SEMIGLOBALIZATION: INSTITUTIONAL EFFECTS ON MULTILATINA CROSS- BORDER ACQUISITIONS

Rusty V. Karst

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APPROVED:

Nolan Gaffney, Committee Co-chair
Danielle Cooper, Committee Co-chair
Anna Sidorova, Committee Member
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The internationalization research domain has predominantly focused on country level antecedents of firm level decisions, with particular emphasis on why certain countries are selected over others for foreign direct investment (FDI). This approach may oversimplify what actually occurs from both practical and research perspectives. Recently, MNE strategic orientation and conduct, as an outflow of a region-based localization perspective (i.e. semiglobalization), has gained increased scholarly attention. The tradition of considering country-level institutional environments may be more robustly informed by extending a paradigm which considers region-based institutions, in addition to country. Thus, in this study I examine institutional effects, as underpinned by institutional theory, on one segment of FDI decision making, cross-border acquisition behavior, in an understudied context, Latin American MNEs (i.e., Multilatinas). Linear and mixed regression are used to test hypotheses, by examining a sample of all Multilatina CBAs exacted over a five year period (2007 – 2011) in targeting host country firms within eight geographic regions. Multilevel study results provide overarching support for hypotheses, that a Multilatina’s internationalization into a country and region through cross-border acquisition equity participation is influenced by both country and region institutional environments. Contributions are made to the semiglobalization, cross-border acquisitions, institutions, and Multilatina literature streams through development of a more robust, multilevel perspective which more accurately captures how MNEs consider institutional environments in their international strategy and conduct.
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By

Rusty V. Karst
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This dissertation is dedicated to my mother, Cora J. Karst, for her guidance and support throughout my life. Difficult and yet life changing decisions she made in the past positively influenced my development and journey to this doctoral point. I would not be on the planet or in this position without her.
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CHAPTER 1

INTRODUCTION

The rise of the multinational enterprise (MNE) in number and influence on the global stage (Buckley & Casson, 1976; Dunning, 1980; Kostova & Zaheer 1999) carries with it unique MNE firm-specific strategic decisions, such as those surrounding internationalization into foreign markets (Goerzen & Beamish, 2003; Hitt, Hoskisson, & Kim, 1997). Influential decision factors associated with internationalization device, direction, and degree continue to attract increasing scholarly attention, as studied through diverse theoretical perspectives. One foreign direct investment (FDI) entry device, the cross-border acquisition (CBA), has continued to gain tremendous momentum as a key MNE internationalization mechanism. CBA occurs when an acquiring MNE headquartered in one country (home) targets a firm in another country (host) for some acquisition ownership level. CBA represents over a third of all worldwide merger and acquisition (M&A) activity and has exhibited significant continued growth as a primary FDI avenue, up 22.3% (US$63.4 billion) over the last five years, 2011 to 2015, (US$285.4 billion to US$348.8 billion) (UNCTAD, 2016). As a consequence of the trended increase in CBA transaction frequency and deal value over the last few decades, the research stream has become more entrenched in the examination of its antecedents, interventions, and consequences (e.g. Arikan & Shenkar, 2011; Bertrand & Capron, 2014; Dikova, Sahib & Van Witteloostuijin, 2010; Grimpe & Hussinger, 2014; Jory & Ngo, 2014; Kirca et al., 2011; Vaara, Junni, Sarala, Ehrnrooth & Koveshnikov, 2014).

Within the varied theoretical foundations of MNE internationalization studies, the importance and influence of institutions, as underpinned by Institutional Theory (IT), is a
leading paradigm. Within the IT perspective, researchers historically have focused on effects of location-specific institutional factors at the country level of analysis on an MNE’s internationalization decisions (e.g., device, direction and degree). MNEs evaluate host country institutions as factor components in their strategic choice decision mix - because these institutions may either support or thwart the MNE’s resource exploitation capabilities in targeted countries, and by extension, may facilitate or impede associated internationalization success (Chan, Isobe, & Makino, 2008; Kedia, Gaffney, & Clampit, 2012; Gaur, Delios, & Singh, 2007; Meyer, Estrin, Bhaumik, & Peng, 2009).

Very recently, semiglobalization - based on region localization - has emerged as a specific MNE internationalization strategy, and this has spurred a research stream rife with investigative opportunity. Regions, as geographic and logistic extensions of countries, play the leading role in the ‘semiglobalization’ perspective. Within this developing stream, scholars have begun to examine the impact of regions (e.g. geographic) on MNE internationalization strategy and decision making. Particular interest and focus is placed on MNE regional coordination and just how it influences their ability to maintain local responsiveness and exploit region-bound firm-specific advantages (RFSAs) (Arregle, Miller, Hitt, & Beamish, 2013; Ghemawat, 2007; Rugman & Verbeke, 2005). These two research streams – institutions and semiglobalization - have developed independently and only very recently have been initially examined in concert to further our understanding of regional institutional influences on MNE strategy and resultant internationalization – with semiglobalization prospects. The interaction of these constructs affords opportunities for greater examination and understanding, for example, of how formal institutions at both the country and region levels influence MNE internationalization decisions.
(Arregle, et al. 2013; Chan et al., 2008); and further, how, why, and to what extent varying context applications may result in disparate MNE strategic FDI decisions and internationalization commitment / aggressiveness by way of regional localization.

Testing the institutions-semiglobalization MNE relationship through context-specific constructs in this study will help this budding literature further take root. Pursuit of research rigor and practical relevance is a challenge confronted by all sub-disciplines within the IB domain, and this is most directly accomplished via study context. Scholars contend that contextual dimensions are what distinguish IB and IM research from domestic (Buckley, 2002; Child, 2009; Oesterle & Wolf, 2011). Given the shift in business from the United States and Europe toward more 'exotic' developing markets in Asia, Latin America and Africa, with more pronounced differences in business, institutions, and cultural environments, resultant IB research scope and boundaries have recently experienced accelerated contextual expansion. The process of incorporating context into studies, or “contextualization”, has been accomplished through many lenses, and at multiple levels of analysis, to include diverse elements of theory building (Child, 2009; Tsui, 2004; Whetten, 2009), contrasting 'single contextuality' with 'polycontextuality' (Von Glinow, Shapiro & Brett, 2004), and by embedding certain contexts within others (Shapiro, Von Glinow & Xiao, 2007). Location is one specific form of context which continues to grow in IB importance and relevance to both strategists (Ricart et al., 2004, Rugman & Verbeke, 2001) and behaviorists (Rousseau & Fried, 2001; Gelfend, Erez & Aycan, 2007). To this end, the contextual integration in this dissertation of an important geographic region as the MNE location headquarters (i.e. Latin America), with CBA as the
particular MNE FDI entry mode, provides a new and previously unstudied “laboratory condition” for this nascent institutions-semiglobalization research stream.

Within the CBA stream, there has been a noticeable increase over the last two plus decades in CBAs from multinationals located in less advanced, and more developing/emerging market economies. Associated CBA activity now rivals that of the developed nations tradition (e.g. 31.7% Developing Market CBA vs.68.3% Developed Market CBA in 2011, compared to 47.1% Developing Market CBA vs. 52.9% Developed Market CBA in 2015) (UNCTAD, 2016). This significant growth of the developing market CBA segment has led to highly varied incumbent MNE conduct. Thus it has become more fragmented in academic and practical examination, which has led to the establishment of “new multinationals” whom are classified through a number of varied descriptions and means (Guillén & García-Canal, 2010). Multinational corporations headquartered in Latin America, or “Multilatinas” (Cuervo-Cazurra, 2007, 2008, 2010; Martinez, Esperanca & De La Torre, 2005), is one such specified new multinational – classified based on geographic regional location - whose incumbent MNEs are increasingly exacting CBA as a preferred foreign market entry mode for international expansion. Latin America has become a top region in the global economy, reinforced by one-half billion plus citizens, a US$4 trillion plus gross domestic product, and a growing middle class. 2010 marked Latin America’s arrival as the globe’s fastest-growing region for both inward and outward foreign direct investment (FDI) (Martinez & Kallini, 2012). According to the 2016 UNCTAD World Information Report, Multilatina OFDI has more than doubled in value ($65.12US billion to $132.71US billion) within the last five years (2011 to 2015). As of 2015, Multilatina OFDI represents over one-fourth of all developing country OFDI.
My study will extend this newly developing multilevel institutional logic for investigating MNE internationalization decisions specific to foreign destination and investment level, by evaluating an MNE’s internationalization commitment toward a host region through a specific country or countries. This investigation is “multilevel” in that it simultaneously examines the combined effects of formal institutions (i.e., North, 1990; Williamson, 2000) of targeted country and region, on the commitment and aggressiveness of an MNE to internationalize into a particular region through a targeted gateway country (i.e. semiglobalization). This is accomplished by considering the effects of three formal institutions - regulatory control, political democracy, and capital investment - on semiglobalization (internationalization through region localization) by Latin American MNEs (Multilatinas). These constructs, as integrated in this study, extend the literature by illuminating how MNEs consider layered institutional environments (countries and regions) in their decisions about where and how much to internationalize at two influential levels, particular regions and gateway countries.

Extant literature supports the importance of institutions to MNE foreign investment strategy and the downstream localization decision mix. Institutional consideration is largely evaluated at the country level of analysis. In this study, however, I extend and test a unique and nascent perspective – that of multilevel interaction effects at the country and region institutional levels. This multilevel perspective is grounded in the position that supporting institutions influence perceptions of country attractiveness to an MNE, but do so not exclusively because of said country-level institutions. These countries have the potential to be compoundingly attractive because they also function as gateways for MNE entry into their regions for future FDI localization there. Further examination of this semiglobalization strategic
perspective reveals the potential for cumulative MNE benefits through regional arbitrage, the creation of real options for expanding operations in the targeted region, and for compounding the value of previously established investments there, through a mechanism which I have termed herein as FDI regional parlay. The potential for aggregate benefits at the region level would not be accessible otherwise, and is thus an improvement beyond the potential availed at the country level only. I therefore contend that the region level institutions in which a country is situated are a critical factor in influencing MNE internationalization – or more precisely, semiglobalization - into a country. These MNE decisions specific to FDI direction and degree, as influenced by multilevel country and region institutional effects, in aggregate represent the semiglobalization perspective of this study (see Figure 1).

![Figure 1. Institutions and MNE Semiglobalization: Construct to General Variable Map](image-url)
Study Importance and Research Contributions

Testing this semiglobalization approach has not been carried out previously and furthers the literature in several ways. The multilevel interaction of country and region institutional effects will be used to help explicate the commitment and aggressiveness of Multilatinas to internationalize into countries located in eight geographic regions. This semiglobalization perspective will help illuminate the degree to which an MNE may have a region oriented internationalization strategy. Formal institutional factors - regulatory control, political democracy, and capital investment - at both country and region levels, will serve as lenses of examination. At the aggregate research level, this study specifically contributes to scholarly work on MNE FDI decisions, institutions and their influences, and semiglobalization strategies and internationalization conduct. This study extends the budding research argument for the importance and relevance of semiglobalization (regional localization) by validating that an MNE’s interest in a region is influential in its internationalization decisions, and at what level, into a country within that region. Also, the academic and practical significance of an institutional approach that is of a ‘semiglobalized’ nature is revealed in this study through unravelling the dual-layered influence - country and region - of three formal institutions on internationalization decisions of multinationals. These country and region institutional environments are crafted within this study based on geography and effects are measured based calculations of a particular targeted country’s institutional profile relative to the region profile, as formed by the combined weighted profiles of the other countries’ in the same region (e.g. Arregle, et al., 2013). Some extant regional research exists which considers institutional influence (e.g. Arregle, et al., 2013; Oxelheim & Ghauri, 2004; Schiavo, 2007; Seyf, 2001), yet it
is quite limited in scope specific to MNE strategy and FDI as an outflow of considering the interaction effects of country and region institution attractiveness (e.g., Arregle et al., 2013). Likewise, extant research is severely limited in scale, based on incumbent MNEs examined on a global basis. To build upon this nascent body of knowledge, I contextualize the traditional research approach (i.e., country level institutional effects) in a new way and compare it directly with the emerging semiglobal approach (i.e., combined country and region institutional effects). The overarching purpose and contribution of this comparison is to determine if the semiglobalization perspective adds value beyond tradition to our understanding of the multinational foreign investment localization decisions as influenced by the targeted geographic area’s constraining institutions. Regarding operationalization of independent variables in this study, the three formal institutional indicators are newly developed composite scores of 95 countries, segmented into 8 regions based on geographic proximity, and were computationally updated herein based on the most recent and relevant institutional data available – as extended from Arregle and associates, (2013), and originally conceived by Holmes et al., (2013). Predictor variable operationalization processes (e.g. principal component analysis, multi-dimensional variable equations) were aligned with these Strategic Management Journal and Journal of Management empirical manuscripts, respectfully, yet my study extends these operationalizations by bringing the composite scores up to date and recalculating all associated equations using 2011 data, versus 2003 from these previous studies. The dependent variable in my study - equity participation - is adopted from recent and relevant cross-border acquisition internationalization studies and applied to the semiglobalization approach. Also new to the semiglobalization perspective is the use of Multilatinas and cross-border acquisitions as
the internationalization context. Layering CBA into this study as the FDI mechanism examined, also furthers associated research in the cross-border acquisitions stream. CBA is a dominant internationalization method, and this study effectively brings semiglobalization into and informs the CBA domain.

The fastest growing new multinational segment of overall FDI, and specifically FDI through CBA - Multilatina CBA – is also furthered in this study. The Latin American economic landscape is evolving and beginning to play a more influential role on the global stage (Casanova, 2009; Cuervo-Cazurra, 2008; Fleury & Fleury, 2010; Santiso, 2013), and yet prior to just recently there existed a common trend in the IB literature that seemingly ignored the Latin American region. For instance, in examining IB journals over a 10 year period (1987-1997), Elahee and Vaidya (2001) discovered that not quite 6% of the manuscripts mentioned Latin America. A similar but more extensive review, conducted from 2001- 2005, revealed a paltry 2.75% inclusion of the Latin American region (Perez-Batres, Pisani & Doh, 2010). Due to incorporation of this non-traditional MNE examination (Multilatina CBA), Latin American IB and MNE literatures will also be enriched beyond their prior state. Questions exist in the Latin American literature regarding levels of intra-regional integration and drivers for and against it. This study will help answer some of these questions.

In sum, this dissertation will contribute to theory and practice in presenting a more robust perspective – semiglobalization – through contextualized use of new multinationals – Multilatinas – and how they consider formal institutions (regulatory, political, economic) at multiple levels (country and region) in decisions of international strategy and internationalization commitment and aggressiveness (regional localization) into a target region,
by way of gateway country, through specified FDI (equity participation taken through cross-border acquisitions). This dissertation thus extends the very limited extant research accounting through a more comprehensive approach, as directed by these research questions.

Research Questions

How and to what extent do formal institutions of the target firm host country and region influence Multilatina semiglobalization, as evidenced by foreign direct investment?

How and to what extent does a multilevel institutional perspective (integrated country and region level institutions), when compared to a single-level institutional perspective (i.e. traditional country level), result in disparate explanatory ability for Multilatina semiglobalization through foreign direct investment? In other words, in the Multilatina semiglobalization through cross-border acquisition context, how and to what extent do regions matter, beyond countries?

To what extent do Multilatinas differentiate their semiglobalization (region localization) strategy intra-regionally (within Latin America but external to their home country) versus inter-regionally (external to Latin America)?

Format of Study

This section (Chapter 1) introduced the constructs and context of the study, describing its focus, importance, and intended contributions. The next section (Chapter 2) discloses the theoretical background and relevant extant literature on institutions and institutional theory, as well as semiglobalization of the multinational enterprise, and in the context of Multilatina cross-border acquisitions. Hypotheses are then extended, grounded in relevant theoretical logic and supported by extant literature. Chapter 3 discusses the research methodology, including the sample, measures, and statistical analysis. Detailed empirical findings of the study are discussed in Chapter 4. To wrap up the dissertation, Chapter 5 discusses the general findings of
this study and highlights implications, limitations, and contributions. This final chapter will also discuss future avenues of research, based on the findings of this dissertation.
CHAPTER 2
THEORY, EXTANT LITERATURE AND HYPOTHESES

Four main concept areas are integrated in this internationalization study: institutional influence, semiglobalization, Multilatinas, and cross-border acquisitions. As such, herein I will support each theoretically, provide relevant extant literature reviews, and extend the hypotheses. In the spirit of this study’s contextualization, I will first review cross-border acquisitions and Multilatinas, then position the main study constructs of institutional influence and semiglobalization.

