the establishment mode choice.

Configurations resulting in greenfield investment

Greenfield in institutionally distant countries

Solutions 1G and 2G are configurations showing greenfield investment in countries that are institutionally distant from Brazil. Solution 1G (consistency = 0.850; unique coverage = 0.05) corresponds to manufacturing MNEs that operate in industries with lower level of technological intensity. They have high international experience and high regional knowledge. Moreover, these MNEs have invested in institutionally distant countries (e.g., Argentina and Uruguay). Uruguay is more open to FDIs than Brazil, and it has lower index for financial support and labor market. Therefore, this configuration is in line with prior research suggesting that greenfield investments are likely to be the entry mode choice in emerging markets with greater FDI openness and lower labor costs (e.g., Álvarez & Marín, 2010). Although the host country is institutionally distant from Brazil, these MNEs already have the experience and regional knowledge that can help them handle external uncertainty.

Table 3B Configurations of the determinants of establishment mode choice of Brazilian multinationals in Latin America and the Caribbean

Configurations	Solutions						
	Greenfield investment				Acquisition		
	1G	2G	3G	4G	5A	6A	7A
<i>Country level</i>							
(1) Country competitiveness		●	⊗	●	●	⊗	●
(2) Institutional distance	●	●	⊗	⊗	●	⊗	⊗
<i>Industry level</i>							
(3) Technological intensity	⊗	⊗	⊗	●	⊗	⊗	●
<i>Firm level</i>							
(4) International experience	●	●	●	●	⊗	⊗	⊗
(5) Regional knowledge	●	●	●	●	●	⊗	●
(6) Geographic diversification	⊗		●	●	⊗	⊗	⊗
(7) Publicly traded	⊗	⊗	⊗	⊗	●	●	●
Consistency	0.85	0.87	0.84	0.82	0.85	0.84	0.93
Raw coverage	0.05	0.04	0.08	0.04	0.04	0.02	0.03
Unique coverage	0.01	0.02	0.04	0.01	0.03	0.02	0.03
Solution consistency	0.86				0.87		
Solution coverage	0.14				0.09		
Sample cases	Metalcorte	Stefanini	Camargo	Artecola	Marfrig	Minerva	Tupy Fundições

Meanwhile, Solution 2G (consistency = 0.870; unique coverage = 0.04) corresponds to service sector MNEs that have high international experience and high regional knowledge. These MNEs have invested in institutionally distant and highly competitive countries (e.g., Chile and Costa Rica). They are information technology (IT) firms that enter countries, whose labor markets are more cost-effective than Brazil or whose industries are fully developed. For instance, Chile is a highly competitive market, in terms of its labor market and FDI openness, making it attractive to Brazilian MNEs despite of its far institutional distance. Moreover, Brazilian IT MNEs tend to follow international investment of their clients. For example, Stefanini, a Brazilian IT firm with this configuration, also entered Chile through greenfield investment when its client (Itaú) has established its new subsidiary to operate in the country.

Greenfield in institutionally similar countries

Solutions 3G and 4G are configurations showing greenfield investment in countries that are institutionally similar to Brazil. Configuration 3G (consistency = 0.840; unique coverage = 0.08) corresponds to service sector MNEs that are geographically diverse, have high international experience, and high regional knowledge. These MNEs have invested in less competitive countries that are institutionally similar to Brazil (e.g., Colombia, Paraguay, and Peru). They are also IT firms with an average of 14 foreign subsidiaries around the region. Such geographic diversification enables them to reduce uncertainty (Rugman, 1979), overcome the liability of foreignness (Delios & Beamish, 2001), and take advantage of economies of scale and scope minimizing the marginal costs of an additional entry (Meyer, 2001). Although the target countries are less competitive, perhaps its close institutional similarity with Brazil complements its geographic diversity to build firm-specific knowledge that is necessary to reduce uncertainty when operating in those markets.

Configuration 4G (consistency = 0.820; unique coverage = 0.04) corresponds to manufacturing MNEs that are operating in higher technological industries, have international experience, have high regional knowledge, and are geographically diverse. These firms invested in a highly competitive country that is institutionally similar to Brazil (e.g., Mexico). Brazil and Mexico are institutionally similar because they are among the top host economies that exhibit high levels of institutional quality within Latin America and the Caribbean region. They particularly scored high on innovation system, business environment, and financial support. Because of the high technological intensity of these MNEs, it seems that they chose to invest in a highly competitive market to reduce uncertainty. For example, Arteccla, a chemical Brazilian MNE

with ten subsidiaries spread throughout five countries, chose to establish a greenfield in Mexico to spearhead a dedicated manufacturing plant for automobile coating panels and adhesives within the region. Since the business unit entails significant capital outlay, Arteccla's approach at that time to mitigate risks of early exit was investing in a reliable and developed market.

Configurations resulting in acquisitions

Acquisitions in institutionally distant countries

Solution 5A (consistency = 0.850; unique coverage = 0.04) corresponds to a publicly traded manufacturing MNE that operates in a low technology industry. It is less diverse geographically and has less international experience, but it has a high level of regional knowledge. Mafrig is a Brazilian food processing company that exhibits this configuration. It developed its regional knowledge through previous exports across Latin America. One of Mafrig strategic goals in 2006 is to become the leader in exporting meat not only to the region but also to the global market. Because of its regional knowledge, it was able to find some of the largest and well-known brands for processing meat in Chile and Uruguay (e.g., Figorifico Tacuarembó S.A. and Inaler S.A. in Uruguay and Quinto Cuarto S.A. in Chile) that have significantly lower production costs than other markets such as the United States and Australia. Thus, it acquired several companies in those two countries to cement its place in the industry.

Solution 6A (consistency = 0.840; unique coverage = 0.02) corresponds to manufacturing MNEs that operate in lower level of technological intensity industries, have low international experience, have low regional knowledge, and are less geographically diverse. These firms invested in less competitive and institutionally distant countries (e.g., Colombia and Paraguay). The MNEs sporting this configuration are in the mining and food production industries. They typically have a large single plant in a given country. For example, Minerva, a Brazilian manufacturer of beef and cattle products, purchased in 2015 the Colombian meatpacking company Figorifico Red Carnica (FRC). Despite of Minerva's lack of experience and knowledge in a less competitive and institutionally distant country (i.e., Colombia), it acquired FRC because FRC is located at the largest beef producing region of the country. And at that time, Colombia already has existing export permits to various markets worldwide. This strategy opened new markets for Minerva because the target company is already an established player.

An interesting commonality between Solutions 5A and 6A is that the MNEs operate in primary/extractive and food and beverage industries. Acquisition is perhaps a better alternative for these types of businesses because they entail exploitation of natural resources, which might

be strongly influenced by government regulations or owned by local companies (Chueke & Borini, 2014). Thus, target companies are more likely to have more local knowledge and experience to navigate political risks and regulatory barriers that potentially impact local operations.

Acquisitions in institutionally similar countries

Solution 7A (consistency = 0.930; unique coverage = 0.03) corresponds to a medium-high technological manufacturing MNE: Tupy Fundições, a Brazilian metal casting manufacturing company. Tupy is less diverse geographically and has less international experience. However, it has high regional knowledge. It has invested in a highly competitive and institutionally similar country (e.g., Mexico). In 2011, Tupy acquired two Mexican companies (Cifunsa Diesel and Tecnocast) that produce spare parts used in its production line in order to diversify its business and to strengthen its global presence. Since the two target companies already have their market share in the NAFTA region, Tupy was convinced that entering the region is better made by acquiring those that have already the experience and contracts with American companies (e.g., Caterpillar).

Discussion and conclusion

This research attempts to identify what are the mechanisms at play when emerging market MNEs establish foreign investments. With the extant literature producing inconclusive evidence on the effects of different country, industry, and firm level factors on establishment mode choice, our findings present some resolutions to the current debates on the topic.

This paper also offers several contributions. First, it presents a multidimensional framework of country-level institutional factors. Previous studies have conceptualized and operationalized different country-level factors affecting establishment mode choice. For example, current research uses distance based on cultural grounds (e.g., Barkema & Vermeulen, 1998; Drogendijk & Slangen, 2006; Harzing, 2002). Similarly, IB literature accounts country competitiveness using single constructs such as market size, barriers, and growth rate (e.g., Andersson & Svensson, 1994; Cho & Padmanabhan, 1995; Zejan, 1990). However, we suggest in considering multiple characteristics to assess the institutional profile of the host country. Thus, we offer an alternative inquiry of viewing institutional profiles as a combination of several factors that can be addressed in future research.

Second, we believe that our set-theoretic approach to understand the effect of institutions to establishment mode choice creates an interesting path for IB research. Our conceptual framework combines three levels of factors relating to the country, industry, and firm to understanding establishment mode choice. Previous studies primarily look at the individual dual effects of different factors to establishment mode choices. And current regression-made models build on a single-path for the outcome of interest. Thereby, an increasing inconclusive evidence on the relationships studies persist (Slangen & Hennart, 2008). However, our set-theoretic approach untangles the theoretical and empirical debates in the literature by presenting multiple ways to explain why MNEs choose to make greenfield investments or acquisitions. For example, our results show that MNEs establish foreign investments by taking into account the interplay between the competitiveness and institutional distance of the target country. And the technological intensity of the industry also drives the establishment mode choice. Moreover, these forces would also depend on the internal capabilities of the MNE to respond to those institutional forces. Therefore, this study follows the direction towards a configurational approach in management research (e.g., Fiss, 2007, 2011; Misangyi et al. 2017) that could be quite promising in extending theories in international business and management studies.

Third, as our approach uses configurational logic, this study also provides managers some strategic elements that could affect FDI decisions. A key strategic move is establishing the fit between institutional forces and internal capabilities of the firm. Therefore, our framework proposes various means on how managers can ensure that they address critical issue areas by identifying the complementarities between the three-leveled factors for their establishment choices. For example, our findings reveal that making greenfield investments would require firms to have higher international experience and regional knowledge, whereas firms may not have them when acquiring existing companies. Further, MNEs could benefit with our framework by building firm-specific advantages that can help them respond to institutional pressures by host countries. For instance, firms need to expand its geographical diversity before making a greenfield investment or they need to enhance their regional knowledge before acquiring new potential subsidiaries in highly competitive markets.

Fourth, this paper also has implications for policy makers. Because firms tends to be attracted primarily to highly competitive markets when making foreign investments, our multidimensional framework of country profile also suggests ways how to improve the competitiveness and attractiveness of emerging markets. Our results show that greenfield

investments and acquisitions are likely to happen only to those less competitive countries that are in the extractive and primary industries. Perhaps an interesting question to be raised here is whether the presence or the amount of natural resources could be the driving force for the investment, despite that those countries are less appealing to foreign investors. Policy makers of those countries could increase their attractiveness by focusing on other elements such as increasing FDI openness, improving the business environment, and promoting innovation.

Nevertheless, our study has some limitations as well. For instance, our focus is on establishment mode choice through greenfield investments and acquisitions. However, there are other means of entering markets. Future research can explore how our framework applies to other entry mode choices not tackled here, such as joint ventures. Moreover, our country-level factors may also vary not only through the dimensions of our framework. Country competitiveness and institutional distance can be affected by perceptions of MNE stakeholders. It would be interesting how those perceptions may affect the relationships that we studied here.

