Index

Accumulated experience, 51, 115–117
Acquisition, 46, 60, 123
  experience, 115, 117, 126, 130, 140, 143
  of external legitimacy, 69, 70
  and greenfield experience, 115, 117
  ID–acquisition experience, 141–142
  interaction effects, 143
  pros and cons of establishment modes, 61
Aggregate measure of ID, 88
  key independent variables, 91
  results for Swiss OFDI determinants, 89–90
  Wald test, 92
Akaike's information criterion (AIC), 138, 145–146, 151
Average marginal effects, 129–130
  for establishment choice, 133–144
  interrelated choice of establishment and ownership, 154–156
  for ownership choice, 144–156

Bivariate probit model, 154–155
Business network(s), 52, 53
  embeddedness, 53, 54, 69–70, 140, 145, 155
  ID–network embeddedness, 143
  Swiss firms, 118–119
Business relationships, 52, 53, 54, 70

Cluster, 55–57
  analysis, 18, 21–22
  dendrograms, 8, 21, 22, 30, 36
Cluster embeddedness, 56, 70–71, 119–122
  ID–cluster embeddedness, interaction effects on probability of greenfield, 143–144, 146
  ID–cluster embeddedness, interaction effects on probability of partial ownership, 154, 156
Cognitive pillar, 2–3
Composite measure, 8, 12–15, 77
Conceptualization
  of ID, 2
  institutional aspects, 5–6
  and measurement of ID, 160
  notion of perception, 4–5
  Scott's conceptualization of institutions, 2

types of, 3–4
Control of corruption (CC), 7, 10, 11, 27, 30–31
Control variables, 85, 91, 97–98, 131
firm's characteristics, 132–133
firm's motives, 131–132
macroeconomic environment, 86–87
trade and geographical distance, 86
Corporate culture, 4
Corporate nationality, 43
Country-level analysis, 76
with aggregate measure of ID, results for models, 88–92
correlation matrix of variables, 166
discussion of results, 100–103
empirical models and methodology, 76–80
with individual dimensions of informal ID, results for models, 92–98
results, 87–88
results for Swiss OFDI determinants, 167–175
sensitivity analysis, 98–100
variables, 80–87
see also Firm-level analysis
Cronbach's alpha, 12, 15
Cultural, administrative, geographic, economic (CAGE), 1, 4
Cumulative variation, 13

Data, 8, 87
for bilateral FDI stocks, 80–81
country-level data, 76
formal ID, 10–11
informal ID, 8–10
informal institutional, 46
SNB data, 108
Demand-related network, 118–119
Dependent variable(s), 80, 130
descriptive statistics of Swiss OFDI stocks, 82–83
percent share of Swiss OFDI stocks, by world region, 84
percent share of Swiss OFDI stocks, manufacturing, and services, 84
standard descriptive statistics, 81
Descriptive analysis, 107, 156
statistics on firm's largest FDI, 110–125
trends over period (2010–2014), 107–110
see also Econometric analysis
Descriptive statistical analysis, 9
of formal ID measures, 26–28
of informal ID measures, 19–20
Discrimination hazards, 46–47
Diversification, 132
Domestic density, 43, 44
Dummy variable, 131

Early Starter, 54
Econometric analysis, 125
empirical models, 125–130
results, 133–156
variables, 130–133
see also Descriptive analysis
Econometric methods, 76, 129–130
Efficiency-seeking FDI, 85
Empirical models, 125
description of variables, 78–79
econometric methods, 129–130

establishment choice, 125–129
geographic distance, 77
linear unobserved effects panel data models, 80
and methodology, 76
ownership choice, 129
variables for establishment and ownership determinants, 126–128
Entry mode
preference, 122–125
strategies, 59–60
Entry mode choice
entry mode strategies, 59–60
factors reducing impact of ID, 66–71
and firms entry mode strategies, 61–66
institutional distance on, 58
Equity modes, 59–60
Establishment-specific experience, 68, 69, 115
"Establishment chain", 50–51
Establishment choice (*Est*), 125–129, 130
average marginal effects for, 133–140
formal ID and, 63–64
informal ID and, 62–63
institutional distance and, 62
interaction effects on probability of greenfield, 140–146
interrelation with ownership choice, 154–156
Establishment determinants, variables for, 126–128
Establishment mode, 61, 125
Euclidean distance (ED), 12, 20, 28, 99
Expansion, 114, 132, 134, 147, 179, 183, 186
liability of inter-regional, 86
liability of intra-regional, 86
Experience
accumulated, 115–117
acquisition, 115, 117, 126, 130, 140, 143
through creation, 49
establishment-specific, 68, 69, 115
firms and, 51–52
formal ID-international, 155
greenfield, 115, 117, 130, 140
host country-specific, 67–69, 115, 142, 154, 157
ID–acquisition, 141–142
ID–greenfield, 142–143
ID–host country-specific, 140–141, 152–153
ID–international, 140
international, 67, 115, 115, 126, 152, 153, 157, 161
learning in firms, 51
of MNEs, 49
types, 67–69, 130–131
External pressure, 45