Cross-border Acquisitions and the Multinational Enterprise

The Multinational Enterprise

Why do multinational enterprises exist? The multinational enterprise (MNE) is an organization which operates in two or more countries with multiple subunits linked through shared policies or strategy (Kostova & Zaheer 1999). Buckley and Casson (1976) applied the Coase Theorem (Coase, 1937) to the domain of foreign direct investment (FDI) and extended a theory to help explain the existence of the multinational enterprise. Underpinning this paradigm is the proposition that, when firms endeavor to expand beyond their home country borders, transaction costs emanating from market imperfections serve as a firm enticement to internalize into external markets. John Dunning (1980) extended the work of Buckley and Cason (1976) in putting forward the eclectic paradigm (i.e. OLI framework - Ownership, Location, Internalization), which incorporates factors linked to advantages derived from ownership and location. The eclectic (OLI) paradigm of internationalization is one of the flagship explanations
for why a domestic company decides to directly invest across national borders versus within the home country. The decision itself transitions the firm structure from domestic to multinational, thus establishing the multinational enterprise (MNE). Understanding that there are potentially significant obstacles (costs and disadvantages) inherent in a firm trying to compete across borders with host country domestic firms, OLI stipulates that the firm must have some source of advantage that enables it to overcome these inherent obstacles. Dissecting OLI helps reveal the process which may spur an MNE. “O” is for ownership, whereby firms develop proprietary assets (e.g. brands, processes, technologies etc.) that can afford advantages in host country markets relative to their own. “L” is for location, in which firms place specific operations in the most advantageous global locations intent on taking advantage of heterogeneous global factor and/or resource/capability markets, and in so doing integrate activities across sectors of the world. “I” is for internalization, whereby firms aggregate activities which are spread across countries, enabling them to build economies of scale and scope while concurrently minimizing certain associated transaction costs.

The preponderance of the more mature extant literature has used these theories in support of the position that it’s only when a firm believes it can exploit its own existing firm-specific competitive assets abroad that they will pursue FDI. As we clearly understand now, a countervailing position has arisen more recently, namely that FDI will also be pursued in situations when acquiring knowledge, resources, and/or markets in the host country which are not available at home, will protect, increase, or develop firm-specific competitive advantages (e.g., Almeida, 1996; Chang, 1995; Chen & Chen, 1998; Kogut & Chang, 1991; Shan & Song,
These tactics are examples of asset exploitation or asset augmentation based FDI, aligning with the asset exploration / exploitation dichotomous paradigm (i.e. March, 1991).

Regarding further motivation for MNE (new or established) pursuit of FDI, Dunning (1993) extended concepts introduced by Behrman (1972) in proposing four principal reasons. First, MNEs may pursue FDI as a means of resource seeking, in order to acquire specific resources not present/available at home, and/or at lower costs than can be obtained at home. Second, MNEs may be market seeking in new cross-border markets as a means to exploit their own firm-specific, internalized advantages there. Third, MNEs may be efficiency seeking in FDI pursuit by leveraging global diversification and/or expediting economies of scale/scope, in hopes of maximizing efficiency via an ideal component structuring world-wide. Fourth and last, in order to facilitate long-term strategic goal achievement, MNEs can be strategic asset seeking via targeting particular assets which align with said goals. For example, an MNE may desire to set up shop in a specific country as a component step/part of their strategic plan. They acquire a host firm there that has strong local brand recognition and in so doing attain immediate legitimacy and reduce the liability of foreignness.

Cross-border Acquisitions

Serving as the MNE FDI device in this study, cross-border acquisitions (CBA) occur when an acquiring firm in one country targets a firm in another country for some acquisition level of ownership. CBA represents over a third of all worldwide merger and acquisition (M&A) activity and has exhibited significant continued growth as a primary avenue for foreign direct investment (FDI), up 22.3% (US$63.4 billion) over the last five years, 2011 – 2015, (US$285.4 billion to US$348.8 billion) (UNCTAD, 2016). CBA’s tremendous growth is tightly coupled to the
existence and global rise of the multinational enterprise (MNE) (Buckley & Casson, 1976; Dunning, 1980; Kostova & Zaheer 1999), resulting from and spurred on by privatization, consolidation of industries, and liberalization of economies around the world (Barkema & Schijven, 2008; Halebian, Devers, McNamara, Carpenter, & Davison, 2009; Shimizu, Hitt, Vaidyanath, & Pisano, 2004). As a consequence of the trended increase in CBA transaction frequency and deal value over the last decades, the research stream has become more entrenched in the examination of a host of associated antecedents, interventions, and consequences (e.g. Arikan & Shenkar, 2011; Barkema & Schijven, 2008; Bertrand & Capron, 2014; Dikova, Sahib & Van Witteloostuijn, 2010; Grimpe & Hussinger, 2014; Halebian et al., 2009; Jory & Ngo, 2014; Kirca et al., 2011; Vaara, Junni, Sarala, Ehrnrooth & Koveshnikov, 2014). Hopkins (1999) aptly envisioned CBA as an outflow of the globalization process and reflected that it is now the most desired means of integrating the world’s economies.

The largest segment of aggregate global FDI is CBA. According to a recent report (2014) from the United Nations Conference on Trade and Development (UNCTAD), data (10 years: 2004 to 2013) reveal M&A activity as a share of global outbound FDI generally averaged over 75% a year. Drivers of this activity can be categorized into three behavioral paradigms. (1) The synergy hypothesis posits that the acquisition decision by managers will occur when the combined firm value is greater than that derived in summing together the individual firms. Examples of avenues whereby this can occur are efficiency gains such as those resulting from economies of scale or scope, the replacement of less competent target firm managers with those of enhanced competence from the acquiring firm, and/or increased post-acquisition market power (Bradley, Desai, & Kim, 1983, 1988; Set, 1990). (2) The CEO hubris hypothesis
contends that decision-making manager overconfidence resulting from oversized egos and bounded rationality, manifest in unrealistic manager expectations of their own ability (i.e. CEO hubris) to manage acquired assets relative to their actual existing manager ability. This process results in excessive acquisition premiums that negatively affect acquisition performance (Hayward & Hambrick, 1997; Roll, 1986). (3) The managerialism hypothesis is grounded in agency theory and follows the assertion that managerial self-interest drives specific acquisition decisions because said acquisitions are normally accompanied by increased CEO compensation (Grinstein & Hribar, 2004; Harford & Li, 2007), which concurrently increases CEO power and discretion, while reducing personal employment risk (Gomez-Mejia & Wiseman, 1997; Hambrick & Finkelstein, 1987).

CBA research is quite entrenched and has served as host and examination lens for a multitude of study perspectives (see Table 1), to include culture (Chakrabarti, Gupta-Mukherjee & Javaraman, 2009; Malhotra, Sivakumar, & Zhu, 2011; Vaara, Junni, Sarala, Ehrnrooth & Koveshnikov, 2014), resource-based (Feinberg & Gupta, 2009; Grimpe & Hussinger, 2014; Kirca, et al., 2011), institutions (Ang, Benischke & Doh, 2014; Dikova, Sahib & Van Witteloostuijin, 2010; Gaffney, Karst & Clampit, 2015), spillover effects (Spencer, 2008; Zhang, Li & Li, 2014), alliances & networks (Arikan & Shenkar, 2011; Yang, Lin & Peng, 2011), corruption (Malhotra, Zhu, & Locander, 2010), and developing markets (Deng & Yang, 2015; Sun, Peng, Ren & Yan, 2012). Within the experience & ownership stream of CBA, empirical examination of the effects of acquisition experience on performance has revealed widely varying results, from positive (Barkema, Bell, & Pennings, 1996), to non-significant (Zollo & Singh, 2004), to U-shaped (Haleblian & Finkelstein, 1999), to inverted U-shaped (Hayward, 2002), and also to negative
(Uhlenbruck, Hitt, & Semadini, 2006). One would surmise that these highly mixed results point to the importance of contexts and contingencies (Barkema & Schijven, 2008), and that the reasons behind these disparate effects will be found in a more exhaustive examination of interventions based on context and contingency. Understanding this is particularly relevant to this institutions – semiglobalization study by way of the Multilatina CBA context.

Recent emerging/developing market MNE studies have affirmed CBA to be a significant facilitator of firm competitive advantage acquisition, especially when the FDI pursued is strategic asset-seeking in classification (Dunning & Lundan, 2008). Williamson, Ramamurti, Fleury and Fleury (2013) examined the internationalization entry modes and processes followed by a sample of EMNEs located in Brazil, Russia, India and China (BRIC). Specific to CBA, the authors found that - provided they are appropriately carried out and effectively integrated into the acquirer’s organization - CBAs, in sequence: (1) facilitate access to new and useful capabilities, resources, and knowledge; (2) accelerate and improve innovation (3) adjust the firm value chain configuration; (4) enhance firm competitiveness in both domestic (home) and international (host) markets; and (5) specific to “sunset industries” where technology is relatively mature with well-defined customer needs (e.g. steel and petrochemical), promote global industry consolidation.

Within the geographic distance stream of CBA, Chakrabarti and Mitchell (2015) apply concepts from the spatial geography and acquisition strategy streams in arguing that acquisition spatial characteristics can partially explain successful acquisition completion. They found that increased geographic distance will significantly reduce the likelihood of related acquisition completion. This has direct implications within the context of this region localization
(semiglobalization) CBA-based study. Non-geographic distance studies also have significantly informed this dissertation, such as that carried out by Gaffney and associates (2015) in their examination of institutional distance between home and host countries, and the disparate downstream effects on CBA decisions carried out by MNEs headquartered in emerging markets (EMNE), when compared to developed markets (DMNE). In their examination, varying institutional distance operationalizations (e.g. economic, knowledge) – as extended from Berry, Guillen, and Zhou (2010) – were found to incentivize EMNEs differently than DMNEs.

Table 1

Cross-border Acquisition Research Streams: Areas of Study

<table>
<thead>
<tr>
<th>Research Stream</th>
<th>Articles</th>
</tr>
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<tbody>
<tr>
<td>Resource-based</td>
<td>Grimpe &amp; Hussinger (2014); Kirc et al.’s (2011); Feinberg &amp; Gupta (2009)</td>
</tr>
<tr>
<td>Institutions</td>
<td>Ang, Benischke &amp; Doh (2014); Dikova, Sahib &amp; Van Witteloostuijin (2010);</td>
</tr>
<tr>
<td>Spillover effects</td>
<td>Zhang, Li &amp; Li (2014); Bertrand &amp; Capron’s (2014); Spencer (2008)</td>
</tr>
<tr>
<td>Experience and ownership</td>
<td>Barkema, Bell, &amp; Pennings, (1996); Zollo &amp; Singh, (2004); Halebian &amp; Finkelstein, (1999); Hayward, (2002); Uhlenbruck, Hitt, &amp; Semadini, (2006); Barkema &amp; Schijven, (2008b); Ellis, Reus, Lamont &amp; Ranft (2011); Jory &amp; Ngo (2014)</td>
</tr>
<tr>
<td>Alliances and networks</td>
<td>Arikan &amp; Shenkar, (2011); Yang, Lin &amp; Peng (2011);</td>
</tr>
<tr>
<td>Corruption</td>
<td>Malhotra, Zhu, &amp; Locander (2010)</td>
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<tr>
<td>Distance</td>
<td>Chakrabarti &amp; Mitchell (2015); Gaffney, Karst &amp; Clampit (2016)</td>
</tr>
<tr>
<td>Semiglobalization</td>
<td>Karst dissertation (2016)</td>
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Most CBA research originally emanated from the study of MNEs headquartered in developed markets (DMNE) such as United States, United Kingdom, Japan etc. and thus the supporting theoretical tenets and frameworks did as well. These traditional DMNE based
theories and firm behaviors are characterized by FDI designed and directed toward exploiting firm-specific resources/capabilities, which were originally developed at home, in order to internationalize on a gradual country by country basis by virtue of these firm-specific resources/capabilities (Guillén & Garcia-Canal, 2009). There has been a noticeable increase over the last two plus decades, however, in CBAs from multinationals located in less developed and more developing/emerging market economies (EMNE), and their CBA activity now rivals that of the developed nations tradition (DMNE), as previously established (i.e. UNCTAD, 2016). The distinction of EMNEs as “latecomers” (Mathews, 2002), their inability to leverage the traditional advantages of their DMNE counterparts (Kedia, Gaffney & Clampit, 2012; Luo & Rui, 2009; Luo & Tung, 2007; Mathews, 2002, 2006), and associated examinations of their behavioral and theoretical differences from, and similarities to, DMNEs is now prominently established in the literature (e.g. Aulakh, 2007; Cuervo-Cazurra, 2012; Cuervo-Cazurra & Ramamurti, 2014; Gammeltoft, Barnard & Madhok, 2010; Gaffney, et al. 2015; Hoskisson, Wright, Filatotchev, & Peng, 2012; Luo & Tung, 2007; Ramamurti & Singh, 2007, Sauvant, 2008; Williamson et al., 2013). This is largely because these CBAs facilitate timely, direct access to resources, competencies and host intelligence/knowledge without the encumbrances/risks associated with standing up actions such as Greenfield investments that may be more subject to the liability of foreignness (Ahammad & Glaister, 2011; Teerikangas & Very, 2006).

Upon further examination of the standing ‘developed vs. developing’ MNE research bifurcation, I concur with Ramamurti’s (2009) reflection as to whether existing theories - emanating from studies of developed markets – and their paradigms and frameworks adequately explicate developing market MNE existence and behavior,
“The answer will depend upon what question one asks. Existing IB theories are quite adequate to explain why EMNEs internationalize, what challenges they face in host countries, and why they prefer markets or hierarchies, but they fail to explain what the EMNE’s competitive advantages are, where these advantages come from, why some of them make substantial foreign direct investments in developed economies and compete head-on against Western MNEs” (2009, p. 418).

When provided a subsequent and more recent opportunity to weigh-in on “the truth” surrounding the continued debate, Ramamurti (2012) answered,

“I suspect the truth is somewhere in between and the real challenge is to discover which aspects of existing theory are universally valid, which are not, and what to do about the latter” (p.41).

Xu and Meyer (2013) further supported the “somewhere in between” perspective, after reviewing all relevant literature since Wright et al. (2005), and found that some of the assumptions on which theories were built (e.g. relatively stable and efficient markets, firm-specific advantages) are quite challenged by contexts of emerging markets and economies. It is within these contextual difference/challenges that researchers have advanced a number of divergent theoretical paradigms. Underlying these phenomena, institutional theory was found to be the most influential perspective in this research stream by Wright et al. (2005), as did Xu and Meyer (2013). No matter what side a scholar may take, whether they take a side at all, and no matter by what analogy or metaphor described (e.g. Goldilocks debate), the aggregate MNE research itself has intensified. Not unlike a deductive funnel, as the research domain matures, it appears to be narrowing into separate, deeper micro-foundational streams which carry and convey more case and situation specific contextual analysis and meaning. This narrowing of MNE research into a series of contextualized funnels, envisioned (see Figure 2), is largely in response to researcher examination of smaller MNE context specific clusters (e.g. geographic
regions, micro-economies). Because of their conspicuous arrival and rise to more prominent influence, Guillén and García-Canal (2010) collectively identified them as “new multinationals” and classified them from an economic, country perspective, as follows: (1) upper-middle-income economies such as Spain, Ireland, Portugal, South Korea, or Taiwan; (2) emerging economies like Brazil, Chile, Mexico, China, India, or Turkey; (3) developing economies such as Egypt, Indonesia, or Thailand; or (4) oil-rich economies like the United Arab Emirates, Nigeria, Russia, or Venezuela. Since this, Hoskisson, Wright, Filatotchev, and Peng (2012) completed an EMNE specific institutional and factor effects study using the EMNE mid-range economies as their sample.