With regard to the methods, our analysis has not accounted for the temporal aspect. Each case is taken individually by matching the time of establishment mode choice with the factors during the same period. A prospective path is to explore whether MNEs would change their establishment choices over time. Finally, our study has concentrated on Brazilian MNEs that invested within a specific region: Latin America and the Caribbean. This sampling may hamper the generalizability of our findings. However, our theoretical sampling enhances the internal validity of our findings, particularly to Brazilian multinationals. Nonetheless, we urge for future research to explore how our framework and results might apply to other multinationals in different contexts such as those with other emerging countries or developed countries.

In conclusion, our study has attempted to identify the role of institutions on establishment mode choices by emerging market multinationals. With the extant theoretical and empirical debates in the literature, our configurational approach sheds light to this research issue by proposing to understand the relationship through the combination of different country, industry, and firm level factors. Ultimately, we find that institutions indeed matter for multinationals when expanding their operations abroad, and certain firm-specific advantages could contribute in explaining the entry mode choice. Needless to say, we do not claim that the chosen entry mode would result in successful operations in the market.

**The role of experience(s) and host country institutions on the internationalization
behavior of EMNEs entering in developed and developing countries**

Abstract

One of the greatest gaps in entry mode literature is the absence of studies that focus on how MNEs previous experience influence subsequent foreign entry decisions and how host country institutions moderate this process. In this paper, we seek to contribute to entry mode literature shedding light on the strategic behavior of Emerging Market Multinational Enterprises (EMNEs) entering in developed and developing countries by analyzing the dynamics of institutional constraints and different types of firm internationalization experience(s) in MNEs international trajectory. Our sample consists of 429 Brazilian foreign subsidiaries operating in 55 countries over 1969 to 2017. We proposed an analytical framework that incorporates firm- and country- level variables. We then decompose international experience into three types: (i) general international experience; (ii) first mode experience, and (iii) acquisitions experience. Our results show that experience in performing acquisitions minimizes the effect of host country institutions on establishment mode choice. Moreover, our findings indicate a strong relationship between host country innovation system and the entry by acquisitions in both developed and developing countries.

Keywords: acquisition; greenfield investment; emerging markets; Latin America; entry mode; institutions

Introduction

The behavioral approach in international business studies assumes that knowledge has a great impact on firms' internationalization process (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009; Johanson & Wiedersheim-Paul, 1975). The more the firm knows about a given country, the lower the perceived external uncertainty will be, and the higher the level of international market commitment (Forsgren, 2002). Moreover, the academic literature shows that firms tend to repeat strategic patterns over time (path-dependent behavior) to reduce risk and increase operational effectiveness (Agarwal & Ramaswami, 1992; Cyert & March, 1963; Gomes-Casseres, 1989; Jan Johanson and Jan-Erik Vahlne, 1977; Miller & Friesen, 1980). Based on this assumption, we understand that entry mode choice suffer from a learning effect (Gao & Pan, 2010).

Despite that, the Uppsala framework and other approaches in the field not completely described the different types of learning and their connection with early internationalization experience (Chang & Rosenzweig, 2001). On the one hand, the extant literature shows that firms can learn through different types of experiences: learn from their own experience, learn through mimetic behavior or obtain this knowledge via foreign acquisitions (Barkema & Vermeulen, 1998; Forsgren, 2002). On the other hand, little is known about how different learning processes get used together in a sequence to support future choices (Bingham & Davis, 2012).

Zhang, Zhang, & Liu (2007), argued that scholars focus on a partial behavior disregarding interactions between different factors and trade-offs. In this way, most of those studies neglect the role of time assuming that entry mode choice is independent of previous experience (Chang & Rosenzweig, 2001). Forsgren (2000) and others, see entry mode choice as an incremental decision-making process, where information acquired through foreign investment in one phase is used in the next phase adding to the academic debate a dynamic perspective.

This research intends to fill a gap expanding the entry mode literature by analyzing how prior experience(s) in international markets affect subsequent internationalization behavior of EMNEs (Hennart & Slangen, 2014). We believe that more experience firms perceive uncertainty differently, become more confident and developing capabilities to better deal with the risks related to operations abroad (Johanson & Vahlne, 1977; Gomes-Casseres, 1989; Agarwal & Ramaswami, 1992). This study also explores a variety of host countries institutions on international business activities of a single home multinational investing over developed and developing countries. This fact leads us to a better understanding of the weight of cross-

national institutions in the establishment mode choice (van Hoorn & Maseland, 2016; Slangen & Hennart, 2007).

We contribute to the academic literature in three ways. First, identifying the internationalization patterns of EMNCs investing across the globe. Second, we expand the behavioral approach decomposing the international experience dimension in three types seeking to measure their effect on establishment mode choice. Third, showing how cross-national institutions influence entry mode strategy in both developing and developed countries. We believe empirical research on emerging markets context is necessary to improve the knowledge and theories about MNEs (Hennart & Slangen, 2014; Cuervo-Cazurra, 2012; Martinez & Kalliny, 2012). Furthermore, we expand the empirical samples in this academic field since just a few studies about establishment mode choice focus on EMNCs (van Hoorn & Maseland, 2016; Dikova & Brouthers, 2015; Hennart & Slangen, 2014; Zhao, Luo, & Suh, 2004).

Our preliminary analysis provides interesting findings. Firstly, we found that the ownership structure and firm technological intensity has a strong relationship with entry by acquisitions. Moreover, empirical findings show that there are a few differences between the role of experience(s) and the internationalization behavior of EMNCs. On the one hand, greater international experience is related to greenfield investments. On the other hand, if a firm has strong previous experience in foreign acquisitions, the subsequent entries tend to be by acquisitions as well. It seems that using foreign acquisitions EMNEs are less affected by institutional dimensions. Finally, we noted that institutional aspects as cultural distance and political instability are associated with greenfield investments. And, greater host country development regarding innovation system is associated with entries by foreign acquisitions.

This paper is organized as follows. In section 2, we formulate the hypotheses related to internationalization experience and institutional dimensions. In section 3, we present the empirical strategy and describe the methodology used to test these hypotheses. In section 4, we show our empirical results and discusses. Finally, we argue our conclusions, contributions limitations and suggestions for future studies.

Theoretical development and hypotheses

The role of experience(s) on establishment mode choice

Gao & Pan (2010), argued that variables that explain the initial entry mode choice do not necessarily explain subsequent entries. This fact points to the importance of experiential learning in foreign investment decision (Chang & Rosenzweig, 2001) since initial entry may be viewed as a platform for future expansion to other locations (Zhang et al., 2007). Therefore, the Behavioral approach in IB points out that firms internationalize gradually building repositories of knowledge over time (Barkema & Vermeulen, 1998; Foss & Pedersen, 2002; Shaver, Mitchell, & Yeung, 1997). This knowledge resulting from previous entry allow companies to reduce its liability of foreignness (Chang, 1995) increasing their experience in managing business abroad, learning about local practices, recruiting local labor, and building relationships with local partners, for example (Chang & Rosenzweig, 2001).

Thus, firm's own experience may be considered as a source of cumulative knowledge about foreign markets (Gao & Pan, 2010; Chang, 1995). Thus, the sequential entry mode might be understood as a dynamic process of exploitation and exploration of knowledge, motivating firms to engage more with the internationalization process (Gao & Pan, 2010). However, despite the long research tradition about the role of international experience in establishment mode choice, studies in the field produced ambiguous results (Slangen & Hennart, 2008). One of the limitations of these studies is the narrow focus on examining the different types of experiences and their influence in internationalization decisions.

International experience could be acquired in different ways: through the learning obtained through exports (Wilson, 1980), which would help managers to become familiar with the institutional context of host countries; through the parent company experience in the internal market or through the learning obtained by manage acquisitions or greenfield investments (Padmanabhan & Rae Cho, 1999). Since EMNEs are a late mover in the global arena, foreign acquisitions allow them to learn about foreign markets and internationalize at a higher pace (Rabbiosi, Elia, & Bertoni, 2012). Moreover, Kogut & Zander (1993) argue that firms accumulate knowledge over time by following sequential entry processes that combine their domestic knowledge with what they learn in foreign markets.

Since we can understand international experience as a complex dimension, research efforts as Dow & Larimo (2011), proposed that is necessary decomposing firm experience in different types to identify their effects on entry mode decision. Moreover, Dikova & Brouthers (2015),

suggest that a finer-grained measure of international experience is needed, as the experience with greenfields or acquisitions captures specific skills required to successfully setup international operations.

International experience

The lack of experience in international business serves as a barrier to firms' external expansion (Johanson & Wiedersheim-paul, 1975; Johanson & Valhne, 1977). On the one hand, firms with greater international experience accumulate knowledge about a given host country being more able to enter in this country through greenfield investments (Brouthers & Brouthers, 2000). On the other hand, firms with low levels of international experience are inclined to reduce their vulnerability to external uncertainties by "buying" this knowledge through acquisitions (Andersson & Svensson, 1994; Hennart & Park, 1993). However, studies in the field show that more experienced firms seek greater returns (Zejan, 1990) avoiding paying a premium price for acquiring such skills (Slangen & Hennart, 2007).

Additionally, MNEs that already have experience in the host country could opt for greenfield investment, since they probably developed a better understanding of how to act abroad. By opting for greenfield investment, firms could avoid risks related to information asymmetry and post-integration process (Agarwal & Ramaswami, 1992). According to Slangen (2013), the greater the experience in greenfields, the higher the chance that the parent company has stocks of knowledge about host country institutions. Other studies in the field show that more experienced firms can enter abroad by greenfield investments since they have well established organizational practices and capabilities to deal with different institutional environments, adapting production technologies and methods, and reformulating their strategies to new markets (Brouthers & Brouthers 2000; Wilson, 1980). Furthermore, Dow and Larimo (2011) noted that international experience in dissimilar markets is associated to greenfields. Thus, the greater the MNEs international experience, the greater the propensity to enter foreign markets through greenfield investments (Hennart & Park 1993; Cho & Padmanabhan 1995; Barkema & Vermeulen 1998; Brouthers & Brouthers 2000; Chang & Rosenzweig 2001; Slangen & Hennart 2007). Therefore, we propose the following hypothesis:

Hypothesis 1a: The greater international experience is associated with the likelihood of greenfield investments.

First mode experience

According to Huber (1991), own experience it's a key component to the accumulation of knowledge since learning may be understood as a knowledge informed by prior action (Cyert & March, 1963; Miner & Anderson, 1999). In some cases, MNEs tends to repeat the same entry mode in future decisions because of path-dependent behavior—firms try to reapply the learning from early experience in similar choices to reduce risk and increase operational efficiency (Chang & Rosenzweig, 2001b; Gao & Pan, 2010; Haunschild & Sullivan, 2002). This fact leads us to the notion of that firms may develop and improve organizational routines based on past experience, applying effective strategies in new situations (Gao & Pan, 2010; Levitt & March, 1988).