Factor analysis (FA), 7, 12–15
"Factor loadings" coefficients, 14
Factor scores variables, 14–15
FE model, 88
Finland
Global Competitiveness Index ranking, 158
informal ID, 24
Firm-level analysis
correlation matrix of variables, 178
descriptive analysis, 107–125
econometric analysis, 125–156
establishment choice of Swiss firms, results for determinants of, 179–182

interrelated choice of Swiss firms, results for determinants of, 186–188
KOF survey, 106
ownership choice of Swiss firms, results for determinants of, 183–185
results, 156–158
Swiss Entry Mode Choice, results for, 157
Swiss firms, 105
see also Country-level analysis
Firm(s)
characteristics, 132–133
classification, 106
Early Starter, 54
entry mode strategies, institutional distance and, 61–66
features, 108
firm-level database, 125
International among Others, 54–55
with international experience, 140
Late Starter, 54
Lonely International, 54
motives, 131–132
motives for FDI, 85
from resource-based view, 53
Foreign direct investment (FDI), 39, 40, 56, 75, 110
Foreignness, 42–44
see also Liability of foreignness (LOF)
Formal ID, 7, 10–11, 25, 88, 130, 138, 139, 151
cluster dendrograms, 30–34
clustering method, 29–30
descriptive statistics, 26–28
and establishment choice, 63–64
formal ID-international experience, 155
formal ID-network, 155
ID measures, 28–29
maps between Switzerland and host countries, 35–36
and ownership choice, 66
PCA/FA results for creation, 26
Swiss case, 28–36
WGI, 25–26
see also Informal ID
Formal institutions, 3
France
Hofstede's scores, 24
informal ID, 22, 24, 36–37

GDP, 76, 77, 87, 102
of home and host countries, 98–100
per capita, 158
Generalized least squares (GLS), 80, 88
Geographic distance, 77, 79, 86, 87, 97, 99, 101–103
"Geovalent" filter, 68
Germany
domestic density index, 44
FDI projects, 107, 108, 111, 112
formal ID, 26
Hofstede's scores, 24
Global competitiveness, 85
Global Competitiveness Reports (GCR), 6–7, 158
Global Leadership and Organizational Behavior Effectiveness (GLOBE), 6
Goodness-of-fit measures
for establishment choice, 138
for ownership choice, 151
Governance, 7
Government effectiveness (GE), 7, 10
Graphical analysis, 24–25
Gravity model, 77

Greenfield experience, 115, 117, 130, 140, 142–143, 144
"Guanxi" effect, 53

Hausman test, 88
Hazards, unfamiliarity, 45–46
Hierarchical clustering methods, 18
Host country
  inflation rate, 86, 87
  institutional uncertainty, 62
  level of experience at entry in, 116–117
Host country-specific experience, 67, 115
  interaction effects on probability of greenfield, 140–141, 142
  interaction effects on probability of partial ownership, 152–153, 154
Host country-specific experience, 67–69, 115, 142, 154, 157

"Illusion of stability", 9
Indirect linkages, 70
Indirect relations, 56
Individualism (IDV), 6, 8, 80
Informal ID, 6–7, 8–10, 18, 88, 130, 139
  descriptive statistics of informal ID measures, 19–20
  and establishment choice, 62–63
  individual dimensions of, 92–98
  null hypothesis of zero-coefficients, 97–98
  and ownership choice, 65–66
  PCA/FA results for creation, 18–19
  RE model estimated by GLS, 93
  results for Swiss OFDI determinants, 94–96
  Swiss case, 20–25
  see also Formal ID
Informal institutional distance (*LID_inf*), 88
Informal institutions, 3
Institutional approach, 41–42
Institutional Country Risk Guide (ICRG), 7
Institutional distance (ID), 1, 48–49, 75
  aggregate measure, 88–92
  comparison of ID measures, 17–18
  conceptualization, 2–6
  data, 8–11
  on entry mode choice, 58–71
  entry mode strategies, 59–60
  factors reducing impact on entry mode choice, 66–71
  and firms' entry mode strategies, 61–66
  foreignness, 42–44
  ID–acquisition experience, 141–142, 143
  ID–cluster embeddedness, 143–144, 146, 154, 156
  ID–greenfield experience, 142–143, 144
  ID–host country-specific experience, 140–141, 142, 152–153, 154
  ID–international experience, 140, 152, 153
  ID–network embeddedness, 143, 145, 153, 155
  institutional quality, institutional distance *vs.*, 57–58
  internationalization process, 42–49