![Figure 2. The Funnel Effect: Emergence of MNE Research Microfoundations](image)

The literature upholds this “MNE funnel effect” in that authors independently classify segments of these new multinationals based on their idiosyncratic characteristics, and coin new labels to help provide idiosyncratic identity, such as “third-world multinationals” (Wells 1983), “latecomer firms” (Mathews 2002), “unconventional multinationals” (Li 2003), “challengers”
(BCG 2009), or “emerging multinationals” (Ramamurti & Singh, 2009). In some cases, these new multinationals are labeled and studied according to their economic characteristics, such as “mid-range economies” (Hoskisson, et al., 2012), or by contextual characteristics of their region of origin, such as “dragon multinationals” (Mathews 2002), or “Multilatinas” (Cuervo-Cazurra 2008). Collectively, new multinationals are significant and increasing contributors to GDP through FDI and specifically, CBA, on a global comparative scale (UNCTAD 2015).

Latin America and Multilatinas

As previously introduced, multinational corporations headquartered in Latin America, or “Multilatinas” as they are collectively termed (Cuervo-Cazurra, 2007, 2008, 2010; Martinez, Esperanca & De La Torre, 2005), is a particular classification of ‘new multinational’ - based on geographic regional location. I will first discuss Latin America in a broader environmental context, and then Multilatinas in a more pointed study specific context. Latin America has become a top region in the global economy, reinforced by one-half billion plus citizens, a US$4 trillion plus gross domestic product, and a growing middle class. 2010 marked Latin America’s arrival as the globe’s fastest-growing region for both inward and outward FDI (Martinez & Kallini, 2012). According to the 2016 UNCTAD World Information Report, Multilatina OFDI has more than doubled in value ($65.12US billion to $132.71US billion) within the last five years (2011 to 2015). As of 2015, Multilatina OFDI represents over one-fourth of all developing country OFDI. As a percentage of aggregate EMNE OFDI, this increase represents a tremendous upsurge (15.5% in 2011 to 28.2% in 2015). This is further compounded by the ever growing share of the ‘total CBA pie’ that developing market MNEs continue to consume relative to those from developed markets (31.7% Developing Market CBA vs.68.3% Developed Market CBA in
2011, compared to 47.1% Developing Market CBA vs. 52.9% Developed Market CBA in 2015) (UNCTAD, 2016).

Vasslo, DeCastro and Gomez-Mejia (2011) depict Latin America as a “paradoxical region” in that it inherently contains inimitable conditions that position it as one of the most attractive business contexts on the planet, and yet it also faces significant challenges that offset and may otherwise severely limit these opportunities. The authors evaluated principal factors – aspects of the region - which characterize and illustrate this unique Latin American business landscape, to include their institutional context, macroeconomic environment, consumer profile, and natural resource endowments. Although the last two decades have seem marked improvement, Latin America’s institutional context remains relatively unstable and vulnerable. The region contains areas with varying levels of institutional voids and weak market infrastructures. This culminates in a context of potentially ineffective institutions which may spur increased corruption and informal business activities. Informal markets are currently entrenched as a major business component of Latin American economies. Informal firms can be defined as “businesses that are unregistered but derive income from the production of legal goods and services” (Nichter & Goldmark, 2009, p. 1455). Informal markets have a tremendous global economic impact and produce between 40% and 60% of the gross domestic product (GDP) of emerging market economies (Schneider, 2005). As of the year 2000, it was estimated that informal firms and markets accounted for US$353 billion in Latin America (Schneider, 2000) and their influence continues to grow (see Table 2).
Table 2

*Latin America: Characteristics and Manifestations*

<table>
<thead>
<tr>
<th>Construct</th>
<th>Characteristics</th>
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| **Institutional Context**    | - Vulnerable institutional context at region level  
- Institutional Voids / Weaknesses at varying country levels and at overall region level  
- Weak Market Infrastructures  
- Informal Markets are a key element in economies. Underground economic markets  
- High corruption levels  
- Weak Educational Systems  
- Common legal structure across countries  
- Young political democracies on the rise. More consistent political system now  
- Historical institutional effects from pro-market reforms and the like  
- Cultural Duality: The duality of homogeneity mixed with significant heterogeneity across countries.  
- Lack of cross-country wars and rivalries  
- Role of Family and Family oriented Business Groups - Significant levels |
| **Macroeconomic Environment**| - Market Volatility: Economic/Financial rollercoaster of frequent collapse and fast recovery  
- Market characteristics: volatility, informality  
- Consequent pressures to the input-output relationships of firms’ value chains.  
- Heterogeneous GDP growth pattern from country to country  
- Large segments of the economy remain underground.  
- Economic Liberalization versus Government Regulation  
- Weak Market Infrastructures; Lagging capital markets |
| **Consumer Profile**         | - Income Distribution Inequality: Disproportionately high BOP population who exist within the informal market, both as customers and firm owners  
- More than 80% of the region hold more than one job to supplement their low salaries  
- Fragmented Market/Society – between informal market and formal regular market necessitates different and conflicted business models (formal/informal)  
- Rising Middle Class  
- Weak Educational Systems: Roughly 8 percent of the region’s population over the age of 15 is illiterate (CEPAL, 2011), but with important variations among countries. Higher education appears to be stymied by a lack of resources  
- Strongly influenced by The United States. High immigration from the south to the north |
| **Natural Resource Endowments** | - Endowment Counterbalance – High level of natural resources versus low level of high quality labor (human capital) |
| **Regional Economic Integration** | - Regional economic integration severely lags behind that of other regions world-wide  
- Multilatina intra-regional cross-border acquisition activity levels seem to be increasing  
- Effects of country-level historical and institutional development. Barriers to integration |

Latin America’s macroeconomic environment is volatile on a global comparison, which manifests in an economic/financial rollercoaster of regular collapses and fast recoveries. This
results in disparate negative influence and effects on the input-output relationships of incumbent firm value chains. Severe income distribution inequity within the Latin American region results in an economic pyramid with an extremely disproportionate number of resident customers at the bottom (BOP). The aforementioned massive footprint of informal businesses and markets in the region (Nichter & Goldmark, 2009; Schneider, 2005) serve this disproportionately high number of BOP customers, who could not otherwise afford products/services through formal market channels/means. This same mass of BOP customers create and grow the informal businesses as well, which generates and perpetuates dichotomous business models (formal and informal) to serve the fragmented market and society at large.

Latin America is rife with natural resource endowments and yet also is home to relatively low labor force numbers classified as ‘highly qualified’. This endowment counterbalance significantly influences and biases the formation, growth and proliferation of incumbent industries, steering them to enter the commodities and low-value-added market sectors. This counterbalance phenomenon influences conduct and performance of all incumbent firm players, but does so disparately (Vasslo et al., 2011). The socio-economic landscape in Latin America is showing recent signs of positive change with the seeming development of a growing middle-class (Santiso, 2013). This may pose as a leading indicator of future possibilities. There is also an interesting dyad within the Latin American region between its entrenched country-specific homogeneity and readily visible heterogeneity across countries. Cultural homogeneity appears to be quite high across the region, as evidenced by holistic characteristics of its residents, such as commonality in language (Spanish & Portuguese) and
religion (Christian: Roman Catholic), as well as uniformity of cultural traits within countries (e.g. tradition, hierarchical institutions and gender bias) which may vary (heterogeneity) across countries.

*Multilatina Cross-border Acquisitions*

From relatively minor use in the late 1980’s and early 1990’s, CBA systematically grew to a point where it is now the primary vehicle for Multilatina foreign market entry. This steep upsurge was spurred by pro-market macroeconomic reforms, concatenating from nation to nation throughout much of Latin America, reaching its highest level at that time by 2007 at $40US billion. CBA deals plummeted the following year due to the 2008 world financial crisis (UNCTAD, 2009), but have substantially rebounded and now far surpass prior transactions in total value and number of deals, as reflected above (UNCTAD, 2016).

Latin American economic and structural reforms (i.e., pro-market reforms) such as “The Washington Consensus” (Suarez & Oliva, 2002, 2005) and import-substituting industrialization (ISI) policies (Fleury & Fleury, 2011) have been found to be influential in strategy and conduct of MNE’s originating there (i.e. Multilatinas). Multilatina development within these idiosyncratic environments created path dependencies which influenced, to some degree, past, FDI conduct in their attempts to capitalize on ownership-based advantages for the purpose of foreign market exploitation (Chudnovsky & Lopez, 2000; Cuervo-Cazurra & Dau, 2008; Cuervo-Cazurra & Dau, 2009; Dau, 2012; Dominguez & Brenes, 1997). Extreme economic reforms, however, broke these path dependency bonds and facilitated new market-oriented economic and institutional arrangements that in turn deeply influenced most facets of the Multilatina. These institutional and environmental changes have compelled Multilatinas to increasingly pursue
international markets through CBA and do so in unique ways (Carneiro, 2012; Carneiro & Brenes, 2014; Cyrino & Tanure, 2009; Da Rocha & Da Silva, 2009). This lends support and credibility in using Multilatina CBA in my study as the context for examining MNE consideration of institutions in their semiglobalization efforts.

Institutions and Institutional Theory

Institutional influence, the predictive construct lens of this study, emanates from multiple literature sources and is conveyed through parallel paradigmatic schools of thought, yet are primarily underpinned by Institutional Theory (IT). The evolved state of Institutional Theory was initially spurred from the work of Philip Selznick (1949, 1957), who posited that organizations can become “institutionalized” - generally based on the idea that an organization can be enriched with value beyond what is technically derived from the task oriented interaction at hand. Selznick positioned institutionalism as the emergence of stable social patterns from unstable technical activities (Broom & Selznick, 1955).

A seminal IT paradigm was extended by Nobel winning American economics historian Douglas North, who defined institutions as “the humanly devised constraints that structure human interaction” (1990: 3). North (1990) portrayed institutions as being established by formal constraints such as rules, constitutions, and laws, informal constraints such as customs, traditions, norms of behavior, conventions, taboos, sanctions and self-imposed codes of conduct, and lastly by their individual and collective enforcement characteristics. These constraints, influenced by the manner and degree of their enforcement, collectively contribute to the formation and preservation of order and safety within a market or society. A variety of circumstances influence the manner and degree of institutional effectiveness, such as levels of
organized state and degree of governmental coercive force, as well as the presence/absence of a resilient religious precept. This enforcement characteristic of informal and formal constraints is aptly captured by North’s (1990) original abstraction that they are “the rules of the game”. Operating as rules, they delineate a society’s incentive framework, and by extension, dictate and bind constituent participant behavior. Fundamentally economic institutional approaches by North (1990) and Williamson (2000) focus on costs and economic factors associated with institutional mechanisms and forces. In the economics stream, micro-foundations such as contracting, norms of organizing/exchange, and property rights are examined in conjunction with macro forces related to market efficiency inhibitors such as public policy and legal structures (North, 1990; Williamson, 2000).

The sociology grounded institutional perspective has its origins in Selznick’s (1948, 1949, 1957) examination of organizational rules and governance mechanisms and how they affect social relations and adaptation. Meyer and Rowan’s (1977) seminal contribution explored informal structures, myths, and symbolic activities which firms adopt in attempts to rationalize their adherence to economically inefficient institutional norms and thus trade off efficiency in pursuit of legitimacy. DiMaggio and Powell (1983) explored competitive selection and institutional forces which spur isomorphism within specific organizational fields. Their work defined and extended core institutional concepts such as coercive, mimetic, and normative forces, as well as organizational fields, structuration, and legitimacy (DiMaggio & Powell, 1983). Due to the firm’s perceived need to achieve legitimacy, it will adopt or endeavor to appear to adopt some level of the norms and practices deemed legitimate in the organizational field within which they operate. This legitimacy, a valuable intangible resource that firms must
acquire through their behavior (i.e. legitimation – Dacin et al. 2002), can be obtained through alternative pathways (Suchman, 1995), but the point is, it must be obtained.

Organizational sociologist Dick Scott's (2001) position on institutions is likewise a seminal view of the sociology-based paradigm, depicting institutions as societal pillars that influence and guide participant members’ thoughts, feelings, and behavior. These societal pillars are delineated along regulative, normative and cultural-cognitive means. The *regulative* pillar encompasses formally codified rules, while the *normative* pillar is where standards, conventions, values and norms prescribe expectations and obligations. The *cultural-cognitive* pillar is where thought and manifested behavior is often guided by taken-for-granted socially constructed systems of shared meaning. The interaction effects of these three pillars may constrain behavior by rationally bounding and limiting decision sets entertained, such as when influences from the *cultural-cognitive* pillar result in viable options not even coming to mind. Further, legal sanction or loss of legitimacy may become a real risk to those who are perceived as violating and/or exceeding pillar mandates and/or boundaries, respectively. Within this paradigm, *isomorphism* is where the ‘rubber meets the road’, acting as the principal transmission process through which organizations operating in similar environments leads to them exhibiting homogenous structure, strategy, and procedure (Deephouse, 1996; DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

For this study, I adopt North’s overarching view of institutions as a primary perspective and study independent lens. Its dichotomous categorization of institutions as formal and informal, and their conveyance through enforcement characteristics, affords a robust and holistic institutional paradigm which aligns with and captures the most salient aspects from
parallel paradigms (e.g. Scott, 2001). My institutional approach herein, namely the
categorization of formal institutions according to their characteristics of origin and enforcement
– economic, political, and regulatory - is based on the underlying assumption that there are
formal institutions and informal institutions, while also considering the influences, interaction
effects and enforcement aspects of both. Their alignment and overlap with parallel paradigms
lends credibility to North’s accounting of institutions. Ostrom’s framework of institutions
principally focuses on the voluntary resolution of issues related to the governance of common
pool resources within polycentric environments, much of which can be placed in either of
North’s dichotomous construct categories. Further, North’s formal institutions domain has
aspects which overlap those of objective national culture studies, economists’ studies of
institutional influences such as laws, rules, and regulations (e.g. La Porta, et al., 2008), as well as
Scott’s (2001) regulative pillar. North’s informal institutions construct has considerable
dimensional similarities to subjective national culture constructs, sociology-based focus on
cultures, norms, and values (e.g. DiMaggio & Powell, 1983; Meyer & Rowan, 1977), as well as
Scott’s (2001) normative and cultural-cognitive pillars. Even though emerging from
independent and distinct sources, these institutional frameworks converge in specifying how
and to what extent laws, regulations and rules are differentiated from norms, cultures and
ethics, as formal, informal and abstract institutional enforcement influences on the firm,
occurring as a consequence of operating in a particular setting (i.e. organizational field). As
such, applying North’s institutions paradigm as a predictor construct affords dissertation
consistency and parsimony.
The Logic of Institutions

Important to this study is the rationale which upholds institutional influence. North’s (1990) narrative of the village allegory reveals this logic in a simple, yet clear manner. Within the story structure, North invokes game theory at a micro-foundational level and subsequently applies it to higher levels of analysis. His narrative depicts how an old village transitions from local exchange to regional trade through creation of nascent institutions intended to minimize transaction costs. Within this old village, there initially were local trading partners who lived near each other, who were acutely knowledgeable of one another’s trading reliability, and who conducted repeated trades with one another in this smaller exchange environment. In this context, one can readily grasp the existence of strongly embedded social pressures to “live up to one’s end” of the multifarious and often repeated personal trade negotiations. Conversely, the village expansion to long distance, potentially “one off” single trades with other traders about whom little was known is more of an impersonal characterization of exchange in a much larger environmental context. The underlying game theory framing is rooted in a binary playing field: a high repetition personal context versus a singular, rarely repeated impersonal context. As a consequence of the long distance single-trade scenario, agents were acquired and compensated to transport goods to distant markets, sell them at a profitable price, and return to the home land surrendering the profits from said travels and transactions. Newly employed agent trustworthiness varied significantly, especially as commerce and involved businesses grew beyond the capability of being able to just employ family and others with closer ties to the original core of village traders. This increased risk was further compounded by the degree of
safety of the trade routes themselves (threat of bandits), often leading to hiring a specific type of man (brutes, mercenaries) for security and protection.