Moreover, Lu (2002), found that MNEs tends to exhibit consistency in entry mode behavior in their international trajectories. The author argued that MNEs place high importance on "success rate" of previous actions. Thus, when a firm has been successful in acquiring or perform a greenfield investment, it will prefer to maintain the same pattern over time, reducing the levels of internal and external uncertainty in subsequent entries (Hsiao, 1986; Chang & Rosenzweig, 2001). A study performed by Kostova & Zaheer (1999), show that repeat previous strategies increase internal legitimacy since institutionalized practices are easier to replicate across MNEs subsidiaries abroad. On the other hand, Baum, Li, & Usher (2000, p. 767), stated that: "at the organization level, boundedly rational decision makers' reliance on attention and search routines that conserve cognitive resources binds their search for alternatives to past choices reinforced by increasing returns to experience." Following initial success with an activity, firms develop the tendency towards repetitive momentum (Amburgey & Miner, 1992; Jansen, 2004). Consequently, as the learning related to a practice increases, it becomes a "taken for granted" behavior (March, 1981; Zucker, 1977), persisting over time (Mezias, 1990). Hence, we propose the following general hypothesis:

Hypothesis 1b: The greater the frequency of adoption of a specific establishment mode in a firm's earlier entries, the greater its propensity to use the same entry mode in subsequent entries.

Experience in acquisitions

From an organizational learning perspective, acquisitions are considered as a vehicle for enhancing firms' capabilities and resources (Chang & Rosenzweig, 2001; Madhok, 1997). They allow firms invest in foreign markets without own experiential knowledge (Forsgren, 2002; J. Halebian & Finkelstein, 1999; Hayward, 2002; Tsang, 2002). That is the case of most of EMNEs, in which investment abroad is not only to exploiting firm-specific advantages but also of learning new capabilities by locating operations in certain countries (Almeida, 1996). Different institutional contexts will provide different incentives for tacit knowledge and skills development (North, 1990) since firms develop routines and skills in manage acquisitions as recognize potential targets, deal negotiation, financing, and integration (Dikova, Sahib, & van Witteloostuijn, 2010; Finkelstein & Halebian, 2002). Thus, the knowledge originated from foreign acquisitions may be used in subsequent acquisitions as well (Finkelstein & Halebian, 2002; Halebian & Finkelstein, 1999; Shimizu et al., 2004).

Repetition enables firms to gain experience and confidence as their knowledge regarding routines improve and develop proficiency in foreign acquisitions (Amburgey & Miner, 1992; Halebian, Kim, & Rajagopalan, 2006). Those routines may guide firms' behavior and choice in the future since the acquired skills can be transferred across national boundaries. (Barkema & Schijven (2008); Collins, Holcomb, Certo, Hitt, & Lester, 2009). Further, cross-border acquisitions also provide a rapid expansion overseas (Hitt et al., 1998; Nadolska & Barkema, 2007), and facilitate deal completion in a new location (Dikova et al., 2010).

EMNEs with foreign acquisition experience is likely to be more familiar with local suppliers and customers, competitors and governments, and to have developed tacit knowledge about local networks (Johanson & Vahlne, 2009; Luo & Peng, 1999). The acquiring firm can take advantage of new opportunities to learn different conventions, routines, and procedures, which can translate into knowledge about new cultural settings (Barkema & Drogendijk, 2007). In this way, the learning associated with a firm's prior acquisitions increases the likelihood the firm will engage in subsequent acquisitions (Collins et al., 2009). Thus, we hypothesize that:

Hypothesis 1c: The number of international acquisitions increases as a function of previous experience with acquisitions.

The effect of host country institutions on establishment mode choice

EMNEs behavior cannot be understood without taking into consideration institutional characteristics (Cantwell & Barnard, 2008; Cuervo-Cazurra, 2007; Rugman & Li, 2007). Institutions provide the context in which firms operate and compete (Lu, 2002). Moreover, the knowledge of institutions enables firms to reduce transaction costs and increase their performance levels (Santangelo & Meyer, 2011). Consequently, firms have to learn how to operate in countries more similar or dissimilar to their home market facing a variety of institutional and cultural settings (Dow & Larimo, 2011).

According to Rabbiosi et al. (2012), low-quality institutions create a turbulent environment for MNEs operations. These environments may include a lack of adequate market sophistication, scientific institutions, skilled labor, research, and other factors that support firms' learning opportunities (Xu & Hitt, 2012). On the other hand, knowledge of undeveloped institutions can provide only a temporary advantage since EMNEs in general limit their expansion to similar regions (Cuervo-Cazurra, 2008). Accumulated experience from international operations strengthens when the foreign market is not a neighboring one (Rabbiosi et al., 2012). In this way, located activities in more institutional distant countries may increase the likelihood of exploitative expansion. In this manner, international experience may be viewed as a "distance-bridging" factor (Child et al., 2002; Dow & Larimo, 2011) allowing MNEs accumulate different types of knowledge about political hazards, property rights protection, government intervention, and others (A. Delios & Henisz, 2003; Luo, 2001).

Political Uncertainty

Governments may influence entry mode decision introducing raising incomes or taxes, imposing an import or export quota, regulating acquisitions activity, defining and enforcing quality standards, or even expropriating MNCs assets (Delios & Henisz, 2000; Ferreira & Ferreira, 2016; Mudambi & Navarra, 2002; Slangen, 2013). A high level of uncertainty affects entry mode choice increasing costs and firm's performance (Bartlett & Ghoshal, 1999; Brouthers & Brouthers, 2000; Kogut & Singh, 1988). Moreover, a low-quality institutional environment makes business transactions with local actors more complex (Peng & Heath, 1996; Wan & Hoskisson, 2003).

Academic literature shows that one of the strategies to enter in low-quality institutional countries is through greenfield investments that mean implement operations abroad from scratch allowing MNCs to buy assets sequentially (Chueke & Borini, 2014; Larimo, 2003;

Slangen, 2013; Tan, 2009). Since the speed to implement greenfield investments is often slower over acquisitions, this entry mode gives MNCs the option to exit or interrupt their activities in the host country quickly, limiting their losses in the case of unfavorable policy changes (Slangen, 2013). Arslan, Tarba, and Larimo (2015) show that MNCs tend to establish greenfield ventures when institutional differences are higher between home and host country (Kogut & Singh, 1988a; Padmanabhan & Cho, 1995). Brouthers and Dikova, (2010) and Dikova and van Witteloostuijn (2007) also emphasize the willingness of MNCs entering in a deficient institutional environment by greenfield investments and Chueke and Borini (2013) found a strong relationship between foreign entries by greenfield investments and host country informal institutions.

In addition, a few studies point that some MNCs developed some context-specific capabilities to deal with institutional deficiencies such as strategic and organizational flexibility and knowledge about managing interfaces with government authorities (Goodstein & Velamuri, 2009; Khoury et al., 2012; Luo & Wang, 2012; Meyer et al., 2009; Wang & Chung, 2013). These capabilities give MNCs a competitive advantage, making them less dependent on the benefits passing by the entry via acquisition increasing the propensity of entry into foreign markets through greenfield investment. Hence:

Hypothesis 2: A higher level of political uncertainty in the host country increases the EMNCs propensity to enter into foreign markets through greenfield investments.

Financial market development

Guler & Guillén (2010), stated that financial markets are part of the institutional infrastructure enabling firms founding and development. When markets are efficient, and institutions are well established, firms can easily obtain financial support through the capital market (Li & Ferreira, 2011). However, countries differ regarding financial systems, particularly developing economies in which capital markets are immature and where the access to financial services is constrained (Hryckiewicz & Kowalewski, 2010). In this way, one of the main challenges that MNEs face in developing economies is how to finance their expansion across markets (Fernandes, 2011).

Folta & O'Brien (2004) show that greater the level of uncertainty in a market, the more valuable is the gradual commitment through growth option propitiating a way for investors to maximize their funds in turbulent institutional environments. Thus, foreign entry through Greenfield investment may require lower upfront investments when compared to acquisitions and therefore minimize downside risks by reducing the amount of investment put at risk (Pacheco-De-Almeida, Henderson, & Cool, 2008). Greenfield investments provide an option to increase the investment incrementally as more information about the market becomes available, allowing firms to create a smaller operation in the beginner (Slangen & Hennart, 2008).

Contradictorily, Neto et al. (2010), did not get any evidence to prove that host country financial market development is associated with entry mode decision. One explanation for that is internal equity frequently used by the parent company to make the initial investment or maximize subsidiary growth and sales when the capital cost is high and domestic financial system is structurally weak (Aggarwal & Kyaw, 2008; Aulakh & Mudambi, 2005; Desai, 2008). Nguyen & Rugman (2014) show that over 90% of financing sources in the British foreign subsidiaries act in developing countries located in Asia it comes from internal funding. Moreover, internal equity may be cheaper than external debts, and they overcome the challenges of imperfect capital markets and information asymmetry in developing economies. Consequently:

Hypothesis 3: A lower level of financial market development in the host country increases the EMNCs propensity to enter into foreign markets through greenfield investments.

Innovation systems

One important motivation to expand abroad is the search for new technological knowledge that is not available at home country (Andersson, Forsgren, & Holm, 2002; Cantwell & Mudambi, 2005; Chidlow, Holmström-Lind, Holm, & Tallman, 2015) since some of the technology that MNEs gains access to may be shared by host country innovation systems (Meyer et al., 2014, Edquist, 1997; Florida, 1995; Kokko & Kravtsova, 2008). EMNEs invest in developed countries to seek sophisticated technologies or advanced production capabilities (Luo & Tung, 2007). However, EMNEs not only have to seek and develop competencies beyond the frontiers of their home countries but also must do so at a much faster pace than advanced country MNCs (Guillén & García-Canal, 2009; Mathews, 2006; Ramamurti & Singh, 2009).

Álvarez & Marín (2010), show that the quality of the host country systems of innovation is associated with acquisitions. Global alliances and acquisitions are used by EMNEs to overcome the liability of foreignness, to ensure access to new competitive advantages and the development of new resources (Cantwell & Piscitello, 2002; Guillén & García-Canal, 2009). Acquisitions serve as a shortcut to innovations and allow firms to have access to new capabilities (Hitt et al., 1990), also constitute a way to gain quick knowledge about local consumers (Slagen & Dikova, 2014). Meyer et al. (2014) suggest that firms tend to acquire companies in technology-rich countries to better internalize technological resources.

For example, studies as De Beule & Duanmu (2012), found that Indian MNEs prefer to acquire competitors in less competitive technological host country, and Chinese MNEs prefer entering by acquisitions in high-tech manufacturing sectors targeting technological assets. The authors also proposed that Indian MNEs have gradually accumulated sufficient technological and other capabilities to allow them to expand their operations into other emerging economies. As such, these Indian multinationals seem to be adding to their existing ownership advantages through strategic acquisitions abroad in similar markets. Another study made by Buckley et al. (2012), point out that host country innovation system is significant and positively associated with India's foreign acquisitions. This result highlights the need for Indian firms to secure access to knowledge assets and foreign technology to develop their capabilities. Therefore:

Hypothesis 4: A higher level of innovation systems in the host country increases the EMNEs propensity to enter into foreign markets through acquisitions.