and learning process, 49–57
legitimacy concerns, 44–49
liability of foreignness, 44–49
on location choice, 42–58
measurements and comparisons, 8
multidimensional distance, 15–17
operationalization, 6–7
related firm's strategies, 62
results, 34–37
unidimensional distance, 8–15
see also Formal ID; Informal ID
Institutional diversity, 4
Institutional index, 7
Institutional inertia, 68
Institutional quality, 98
institutional distance *vs*., 57–58
Institutional theory, 45
Interaction effects on probability of greenfield, 140
ID–acquisition experience, 141–142, 143
ID–cluster embeddedness, 143–144, 146
ID–greenfield experience, 142–143, 144
ID–host country-specific experience, 140–141, 142
ID–international experience, 140
ID–network embeddedness, 143, 145
Interaction effects on probability of partial ownership, 152
ID–cluster embeddedness, 154, 156
ID–host country-specific experience, 152–153, 154
ID–international experience, 152, 153
ID–network embeddedness, 153, 155
Internal diversity, 4
Internal institutions, 63
Internalization advantages (I-advantages), 40
Internalization theory, 40, 41
Internal pressure, 45
International business (IB) studies, 1, 8
International entrepreneurship approach, 49
International experience, 67, 115, 115, 126, 152, 153, 157, 161
Internationalization, 48–50, 86, 101, 109
Intra-organizational relations, 48
Investments, profitability of, 110

K&S impact, 99
Kaiser-Meyer-Olkin (KMO), 18, 26
Kaiser's rule, 13
Key independent variables, 84, 88, 91
informal and formal ID, 130
networks, 131
types of experience, 130–131
KOF
Institute, 105
internationalization survey, 130–131
questionnaire on Internationalization of Swiss firms, 190–191
survey, 124
Kogut and Singh distance (K&S distance), 15–16

Late Starter, 54
Learning, 42, 115
  accumulated experience, 115
  cluster embeddedness, 119–122
  importance of motivations to invest in cluster, 121
  importance of presence of firms in field on location choice, 121–122
  institutional distance and, 49
  level of experience at entry in host country, 116–117
  network approach, 52–57
  network embeddedness, 117
  stage approach, 50–52
  types of business relations, 119
Legal corporate nationality, 43
Legitimacy, 44
  discrimination hazards, 46
  hazards, unfamiliarity, 45–46
  ID, 48–49
  internationalization, 48–49
  relational hazards, 47–48
Liability of foreignness (LOF), 42, 44, 48–49, 51, 109
Liability of outsidership, 47
LID_qual, 91
Location-specific advantages (L-advantages), 40
Location choice, 113
  importance of presence of firms in field on, 121–122
  institutional distance on, 42, 44–49
  institutional quality, institutional distance *vs*., 57–58
  internationalization process, 42–49
  and learning process, 49–57
  legitimacy, 44–49
  LOF, 44–49
Location preference, 111–113
Lonely International, 54

Macroeconomic environment, 86–87
Macro institutions, 4
Mahalanobis distance (MD), 16–17, 98
Manufacturing sample, 99
Market-seeking FDI, 85
Market-seeking motive, 86, 100
"Masculine" society, 24, 103
Masculinity (MAS), 6, 8, 24, 80
Maximum likelihood estimator (MLE), 80, 88
Meso institutions, 4
Micro institutions, 4
Model specification, 1, 87, 133
  average marginal effects for establishment choice, 133–138
  average marginal effects for ownership choice, 144–145
  results for models with aggregate measure of ID, 88–91
  results for models with individual dimensions of informal ID, 93
Model specification, 2, 133
  average marginal effects for establishment choice, 138–139
  average marginal effects for ownership choice, 145–146
  results for models with aggregate measure of ID, 91–92
  results for models with individual dimensions of informal ID, 93–97
Model specification, 3, 133

average marginal effects for establishment choice, 139–140
average marginal effects for ownership choice, 146–152
results for models with aggregate measure of ID, 92
results for models with individual dimensions of informal ID, 97–98
Most multinational enterprises (MNEs), 76, 86
with technological knowledge, 132
Motivations, 113–115
importance to invest in cluster, 121
variables impact, 155
Multidimensional distance, 15–17
K&S distance, 15–16
Mahalanobis distance, 16–17
normalized Euclidean distance, 17
see also Unidimensional distance
Multihome-countries, 75
Multihost-countries, 75, 76
Multinational diversity, 67
Multinational enterprises (MNEs), 42
Multivariate statistical techniques
FA, 12–15
PCA, 12–15