The lesson of North’s story is that some societies, in response to the narrated changes, developed institutions which facilitated trade. Some of these manifested as immature forms of rule of law and contract enforcement, such as arrangements with local princes for security or the establishment of guilds that began to oversee quality standards for traded goods. Trade thrived in regions where these nascent institutions took root by way of stronger and more consistent institutional enforcement. This enabled incumbents to realize gains from specialization and divisions of labor, resulting in material prosperity for all above board players. The end game of prosperity etc. did not materialize, however, when similar institutions and enforcement characteristics did not consistently develop in other regions. Economies, by extension, didn’t grow either because transaction costs outpaced the payout, resulting in unrealized potential trade.

*Accounting for Institutional Context*

Scholarly questioning of whether industry-based and resource-based prescriptions uniformly apply and hold across time and space has led to identification of gaps and shortcomings in the respective extant literature streams. IM, IB, and strategy scholars increasingly contend that these two views, while powerful and widely held, are incomplete for an accurate, holistic view of firm conduct and performance, thus leaving gaps and creating opportunities to better inform the literature. The IT grounded *Institution-based View* is one specific prescription which fills this gap (Peng, 2002, 2006; Peng et al. 2009; Peng et al., 2008). In their Academy of Management Perspectives article, Peng and associates (2009) articulated
the institution-based view as the “third leg of the strategy tripod”, validating its equivalent theoretical upholding relative to the other two legs, the industry-based view and the resource-based view. Beyond industry conditions and firm resources/capabilities, firm-specific strategy, conduct, and performance is likewise influenced by the manner in which managers face the formal and informal constraints of particular institutional frameworks (Jarzabkowski, 2008). Institutions have multi-functional roles and a significant one is to reduce uncertainty (Peng, 2006; Scott, 2008). Thus, studies centered on the effects of institutional uncertainty on strategic choice, firm behavior and outcomes are important, as are the direct and intervening effects of formal and informal institutions. Institutions and institutional theory based research continues to gain significant momentum (e.g. Bitektine & Haack, 2015; Clemente & Roulet, 2015; Cornelissen, et al., 2015; Gray, et al., 2015; Harmon, et al., 2015; Ocasio, et al., 2015; Peng, et al. 2009; Peng, et al., 2008; Voronov & Vince, 2012).

The Influence of Informal Institutions on Formal Institutions

Formal institutions, by any depiction, can vary quite considerably across countries and regions. By extension, so can the variance of their effects. Holmes and associates, (2013) provide one explanation for this diversity in formal institutions, namely that they are linked to and influenced by their own country level informal institutions. Scholars have extended theory which signals culture as an important facet of informal institutions (e.g., North, 1990; Peng et al., 2008), and contend that it also operates as an antecedent for the development of country-specific formal institutions (Holmes, et al. 2013). Problems are inherent in any society, so its members devise formal institutions to address and hopefully fix, reduce or contain them. One societal member’s perception of a potential problem will vary from another. Overall however,
the prevailing societal culture exhibits a collective perception, embodied in norms and values, which is influential in shaping and guiding each individual member’s evaluation of said problems. This evaluation manifests in specific problem: (1) prioritization of importance, (2) alternative solution development, and (3) solution implementation processes. Society-specific norms and values, over the course of time, will reinforce and uphold their formal institutions and facilitate their acceptance and maintenance.

The empirical findings of Holmes et al., (2013) support that a country’s key cultural dimensions influence its formal institutions’ development and evolution, which reinforces the scholarly position that “formal institutions reflect the society’s collective actions and behaviors” (DiMaggio, 1988; Powell, 1991; Tolbert & Zucker, 1996). I join these scholars in examining institutional influences through formal institution proxies, the constitution of which captures informal institutional effects. Through this assumption – that the diversity of formal institutions among countries is influenced by informal institutions – it can be further argued that the disparity between country and region level formal institutions is linked to variance in their respective informal institutions.

Formal Institutional Influence on MNE Internationalization

MNE internationalization theory and study underscores the importance and relevance of systematic ownership and location advantages of foreign direct investment, within which the role of institutions is central in motivating FDI into a country (e.g., Delios & Henisz, 2003; Globerman & Shapiro, 2003). Societies are supported by framework structures of their institutional environments, which guide and constrain behavior within its boundaries and reach
(North, 1991). These societal boundaries and influential reach largely emanate from their formal institutions, which fulfill several functions. They: (1) provide stability, (2) reduce information complexity, (3) help minimize market failures, and (4) ease uncertainty in economic transactions and financial exchanges (North, 1990; Williamson, 2000). The idiosyncratic formal institutions of societies are formed and perpetuated through its laws, regulations, and associated policies. The degree to which formal institutions are influential is coupled to their respective levels of enforcement. By extension, these society-specific formal instructions prescribe the varied actions and behaviors of its inhabiting people, systems development, and incumbent organizations situated within and influenced by its institutional scope (Holmes et al., 2013). In this manner, formal institutions matter.

This study adopts and tests North’s (1990) logic that the constraints emanating from formal institutions are transmitted through political, regulatory, and economic structures (i.e., North’s three pillars and the predictor constructs of this study). MNE internationalization strategy and localization decisions are influenced to varying degrees in relation to the presence, strength, and visible effect of each of these structures, independently, and in combination (Holmes et al., 2013).

**Regulatory Institutional Environments: Proxied by Regulatory Control**

Organizational conduct is bounded and guided by the regulatory environment within which a firm choses to or happens to operate. MNEs are directly influenced by their regulatory environments, which operate or are perceived to operate as institutions of potential coercive force. Regulatory institutions thus guide organizational behavior through decisions/actions involving rule-setting, monitoring, and sanctions. MNE decisions to operate in a specific area
may result in realization of institutional benefits from associated regulatory environments, such as reducing transaction uncertainty to varying degrees (North, 1991). Coase (1959) and other pioneering institutional economists concentrated on the creation and enforcement of property rights protections, and how they are disparate from one area to the next, due in part to the regulatory power of governing institutions. The main regulatory principle in play here is that these regulations would influence and facilitate market transactions to some desired level of stimulation; at this point, ‘government steps aside’ (Williamson, 2000: 598), relinquishes this previously established control, in order to allow and enable free markets. By extension, individual aspects of the regulatory environment such as its associated enforcement aspects would also have the effect of reducing uncertainty and facilitating market transactions (Globerman & Shapiro, 2003). Extensive or excessively perceived governmental control, however, could be considered by firms as burdensome, as business interference, as an obstacle to conducting business transactions, and even as going beyond serving its beneficiaries (Bardhan, 1989). As examples, Brouthers, (2002), as well as Yiu and Makino, (2002) found government regulations, in specific contexts, negatively influenced multinational FDI due to increases in perceived transactions costs and efficiency losses. In this study, increased regulatory control is thus described as greater involvement by government in rule setting and standards enforcement – which collectively support and yet also limit firm conduct in commerce - which operate within the government’s geographic sphere of influence (Arregle et al., 2013; Holmes et al., 2013). As envisioned herein, the varying levels of regulatory control that occur from one area to another will impose direct and/or indirect costs on the impacted MNE in a differentiated manner.
Political Institutional Environments: Proxied by Political Democracy

As a formal institution which creates and maintains specified amounts of governmental checks and balances, political democracy represents a specified societal canon of just how its people and organizations should be overseen or governed (Gaur et al., 2007; Holmes et al., 2013). The degree to which these democratic institutional processes occur will thus vary greatly from society to society. MNEs are impacted by this institution because political regimes may create and perpetuate significant uncertainty by creating potential costs for making transaction decisions and otherwise, for conducting business within its sphere of influence. A society’s level of political democracy reflects the specific level of government discretion established and maintained over its citizenry, which is largely identified and represented by freedoms and rights availed central to voting, speech, and assembly, as well as media latitude and freedom. As a point of differentiation between these two formal institutional domains - the regulatory environment attends to the how laws and rules are applied in business transactions/exchanges - whereas the political environment prescribes how said laws and rules are enacted, by signaling and delineating a society’s level of human rights and political freedoms specific to freedom of expression, and for inclusion and participation in associated rule-setting (Adam & Filippaios, 2007). Existing as separate constructs, one is reflective – political democracy – in conveying the people’s level of participation and representation availed to voice their opinions and act to influence outcomes. The other is formative – regulatory control – spurred by legislative action and centered on supporting/constraining commerce through varying levels of direct and indirect involvement.
Economic Institutional Environments: Proxied by Capital Investment

The level of capital investment in an area can be viewed as emanating from strong economic institutions which establish rules in that particular market economy. This has a formalized constraining effect on transactions and exchanges when borrowers and lenders come together in the market, and serves to minimize information asymmetries and ease uncertainty between these parties (Holmes, et al., 2013; North, 1990). Economic institutions are idiosyncratic to a geographic locale and vary accordingly in their ability to influence overall market conduct and firm-specific behavior (Zukin & DiMaggio, 1990). Location specific financial resource availability and level of consumption are an outflow of economic institutional practice, and organizational production, as well as the location’s relative cost of living (e.g., country and/or region). In aggregate, this has a strong influence on all FDIs into and out of the area (Brouthers & Brouthers, 2000), because the monetary and fiscal policies there serve as a signal and evidence of economic institutional activity (Beck, Levine, & Loayza, 2000; Holmes et al., 2013; Lucas, 2003). This has the aggregate effect of influencing participant purchasing ability and localized downstream investments in areas such as technology, labor, and production (Romer, 1994). An important signal of stronger economic institutions at the country level is their level of capital investment - the commitment of capital or money to purchase assets and promote an economy’s strength and liquidity. MNEs are generally attracted to invest within this type of institutional environment, and capital investment in an area - country and/or region - thus serves well as proxy for economic institution robustness and strength (Arregle et al., 2013; Holmes et al., 2013; Tirole, 2003).
Semiglobalization of Multinational Enterprises

When MNE internationalization research solely considers a target firm’s country-level effects, including their supporting institutions, this may not parsimoniously represent an MNEs’ true strategic intent (Arregle, et al., 2013; Rugman & Verbeke, 2004). As such, an MNE expansion perspective which concurrently considers target firm regions in addition to countries - a semiglobalization perspective - contends that a firm’s FDI may be arranged to facilitate regional aggregation based on an arbitrage logic. This regional expansion perspective (i.e., semiglobalization) directly addresses and helps an MNE deal with the countervailing need to globalize (i.e., integrate) versus the need to respond directly to idiosyncratic local markets (i.e., localize) (Arregle, et al., 2013; Arregle, Beamish, & Hebert, 2009). A compelling characteristic of semiglobalization makes a link to CBA benefits, namely the notion of *partial cross-border integration* - whereby geographically proximate countries recognize high barriers to market integration, but strategically rationalize that these barriers are not significant enough to fully insulate neighboring countries from one other. In this setting, idiosyncratic country-level factors and levels of analyses cannot fully explicate responding MNE strategy and conduct. Here, multiple operations in proximate locations should be examined and strategically evaluated; thus, it would add great value to broaden the lens of examination to include an entire geographic region, where incumbent countries are separate from each other, but are geographically proximate and are thus connected and dependent on one another in certain ways (Arregle, et al., 2009; Ghemawat, 2003). It is logical then that this approach (regional view) and level of analysis (i.e., region comprised of geographically proximate countries) adds value beyond the traditional country level approach, when studying the impact of
environments (i.e., institutional influences) on MNE internationalization strategy and conduct (Arregle et al., 2013; Arregle et al., 2009; Ghemawat, 2003). The semiglobalization perspective, as set forth here, extends that firms may have a regional strategy which includes internationalization on a targeted regional basis – based on attractiveness - with identification of the most conducive countries within the region, relative to the other proximate countries, as targeted points of entry (i.e. country gateways). There are two specific tactics/processes which MNEs may follow to carry out this semiglobalization strategic behavior: (1) the initial deployment and subsequent redeployment of region bound firm-specific advantages, and (2) fine tuning the process of and capitalizing on organizational learning (Arregle et al., 2013).

Region-bound Firm Specific Advantages

Geographic scope is an important dimension of an MNE’s international strategy and is realized to varying extents contingent on the degree to which it can integrate firm-specific advantages (FSAs) with country-specific advantages (CSAs). In so carrying out, every foreign location must have some sort of location-specific linking investment(s) to combine existing FSAs with CSAs’ (Rugman & Verbeke, 2005: 13). Fungibility is a resource characteristic critical to this process because specific resources may have a wider range of potential use and service to a particular firm (Mahoney & Pandian, 1992). Resource fungibility is characterized by the degree to which a particular resource might be used in different ways at a particular point in time – and over time (i.e., deployed and redeployed) - at a cost to the firm which is low enough to warrant doing so (Sapienza et al., 2006). Resource fungibility is thus central to this process (Teece, 1982). It is understood that uncertainty is an inherent condition of internationalization, but can be reduced through certain mechanisms and practices by an MNE. Resource fungibility is one
such mechanism, because it provides flexibility and discretion for alternative resource uses, and thus creates real options for an MNE to select from varying strategies of use. Groups of fungible resources held by an MNE have the capacity to expand these options even further. They have the potential to enable firm survival in changing and hypercompetitive environments (i.e., D’Aveni, Dagnino, & Smith, 2010), while and facilitating growth through expansion leaning operational expenses by reducing costs (Arregle, et al., 2013; Sapienza et al., 2006).

The scale and scope of resource redeployability is enhanced with increased fungibility and when across more resources held; its potential benefits can be compounded by an MNE through development and deployment of region-bound FSAs (RFSAs). Through the deployment and redeployment process, an MNE can exploit RFSAs throughout a region, as opposed to the restrictions and limitations associated with being bound to one country (Arregle, et al., 2013). When an MNE expands beyond a single country in a particular region, they begin the process of additionally benefitting from deployment and redeployment of their regional fungible capabilities. A key firm-specific MNE capability which expedites this process is found in an MNE’s ability to carry out two opposing strategies simultaneously: (1) regional globalization (i.e., regionally integrate its foreign subsidiaries), and (2) country localization (i.e., sustaining country specific responsiveness). If an MNE develops this capability and successfully carries out this process, their RFSAs can then be optimally directed and redirected across targeted countries in an attractive region and done so in a relatively inexpensive manner. FDIs can be linked within the region at lower relative transaction costs due to targeted country geographic proximity, which further compounds benefits of associated country-specific advantages (CSAs) (Arregle, et al., 2013; Rugman & Verbeke, 2005). Accomplishing this in foreign regions and their
targeted entry countries - through fungible resource replication and exploitation - can be challenging because of associated resource and capability intangibility. This is further complicated by the necessity of a firm to have created specific methods to cope with and overcome idiosyncrasies and characteristics intrinsic to the foreign markets (Kumar, 2009). In aggregate, all of these processes illuminate the importance for an MNE to discover the critical traits of these identified markets – which can be facilitated through organizational learning.

Organizational Learning

A valuable time component of the MNE internationalization process is acquiring experiential knowledge that is location-specific to particular target markets and their associated networks. It is a time-consuming process but critical to their success because an MNE must overcome entry and operating obstacles stemming from its “liability of foreignness or outsidership” (Johanson & Vahlne, 2009). This type of knowledge is acquired and built upon by an MNE through experience in international operations, past and present. A significant liability of foreignness/outsidership obstacle in target markets is psychic distance, which is comprised of “factors that make it difficult to understand foreign environments” (Johanson & Vahlne, 2009: 1412). With increases in psychic distance between home and host markets, MNEs face magnified challenges which make it more difficult for them to develop experiential knowledge through accumulation over time. Knowledge development by a firm is cumulative and requires some degree of continuity and proximity between old and new competences; absorptive capacity (Cohen & Levinthal, 1990) helps firms such as the MNE with this knowledge development. Psychic distance between firms whom are party to transactions, and well as absorptive capacity of the acquiring MNE, individually can negatively influence resultant
economic advantages due to increased time necessary to overcome these impediments. When experienced in concert, these obstacles can become compoundingly disadvantageous (Dierickx & Cool, 1989; Vermeulen & Barkema, 2002) for an MNE, as well as potentially creating limited path dependence for their internationalization efforts. These mechanisms for MNE organizational learning illuminate a sequential international entry approach; one facilitated through experiential learning in which they gradually accumulate capabilities and knowledge in relatively proximate countries and then capitalizing on the most appropriate fitting opportunities availed through this process (Chang, 1995). From a geographic perspective, there are also spatial aspects of knowledge acquisition in that information flows are spatially constrained (Arregle et al., 2009; Buckley & Ghauri, 2004), culminating in geographic proximity being a positive conveyance for knowledge and organizational practice transmission fluidity within the MNE (Chang & Park, 2005; Strang, 2003). Thinking through this, an MNE with foreign subsidiaries that are proximally closer will be able to share knowledge and organizational routines with more ease and less risk.