Cultural distance

Cultural distance could be conceptualized as the characteristics of national cultures that affect entry mode choice such as the lack of understanding of the norms, values, and institutions which support social exchange across countries (Kogut & Singh, 1988; Hofstede, 1991; Tihanyi, Griffith, & Russell, 2005). According to Chang & Rosenzweig (2001, p.773), those differences are important factors in the sequence of entry in foreign markets. Cultural differences are likely to be a primary source of investment uncertainties and operational difficulties (Zhang et al., 2007). Furthermore, cultural distance poses a risk for post-acquisition integration. Thus, these barriers lead MNEs to a preference for greenfield investments (Chang

& Rosenzweig, 2001). Greenfields allow MNEs to reduce cost and risk by selecting employees and business practices that fit the national culture of the parent company (Drogendijk & Slangen, 2006).

Therefore, Meyer et al. (2009) also demonstrated that in countries with higher levels of cultural distance acquisitions are discouraging (Meyer et al. 2009; Dikova & Brouthers, 2015). MNEs engaging in greenfields are more efficient than those engaging in acquisitions. Greenfield investments play a more important role for FDI from high-cost into low-cost countries (Nocke & Yeaple, 2008). Other studies as Slangen (2011) show that greenfield investments are used in countries that are geographically distant and where the native language is very different from the home country. Moreover, Larimo (2003) proposed that the greater the cultural distance between the home and host countries, the greater is the likelihood for greenfield investments. Considerable empirical evidence supports the assumption of an association between cultural distance and greenfields (Barkema & Vermeulen, 1998; Bhaumik & Gelb, 2005; Dow & Larimo, 2011; Elango, 2005; Harzing, 2002; Herrmann & Datta, 2006). Thus:

Hypothesis 5: The greater cultural distance between home and host countries increases the EMNEs propensity to enter into foreign markets through greenfield investments.

Data and methodology

Methodological procedures were based on the collection of multiple secondary data. Initially, we gathered firm-level data from Brazilian foreign subsidiaries operating in developed and developing countries. We considered overall countries that Brazilian MNEs have operations. Moreover, we select only multinational firms in the manufacturing sector that have made investments in physical assets abroad such as business offices, distribution centers, industrial plants, and research and development centers. The list of foreign subsidiaries by country was obtained from BMO—Brazilian Multinationals Observatory, one of the few databases available for the Brazilian overseas investments. Fastoso and Whitelock (2015) point the methodological challenges concerning data collection in the context of emerging markets is a problem itself. We then validate this data confronting with company's website. In this way, we built the full MNEs international trajectory since their first foreign direct investment to nowadays. We do not restrict our sample to a specific period of time. For this study, ownership

is considered that the Brazilian multinational firm is the main shareholder in the foreign venture. To support the development of the variables associated with host country level we used secondary sources from reputable databases as Worldwide Governance Indicators (2017), Financial Structure Database (2017), the US Patent and Trademark Office database (2017), and Hofstede cultural dimensions score (2017). To host-country data, we take into consideration the assumption of over longer periods of time such as a decade, host-country data do not show significant changes (Kaufmann, Kraay, & Mastruzzi, 2009). In this way, our composed index is based in the following criteria; we considered five periods of time to collect country data: before 1996; 1997–2001; 2002–2007; 2008–2013; and 2014–2016. We discuss below how we measured each variable.

Variables and measures

Dependent variable (Establishment mode choice)

In this study, the establishment mode choice was measured through a categorical variable created and codified in the following way: 0 for acquisition—the purchase of an operation abroad; and 1 for greenfield investment—the implementation of an operation abroad from the scratch (Barkema & Vermeulen, 1998; Harzing, 2002; Hennart & Park, 1993; Tan, 2009).

Independent variables

International experience

International experience was measured by the years of operating an affiliate abroad (Harzing, 2002; Padmanabhan & Cho, 1995). The information on the founding year was taken from the Brazilian Multinational Observatory, and then validated through companies' website.

First mode experience

We measure the first entry abroad and coded a “0” when a firm performed the first entry abroad by acquisitions, and “1” to greenfield investments (Srinivasan, Haunschild, & Grewal, 2007).

Acquisitions experience

We measure entry mode patterns by calculating the number of entries made by the acquisitions or greenfield investments by Brazilian MNE in a subsidiary's host country at the time of its entry. We divided the number of acquisitions by the total number of foreign subsidiaries. The

score varies between “0” to “1”. Being “1” correspond to full experience in acquisitions (Collins et al., 2009; Haleblan & Finkelstein, 1999; Nadolska & Barkema, 2007b).

Political Uncertainty

To measure political uncertainty, we built an aggregate index based on The Worldwide Governance Indicators (WGI). This index presents aggregate and individual indicators for over 200 countries over the period 1996–2016. Our aggregate index was building upon to four indicators: (i) Political Stability and Absence of Violence/Terrorism that measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism; (ii) Government effectiveness that captures perceptions of the quality of public services, civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies; (iii) Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development; and (iv) Rule of law that captures perceptions of confidence, quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Financial market development

We measure the host country financial market development through a widely used index that represents the development of financial institutions. This index is composed of the follow variables: (i) central bank assets to GDP (%); (ii) other financial institutions assets to GDP (%); (iii) private credit by deposit money banks to GDP (%); (iv) bank overhead costs to total assets (%); and (iv) stock market total value traded to GDP (%). We obtained these variables from the Financial Structure Database (Beck, Demirgüç-Kunt, & Levine, 2000; Fernandes, 2011).

Innovation systems

We measured host countries innovation systems by the log value of a country's annual number of patent applications to the US Patent and Trademark Office, divided by the country's GDP, to control for the size and economic development of the host economy (Buckley et al., 2007; Meyer et al., 2014b).

Cultural distance

We follow Kogut and Singh's (1988) formula for cultural distance by incorporating masculinity, individualism, uncertainty avoidance and power distance. After calculating the distance concerning the four cultural dimensions, we create an aggregate index. The cultural distance in our study is calculated as follows:

$$CD_j = \frac{1}{4} \sum_{i=1}^4 [(I_{ij} - I_{in})^2 / V_i]$$

Where CD_j is the cultural distance between country j and Brazil, I_{ij} is country j 's score on the i^{th} institutional dimension, I_{in} is the score of Brazil's on this dimension, and V_i is the variance of the score of the dimension.

Control variables

We also controlled for several variables that may affect the establishment mode choice of EMNEs abroad. First, we controlled the *MNE size* by the log of the operating revenue in the last three years. Data were obtained from the Orbis database (2017). Moreover, following several IB studies (Hennart & Park, 1993; Brouthers & Brouthers, 2000; Larimo, 2003), we used the International Standard Industrial Classification by the Organization for Economic Cooperation and Development to classify manufacturing firms into two different level of technological intensity. Brazilian multinationals that operate in high technological industries are coded as 1, and low technological industries are coded as 0. Additionally, we created a binary variable to control firms' ownership structure. Firms that were publicly traded are coded as 1, while those that were not are coded as 0. We also control host country variables by the size of each host market through the Log of population size, and by GDP per capita as a proxy of consumption power. We collect these data from World Bank database (2017). Finally, based on OECD classification we created a dummy variable to *host country level of development* were "1" if the country is an OECD member, and "0" if it's not.

Analysis and results

Our final sample is composed of 429 Brazilian foreign subsidiaries operating in 55 countries over 1969 to 2017. We noted that Brazilian companies from the manufacturing sector have invested in developed and developing countries most in the form of acquisitions (56.2% of the cases observed). Greenfield investments amounted to 43.8% of the cases. Moreover, Brazilian firms operating abroad possess, on average, 11 years of international experience. For the technological intensity dimension, we see that high technological industries correspond to 4.9% of the sample, followed by medium-high technology industries (38.5%), low-medium technology industries (24.3%) and low-technology industries (32.5%). Most of the Brazilian foreign subsidiaries are located in Argentina (15.6%), USA (13.3%), Mexico (7.7%), and China (5.8%). Regarding the level of economic development, 49.5% of foreign subsidiaries are in countries that are a non-OECD member, and 50.5% in countries of OECD.

Table 1 presents the descriptive statistics and Pearson correlation coefficients for all the variables used in this study. We calculate the correlation matrix, and then we examine the multicollinearity between the independent variables (Hair et al., 2005). The correlation matrix shows some significant relationship between host country GDP per capita and financial market development (0.889**), political stability (0.847**), and cultural distance (0.891**). Moreover, we found a significant correlation between overall host country dimensions, except for cultural distance. Regarding firm-level dimensions, we found a significant correlation between first mode experience and acquisitions experience (-0.701**). Since we found these significant correlations, we analyze the Variance Inflation Factor (VIF) values for individual variables in the models, and the common value taking into consideration the specified cut-off values of 10 (Hair, 2009). Because two variables are highly correlated with one another with Variance Inflation Factors (VIF) at 10.671 (financial development) and 14.670 (GDP per capita), we excluded these variables with high correlation individually to verify if their inclusion or exclusion change the significance of the results of our models (Greene, 2003). This correlation between independent variables is explained by academic literature that supports the interaction effects between the institutional pillars.

Table 1C Means, standard deviations, and correlations among all variables

<i>Variables</i>	Mean	S.D.	Min.	Max.	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Establishment mode choice	0.44	0.49	0.00	1.00													
2 MNE size	6.14	0.82	4.96	8.40	.089												
3 Ownership structure	0.50	0.50	0.00	1.00	-.086	.089											
4 Technological intensity	0.50	0.50	0.00	1.00	-.092	,287**	,253**										
5 Host country size	4.76	0.64	2.73	6.14	.000	-.017	,143**	-.042									
6 Host country GDP capita	31.29	22.249	4.07	85.18	.012	,193**	,291**	-,111*	,177**								
7 Host country level of development	0.50	0.50	0.00	1.00	.067	.070	.056	-.001	,101*	,187**							
8 Cultural distance	1.07	0.90	0.06	3.68	.069	,139**	,124*	-,135**	,144**	,891**	,192**						
9 Political stability	0.52	0.78	-0.96	1.66	.095	,167**	,201**	-,148**	,160**	,847**	,263**	,798**					
10 Financial development	0.22	0.13	0.00	0.41	.022	.093	,246**	-,190**	,254**	,889**	,237**	,877**	,777**				
11 Innovation system	25.51	24.61	3.39	94.78	-.077	.004	,157**	-,210**	,213**	,848**	,218**	,848**	,742**	,844**			
12 First entry experience	0.36	0.47	0.00	1.00	.444**	,102*	,100*	,124*	.053	.073	.091	,172**	,143**	,102*	.032		
13 Experience in acquisitions	0.55	0.31	0.00	1.00	-,635**	-,143**	,125**	,112*	-.030	-.058	-.067	-,147**	-,182**	-.072	.072	-,701**	
14 International experience	11.11	7.60	1.00	47.00	,265**	-,147**	-.035	-.039	-.055	-,145**	.045	-.087	.047	-.045	-,159**	,245**	-,301**

***Correlation is significant at the 0.001 level (two-tailed).

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

*Correlation is significant at the 0.05 level (two-tailed).

To test our hypotheses, we used a binary logistic regression model. This technique is robust for nonparametric variables and non-normal distributions, as is the case of the sample in this study (Hair, 2009). Table 2 points out the results of the models where we test the impact of our independent variables and control variables on the establishment mode choice. In Model 1, we include only the control variables. We then individually add our hypothesized variables in the subsequent models. In Models 2, we measure the influence of cultural distance on the choice between an acquisition and a greenfield investment. In the model 3, we add the other variables related to host country institution. In Model 4, we introduce one variable related to international experience. In the following models, we test different combinations between the tree group of host country variables and the different types of international experience seeking to confirm our hypotheses.