National business systems, 5
National culture, 8
dimensions of, 6
National governance systems, 5
National innovation systems, 5
Nationality of firm, 43
Natural resource-seeking FDI, 85
Nepal, FDI in, 112–113
Network(s), 131
business network embeddedness, 69–70
cluster embeddedness, 70–71
embeddedness, 117, 143, 145, 153, 155
Network approach, 49, 52–57
of internationalization, 55
Normal distribution, 81
Normalized Euclidean distance, 17
Normative elements, 2

OFDI stocks from manufacturing (*OFDI–man*), 81
OFDI stocks from services (*OFDI–serv*), 81
OLI framework, 41, 113
"Open Door" policy, 113
Operationalization of ID, 6–7
Ownership, 58–60
Ownership-specific advantages (O-advantages), 40
Ownership choice (*Own*), 129, 130
institutional distance and, 64–66
interrelation with establishment choice, 154–156
Ownership determinants, 60
variables for, 126–128

Panel database of FDI, 75–76
Pearson correlation matrix, 87
Political stability and absence of violence (PS), 7, 10
Pooled ordinary least squares (POLS), 88
Power distance (PDI), 6, 8, 80, 103

Principal component analysis (PCA), 7, 12–15, 99
Product life-cycle theory, 40
Psychic distance, 51

Random effect, 80
Random variable, 80
Regression method, 14–15
Regressors, 87
Regulatory dimension, 2
Regulatory quality (RQ), 7, 10
Relational hazards, 47–48
RE model, 88
Response rate, 106
Rule of law (RL), 7, 10

Schwarz's Bayesian information criterion (BIC), 138, 146, 151
Sensitivity analysis, 76, 98–100
Small and medium enterprises (SMEs), 42, 114
Stage approach, 49–52
Standard deviation (sd), 9, 20
Statistical dimensions, 12
Statistics on firm's largest FDI, 110
  entry date of firm's largest investment, 111
  entry mode preference, 122–125
  learning process, 115–122
  location preference, 111–113
  motivations, 113–115
  time preference, 111
Strategic assets-seeking FDI, 85
Supply-related network, 118–119
Swiss case
  formal ID measures, 28–34
  informal ID measures, 20–25
Swiss FDI, 73, 157–158
  determinants, 160
  location choice, 76
  location choice, 76, 161
  projects, 107
  stocks, 77, 108
Swiss firms, 113
  foreign investments of, 105–106
  KOF questionnaire on Internationalization of, 190–191
  results for determinants of establishment choice, 179–182
  results for determinants of interrelated choice, 186–188
  results for determinants of ownership choice, 183–185
Swiss market, 43
Swiss National Bank, 80, 108
Swiss OFDI
  distribution, 81
  gaps, 160
  geographical distance, 101
  location choice, 76, 93
  in services, 92
  stocks, 37, 81, 82, 84
Swiss OFDI determinants
  manufacturing sample, 170–172
  services sample, 173–175
  total sample, 167–169
Switzerland
  domestic density index, 44
  FDI, 159
  formal ID, 29–30, 33, 35, 37, 84, 160
  Global Competitiveness Index ranking, 158
  Hofstede's scores, 23–24
  informal ID, 18, 20, 22, 24–25, 36, 84, 160

institutional quality, 76, 88, 91
PDI, 103

Theoretical foundations
entry mode choice, institutional distance on, 58–71
institutional approach, 41–42
location choice, institutional distance on, 42–58
OLI framework, 41
product life-cycle theory, 40
theoretical hypotheses, 71–73
traditional IB theories, 39
Time-constant variable, 80
Time preference, 111
Total sample (*OFDI–tot*), 81, 98–99
Trade distance, 86
Trade flows, 76
Transaction cost theory, 40, 41, 46

Uncertainty avoidance (UAI), 6, 8, 80
Unidimensional distance
based on composite measurement creation, 12–15
Euclidean distance, 7, 8
see also Multidimensional distance
Unobserved effect, 80

Variables
control variables, 85–87, 131–133
corporate-level analysis, 80
dependent variables, 80–84, 130
firm-level analysis, 130
key independent variables, 130–131
key independent variables, 84
results, 87
Variance inflation factor (VIF), 87
Varimax, 14
Voice and accountability (VA), 7, 10
Volatility, 87

Wald test, 91
World Competitiveness Yearbooks (WCY), 6
Worldwide Governance Indicators (WGI), 7