More and more, business networks are developing a regional dimension (Buckley & Ghauri, 2004), and upon making the commitment of FDI into a region, overall MNE liability coupled to subsequent investment there is reduced. Regions are composed of proximate countries, and this proximity is accompanied by similarities shared across countries. Similarity in this context is a characteristic which reduces psychic distance among countries within a region, which in turn enables MNEs to more efficiently and effectively accumulate knowledge and learn from chronological, related FDI into the targeted region. Through incremental regional learning, an MNE can augment investment expansion costs in a region, while
enhancing absorptive capacity, reducing risk of time compression diseconomies, and through this, be successful in the learning of new capabilities. Country-level FDI thus enables an MNE to produce real options from a gateway perspective for region-level sequential FDI through attractive proximate countries (Kogut, 1983; Kogut & Kulatilaka, 1994), based on developed RFSAs there (Arregle et al., 2013). Thus, MNE semiglobalization is expedited through region-bound firm-specific advantages and organizational learning.

Semiglobal Multilatina Cross-border Acquisitions

A general pattern of region localization has been observed with Multilatinas in that they oftentimes will first internationalize within Latin American country markets (intra-regional), and next transition to CBA in more distant, world-wide regional markets external to Latin America (inter-regional). Economists speculate that this trend will continue to strengthen in the future, as bolstered by, among others, current and forecasted levels of Latin American regional growth, a rising middle class and the growing ease of doing business in an increasing number of countries in Latin America (Carneiro & Brenes, 2014; Chattopadhyay & Batra, 2012; Lopez et al., 2009).

Intra-regional Multilatina CBA

Multilatinas increasingly recognize their own Latin American regional market as an opportunity for investment and expansion. Emerging market companies such as those in Latin America have been progressively substituting exports and FDI previously directed to more developed countries for intra-regional “South–South” trade and investment (Ramamurti, 2009a). For example, Mexican companies increasingly target Central America as a natural
boundary extension of their operational activities. Central American companies are likewise broadening their operational activities to include all countries in the region (contingent on strategy and scope). This intra-regional CBA activity ranges in regional breadth (entire region to specific countries or groups of countries) as an outflow of strategy and influences such as institutions (i.e. economic, political, and regulatory) and location-specific aspects (e.g., industry, logistics). As current examples, Colombian and Ecuadorian companies chiefly target FDI in Central America, Brazilian and Chilean companies on South American countries, and Peruvian in Argentina and Bolivia. Industry driven examples, such as firms in the commodity businesses (e.g., food grains, oil or mining) remain involved in developed country exports (Carneiro & Brenes, 2014).

*Inter-regional Multilatina CBA*

Multilatinas who decide to internationalize beyond their own Latin American regional boundaries seem to do so mostly following a regional (semiglobalization) pattern of internationalization. Even for MNEs from all origins - DMNE, EMNE, New Multinational, Multilatina - who are classified as “born globals”, closer examination of their internationalization patterns (initial exports etc.) at birth reveal that most are actually “born regional” (Lopez, Kundu, & Ciravegna, 2009). Multilatinas appear to follow this regional pattern in that “Global Latinas” (Casanova, 2009) have essentially focused on exploiting opportunities in neighboring countries within the region, at least during the onset of FDI activities. Specific Multilatina examples are: JBS-Friboi, Gerdau, and Odebrecht from Brazil; CEMEX and Grupo Modelo from Mexico; Avianca-Taca, Banco de Colombia, Banco Davivienda and Grupo Aval from Colombia; Natura, Brahma and Antarctica (currently ABInbev), and Itaú from Brazil, COPA
Airlines from Panama; Indurama and ACOSA-Edimca from Ecuador; CEMEX, Maseca and Elektra from Mexico; Grupo Monge and Grupo Britt NV from Costa Rica; Pollo Campero from Guatemala; LAN Chile Airlines and Tiendas Falabella from Chile; L'bel and Grupo Gloria from Peru; and La Curaçao from El Salvador. However, very few companies in the region are truly global (Brenes, Chattopadhyay, & Montoya, 2012; Brenes, Montoya, & Chattopadhyay, 2012; Carneiro & Brenes, 2014; Chattopadhyay & Batra, 2012).

Institutional Influence on MNE Semiglobalization

MNEs may be prompted to target a specific country for CBA due to its relative geographic proximity within an attractive region, or because it has had successful experience within the country previously. Even so, there are oftentimes more than just one or two attractive countries within each attractive region from which to select. Ceteris paribus (e.g. global mindset, internationalization strategy), central to the ‘decision factor mix’ examined by an MNE are the institutional characteristics of the region under consideration, as well as those of its incumbent countries (Arregle et al., 2013; Kreinin & Plummer, 2008). An aspect of this which affords evaluation validity and reliability is that all geographic regions can be consistently and systematically described by the general, or average, characteristics of the institutional environments of the region’s incumbent countries. An MNE, in light of this, will systematically appraise a region’s ‘general institutional environment’ prior to directing FDI there (i.e., region localization), as opposed to the other possible locales. A pervading antecedent to this region localization decision is the understanding that featured RFSAs will be constrained to the selected geographic region, and thus spatially bounded in consideration of future exploitable
FDI opportunities there (Arregle, et al. 2013). MNE region localization—in other words, semiglobalization—through a specified country will thus either be additionally encouraged or discouraged by the constraining institutions of: (1) the targeted country, (2) the surrounding countries, and (3) the overall region (see Figure 3). RFSA resource acquisition and capability development avail MNEs opportunities which they would not otherwise have, to strategically and tactically arbitrate within the targeted region among of its most attractive countries. To carry this out, an MNE will evaluate each country under consideration according to the characteristics which best ‘fit the firm’ and make comparisons with other geographically proximate countries in the region, in order to select the most attractive environments in which to make FDIs (Arregle et al., 2013; Arregle et al., 2009; Chung, Lu, & Beamish, 2008). While it is understood that proximate countries nested within a particular region have similarities, they

![Figure 3. Country and Region Institutional Attractiveness for MNE FDI](image-url)
also have differences; an important aspect of the semiglobalization process is realized when MNEs make moves to exploit these differences within the targeted region and position transactions and exchanges that help them benefit from these intra-region country-level variations. Accordingly, an MNE can make country-specific region localization FDI based on the attractiveness of the targeted country’s institutional environment as compared to and contrasted with (i.e., relative to) the institutional environments of the other countries in the same targeted and attractive region. This comparative evaluation process reveals a country’s ‘region-relative’ institutional environment; as an institutions-based concept and variable, it captures these differences (idiosyncratic variations) and specifies the institutional state/condition of a country relative to the region’s trended general institutional tendency (Arregle, et al., 2013). Extending this logic, a country may have a better or worse region-relative institutional profile, and thus will attract or detract MNE FDI relative to the other countries in the region, contingent on the MNE global mindset and associated regiocentric strategy (i.e., the degree to which the firm internationalization strategy is region-based). In sum, through this narrative I posit that when MNEs face internationalization decisions, they will also consider and compare a country’s institutional environment to that of other countries in the same attractive region. This study will use formal institutions at the regulatory, political, and economic level to further examine and develop this contention – namely that these institutions will concurrently influence MNE localization decisions at both the region and gateway country levels.

*Regulatory Control*

In order to be seen as ‘legitimate’ in host markets, an MNE must overcome perceived and real liabilities associated with not being a domestic firm (i.e. liability of foreignness and
outsidership). Progress is made to this end when an MNE conforms to known country and region regulatory policies and requirements and by overtly responding to the perceived cognitive and normative pressures that uphold these institutions (Holmes et al., 2013; Yiu & Makino, 2002). This process comes with costs however, in that MNEs must adopt new or modified organizational practices necessary for subsidiaries to be compliant. Thus, economic costs associated with implementation are incurred, and new risks are faced in understanding and navigating newly encountered rules and regulations of the country and/or region (Eden & Miller, 2004; Tirole, 2003). When not excessive to the MNE however, country- and region- level enforcement of regulations and protections can insulate firms from certain risks and support certain business activities (Coase, 1959). FDI may be invited in this way and positively reinforced through institutional support systems such as openness of regulations and transparency of their enforcement, as well as having a developed of a legal system – all of which reduce FDI uncertainty for MNEs (Arregle et al., 2013; Bevan, Estrin, & Meyer, 2004; Globerman & Shapiro, 2003; Holmes et al. 2013; Rammal & Zurbruegg, 2006). There may be a tipping point, however, when government goes beyond providing necessary transaction protections and increases their control over market entry/expansion through increased trade tariffs and the like. For an MNE, this may have the effect of creating an FDI risk continuum, at which beyond some point may become unattractive/uninviting.

In this dissertation, I examine MNE FDI (i.e., CBA) using an influential component of the regulatory environment as a lens – regulatory control - the breadth and depth of government reach and control over commercial business, which can also be characterized as interference in commercial activity. As described here, certain levels (low to moderate) of regulatory control
are an assumable business cost to the firm which can be factored in and offset by future benefits and opportunities. An environment such as this actually can have the effect of stimulating commercial business because of reduced uncertainty in understanding and accepting these ‘rules of the game’ (North, 1990). However, significant levels of regulatory control are a negative business cost which at some cost point may surpass its associated benefits. The inflection point where opportunity/benefits are overshadowed by risk/costs will vary from location to location (country and region). MNEs fundamentally favor and seek the freedom and flexibility of open trade environments (Globerman & Shapiro, 2003); it is thus logical that at some level of increasing regulatory control, firms may become investment averse due to negative consequences experienced, such as increased management issues, inconsistent and unexpected violations, high relative costs, increased negotiation distance and friction with local business partners, and even increased government conflict.

Increased levels of regulatory control over organizations arise from high levels of government involvement and regulation, which stifles operational freedom, limits decision flexibility and otherwise reduces MNE incentives for entering a country under consideration for investment (Holmes et al., 2013; Kaufmann, Kraay, & Zoido-Lobaton, 1999). Yet when MNEs decide to make the FDI commitment, in order to survive and hopefully thrive, the costs of local regulation compliance are internally absorbed and regulatory requirements and policies are learned and followed (Eden & Miller, 2004). In these foreign markets, direct economic costs incurred emanate from regulations/policies established in favor of local businesses, such as: entry and license fees, tariffs, quotas, trade barriers, and expenses incurred to protect intellectual and property rights (Boddewyn, 1988). Indirect costs are also incurred, such as an
MNE having to take an alternative, and less efficient/effective course of action relative to the primary one desired, in an effort to be compliant. Strategically, higher levels of regulatory control reduce MNE flexibility and places boundaries and limits on their strategic options, which beyond some level will dissuade their FDI (e.g. Brouthers, 2002; Loree & Guisinger, 1995), particularly when it differentially reduced local government knowledge by the MNE relative to local firms (Yiu & Makino, 2002). From an overall performance perspective, higher failures rates were found to be associated with MNEs located in countries with greater levels of regulation, relative to those with less (Zaheer & Mosakowski, 1997). Considering the literature, I posit that the formal institutional factor - regulatory control – has a curvilinear (inverted U-shaped) relationship with a MNEs internationalization into a country/region through cross-border acquisition equity participation. Applying the previously delineated semiglobalization framework, and in a Multilatina context, I extend the following hypotheses:

Hypothesis 1a: A Multilatina’s internationalization into a country through cross-border acquisition equity participation has a curvilinear relationship (inverted U-shaped) with the regulatory control in its region.

Hypothesis 1b: A Multilatina’s internationalization into a country through cross-border acquisition equity participation has a curvilinear relationship (inverted U-shaped) with the country’s ‘region relative’ regulatory control.

**Political Democracy**

Country inward FDI (IFDI) attractiveness is positively influenced by political democracy because potential investors are more directly and openly able to analyze and gauge the possibility of laws changing abruptly via government leader decisions, taken without first being
vetted through appropriate checks and balances or gaining public involvement/approval (Harms & Ursprung, 2002; Holmes et al., 2013; Jensen, 2003). Certain researchers contend that MNEs strategically pursue internationalization in environments which are comparatively repressed, and either are or are highly susceptible to be under autocratic rule. In this context, an MNE may pursue FDI in order to: (1) benefit from differential labor expense offsets, (2) curtail collective bargaining risk, and (3) improve the probability of securing advantageous local government arrangements - which then may facilitate exploitation of power concentrations (Arregle et al., 2013; Bucheli, 2008). Another group of researchers alternatively contend that political democracy - with its inherent process of checks/balances and citizen say – attracts FDI since it curbs the propensity for sudden changes in policies and their unpredictable enforcement, while concurrently emphasizing the quality and value of human capital (Henisz, 2008; Holmes et al., 2013). Here, researchers posit that IFDI is attracted due to reduced comparative risk and decreased investor uncertainty - stemming from a significant reduction in the possibility for sweeping power shifts and unanticipated changes in policy/enforcement (Busse & Hefeker, 2007; Jensen, 2003). Lower levels of government political democracy are accompanied by less transparency to businesses and citizenry, which may: (1) create political instability, (2) allow for the establishment of autocratic control, and (3) invite corruption - all of which have a tendency to make IFDI less attractive/inviting (Orr & Scott, 2008). Research supports that countries governed by political democracy afforded increased institutional stability, and as a result were able to summon increased levels of IFDI (Jensen, 2003). From a direct cost perspective, MNEs who pursue CBA in countries and/or regions with low levels of political democracy, additional transaction costs are incurred in: (1) drafting contracts which
will be approved by all involved parties, (2) monitoring foreign business relationships, which have increased volatility/variability, and (3) developing a flexible exit strategy plan and accompanying procedures (Luo, 2005; Oxley, 1999). A related empirical study found that political and civil repression negatively influenced IFDI (Harms & Ursprung, 2002), and as argued, MNEs were dissuaded by countries and/or regions with lower civil rights and political freedoms, and persuaded by those with high rights (Arregle et al., 2013; Busse & Hefeker, 2007; Harms & Ursprung, 2002). These outcomes provide increased support that MNEs will pursue greater internationalization through cross-border acquisition equity participation in countries with greater levels of region-specific and region-relative political democracy. Applying the previously delineated semiglobalization framework, and in cross-border acquisition and Multilatina contexts, I extend the following hypotheses:

**Hypothesis 2a:** A Multilatina’s internationalization into a country through cross-border acquisition equity participation is positively related to the political democracy of its region.

**Hypothesis 2b:** A Multilatina’s internationalization into a country through cross-border acquisition equity participation is positively related to the country’s ‘region relative’ political democracy.

**Capital Investment**

Countries and regions with strong economic institutions can attract IFDI because they represent a locational advantage for entering MNEs (Dunning, 1988). These stronger economic institutions share commonalities in that they reflect specific financial factors necessary for economies, and by extension, businesses to grow (Levine & Zervos, 1998) - which are spurred by organizational and societal capacity/capability to concurrently produce and consume (Lettau
which is all predicated on having access to sufficient capital. Understanding this sequential relationship, and that a country or region will vary in their degree of execution, upholds capital investments as a worthy proxy for economic institutions that are well-developed and highly functioning. Further, government institutional policies and conduct, as supported by those of central banks and private financial intermediaries, afford increased capital flow as a result of greater availability of and access to capital, as well as due to increased support for market growth and liquidity (Bevan et al., 2004; Holmes et al. 2013). Economic institutions stimulate capital availability through their decisions and actions, such as those prompting increased capital flow through foreign debt issuance (Tirole, 2003); another supporting activity are budget deficit increases - an action which parallels tax cuts or government spending increases – which increase market influx of capital (Bohn, 1991). It makes sense why then that capital investments have been highlighted as a central FDI determinant (Agarwal, 1980). Capital investments generate positive MNE spillover effects and strengthen the shape and condition of resource supply and demand - which significantly influence an MNE’s decisions and actions at both strategic and tactical levels (Burdekin & Weidenmier, 2001; Orphanides, 2002).