Model 1 included only our control variables. Results show that both *technological intensity* and *ownership structure* have a significant effect on establishment mode choice. We note that *technological intensity* is associated with the entry through acquisitions ($p < 0.05$). Extant literature suggests that EMNEs lack proprietary technology. Thus, acquisitions may serve as a shortcut to reduces the time and costs of acquiring and developing knowledge about foreign markets (Chen, 2008; Wernerfelt, 1984). Moreover, our findings corroborate with Wilson (1980) that show that firms belonging to the manufacturing sector of consumer goods were motivated to opt for entry through acquisitions seeking the knowledge about the habits and customs of the local market.

Concerning *ownership structure*, we found that publicly traded firms are more able to entry into foreign markets via acquisitions as well ($p < 0.05$). These findings are supported by studies as Andersson & Svensson (1994); Cho & Padmanabhan (1995); Barkema & Vermeulen (1998); and Larimo (2003). Scholars indicate that firms have a limited capacity to recruit and training managers (Penrose, 1959). However, larger firms possess more resources and capital to invest overseas. Firms typically become larger when they start to get listed on the stock exchange because they rise capital inflow. Moreover, stock pricing of MNEs is associated with an increase of foreign acquisitions (Buckley et al. 2012). This tendency suggests that companies with more resources are more capable of financing their foreign expansions through acquisitions (Meyer et al. 2014).

Table 2C Results of logistic regression models

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
<i>Control variables</i>										
MNE size	0.256*	0.291*	0.013	0.167	0.187	0.151	0.131	0.131	0.055	0.052
Ownership structure	-0.143	-0.05	-0.142	-0.154	-0.141	-0.279**	-0.335*	-0.335*	0.058	0.052
Technological intensity	-0.296*	-0.271*	-0.269**	-0.285**	-0.308*	-0.491***	-0.495***	-0.495***	-0.110	-0.100
Host country size	0.010	-0.00	0.126	0.150	0.156	0.047	0.040	0.040	-0.053	-0.054
Host country GDP capita	-0.046	-0.720*				-0.463				
Host country level of development	0.129	0.091	0.137	0.097	0.108	0.107	0.114	0.114	0.128	0.124
<i>Independent variables</i>										
Cultural distance		0.715*	0.802**	0.814**	1.163***	1.705*	1.321*	1.328***	0.506	0.401
Political stability			0.738*	0.551*	0.451*	0.530**	0.417	0.415	0.033	0.061
Financial development			0.542	0.433		0.072	0.007		-0.122	
Innovation System			-1.972***	-1.641***	-1.528***	-1.921***	-1.841***	-1.840***	-0.567	-0.590
International experience				20.383***	20.618***					
First entry experience						1.156***	1.195***	1.195***		
Experience in acquisitions									-1.812***	-1.805***
Constant	-0.283	-0.220	-0.378	2.269	2.375	-0.182	-0.215	-0.213	-0.221	-0.242
Hosmer	11.554	7.976	4.735	9.719	9.215	2.152	3.775	3.467	6.384	7.254
Chi-square	13.361	18.901	58.193	81.974	80.789	143.684	142.915	142.914	197.425	197.364
-2LL	561.274	513.515	465.819	440.392	441.576	380.328	381.097	381.097	326.587	326.648
Cox & Snell R	.031	0.048	0.141	0.193	0.191	0.313	0.312	0.312	0.404	0.403
Nagelkerke R	.042	0.064	0.189	0.259	0.256	0.420	0.418	0.418	0.541	0.541
Percentage correct	61.6	60.3	66.5	70.9	70.6	75.1	75.7	75.7	79.8	79.8

***Correlation is significant at the 0.001 level (two-tailed).

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

*Correlation is significant at the 0.05 level (two-tailed).

Regarding our independent variables, we confirm hypothesis 1a that firms with greater levels of *international experience* tending to enter abroad by greenfield investments ($p < 0.001$). MNEs with greater international experience may be reluctant to carry out acquisitions because they seek higher return rates (Zejan, 1990) avoiding paying a premium price for acquiring strategic skills (Slangen and Hennart 2007). In addition, the entry by greenfields contributes to minimizing internal and external uncertainty levels such as post-integration problems (Agarwal & Ramaswami, 1992). We also noted that most of Brazilian FDI is located in Latin America region. Firms that accumulate knowledge about a given host country or a region are more able to enter in similar countries through greenfield investments (Brouthers & Brouthers 2000). Slangen (2013) stated that greater experience in greenfields, potentialize the chances of parent company has stocks of knowledge about host country institutions. Instead, Dow and Larimo (2011) found that international experience in dissimilar markets, as the case of EMNEs acting in developed countries, is also associated with greenfield investments.

Hypothesis 1b predicts if the frequency of adoption of a specific establishment mode in earlier investment decision is related to a path-dependent behavior in subsequent entries. This hypothesis is tested in Model 6 to 8. The regression models are significant at $p < 0.001$, offering support for Hypothesis 1b. As EMNEs are late movers regarding internationalization, we believe that the replication of a specific mode choice reduces risk perception and increases operational efficiency (Chang & Rosenzweig 2001; Haunschild & Sullivan, 2002; Gao & Pan, 2010). Moreover, Lu (2002), found that MNEs tends to place high importance on “success rate” of previous actions. Thus, when a firm has been successful in acquiring or perform a greenfield investment, it will prefer to maintain the same pattern over time, reducing the levels of uncertainty in future entries (Hsiao, 1986; Chang & Rosenzweig, 2001). Consequently, as the learning related to a practice increases, it becomes a “taken for granted” behavior (Zucker, 1977; March, 1981).

The hypothesis 1c proposed that the number of international acquisitions increases as a function of previous experience in performing acquisitions. We tested this assumption in the models 9 and 10. Results point to a high significance ($p < 0.001$) between greater experience in acquisitions and subsequent entries via acquisitions. In the context of EMNEs, acquisitions allow firms invest in foreign markets without own experiential knowledge (Forsgren, 2002; Tsang, 2002; Halebian & Finkelstein, 1999; Hayward, 2002) serving as a vehicle for enhancing firms’ capabilities and resources (Chang &

Rosenzweig, 2001, Madhok, 1997). Moreover, acquisitions also provide a rapid expansion overseas (Hitt et al., 1997, 1998; Nadolska & Barkema, 2007). EMNEs with high stocks of experience in acquisitions have to developed tacit knowledge about how to lead with different host country institutions and cultural settings (Luo & Peng 1999; Johanson & Vahlne 2009; Barkema & Drogendijk, 2007).

Concerning host country dimensions, model 3, 4, 5 and 8 support the idea of greater cultural distance between home and host countries increases the EMNEs propensity to enter into foreign markets through greenfield investments (Dow & Larimo, 2011; Herrmann and Datta, 2006; Bhaumik & Gelb 2005; Bhaumik & Gelb 2005; Elango, 2005; Tsai & Cheng 2004; Harzing 2002; Vermeulen & Barkema 2001). Greenfields allow MNEs to reduce cost and risk by selecting employees and business practices that fit the national culture of the parent company (Drogendijk & Slangen 2006). Model 4 and 5 reveals that firms with greater international experience operating in countries with higher levels of cultural distance entry in foreign markets by greenfields. Moreover, model 6 and 7 reveals that host country financial development impact on cultural distance since the inclusion of this variable in the model decreased cultural distance significance ($p < 0.01$). On the other hand, model 8 indicated that the exclusion of financial development variable increased the significant of cultural distance dimension ($p < 0.001$). Model 9 and 10 are not significant. It seems that higher experience in acquisitions impact on the role of host country institutions on the internationalization process of EMNEs.

Moreover, we note that in the model 3 to 5 *political stability* is significant at a 5% level. These results show that a higher level of political uncertainty in the host country increases the EMNEs propensity to enter into foreign markets through greenfield investments. Arslan, Tarba, & Larimo (2015) suggest that MNCs tend to establish greenfield ventures when institutional differences are higher between home and the host country. However, this dimension lost significantly in the following models, which we tested variables related to first mode experience and experience in acquisitions. In other words, this dimension is significant only for EMNEs with greater levels of international experience.

Finally, we analyzed if a higher level of host country innovation systems increases the EMNEs propensity to enter into foreign markets through acquisitions. Models 3 to 8 are significant at 0.001 level. The exploitation of new technological knowledge that is not available at home country it is an important motivator for EMNEs (Andersson, Forsgren,

& Holm, 2002; Cantwell & Mudambi, 2005; Chidlow, Holmström-Lind, Holm, & Tallman, 2015). Moreover, foreign acquisitions give access to new resources and capabilities, a key competitive advantage for late movers such as Brazilian multinationals (Cantwell & Piscitello, 2002; Guillén & García-Canal, 2009).

Conclusions

This study extends the ongoing discussion in the academic field of entry mode choice in different ways. First, we contribute given the novelty of our proposal. We shed light on the role of different types of international experience(s) and host country institutions in the decision of performing an acquisition or a greenfield investment. To reach this goal, we use a sample of 429 foreign Brazilian multinationals entering in 55 developed and developing countries from 1969 to 2017. Our findings show that EMNEs characteristics as *ownership structure* and *technological intensity* are associated with foreign acquisitions. It seems that EMNEs are seeking for capabilities and resources from developed and developing countries. Acquisitions are considered as a vehicle for enhancing firms' capabilities and resources (Chang & Rosenzweig, 2001, Madhok, 1997).

Moreover, our study contributes to filling a gap on current literature, since van Hoorn & Maseland (2016), argued that current institutional research in international business is unable to explain how institutions matter for MNEs international expansion. Our results highlighted the importance of host countries institutions such as innovation systems, political instability, and cultural distance. We noted that greenfield investments are associated with higher levels of political instability and higher cultural distance. A higher level of external uncertainty affects establishment mode choice increasing costs and firms' performance (Bartlett & Ghoshal, 1999; Brouthers & Brouthers, 2000; Kogut & Singh, 1988). Since the speed to implement greenfield investments is often slower over acquisitions, this entry mode gives MNCs the option to exit or interrupt their activities in the host country quickly, limiting their losses in the case of unfavorable policy changes (Slangen, 2013). Moreover, Meyer et al. (2009) also suggest that higher levels of cultural distance discouraging entry via acquisitions because MNEs engaging in greenfields are more efficient than those engaging in acquisitions.

Regarding firm-level variables, we proposed an unusual approach in the field since we decompose international experience in three dimensions (i) general international experience, (ii) first mode experience, and (iii) acquisitions experience. On the one hand, we found support for our hypothesis which stated that greater general international experience is associated with the likelihood of greenfield investments. It is possible that EMNCs have developed capabilities to operate in developing countries. MNEs that already have experience in the host country could opt for greenfield investment since they probably developed a better understanding of how to act abroad. By opting for greenfield investment, firms could avoid risks related to information asymmetry and post-integration process (Agarwal & Ramaswani, 1992). Furthermore, Dow and Larimo (2011) noted that international experience in dissimilar markets is associated to greenfields.