The economic geography literature contends that government executed economic policy and action help determine the level of capital investments within their area of reach (Martin & Sunley, 2008; Romer, 1994). These capital investments stimulate learning, downstream technology development, and knowledge resource expansion. By extension, higher concentrations of economic activity in a country or region are tied to greater capital flows there, relative to other countries and regions. These greater location-specific capital flows
in one area versus another (e.g. country and region) are likewise tied to income differences, accessibility barriers, relative infrastructure expenses, and resultant profitability gains/losses (Arregle et al., 2013; Martin & Sunley, 2008). IFDI gravitates toward stronger economic institutions because MNEs must have capital in order to fund expansion and financially stimulate critical functions/competencies such as research and development, labor training/development, and production innovation/optimization (Beck et al., 2000; Globerman & Shapiro, 2003). These learning and development processes would otherwise be limited and possibly eliminated without cost-effective and stable-valued capital availability. The wealth of the local citizenry also plays a contributory role in that location-specific capital investments increase probabilities that incumbent firms will profit from these citizens of wealthy means, by virtue of their increased access to capital (Meyer & Nguyen, 2005). MNEs pursue markets such as these, where investors and consumers both have increased purchasing power resulting from greater access to financial resources and holdings; thus, MNEs benefit from a higher return on capital in these markets (Agarwal, 1980). Multinationals thus will pursue increased internationalization through cross-border acquisition equity participation in regions with greater capital investment levels and in countries with stronger region-relative capital investment levels. Applying the previously delineated semiglobalization framework, and in cross-border acquisition and Multilatina contexts, I extend the following hypotheses:

Hypothesis 3a: A Multilatina’s internationalization into a country through cross-border acquisition equity participation is positively related to the capital investment in its region.
Hypothesis 3b: A Multilatina’s internationalization into a country through cross-border acquisition equity participation is positively related to the country’s ‘region-relative’ capital investment.

Host Institutional Effects: Countries and Regions

The institutions literature suggests a relationship exists between institutional influence within a country/region and MNE FDI there. In consideration of this, and the semiglobalization perspective tenets, as positioned within the Multilatina cross-border acquisition context, I posit that examination will reveal increased explanatory ability associated with the combined effects of integrated formal institutional influences (i.e., regulatory control, political democracy, capital investments) of host countries and their regions (i.e., multi-level institutional approach), when compared to host country institutional effects (traditional single-level institutional approach) only, on Multilatinas’ commitment and aggressiveness to internationalize into a country.

Hypothesis 4: A semiglobalization institutional perspective which considers host regions, in addition to countries, has increased influence and explanatory ability when compared to the traditional host country institutional perspective.

Multilatina Region Localization: Intra-region versus Inter-region

To further contextualize the above capitulation of the MNE semiglobalization approach, I bring in prior arguments that Multilatinas may initially prefer intra-regional localization - influenced by current and forecasted levels of Latin American regional growth, a rising middle class, and the growing ease of doing business in an increasing number of countries in Latin America (Carneiro & Brenes, 2014; Chattopadhyay & Batra, 2012; Lopez et al., 2009). Fleury and Fleury (2011) found that Latin American country pro-market reforms prompted a dynamic chain
reaction of home country technological learning and modernization, which in turn significantly
e enhanced local technological capabilities, total factor productivity and by extension,
international competitiveness. Suarez and Oliva (2002, 2005) examined organizational
transformation processes in competitive Latin American environments rife with sweeping
changes, particularly during the structural reforms known as “The Washington Consensus”. The
authors explicate that firms who effectively manage processes and navigate the stormy waters
of radical environmental changes transform themselves into more competitive organizations.
Latin American countries have been progressively substituting exports and FDI previously
directed to more developed countries for intra-regional “South–South” trade and investment
(Ramamurti, 2009a). For example, Mexican companies increasingly target Central America as a
natural boundary extension of their operational activities. Central American companies are
likewise broadening their operational activities to include all countries in the region (contingent
on strategy and scope). This intra-regional CBA activity ranges in regional breadth (entire region
to specific countries or groups of countries) as an outflow of strategy and influences such as
institutions and location-specific aspects. Applying the two central semiglobalization tenants
and conveyances — region-bound firm specific advantages (RFSAs) and organizational learning —
within the context of Multilatina semiglobalization through cross-border acquisitions, I extend
the following hypothesis on an MNE’s internationalization into a region through countries:

Hypothesis 5: A Multilatina’s internationalization into a country through cross-border
acquisition equity participation is greater for intra-regional localization than for inter-
regional localization.
Figure 4. Research Model
CHAPTER 3

METHODS

Sample

All hypotheses testing (H1 – H5) was carried out with analysis of a sample of all Latin American MNE (Multilatina) cross-border acquisition deals greater than $1 Million US completed between 2007 to 2011 (5 years), as reported in the Thomson Financial SDC Platinum Database for Worldwide M&As. SDC Platinum is the premier source of up to date information on cross-border transactions from around the world and is most often used by investment banks to quote prices on companies that are being investigated for acquisition. It has also been used as the source of deal information by numerous recent top-tier academic journal publications focused on cross-border acquisitions (e.g., Chakrabarti, Gupta-Mukherjee, & Narayanan 2009; Dikova et al., 2010; Gaffney et al., 2015). For each deal, I matched the deal characteristics provided in the SDC with the formal institutional variables operationalized and computed within this study (i.e., country, region, and country ‘region relative’ variables for each of the three institutional indicators (regulatory control, political democracy, and capital investments). Each region level and country ‘region relative’ level institutional variable is calculated by year and country pair (home acquirer | host target) for each CBA transaction deal. Deals with missing information (i.e., data necessary to operationalize) – 76 transactions - were removed from the sample. The final sample is composed of 1,189 Multilatina CBA transactions occurring across 8 regions between 2007 and 2011, as operationalized in this study. 2011 was used as the study cutoff in order to align and match the CBA transaction specifics from Thomson SDC Platinum with the formal institutions independent variables based on year. The institutional
indicators used to construct the formal institutions variables through principal components analysis are from year-to-year data sources ending in 2011.

Levels of Analysis

Due to the hierarchical nature of the hypotheses and the data (i.e., firm level, country level, region level data), hypotheses testing was carried out with models constructed, measured, and analyzed at three levels: Level 1 - firm characteristics, Level 2 - firm foreign country selections and country-specific characteristics, and Level 3 - firm foreign region selections and region-specific characteristics. An MNE’s firm/corporate level effects are controlled through Level 1. Country-level and region-level effects were situated in their own levels, level 2 and 3 respectively. In this study, regions are conceptualized in geographic terms - defined as a countries clustered based on physical continuity/proximity (Arregle et al., 2013; Arregle et al., 2009, Rugman & Verbeke, 2004). Other region operationalizations have been used (i.e., Aguilera, Flores, & Vaaler, 2007), however, geographic-based grouping is used in my study because it is most consistently aligns with relevant extant semiglobalization studies and is the most parsimonious modeling structure, based on my variable operationalizations. This study’s semiglobalization perspective, conceptualization, and methodological approach aligns with and relates to its intended emphasis – foreign country and region localization (Aguilera et al., 2007) - as a core component of a firms’ internationalization strategy (Arregle et al., 2013; Buckley & Ghauri, 2004; McNamara & Vaaler, 2000). Literature does support that cultural dimension-based regional grouping has research merit, however it is not as relevant and meaningful when studying corporate strategy. In fact, scholars have recently converged more in their contention that further integration of economic geography is needed for deeper
examination of MNE strategy from a spatial dimensions perspective (e.g., Arregle et al., 2013; Arregle et al., 2009; Buckley & Ghauri, 2004). Geographically proximate countries within a region play a critical role here, in that it has been found to stimulate trade, investment, and further, acts as a conduit for country to country(ies) governmental convergence and alignment/optimization of previously insulated management practices (Khanna, Kogan, & Palepu, 2006). Further, studies confirm that physical distance is empirically and practically significant in FDI and affects firm operational pathways internationally (Nachum & Zaheer, 2005). Of course, this has particular relevance and importance for this study’s semiglobalization perspective – as previously revealed in the theory section (i.e. two paradigms of Semiglobalization). To align my study accordingly, I followed Arregle and associates (2013) in grouping all sample specific countries (target host and acquirer home) into 8 geographic regions (Table 3). As noted, this regional grouping based on geographic proximity was adopted (i.e., Arregle et al., 2013), as extended from the region classification created in 2008 by the United Nations Statistics Division. By constructing a series of multilevel models using differing subsets of variables, the sample used enabled concurrent examination of country-level and region-level strategies (i.e., the semiglobalization perspective). The included countries and respective regions in this study represent all OFDIs made by Latin American MNEs through CBA equity participation, and are commensurate with those previously established in the nascent semiglobalization literature (Arregle et al., 2013; Belderbos & Zou, 2006).
Table 3

Composition of Regions

<table>
<thead>
<tr>
<th>Regions</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>United States, Canada</td>
</tr>
<tr>
<td>Western Europe</td>
<td>United Kingdom, Netherlands, France, Germany, Sweden, Portugal, Italy, Spain, Finland, Austria, Greece, Denmark, Ireland, Switzerland</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>Russia, Turkey, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovenia</td>
</tr>
<tr>
<td>Latin America</td>
<td>Mexico, El Salvador, Nicaragua, Costa Rica, Panama, Brazil, Colombia, Argentina, Chile, Peru, Venezuela, Ecuador, Uruguay, Paraguay, Guatemala</td>
</tr>
<tr>
<td>Oceania</td>
<td>Australia, New Zealand</td>
</tr>
<tr>
<td>East Asia</td>
<td>China, Taiwan, Hong Kong, South Korea</td>
</tr>
<tr>
<td>Northwest Asia</td>
<td>India, Pakistan</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>Thailand, Singapore, Vietnam, Malaysia, Philippines, Indonesia</td>
</tr>
</tbody>
</table>

*Note: Regional composition based on country geographic proximity (Arregle et al., 2013)*

Independent Variables

This study examines effects of formal institutions - emanating from countries and/or regions (i.e., single level and multilevel formal institutional effects) spurred through regulatory, political, and economic institutional environments - on MNE internationalization through cross-border acquisition equity participation - into a region through targeted gateway country(ies) (i.e. the semiglobalization perspective). This perspective, as examined through a formal institutions lens, is complemented by also using a region localization (intra-region and inter-region) lens.

To test hypotheses one through four (H1a, H1b, H2a, H2b, H3a, H3b, H4), I created two levels of institutional variables - a region-level measure (H1a, H2a, H3a) and a country-level measure which incorporates influences of the supporting region (i.e., a region-relative country variable) (H1b, H2b, H3b). The region-specific formal institutional variables are formed using the eight regions framework, with each region being calculated as a weighted average. Within
each of the eight regions, the institutional score of all incumbent countries are individually weighted based on the specific country’s gross domestic product (GDP) relative to the particular region’s GDP, then summed for all countries in said region. The process of weighting the country-specific institutional scores within the region as a ratio based on their particular GDP relative the region GDP results in an accurate reflection of the varying economic importance/impact of each country in the same region (e.g., Arregle et al., 2013; Hejazi, 2007). Each region measure, as a weighted average, reflects the general institutional environment (central tendency) of the particular region, and each incumbent country measure accounts for country to country differences/variations. Next, each country measure - a country ‘region relative’ variable - reflects a country-specific institutional score compared to the weighted region average (i.e., the weighted sum of all other countries in the same region). It is not relative to all countries, just all countries nested in the same region. The country ‘region relative’ variable is calculated as: country’s original institutional score minus its respective region-level weighted average institutional score. In concert, this methodology captures and illuminates the semiglobalization perspective (Arregle et al., 2013) of formal institutional influence on MNE region localization and internationalization through cross-border acquisition equity participation.

Composite measures (e.g., Gaur et al., 2007) are used in this study to form the institutions-based predictor variables, as originally conceived by Holmes and associates (2013), regionally oriented by Arregle and associates (2013), but significantly expanded and updated in my study (Table 6) to represent institutions through year 2011 (versus 2003), and 95 countries
(versus 50). For this study, I worked with Holmes and associates (2013), as well as Arregle and associates (2013), to update and extend original variables, thus ensuring the validity and

Table 4

*Variable Units, Definitions, and Data Sources*

<table>
<thead>
<tr>
<th>Institution</th>
<th>Name</th>
<th>Untransformed Units</th>
<th>Definition</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>Corruption Index, 0 (high) to 6 (low)</td>
<td>The use of a public office for private gain, thereby reducing the integrity of regulatory institutions</td>
<td>ICRG</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contract and Property rights</td>
<td>Index, 1 (few) to 5 (more)</td>
<td>The extent to which governments protect individuals and organizations from violations of exchange commitments and asset expropriations</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Fiscal burden Index, as above</td>
<td>The financial impact on organizations of government policies</td>
<td>IEF</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foreign investment restrictions</td>
<td>Index, as above</td>
<td>Government limitations and monitoring that pertain to foreign firms, including which firms are allowed to enter</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Government control over wages and prices</td>
<td>Index, as above</td>
<td>The extent to which governments interfere with free market transactions</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Government intervention in banking</td>
<td>Index, as above</td>
<td>The influence of regulations on the financial services industry</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Government restrictions on industry</td>
<td>Index, as above</td>
<td>The extent to which governments interfere with private sector activities</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Informal markets</td>
<td>Index, as above</td>
<td>Reflects the prevalence of unregulated and untaxed markets that operate outside the government’s formal authority</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Monetary policy</td>
<td>Index, as above</td>
<td>Reflects the level of government involvement in managing the country’s money supply</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Regulatory burden</td>
<td>Index, as above</td>
<td>Reflects government influence over business behavior through, for example, licensing and registration requirements</td>
<td>IEF</td>
</tr>
<tr>
<td></td>
<td>Trade Policy</td>
<td>Index, as above</td>
<td>Captures the government’s control over a country’s exports and imports through, for example, the use of quotas and tariffs</td>
<td>IEF</td>
</tr>
<tr>
<td>Political</td>
<td>Civil Liberties</td>
<td>Index, 1 (high) to 7 (low)</td>
<td>Measures a country’s approach to governing human rights, such as freedom of speech, religion, and assembly</td>
<td>Freedom House_paths</td>
</tr>
<tr>
<td></td>
<td>Executive political restrictions</td>
<td>Index, 0 (low) to 1 (high)</td>
<td>Indicates specific restrictions on executive behavior</td>
<td>POLCON</td>
</tr>
<tr>
<td>Category</td>
<td>Indicator</td>
<td>Description</td>
<td>Source</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td></td>
</tr>
<tr>
<td>Political</td>
<td>Political constraints</td>
<td>Index, 0 (low) to 1 (high) The degree of restrictions on policy changes from veto power and the distribution of power across political branches</td>
<td>POLCON</td>
<td></td>
</tr>
<tr>
<td>Political</td>
<td>Political rights</td>
<td>Index, 1 (high) to 7 (low) Extent to which the country’s laws allow citizens to participate in government through, for example, voting and running for office</td>
<td>Freedom House</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Budget balance</td>
<td>Billions of dollars The difference between a country’s tax revenue and spending</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Capital investments</td>
<td>Billions of dollars The money paid to purchase capital assets and fixed assets</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Change in real wages</td>
<td>% change in real wages - year over year The change in money wages, corrected for inflation over time</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Credit transfers</td>
<td>Billions of dollars The amount of payment order(s) made to disburse money for another party</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Exchange rate</td>
<td>Exchange rate vs. the U.S. dollar Rate at which one country’s currency may be converted to another’s currency</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Debt service cost</td>
<td>Billions of dollars The interest cost of payment on debt</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Industry workforce</td>
<td>% of population Individuals employed in manufacturing industries</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Inflation rate</td>
<td>Inflation rate (%) The percentage increase in the price of goods and services</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Liabilities</td>
<td>Billions of dollars The amount of a country’s financial commitments or debt</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Liquidity</td>
<td>Months import cover Ability to convert assets into cash quickly to cover obligations</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Money Supply</td>
<td>Billions of dollars The year-end money in circulation in the economy</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Net reserves</td>
<td>Billions of dollars The amount of change in a country’s holdings of international reserves due to financial transactions (calculated as year-end gross reserves, including gold, minus liabilities)</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Nominal GDP</td>
<td>Billions of Dollars (nominal) A measure of economic output for a country, not accounting for inflation</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Size of population</td>
<td>Total population (in millions) The number of people within a country</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Services workforce</td>
<td>% of population Individuals employed in service industries</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Value of stocks traded</td>
<td>Total value of stocks traded / GDP The total value of stock traded within a country</td>
<td>WDI</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Trade balance</td>
<td>Billions of Dollars The difference between imports and exports</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Total foreign debt</td>
<td>Billions of Dollars The amount of money that a country owes other countries</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Unemployment rate</td>
<td>% of population The percentage of a country’s workforce population that is without a job</td>
<td>PRS</td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>Unionized workforce</td>
<td>% of persons employed The percentage of a country’s workforce that consists of union members</td>
<td>PRS</td>
<td></td>
</tr>
</tbody>
</table>

Note: ICRG = International Country Risk Guide; IEF = Index of Economic Freedom; POLCON = Political Constraint Index; PRS = Political Risk Services; WDI = World Development Indicators (Holmes et al., 2013)
reliability of measures, and increasing their breadth. Seven independent indices were resourced to obtain 34 comprehensive institutional measures to create new factor scores (Table 5) for five years (2007-2011) across the three formal institutional variables used in my study and done so for 95 countries (Table 4). The resulting factors accurately proxy the three constructs used in my models - regulatory control, political democracy, and capital availability. In consideration of my previous discussion regarding informal institutions helping shape formal institutions and thus possibly having similar origins, oblique rotation was used to permit factor correlation. In accordance with their original derivation in Holmes et al. (2013), as contextualized in Arregle et al. (2013), then updated and broadened herein, the resulting principal component factors had high internal reliability and discriminant validity, were structurally stable, and conceptually discrete. To ensure study validity and reliability, I adopted conceptualization and operationalization procedures for these formal institutional variables, which were deemed statistically and practically significant by their successful use in the Journal of Management and Strategic Management Journal respective articles from Holmes and associates (2013), as extended by Arregle and associates, (2013).