In the other hand, we found that the greater the frequency of adoption of a specific establishment mode in earlier entries, the greater its propensity to repeat the same mode in the future. However, we obtained an interesting finding related to experience in acquisitions. It seems that MNEs engage in subsequent acquisitions has developed capabilities to deal with different characteristics of the host countries institutional environment since none of these dimensions are relevant to the regression models.

We recognize that the lack of data related to Brazilian firms and the industries in which they compete are the major limitations of this study. In addition, the sample size is a limitation because a greater number of observations is needed to generalize our results due to the complexity of the subject, as well as the diversity of variables and measurements.

We believe that the managers of emerging multinationals should use the variables adopted in this study as criteria to identify the factors that influence entry strategy abroad. Another possible contribution concerns the scope of the government because our results demonstrated the role that institutions place on the entry process into foreign countries. Future studies should retest the hypotheses and measurements proposed in this research, especially with samples from different nationalities. Another study should be undertaken to expanding the number of dimensions used for understanding the role of institutions and experience(s) on the establishment mode choice of EMNEs.

FINAL CONCLUSIONS

Despite the long tradition of foreign entry studies, general research in entry mode can generate important new insights to the field. Specifically, focus on how institutions matter for MNEs foreign expansion (Dikova & Brouthers, 2015; van Hoorn & Maseland, 2016), and what causes MNEs to replicate past mode choices (Hennart & Slangen, 2014). We respond to this call by advancing the understanding of how host country institutions and firm-specific advantages affect the behavior of emerging market multinationals entering in both developing and developed countries. This unique context consists in an opportunity to contribute to the academic debate by analyzing how some of the characteristics of EMNEs affect entry mode (Cuervo-Cazurra, 2016). Thus, our study enriches the international business literature theoretically and empirically in several ways.

First, reviewing recent institutional research, we go further previous studies to propose a more comprehensive and up-to-date framework that emphasize relevant institutional aspects of the internationalization process of EMNEs. Our paper is one of the first studies to explore the influence of regional institutions on FDI flows. Based on 27 studies, we synthesize the main dimensions of the institutional environment that influence FDI decisions in emerging markets. These dimensions allow us to examine the level of competitiveness and changes in the institutional environment of 16 Latin American and Caribbean countries. Moreover, we answer the call for more research encompass emerging markets context focusing in an understudied region —Latin America (Fastoso & Whitelock, 2015; Fainshmidt et al., 2015; Hoskisson et al., 2013). We analyze the geographical dynamics of Latin America and the Caribbean region seeking if globalization has encouraged convergence across these economies over recent years (Berry et al., 2014; Fernandes, 2011; Flores & Aguilera, 2007).

Second, with the current literature producing mixed evidence on the influence of country, industry, and firm level factors on establishment mode choice, our findings addressed some gaps on the topic. We offer an alternative inquiry of viewing institutional profiles as a combination of several factors that affect establishment mode choice. We use set-theoretic approach to understand the effect of institutions on establishment mode choice creates an interesting path for IB research. Previous studies primarily look at the individual dual effects of different factors to establishment mode choices. Our approach untangles the theoretical and empirical debates by presenting multiple ways to explain

why MNEs choose to make greenfield investments or acquisitions. Results show that MNEs establish foreign investments by taking into account the interplay between the competitiveness and institutional distance of the target country. And the technological intensity of the industry also drives the establishment mode choice. These forces would also depend on the internal capabilities of the MNE to respond to those institutional pressures. Therefore, we proposed a novel approach in management research (e.g., Fiss, 2007, 2011; Misangyi et al. 2017) that could be quite promising in extending theories in international business.

Third, our study contributes to filling a gap on extant literature, since van Hoorn & Maseland (2016), argued that current institutional research in international business is unable to explain how institutions matter for MNEs international expansion. Our results highlighted the importance of host countries institutions such as innovation systems, political instability, and cultural distance on establishment mode choice. We noted that greenfield investments are associated with higher levels of political instability and higher cultural distance. A higher level of external uncertainty affects establishment mode choice increasing costs and firms' performance (Bartlett & Ghoshal, 1999; Brouthers & Brouthers, 2000; Kogut & Singh, 1988). Moreover, regarding firm-level variables, we proposed an unusual approach in the field since we decompose international experience in three dimensions (i) general international experience, (ii) first mode experience, and (iii) acquisitions experience. We found support for our hypothesis which stated that greater general international experience is associated with the likelihood of greenfield investments. MNEs that already have experience in the host country could opt for greenfield investment since they probably developed a better understanding of how to act abroad. By opting for greenfield investment, firms could avoid risks related to information asymmetry and post-integration process (Agarwal & Ramaswani, 1992). Furthermore, Dow and Larimo (2011) noted that international experience in dissimilar markets is associated to greenfields. We also observed that the greater the frequency of adoption of a specific establishment mode in earlier entries, the greater its propensity to repeat the same mode in the future. We found an interesting finding, it seems that MNEs engage in subsequent acquisitions has developed capabilities to deal with different characteristics of the host countries institutional environment.

Managerial and government implications

Our findings have important implications for managers to consider the influence of host countries institutions on FDI flows. We believe that our research framework may be useful to identify factors that affect MNEs operations guiding manager to decide about establishment mode choice. Furthermore, our findings indicated the most competitive economies in Latin America and the Caribbean region regarding six contextual dimensions. This effort may help managers to internationalize their firms to more similar or dissimilar countries in a specific geographic region as Latin America case.

Moreover, our framework proposes various means on how managers can ensure that they address critical issue areas by identifying the complementarities effects between firm, industry and host country for their establishment choices. For example, our results reveal that making greenfield investments would require firms to have higher international experience and regional knowledge. Further, MNEs could benefit with our framework by recognizing some firm-specific advantages that can help them respond to institutional restrictions by host countries.

Another possible contribution concerns the scope of the government because our results demonstrated the role that institutions place on the entry process into foreign countries. We pointed out some aspects that improve countries' competitiveness and their development over the years. We think our findings may be helpful in the proposition of government policies to increase inward FDI. Because firms tend to be attracted primarily to highly competitive markets when making foreign investments. Policy makers of those countries could increase their attractiveness by focusing on other elements such as increasing FDI openness, improving the business environment, and promoting innovation.

Limitations and future studies

We recognize that the lack of data related to Brazilian firms and the industries in which they compete are the major limitations of this study. In addition, the sample size is a limitation because a greater number of observations is needed to generalize our results due to the complexity of the subject, as well as the diversity of variables and measurements. We also highlight that institutional diversity exists within a given country. We also did not include in our sample some economies that may offer additional insights about EMNEs internationalization behavior. Moreover, we believe that several factors

that influence FDI flows do not complain in our study. For example, we did not explore some factors related to market-seeking strategy that consists in one of the main motivators for EMNEs internationalization.

For instance, we focus only on one type of entry mode: the choice between acquisition and greenfield investments. However, there are other means of entering markets as international joint venture or licensing. About the methods, our study has not accounted for the temporal aspect. Each case is taken individually by matching the time of establishment mode choice with the factors during the same period. A prospective path is to explore whether MNEs would change their establishment choices over time. Finally, our framework might apply to other multinationals in different contexts such as those with other emerging countries or developed countries.

Furthermore, our country-level factors may also vary not only through the dimensions of our framework. Country competitiveness and institutional distance can be affected by perceptions of MNE stakeholders. It would be interesting how those perceptions may affect the relationships that we studied here. We also propose new research questions as How EMNEs obtain financial support to their growth and development abroad? Is it liberalization policies a key driver of inward FDI in emerging markets? The membership in a geographic and economic region encompass firms to move production to countries with lower labor costs? How emerging market countries can increase their levels of innovation? Finally, we recommend that other studies should be undertaken to expanding the number of dimensions used for understanding the role of institutions and experience(s) on the establishment mode choice of EMNEs. We also believe that qualitative research with managers and countries' experts may be useful to validate our research framework.

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APPENDIX

Table 9A Ranking of top 50 economies according institutional quality over time

Country	Year	Business environment	Country	Year	Financial support	Country	Year	Innovation System	Country	Year	Labor market	Country	Year	Political uncertainty	Country	Year	FDI openness	
1	Porto Rico	2014	14.057	Chile	2007	12.638	Porto Rico	2014	13.282	El Salvador	2006	13.147	Chile	2011	12.768	Chile	2006	11.514
2	Porto Rico	2013	14.016	Panama	2007	12.344	Porto Rico	2013	12.899	Chile	2007	13.100	Uruguay	2011	12.349	Costa Rica	2008	11.448
3	Chile	2008	13.847	Chile	2006	12.286	Costa Rica	2014	12.410	El Salvador	2007	13.071	Chile	2010	12.337	Chile	2007	11.387
4	Chile	2006	13.834	Panama	2008	12.176	Porto Rico	2012	12.370	Chile	2006	12.776	Chile	2012	12.289	Chile	2008	11.381
5	Chile	2007	13.805	Panama	2006	12.105	Costa Rica	2013	12.231	El Salvador	2008	12.767	Uruguay	2012	12.038	Uruguay	2010	11.310
6	Guatemala	2014	13.705	Chile	2008	12.036	Porto Rico	2008	11.864	Dominican Rep	2007	12.759	Uruguay	2010	11.990	Chile	2009	11.299
7	Porto Rico	2012	13.678	Panama	2013	11.702	Porto Rico	2011	11.863	Costa Rica	2008	12.757	Uruguay	2013	11.878	Porto Rico	2007	11.214
8	Guatemala	2013	13.599	Porto Rico	2007	11.550	Porto Rico	2007	11.805	Chile	2008	12.712	Uruguay	2014	11.866	Panama	2008	11.186
9	Chile	2009	13.592	Panama	2009	11.438	Costa Rica	2006	11.737	El Salvador	2009	12.549	Chile	2013	11.806	Uruguay	2011	11.155
10	Chile	2010	13.369	Panama	2012	11.007	Porto Rico	2010	11.660	Guatemala	2014	12.499	Chile	2006	11.655	Panama	2012	11.154
11	Porto Rico	2011	13.261	Porto Rico	2008	10.984	Costa Rica	2010	11.612	Guatemala	2008	12.463	Chile	2014	11.538	Costa Rica	2007	11.134
12	Brazil	2009	13.186	Chile	2009	10.893	Porto Rico	2009	11.586	El Salvador	2010	12.460	Chile	2007	11.445	Chile	2010	11.087
13	Chile	2011	13.183	Panama	2014	10.698	Costa Rica	2007	11.579	Nicaragua	2007	12.455	Uruguay	2009	11.395	Peru	2008	11.063
14	Brazil	2010	13.179	Chile	2012	10.467	Costa Rica	2012	11.571	Guyana	2013	12.432	Uruguay	2008	11.021	Chile	2011	11.014
15	Brazil	2011	13.173	Panama	2010	10.438	Costa Rica	2009	11.530	Nicaragua	2008	12.330	Costa Rica	2009	11.006	Porto Rico	2008	11.008
16	Porto Rico	2008	13.134	Peru	2008	10.407	Costa Rica	2011	11.421	Dominican Rep	2008	12.326	Chile	2009	10.967	Panama	2013	10.986
17	Guatemala	2012	13.079	Peru	2007	10.326	Brazil	2008	11.408	Guyana	2012	12.278	Chile	2008	10.811	Costa Rica	2009	10.980
18	Guatemala	2010	13.063	Chile	2011	10.296	Brazil	2007	11.370	Guatemala	2007	12.277	Uruguay	2007	10.721	Peru	2009	10.956
19	El Salvador	2009	13.027	Chile	2013	10.280	Costa Rica	2008	11.328	Porto Rico	2007	12.273	Costa Rica	2010	10.674	Uruguay	2009	10.945
20	Costa Rica	2013	13.023	Chile	2014	10.260	Brazil	2006	11.260	Costa Rica	2007	12.243	Costa Rica	2008	10.467	Uruguay	2012	10.920
21	Guatemala	2011	13.022	Chile	2010	10.167	Chile	2007	11.145	Dominican Rep	2006	12.211	Uruguay	2006	10.173	Panama	2011	10.862
22	Costa Rica	2014	13.020	Panama	2011	10.087	Chile	2013	11.130	Chile	2013	12.161	Costa Rica	2011	10.038	Panama	2010	10.802
23	Brazil	2008	13.012	Peru	2006	9.974	Chile	2006	11.122	Guatemala	2013	12.127	Costa Rica	2014	9.736	Panama	2007	10.789
24	Brazil	2012	13.011	Porto Rico	2009	9.810	Chile	2014	11.063	Porto Rico	2014	12.109	Costa Rica	2012	9.698	Panama	2009	10.711
25	Porto Rico	2007	12.989	Brazil	2008	9.619	Brazil	2009	11.058	Chile	2014	12.068	Ecuador	2013	9.676	Mexico	2008	10.695
26	Costa Rica	2010	12.972	Colombia	2007	9.610	Panama	2014	10.853	Porto Rico	2013	12.034	Bolivia	2014	9.648	Chile	2012	10.686
27	Peru	2011	12.970	Colombia	2008	9.572	Brazil	2010	10.756	Costa Rica	2009	11.978	Costa Rica	2013	9.566	Mexico	2007	10.657
28	Colombia	2013	12.963	Bolivia	2013	9.527	Chile	2010	10.725	El Salvador	2011	11.826	El Salvador	2006	9.486	Chile	2013	10.651
29	El Salvador	2011	12.950	Peru	2011	9.517	Chile	2012	10.709	Guyana	2010	11.826	Porto Rico	2013	9.334	Dominican Rep	2007	10.627
30	Colombia	2014	12.942	Bolivia	2012	9.499	Chile	2008	10.676	Guatemala	2012	11.807	Bolivia	2013	9.191	Peru	2010	10.616
31	Colombia	2010	12.934	Brazil	2006	9.451	Chile	2009	10.641	Guyana	2011	11.801	Porto Rico	2014	9.155	Uruguay	2008	10.606
32	Costa Rica	2011	12.909	El Salvador	2006	9.449	Panama	2013	10.607	Chile	2009	11.760	Panama	2013	9.010	Dominican Rep	2006	10.572
33	El Salvador	2010	12.890	Colombia	2006	9.411	Chile	2011	10.575	Guatemala	2009	11.750	Porto Rico	2012	8.997	Costa Rica	2006	10.545
34	Costa Rica	2009	12.890	El Salvador	2007	9.373	Guyana	2014	10.489	Porto Rico	2008	11.736	El Salvador	2007	8.989	Uruguay	2013	10.537
35	Costa Rica	2008	12.885	Bolivia	2014	9.354	Brazil	2011	10.447	Guyana	2009	11.721	Nicaragua	2013	8.968	Peru	2007	10.531
36	Brazil	2007	12.865	Ecuador	2013	9.343	Brazil	2013	10.443	Costa Rica	2010	11.696	Porto Rico	2009	8.901	Honduras	2008	10.510
37	Chile	2014	12.857	Peru	2009	9.327	El Salvador	2014	10.401	Guyana	2008	11.694	Costa Rica	2007	8.880	El Salvador	2008	10.502
38	El Salvador	2014	12.854	Guyana	2014	9.256	Mexico	2014	10.378	Nicaragua	2006	11.673	Porto Rico	2008	8.877	Dominican Rep	2008	10.500
39	Chile	2012	12.823	Peru	2012	9.208	Argentina	2014	10.370	Mexico	2007	11.669	Bolivia	2012	8.864	Porto Rico	2009	10.468
40	Chile	2013	12.818	Mexico	2007	9.167	Guyana	2013	10.262	Honduras	2007	11.663	Guyana	2013	8.816	El Salvador	2007	10.424
41	El Salvador	2012	12.813	El Salvador	2008	9.148	Mexico	2013	10.258	Costa Rica	2014	11.661	Guyana	2014	8.814	Panama	2014	10.421
42	Guatemala	2009	12.803	Brazil	2011	9.125	Argentina	2006	10.250	Costa Rica	2013	11.632	El Salvador	2014	8.792	El Salvador	2006	10.398
43	Porto Rico	2010	12.799	Mexico	2006	9.123	Brazil	2014	10.200	Dominican Rep	2009	11.610	Panama	2012	8.755	Mexico	2009	10.371
44	Brazil	2006	12.769	Peru	2013	9.101	Brazil	2012	10.139	Chile	2012	11.585	Mexico	2012	8.701	El Salvador	2009	10.366
45	Costa Rica	2012	12.767	Peru	2010	9.048	Argentina	2013	10.095	Guatemala	2011	11.557	Ecuador	2012	8.626	Chile	2014	10.341
46	Brazil	2013	12.766	Brazil	2007	9.024	Argentina	2011	10.028	Colombia	2007	11.521	Honduras	2008	8.604	Costa Rica	2010	10.327
47	Brazil	2014	12.747	Venezuela	2007	9.017	Mexico	2012	10.017	Chile	2010	11.520	Guyana	2011	8.597	Peru	2011	10.319
48	Panama	2012	12.719	Brazil	2012	9.015	Ecuador	2013	9.976	Chile	2011	11.487	Guyana	2010	8.515	Guatemala	2008	10.303
49	Porto Rico	2009	12.716	Brazil	2009	9.010	Argentina	2010	9.975	Nicaragua	2009	11.477	Mexico	2013	8.497	Mexico	2006	10.302
50	Peru	2012	12.711	Nicaragua	2013	8.993	Uruguay	2006	9.972	Porto Rico	2012	11.426	Panama	2014	8.496	Costa Rica	2012	10.290

Table 10A

FDI inflows, by economy, 2009-2014

(Millions of dollars)

Economy/country	2009	2010	2011	2012	2013	2014
Argentina	4 017.2	11 332.7	10 839.9	15 323.9	9 821.7	5 065.3
Bolivia	423.0	642.9	858.9	1 060.0	1 749.6	656.6
Brazil	25 948.6	83 749.0	96 152.4	76 098.0	53 059.7	73 085.5
Chile	12 945.5	17 226.8	17 738.7	27 046.5	19 330.7	23 783.8
Colombia	8 034.6	6 429.9	14 647.8	15 039.4	16 208.7	16 163.1
Costa Rica	1 443.6	1 683.5	2 461.5	2 258.1	2 741.1	2 959.9
Dominican Republic	2 165.4	2 023.7	2 276.7	3 142.4	1 990.5	2 208.5
Ecuador	308.7	166.0	644.2	567.5	727.1	772.3
El Salvador	365.8	- 230.3	218.5	481.9	179.2	311.1
Guatemala	600.0	805.9	1 026.1	1 244.6	1 295.6	1 388.9
Guyana	164.0	198.0	246.8	293.7	214.0	255.2
Honduras	509.0	969.1	1 014.3	1 058.5	1 059.7	1 417.4
Mexico	18 111.8	27 262.8	24 706.2	21 060.8	47 536.9	27 507.9
Nicaragua	433.9	489.9	936.3	767.7	815.5	884.1
Panama	1 259.3	2 723.3	3 152.7	3 210.5	3 567.2	4 458.7
Paraguay	71.3	462.0	581.2	697.1	252.2	382.1
Peru	6 430.7	8 454.6	7 341.1	11 788.2	9 799.7	4 441.0
Porto Rico	NI	NI	NI	NI	NI	NI
Uruguay	1 528.6	2 289.1	2 504.1	2 535.7	3 032.1	2 187.7
Venezuela	- 983.0	1 574.0	5 740.0	5 973.0	2 680.0	320.0
Belize	108.8	97.2	95.3	189.2	95.2	152.7
Costa Rica	1 443.6	1 683.5	2 461.5	2 258.1	2 741.1	2 959.9
El Salvador	365.8	- 230.3	218.5	481.9	179.2	311.1
Guatemala	600.0	805.9	1 026.1	1 244.6	1 295.6	1 388.9
Honduras	509.0	969.1	1 014.3	1 058.5	1 059.7	1 417.4
Mexico	18 111.8	27 262.8	24 706.2	21 060.8	47 536.9	27 507.9
Nicaragua	433.9	489.9	936.3	767.7	815.5	884.1
Panama	1 259.3	2 723.3	3 152.7	3 210.5	3 567.2	4 458.7

Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Table 11A Manova

Multiple Comparisons

LSD

Dependent Variable	(I) Cluster Number of Case	(J) Cluster Number of Case	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Business_Envir	1	2	-1,8660137*	,16058710	,000	-2,1829631	-1,5490644
		3	-1,4343726*	,12838855	,000	-1,6877720	-1,1809732
		4	-2,2109738*	,14891810	,000	-2,5048922	-1,9170555
	2	1	1,8660137*	,16058710	,000	1,5490644	2,1829631
		3	,4316411*	,14279680	,003	,1498043	,7134779
		4	-,3449601*	,16150512	,034	-,6637214	-,0261988
	3	1	1,4343726*	,12838855	,000	1,1809732	1,6877720
		2	-,4316411*	,14279680	,003	-,7134779	-,1498043
		4	-,7766012*	,12953497	,000	-1,0322633	-,5209391
	4	1	2,2109738*	,14891810	,000	1,9170555	2,5048922
		2	,3449601*	,16150512	,034	,0261988	,6637214
		3	,7766012*	,12953497	,000	,5209391	1,0322633
FinancSupport	1	2	-,4376618*	,16591481	,009	-,7651264	-,1101971
		3	-,7407725*	,13264803	,000	-1,0025788	-,4789662
		4	-2,1926783*	,15385867	,000	-2,4963478	-1,8890087
	2	1	,4376618*	,16591481	,009	,1101971	,7651264
		3	-,3031107*	,14753429	,041	-,5942979	-,0119236
		4	-1,7550165*	,16686329	,000	-2,0843532	-1,4256799
	3	1	,7407725*	,13264803	,000	,4789662	1,0025788
		2	,3031107*	,14753429	,041	,0119236	,5942979
		4	-1,4519058*	,13383248	,000	-1,7160498	-1,1877618
	4	1	2,1926783*	,15385867	,000	1,8890087	2,4963478
		2	1,7550165*	,16686329	,000	1,4256799	2,0843532
		3	1,4519058*	,13383248	,000	1,1877618	1,7160498
InnovEnvironm	1	2	-1,5316993*	,17858189	,000	-1,8841648	-1,1792337
		3	-,2450204	,14277529	,088	-,5268147	,0367740
		4	-1,6592918*	,16560530	,000	-1,9861455	-1,3324380
	2	1	1,5316993*	,17858189	,000	1,1792337	1,8841648