The independent variables for hypotheses 1 (H1a & H1b) - regulatory control - captures effects of laws, regulations, and government policies on business. Influenced by the level of government involvement (Busenitz, Gomez, & Spencer, 2000), resultant regulatory control constrains behavior differentially through variation in degree of rule-setting, monitoring, and administration (Scott, 1995). This variable is measured by a country’s regulatory burden, trade policy, foreign investment restrictions, contract and property rights, government intervention in banking, informal markets, and monetary policy. Per Holmes et al., (2013), all associated
measures positively and significantly loaded, which reflects increased levels of regulatory control. Higher relative regulatory control institutional scores for a country/region are associated with characteristics of increasing regulatory control (i.e., stronger, more far-reaching and additionally constraining regulatory oversight and involvement). The independent variables for hypotheses 2 (H2a & H2b) - political democracy - represent the degree of government influence, power, and use of it over its people - illustrated by the amount a country confers its citizenry with political rights, civil liberties, political constraints and executive political restrictions. Countries with higher political democracy institutional scores are governed by increasingly democratic governments - characterized by actions such as endowing its people with more liberties and rights, as well as enacting and enforcing rights protection measures. Per Holmes et al., (2013, higher institutional scores for political rights and civil liberties reflect fewer rights/liberties, thus these indicators are reverse coded in the data. Higher scores for all other indicators of this variable segment reflect increasing levels of political democracy. As political democracy indicators, political constraints and executive political restrictions represent the degree of checks and balances in place that help prevent/avert government power concentrations (Arregle et al., 2013; Holmes et al., 2013). The independent variables for hypotheses 3 (H3a & H3b) - capital investments - represent greater levels of capital infusion into an economic area. All associated indicators loaded positively and significantly, to include money supply, total foreign debt, net reserves, capital investments and nominal GDP. Higher capital investment institutional scores reflect increased levels of capital available and directed toward commerce in a country (Arregle et al., 2013; Holmes et al., 2013).
To test hypothesis five (H5) – the effects of Multilatina regional localization (i.e., semiglobalization) on internationalization propensity – I operationalized the independent variable, *regional localization*, on an intra-region versus inter-region dichotomous basis. Within this conceptualization, a Multilatina will make an “either or” region-based location decision, specifically, whether to exact CBA within its own geographic region but external to their home country (intra-region localization), or to exact CBA external to both home country and region (inter-region localization). This ‘two alternatives’ decision point is best captured and measured

<table>
<thead>
<tr>
<th>Formal Institutions</th>
<th>Factor 1 Regulatory Control</th>
<th>Factor 2 Political Democracy</th>
<th>Factor 3 Capital Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory burden</td>
<td>.80</td>
<td>.02</td>
<td>-.06</td>
</tr>
<tr>
<td>Contract and property rights</td>
<td>.79</td>
<td>-.21</td>
<td>-.09</td>
</tr>
<tr>
<td>Trade policy</td>
<td>.77</td>
<td>-.09</td>
<td>-.04</td>
</tr>
<tr>
<td>Informal markets</td>
<td>.77</td>
<td>-.10</td>
<td>-.18</td>
</tr>
<tr>
<td>Government intervention in banking</td>
<td>.77</td>
<td>-.2</td>
<td>.06</td>
</tr>
<tr>
<td>Foreign investment restrictions</td>
<td>.75</td>
<td>.07</td>
<td>.23</td>
</tr>
<tr>
<td>Monetary policy</td>
<td>.58</td>
<td>-.04</td>
<td>-.22</td>
</tr>
<tr>
<td>Money supply</td>
<td>-.03</td>
<td>-.01</td>
<td>.96</td>
</tr>
<tr>
<td>Capital investments</td>
<td>-.07</td>
<td>-.02</td>
<td>.94</td>
</tr>
<tr>
<td>Total foreign debt</td>
<td>.00</td>
<td>-.06</td>
<td>.93</td>
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<tr>
<td>Nominal GDP</td>
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<td>.01</td>
<td>.89</td>
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<tr>
<td>Budget balance</td>
<td>-.15</td>
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<td>-.73</td>
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<td>Net reserves</td>
<td>-.06</td>
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<td>.71</td>
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<tr>
<td>Political constraints</td>
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<tr>
<td>Political rights</td>
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<td>-.03</td>
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<td>Civil liberties</td>
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<td>-.02</td>
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<tr>
<td>Executive political restrictions</td>
<td>-.31</td>
<td>.68</td>
<td>.01</td>
</tr>
</tbody>
</table>

Total proportion of variance explained 70.8

Note: The grayed block indicates the factor on which the variable loads (Holmes et al., 2013)
by a dichotomous categorical independent variable (i.e., Intra-region = 0, Inter-region = 1). In accordance with the context of this study, intra-region Multilatina choice is represented by Latin America, and inter-region is any of the other seven regions, as established in this study.

Table 6

Region Institutional Profiles of the Three Formal Variables

<table>
<thead>
<tr>
<th>Region</th>
<th>Weighted region-average institutional values</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regulatory Control</td>
<td>Capital Investment</td>
<td>Political Democracy</td>
</tr>
<tr>
<td>North America</td>
<td>1.294</td>
<td>5.273</td>
<td>-1.031</td>
</tr>
<tr>
<td>Western Europe</td>
<td>1.217</td>
<td>1.073</td>
<td>-1.02</td>
</tr>
<tr>
<td>Eastern Europe</td>
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<td>-.117</td>
<td>-.47</td>
</tr>
<tr>
<td>Latin America</td>
<td>-.105</td>
<td>-.111</td>
<td>-.374</td>
</tr>
<tr>
<td>Oceania</td>
<td>1.696</td>
<td>.027</td>
<td>-1.031</td>
</tr>
<tr>
<td>East Asia</td>
<td>-.595</td>
<td>1.20</td>
<td>1.317</td>
</tr>
<tr>
<td>Northwest Asia</td>
<td>-.88</td>
<td>.072</td>
<td>-.342</td>
</tr>
</tbody>
</table>

Based on 2011 institutional index data

Dependent Variable

The dependent variable used in testing all hypotheses (H1-H5), *equity participation*, is conceptualized at the country-level to represent MNE internationalization aggressiveness and commitment - as proxied by individual MNE (firm-level) decisions of specific ownership levels taken through CBA on a deal to deal basis. As contextualized in this study, the objective is to relate the Multilatina’s strategic investment decision (i.e. CBA ownership level acquired) in a targeted country to that country’s institutional environment, as well as relative to the target region’s institutional environment (i.e., relative to the cumulative weighted institutions of all other countries in the region). As such, equity participation ownership level - the degree of equity ownership in the target firm that the acquirer obtains in the CBA - is operationalized
herein as a continuous variable. Equity participation, as a continuous variable, is the main criterion operationalization of the study and is based on a scale provided in the SDC Platinum for each acquisition, ranging from 0.1% to 100%. Rather than using the dichotomous variable of partial or full acquisition like previous research, we join more recent scholars (Chari & Chang 2009, Chen & Hennart 2004; Gaffney et al., 2015; Malhotra et al. 2011) in examining the full range of equity participation sought. This provides a more nuanced incremental examination when compared to a dichotomous variable, which may artificially intensify finding magnitudes specific to the type of statistical methodology used in the main study. For the dependent variable, a high score (i.e. higher equity participation) for a firm within a country indicates that the Multilatina has an increased internationalization commitment into that specific country. In our sample of Multilatina cross-border acquisitions, equity participation had a mean of 72.69% and a standard deviation of 35.28%. These values are consistent with prior research on cross-border acquisitions (Chari & Change, 2009; Gaffney et al., 2016; Malhotra, Sivakumar, & Zhu).

Equity participation has gained momentum and attention in the literature as an important outcome in CBAs, with variations of equity taken in CBA being driven by divergent strategies and varied context “laboratory conditions” (Chari & Chang, 2009; Chen & Hennart, 2004; Malhotra et al., 2011). The level of ownership taken in an acquisition impacts many aspects of a firm’s strategy (Chari & Chang, 2009; Das & Teng, 2000; Pisano, 1989). Furthermore, it is not clear that partial cross-border acquisitions should be treated the same as joint ventures. Entry through partial acquisition is not a Greenfield venture like traditional JVs (Brothers & Hennart, 2007; Chen & Hennart, 2004). Multinationals seek varied levels of CBA equity participation in accordance with their firm-level perceived outcomes from cost-benefit analysis – weighing
increased control resulting from higher levels of ownership versus the potential for the reduced exposure to risk which accompanies decreased ownership levels taken (Inkpen, 2001). Opportunity costs are thus evaluated based on MNE-specific internationalization strategy, and in consideration of host country and region environmental conditions. Limited ownership may decrease the MNE’s ability to harness the full potential of RFSAs, increase partner opportunism risk, reduce operational processes integration potential, and increase organizational learning difficulty (Anderson & Gatignon, 1986; Hennart, 1991; Kogut & Zander, 1993). In light of its increasing successful use in current and relevant literature, equity participation was brought into the nascent semiglobalization approach as this study’s proxy for Multilatina internationalization commitment in cross-border acquisitions.

Controls

To facilitate more focused and nuanced examination of formal institutional effects on a Multilatina’s internationalization through CBA equity participation using a multilevel model, I controlled for effects at each of the three levels (i.e. firm, country, and region). I adopted relevant prior successful study control procedures (e.g., Arregle et al., 2013; Chan, Makino, & Isobe, 2006; Gaffney et al., 2016; Gaur et al., 2007), and molded them to better fit my study. I included: population (a country’s number of inhabitants); industry type (the acquirer’s macro industry - defined by Thomson Financial based on SIC codes, coded as 0= Consumer Products and Services, 1= Energy and Power, 2= Financials, 3= Government and Agencies, 4= Healthcare, 5= High Technology, 6= Industrials, 7= Materials, 8= Media and Entertainment, 9= Real Estate, 10= Retail, 11= Consumer Staples, and 12= Telecommunications); ownership type (the acquirer’s ownership type, coded as 0= Government Owned, 1= Privately Held, and 2= Publicly
Held); *deal year* (coded for the calendar year of the deal (2007 – 2011) to help account for economic shifts over time (Y1-2007, Y2-2008, Y3-2009, Y4-2010, 0-2011)); *firm size* (calculated as the net sales of the acquirer for the last 12 months in US$ as reported in the SDC Platinum); and lastly, *deal value* (the reported monetary size of the acquisition as reported in the SDC Platinum).

**Statistical Method and Modeling**

Due to the structure of the data and the hierarchical nature of certain research questions, I used a multilevel model to test hypotheses, but specifically in order to answer hypothesis 4, which necessitates comparison of multilevel institutional effects (country and region) versus traditional single level institutions (country). Multilevel modeling can address and accommodate potential statistical problems characteristic of multilevel data (e.g. variable dependence between levels, homoscedasticity) and enables identification of individual level effects (i.e., firm, country, and region), as well as between level effects and cumulative effects (Arregle et al., 2009; Arregle, Hebert, & Beamish, 2006; Hitt et al., 2007). Because my study is most appropriately examined by multilevel models with two and three levels, I followed recent successful scholars’ (e.g. Arregle, et al., 2013) use of the multilevel software SuperMix (Hedeker et al., 2008). Hierarchical structures are increasingly encountered across all disciplines in management research, on the micro, meso, and macro levels, as well as with research that spans boundaries between these levels of analysis. To allow for simultaneous examination at the varying overall levels, between the levels, within the levels at the individual indicator level, and for overall multi-level model estimation, a model that acknowledges the data's inherent
hierarchical structure (e.g. country-level data nested within region-level data), and allows the study of both models along with the way these models are related to each other, is needed. SuperMix (Hedeker et al., 2008) combines the functionality of four mixed-effects programs, MIXREG, MIXOR, MIXNO, and MIXPREG, into a single application to provide estimates for mixed-effects regression models. Specific to my study, these models are created for and have been successfully used with clustered data (e.g. Arregle et al., 2013) such as in this dissertation, where the mixed-effects model does not assume that each observation is independent, but does assume that data within clusters are dependent to some degree. SuperMix uses a maximum marginal likelihood solution, based on a Fisher-scoring algorithm for continuous and nominal data, like that used in this study (Hedeker et al., 2008).

With this type of data and statistical analysis (i.e., multiple levels with somewhat dependent between-level data), a ‘goodness of model fit’ indicator must be used over, or in addition to, variance explained model measures such as R-square. Goodness of fit indicators identify which model(s) best fit the specific data on a comparative basis. The identification of best fitted data (i.e. lowest score) reveals the most parsimonious accounting or best explanation of studied phenomenon relationships. As such, I used the Aikake Information Criterion (AIC) and the Bayesian Information Criterion (BIC), which are penalized likelihood criteria and are the most relevant statistics appropriate to this study (Arregle et al., 2013; Dziak, Coffman, Lanza, & Li, 2012). AIC and BIC both allow for mixed model evaluation and comparison of different subsets of predictor variables with different numbers of levels; their main benefit is that they are used for selecting best predictor subsets among compared models in regression (Burnham & Anderson, 2004; Dziak et al., 2012). Some scholars prefer one of these information
Akaike’s Information Criterion and Bayesian Information Criterion

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Emphasis</th>
<th>Likely Kind of Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIC</td>
<td>Good Future Prediction</td>
<td>overfitting</td>
</tr>
<tr>
<td>BIC</td>
<td>Parsimonious Model</td>
<td>underfitting</td>
</tr>
</tbody>
</table>

criterion over the other (i.e., AIC vs. BIC) (Table 7), due to differences in their emphasis and because their analysis of model–data fit is based on different assumptions, yet it is increasingly recognized that best overall theory/model/data studies have ‘best models’ identified and favored by both criteria in consensus (i.e., lowest AIC and BIC). (Dziak, et al., 2012; Kuha, 2004).

From an evaluation perspective, a particular AIC and BIC model value, in isolation, is meaningless without other model values with which to compare. Best models are identified and selected by comparing their relevant information side by side (best models have the lowest AIC and BIC). Model differences can then be evaluated mathematically between a particular model’s AIC/BIC values and those of the model with the lowest AIC/BIC (i.e., the best model). The number difference between models indicates the loss of information experienced - in the fitting of models to data - if we use the model with the higher/highest AIC or BIC values compared to the “best model” with the lowest AIC or BIC values. (Burnham & Anderson, 2004; Dziak, et al., 2012).