		3	1,2866789*	,15879807	,000	,9732605	1,6000973
		4	-,1275925	,17960279	,478	-,4820729	,2268880
	3	1	,2450204	,14277529	,088	-,0367740	,5268147
		2	-1,2866789*	,15879807	,000	-1,6000973	-,9732605
		4	-1,4142714*	,14405017	,000	-1,6985820	-1,1299608
	4	1	1,6592918*	,16560530	,000	1,3324380	1,9861455
		2	,1275925	,17960279	,478	-,2268880	,4820729
		3	1,4142714*	,14405017	,000	1,1299608	1,6985820
Labor_Mkt	1	2	-,4439681*	,17389550	,012	-,7871842	-,1007521
		3	-1,5833530*	,13902854	,000	-1,8577524	-1,3089535
		4	-1,7703492*	,16125944	,000	-2,0886256	-1,4520728
	2	1	,4439681*	,17389550	,012	,1007521	,7871842
		3	-1,1393849*	,15463085	,000	-1,4445785	-,8341913
		4	-1,3263811*	,17488960	,000	-1,6715592	-,9812030
	3	1	1,5833530*	,13902854	,000	1,3089535	1,8577524
		2	1,1393849*	,15463085	,000	,8341913	1,4445785
		4	-,1869962	,14026997	,184	-,4638458	,0898534
	4	1	1,7703492*	,16125944	,000	1,4520728	2,0886256
		2	1,3263811*	,17488960	,000	,9812030	1,6715592
		3	,1869962	,14026997	,184	-,0898534	,4638458
Pol_Uncet	1	2	-1,9949330*	,16990231	,000	-2,3302678	-1,6595983
		3	-1,0586156*	,13583601	,000	-1,3267140	-,7905172
		4	-1,9757726*	,15755642	,000	-2,2867404	-1,6648049
	2	1	1,9949330*	,16990231	,000	1,6595983	2,3302678
		3	,9363175*	,15108004	,000	,6381321	1,2345029
		4	,0191604	,17087359	,911	-,3180913	,3564122
	3	1	1,0586156*	,13583601	,000	,7905172	1,3267140
		2	-,9363175*	,15108004	,000	-1,2345029	-,6381321
		4	-,9171571*	,13704893	,000	-1,1876494	-,6466648
	4	1	1,9757726*	,15755642	,000	1,6648049	2,2867404
		2	-,0191604	,17087359	,911	-,3564122	,3180913
		3	,9171571*	,13704893	,000	,6466648	1,1876494
FDI_Openness	1	2	-1,7341586*	,15694787	,000	-2,0439253	-1,4243920
		3	-1,3132164*	,12547900	,000	-1,5608732	-1,0655596

	4	-2,3187963*	,14554331	,000	-2,6060539	-2,0315387
2	1	1,7341586*	,15694787	,000	1,4243920	2,0439253
	3	,4209422*	,13956073	,003	,1454924	,6963921
	4	-,5846377*	,15784509	,000	-,8961752	-,2731002
3	1	1,3132164*	,12547900	,000	1,0655596	1,5608732
	2	-,4209422*	,13956073	,003	-,6963921	-,1454924
	4	-1,0055799*	,12659944	,000	-1,2554481	-,7557117
4	1	2,3187963*	,14554331	,000	2,0315387	2,6060539
	2	,5846377*	,15784509	,000	,2731002	,8961752
	3	1,0055799*	,12659944	,000	,7557117	1,2554481

Based on observed means.

The error term is Mean Square(Error) = ,397.

*. The mean difference is significant at the ,05 level.

Table 4B Truth table - greenfield

Conditions							Outcome		Consistency	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	Greenfield	N	Raw	PRI
1	1	0	1	1	0	0	1	3	0.90	0.90
1	1	0	1	1	1	0	1	5	0.85	0.85
0	0	0	1	1	1	0	1	9	0.84	0.84
1	0	1	1	1	1	0	1	3	0.82	0.82
0	1	0	1	1	0	0	1	5	0.80	0.80
0	0	1	1	1	1	0	0	5	0.79	0.79
1	1	0	0	1	1	0	0	6	0.78	0.78
0	0	0	1	1	0	0	0	5	0.76	0.76
1	0	0	1	1	0	0	0	5	0.74	0.74
0	1	1	1	1	1	0	0	6	0.74	0.74
0	1	0	1	1	1	0	0	7	0.71	0.71
1	1	0	1	1	1	1	0	3	0.69	0.69
1	0	1	1	1	1	1	0	6	0.66	0.66
1	0	0	0	0	0	0	0	4	0.64	0.64
1	1	1	0	1	1	0	0	4	0.64	0.64
0	1	0	0	1	1	0	0	6	0.61	0.61
0	0	0	0	1	1	0	0	5	0.61	0.61
1	0	0	0	1	1	0	0	4	0.58	0.58
0	1	0	0	1	0	0	0	5	0.57	0.57
0	1	1	0	1	0	0	0	4	0.57	0.57
0	1	1	0	1	1	0	0	3	0.57	0.57
0	1	1	1	1	1	1	0	7	0.56	0.56
0	0	0	0	1	0	0	0	5	0.52	0.52
1	1	0	0	0	0	0	0	9	0.50	0.50
0	0	0	0	0	0	0	0	9	0.49	0.49
0	0	1	0	1	1	0	0	5	0.47	0.47
0	1	0	0	0	0	0	0	11	0.46	0.46
0	0	1	0	0	0	0	0	4	0.42	0.42
0	0	0	1	1	1	1	0	5	0.41	0.41
0	1	0	1	1	1	1	0	5	0.39	0.39
0	1	0	0	1	1	1	0	16	0.38	0.38
0	0	1	0	1	1	1	0	10	0.36	0.36
0	0	0	0	1	1	1	0	11	0.36	0.36
1	0	0	0	1	1	1	0	9	0.35	0.35
1	0	1	0	1	1	1	0	5	0.34	0.34
1	1	0	0	1	1	1	0	11	0.34	0.34
0	1	1	0	1	1	1	0	8	0.34	0.34
1	1	0	0	0	0	1	0	3	0.31	0.31
0	1	0	0	1	0	1	0	16	0.30	0.30
1	1	0	0	0	1	0	0	5	0.29	0.29
0	1	1	0	0	0	1	0	3	0.23	0.23
0	0	0	0	0	0	1	0	4	0.16	0.16
1	1	0	0	1	0	1	0	8	0.15	0.15
1	0	1	0	1	0	1	0	3	0.07	0.07

Notes:

- (1) Country competitiveness
- (2) Institutional distance
- (3) Technological intensity
- (4) International experience
- (5) Regional experience
- (6) Country diversity
- (7) Publicly traded

Table 5B Truth table – acquisition

(1)	(2)	Conditions					Outcome		Consistency	
		(3)	(4)	(5)	(6)	(7)	Acquisition	N	Raw	PRI
1	0	1	0	1	0	1	1	3	0.93	0.93
1	1	0	0	1	0	1	1	8	0.85	0.85
0	0	0	0	0	0	1	1	4	0.84	0.84
0	1	1	0	0	0	1	0	3	0.77	0.77
1	1	0	0	0	1	0	0	5	0.71	0.71
0	1	0	0	1	0	1	0	16	0.70	0.70
1	1	0	0	0	0	1	0	3	0.69	0.69
0	1	1	0	1	1	1	0	8	0.66	0.66
1	1	0	0	1	1	1	0	11	0.66	0.66
1	0	1	0	1	1	1	0	5	0.66	0.66
1	0	0	0	1	1	1	0	9	0.65	0.65
0	0	0	0	1	1	1	0	11	0.64	0.64
0	0	1	0	1	1	1	0	10	0.64	0.64
0	1	0	0	1	1	1	0	16	0.62	0.62
0	1	0	1	1	1	1	0	5	0.61	0.61
0	0	0	1	1	1	1	0	5	0.59	0.59
0	0	1	0	0	0	0	0	4	0.58	0.58
0	1	0	0	0	0	0	0	11	0.54	0.54
0	0	1	0	1	1	0	0	5	0.53	0.53
0	0	0	0	0	0	0	0	9	0.51	0.51
1	1	0	0	0	0	0	0	9	0.50	0.50
0	0	0	0	1	0	0	0	5	0.48	0.48
0	1	1	1	1	1	1	0	7	0.44	0.44
0	1	1	0	1	1	0	0	3	0.43	0.43
0	1	1	0	1	0	0	0	4	0.43	0.43
0	1	0	0	1	0	0	0	5	0.43	0.43
1	0	0	0	1	1	0	0	4	0.42	0.42
0	0	0	0	1	1	0	0	5	0.39	0.39
0	1	0	0	1	1	0	0	6	0.39	0.39
1	1	1	0	1	1	0	0	4	0.36	0.36
1	0	0	0	0	0	0	0	4	0.36	0.36
1	0	1	1	1	1	1	0	6	0.34	0.34
1	1	0	1	1	1	1	0	3	0.31	0.31
0	1	0	1	1	1	0	0	7	0.29	0.29
0	1	1	1	1	1	0	0	6	0.26	0.26
1	0	0	1	1	0	0	0	5	0.26	0.26
0	0	0	1	1	0	0	0	5	0.24	0.24
1	1	0	0	1	1	0	0	6	0.22	0.22
0	0	1	1	1	1	0	0	5	0.21	0.21
0	1	0	1	1	0	0	0	5	0.20	0.20
1	0	1	1	1	1	0	0	3	0.18	0.18
0	0	0	1	1	1	0	0	9	0.16	0.16
1	1	0	1	1	1	0	0	5	0.15	0.15
1	1	0	1	1	0	0	0	3	0.10	0.10

Notes:

- (1) Country competitiveness
- (2) Institutional distance
- (3) Technological intensity
- (4) International experience
- (5) Regional experience
- (6) Country diversity
- (7) Publicly traded

Table 3C Variable Inflation Factor (VIF)

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.532	.213		2.499	.013		
	Zscore(Tech_Intens2)	-.029	.056	-.024	-.514	.608	.698	1.432
	Zscore(Traded2)	-.007	.046	-.007	-.148	.882	.720	1.389
	Zscore:Revenue_3years(log)	.025	.043	.027	.596	.552	.746	1.341
	Zscore(Int_Exp)	4.009	1.585	.115	2.529	.012	.725	1.379
	Zscore(Cult_dist)	.003	.100	.003	.027	.978	.151	6.616
	Zscore(Political)	-.065	.103	-.059	-.633	.527	.170	5.879
	Zscore(Financ)	-.057	.140	-.052	-.408	.684	.094	10.671
	Zscore(Innovation)	-.025	.109	-.025	-.226	.822	.120	8.354
	Zscore(Pop_log)	-.013	.041	-.013	-.310	.756	.923	1.084
	Zscore(GDP_capita)	.133	.150	.131	.885	.377	.068	14.607
	Zscore(Exp_AQ)	-.587	.070	-.605	-8.378	.000	.287	3.482
	Zscore(First_entry_Mode)	.028	.067	.028	.427	.670	.347	2.885