There are discussions within the literature as to the appropriateness of multilevel model use in management, and specifically strategy, using “nested” data (e.g. country level indicators nested within region level indicators) although its origins are disparate and multidisciplinary, relevant multilevel paradigms are increasingly understood and accepted/adopted in recent
management research (Mathieu & Chen, 2010), and researchers have shown how successful it can be in considering multilevel approaches for strategic management (e.g. Arregle, et al., 2013; Dess, Gupta, Hennart, & Hill, 1995; Drnevich & Shanley, 2005; Holmes et al., 2013; Short, Ketchen, Palmer, & Hult, 2007). When variable dependence is influenced by multilevel data structures and research does not properly acknowledge and model it, covariation of variables across levels may lead to errors of prediction if a researcher uses a statistical approach not designed to model data structures that include dependence due to clustering of entities (Aguinis & Culpepper, 2015; Aguinis & Edwards, 2014; Aguinis & Molina-Azorin, 2015). I addressed these potential statistical problems in my study by using SuperMix (Hedeker et al., 2008) – as explained previously - to test the multilevel hypotheses.

As an independent analysis, I tested hypotheses one, two, three, and five (i.e., not H4 because of clustered data and potential variable dependence, as described above) using a model based on OLS regression - in order to introduce predictors in a specific order, so that increments in explained variance and changes in regression coefficients can be more effectively evaluated. I used hierarchical linear regression for hypotheses testing here so that certain sets of controls and predictors can be entered in the regression in a certain order. Hierarchical linear regression (HLR) has been successfully used in extant research on the topic in top tier international business publications (e.g., Aybar & Ficici 2009; Gaffney et al., 2015; Gubbi et al., 2010; Hope et al. 2011). HLR affords robustness in hypotheses testing in that it enables starting the analysis by adding only demographic control variables to the model in one step, and then adding specific predictors in order of hypotheses tests, to determine if they predict the criterion, in consideration of, and above and beyond the effect of the controls. It builds
separate but related models in each step. Again, HLR was used to test hypotheses that did not incorporate nested data.
CHAPTER 4

FINDINGS

Hypotheses Testing

The descriptive statistics and intercorrelation matrix for each variable are presented in Tables 7 and 8 respectively. Before examining statistical findings of specific hypotheses tests, I’ll first explain the five models used and why they were used. Model 1 introduces the firm level headquarters and industry characteristics used as study controls. Model 2 added the country-level institutional variables (regulatory control, political democracy, capital investment) to the controls in order to test for isolated country level institutional effects so they could be compared to region level effects, country ‘region relative’ effects and lastly, combined country and region effects together. Following this logic, Model 3 included the country ‘region relative’ institutional variables, Model 4 included the region level variables, and Model 5 included both the country and region level variables simultaneously. Model 5’s incorporation of both country and region level variables in a simultaneous examination necessitated use of the multilevel modeling software for reasons previously explained, and revisited below.

Overall model evaluation is necessary in order to test hypothesis 4 - comparison of multilevel institutional effects (country and region) versus traditional single level institutions (country) - results of the multilevel model (i.e., simultaneous evaluation of country level and region level institutional data) predicting a Multilatina’s internationalization commitment and aggressiveness into a country (i.e., equity participation taken) is presented in Model 5 (Table 14). To revisit, with this type of data and statistical analysis (i.e., multiple levels with somewhat dependent between-level data), a ‘goodness of model fit’ indicator must be used over, or in
addition to, variance explained model indicators such as R-square. Goodness of fit indicators identify which model(s) best fit the specific data on a comparative basis. The identification of best fitted data (i.e. lowest score) reveals the most parsimonious accounting or best explanation of studied data - phenomenon relationships. As previously discussed (see Statistical Method and Modeling for a more in-depth review), to compare models created in my study and identify the best ones according to parsimonious goodness of fit, I concurrently used the Aikake Information Criterion (AIC) and the Bayesian Information Criterion (BIC) (i.e., Burnham & Anderson, 2004; Dziak et al., 2012; Kuha, 2004). In order to test for the hypothesized curvilinear relationship between regulatory control and Multilatina cross-border acquisition equity participation (H1a and H1b) I followed Cohen et al., (2013) protocol by separating first- and second-order terms for the quadratic effect into sequential levels (e.g. Arregle et al., 2013). In order to further validate model test results, I created independent predictor subset models without the region level data (i.e., Models 1 – 3), and with the region level data (i.e., Models 4 & 5), and tested them ceteris paribus (e.g., all other controls/nuisance variables/model evaluation statistics were held constant). Considering the AIC and BIC (lowest scores indicate the most parsimonious model-data fit), Model 5 is the best model, as fitted to the data (AIC 6208, BIC 6249). Thus, Model 5 (using country and region institutional influences) affords the best explanation – most accurate representation – of institutional effects on Multilatina internationalization commitment, when compared to other models tested (i.e., M2: country level only; M3: country ‘region relative’ level; M4: region level only). The varying levels of information loss (i.e., goodness of fit distance) between the best fitting model (Model 5) and the other four models examined, are revealed in Table 13 and discussed in more detail next.
Table 8

Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<td>Y1</td>
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<td>Y2</td>
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<td>0.420</td>
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<td>IntraRegion</td>
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N = 1189
**Table 9**

*Pairwise Correlations*

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<th>Intrntnl Propn</th>
<th>Pop</th>
<th>TgtCn Pol</th>
<th>TgtCn Reg</th>
<th>TgtCnC ap</th>
<th>TgtRgn Pol</th>
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<th>TgtRgn Cap</th>
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<tbody>
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<td>-0.006</td>
<td>-0.087**</td>
<td>-0.03**</td>
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<td>0.179**</td>
<td>0.099**</td>
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<td>0.046</td>
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<td>0.001</td>
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<tr>
<td>Population</td>
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<td>0.355**</td>
<td>-0.234**</td>
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<tr>
<td>TgtCnPol</td>
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<td>0.355**</td>
<td>1</td>
<td>-0.610**</td>
<td>-0.010</td>
<td>-0.683**</td>
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<td>TgtCnReg</td>
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<td>-0.234**</td>
<td>-0.610**</td>
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<td>0.267**</td>
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<tr>
<td>TgtCnCap</td>
<td>-0.083**</td>
<td>0.404**</td>
<td>-0.010</td>
<td>0.267**</td>
<td>1</td>
<td>-0.153**</td>
<td>-0.587**</td>
<td>0.758**</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.004</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TgtRgnPol</td>
<td>0.152**</td>
<td>-0.298**</td>
<td>-0.683**</td>
<td>0.354**</td>
<td>-0.153**</td>
<td>1</td>
<td>-0.254**</td>
<td>0.202**</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>TgtRgnReg</td>
<td>0.179**</td>
<td>-0.056</td>
<td>0.337**</td>
<td>-0.684**</td>
<td>-0.587**</td>
<td>-0.254**</td>
<td>1</td>
<td>-0.777**</td>
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<td>Sig.</td>
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<tr>
<td>TgtRgnCap</td>
<td>-0.099**</td>
<td>0.200**</td>
<td>-0.283**</td>
<td>0.476**</td>
<td>0.758**</td>
<td>0.202**</td>
<td>0.777**</td>
<td>1</td>
</tr>
<tr>
<td>Sig.</td>
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<tr>
<td>TgtCRRPol</td>
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<td>0.359**</td>
<td>0.934**</td>
<td>-0.539**</td>
<td>0.069**</td>
<td>-0.899**</td>
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</tr>
<tr>
<td>Sig.</td>
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<tr>
<td>TgtCRRReg</td>
<td>-0.142**</td>
<td>-0.107**</td>
<td>-0.526**</td>
<td>0.929**</td>
<td>0.453**</td>
<td>0.335**</td>
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<tr>
<td>IntraRegion</td>
<td>-0.064**</td>
<td>0.434**</td>
<td>0.109**</td>
<td>0.139**</td>
<td>0.960**</td>
<td>-0.284**</td>
<td>-0.420**</td>
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<tr>
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<tr>
<td>SQTgRgn_Reg</td>
<td>0.274**</td>
<td>-0.227**</td>
<td>-0.056</td>
<td>-0.451**</td>
<td>-0.549**</td>
<td>0.312**</td>
<td>0.787**</td>
<td>-0.524**</td>
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<tr>
<td>SQTgCRR_ Reg</td>
<td>0.009</td>
<td>0.063**</td>
<td>-0.499**</td>
<td>0.315**</td>
<td>0.268**</td>
<td>0.704**</td>
<td>0.368**</td>
<td>-0.582**</td>
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<tr>
<td>DealValue ($M)</td>
<td>0.127**</td>
<td>0.021</td>
<td>-0.096**</td>
<td>0.045</td>
<td>0.093**</td>
<td>0.110**</td>
<td>-0.075**</td>
<td>-0.088**</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
<td>0.046</td>
<td>0.001</td>
<td>0.120</td>
<td>0.001</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

N=1189; ***p<.001; **p<.01; *p<.05

*Hypotheses 1a and 1b* predict that a curvilinear relationship - an inverted U-shaped relationship – exists between the region’s formal institution of regulatory control (H1a) and
Multilatina internationalization into a country through cross-border acquisition equity participation, as well as an inverted – U relationship between the country’s region-relative regulatory control (H1b) and Multilatina’s internationalization into a country through cross-border acquisition equity participation. Models 3, 4, and 5 test these hypotheses by two methods and with two statistical analyses, as previously explained in detail. To briefly revisit, hierarchical linear regression (HLR) is an appropriate statistical method here because variables are not dependent between levels. *Hypothesis 1a is fully supported/significant and H1b is partially supported, in that the relationship was confirmed to be in the hypothesized direction (inverted U), but the second-order quadratic text was not statistically significant.* Models 4 and 5 tested region regulatory control (H1a) and both found inverted u-shaped relationships (see Figure 4 and Table 9). Model 4 results: region regulatory control (.410, p < .01); second order quadratic region regulatory control squared (.307, p < .001). Model 5 results: region regulatory control (.415, p < .01); second order quadratic region regulatory control squared (.263, p < .001). Models 3 and 5 tested country ‘region relative’ regulatory control (H1b) and both found inverted u-shaped relationships (see Table 10 and Figure 5). Model 3 results: country ‘region relative’ regulatory control (.190, p < .001); second order quadratic region regulatory control squared (.005, ns). Model 5 results: country ‘region relative’ regulatory control (.197, p < .001); second order quadratic country ‘region relative’ regulatory control squared (.024, ns).

*Hypotheses 2a and 2b predict a positive linear relationship between the region’s formal institution - political democracy - (H2a), and separately, the region-relative political democracy of a country (H2b), on a Multilatina’s internationalization into a country through cross-border acquisition equity participation. Models 3, 4, and 5 test these hypotheses by two methods and
with two statistical analyses, as previously discussed in detail and in following the HLR rationale extended under H1a and H1b testing. *Hypotheses 2a and 2b are supported* (see Table 11 and Figure 6). Models 4 and 5 tested region political democracy (H2a) and both found positive and significant relationships. Model 4 results: region political democracy (.361, p < .001). Model 5 results: region political democracy (.306, p < .001). Models 3 and 5 tested country ‘region relative’ political democracy (H2b) and both found positive and significant relationships (see Figure 5). Model 3 results: country ‘region relative’ political democracy (.150, p < .01). Model 5 results: country ‘region relative’ political democracy (.146, p < .001).
Hypotheses 3a and 3b predicted a positive linear relationship between the formal institution - *capital investment* - of the region (H3a) and a Multilatina’s internationalization into a country through cross-border acquisition equity participation, as well as a positive linear relationship between the country’s region-relative capital investment (H3b) and a Multilatina’s internationalization into a country through cross-border acquisition equity participation.

Models 3, 4, and 5 test these hypotheses by two methods and with two statistical analyses, as previously discussed in detail and in following the HLR rationale extended under H1a, H1b, H2a, H2b testing. *Hypotheses 3a and 3b are supported* (see Table 12 and Figure 7). Models 4 and 5
tested region capital investment (H3a) and both found positive and significant relationships.

Model 4 results: region capital investment (.298, p < .001). Model 5 results: region capital

Table 12

The Influence of Capital Investment on Multilatina CBA Equity Participation

<table>
<thead>
<tr>
<th>H3a and H3b Test Coefficients</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Investment - region</td>
<td>.298***</td>
<td>.249**</td>
<td></td>
</tr>
<tr>
<td>H3b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Investment - country ‘region-relative’</td>
<td>.084*</td>
<td>.081**</td>
<td></td>
</tr>
</tbody>
</table>

N=1189; ***p<.001; **p<.01; *p<.05

Figure 7. The Influence of Capital Investment on Multilatina CBA Equity Participation

investment (.249, p < .01). Models 3 and 5 tested country ‘region relative’ capital investment (H3b) and both found positive and significant relationships (see Figure 7). Model 3 results: country ‘region relative’ capital investment (.084, p < .05). Model 5 results: country ‘region relative’ capital investment (.081, p < .01).

Hypothesis 4 predicted that a multilevel semiglobalization approach (i.e., country and region) to investigating formal institutional effects (i.e., regulatory control, political democracy, capital investment) – specifically, one that considers both country and region level institutions –
has increased explanatory ability and significance over one that considers country level institutional effects only. Hypothesis 4 is supported (see Table 13). I used a multilevel model and statistical analysis (i.e., SuperMix) to test this hypothesis for reasons previously explained (e.g., variable dependence between levels, homoscedasticity). Extant empirical support has led to greater convergence in our overall understanding that MNE FDI strategy and conduct (e.g., investment location and level) are significantly influenced by country level institutions. Building on this, and based on the detailed logic previously extended herein, one of the main predictions and contributions of my dissertation is that a semiglobalization perspective and explanation of MNE FDI patterns is more robust and accurate when compared to the country level tradition. Thus, tested models crafted to represent semiglobalization should explain these effects more accurately than those representing country level influences. Whereas hypotheses 1-3 test disaggregated and individual aspects/predictions of the semiglobalization approach, the main overarching prediction of additional value being extended by the aggregate semiglobalization perspective is tested in hypothesis 4. Hypothesis 4 predicts that a multi-level semiglobalization perspective - a three-level model with country level and region level institutional effects (Model 5)- accounts for additional explained value and variance in MNE FDI (Multilatina CBA equity participation) when compared models representing country-level institutional effects (Models 2 & 3): Model 5 markedly produces a much better explanation of Multilatina internationalization through cross-border acquisition equity participation (i.e. lower AIC and BIC relative to the other models) - Model 5: AIC 6208 and BIC 6249 are lower than Model 2: AIC 6418, BIC 6496; or Model 3: AIC 6287, BIC 6376. In additional confirmation, HLR variance explained (R-square and Adjusted R-square) are greater for Models 4 and 5 than for Models 2 or 3 as well (See Table 13).
These results provide strong support for the notion that, compared to a country-level constrained model, a semiglobalization perspective, which considers both country and region institutions, affords a better explanation of these relationships.

Table 13

*Country and Region Institutions Compared to Country Institutions*

<table>
<thead>
<tr>
<th>Mixed Regression (SuperMix) Model Fit Summaries</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodness of fit: Akaike information criterion</td>
<td>6418</td>
<td>6287</td>
<td>6232</td>
<td>6208</td>
</tr>
<tr>
<td>Delta = AIC(model) – AIC of lowest AIC: Model 4</td>
<td>210</td>
<td>79</td>
<td>24</td>
<td>0</td>
</tr>
<tr>
<td>Goodness of fit: Bayesian information criterion</td>
<td>6496</td>
<td>6376</td>
<td>6281</td>
<td>6249</td>
</tr>
<tr>
<td>Hierarchical Linear Regression</td>
<td>Model 2</td>
<td>Model 3</td>
<td>Model 4</td>
<td>Model 5</td>
</tr>
<tr>
<td>R-square</td>
<td>.166***</td>
<td>.182***</td>
<td>.185***</td>
<td>.221***</td>
</tr>
<tr>
<td>Adjusted R-square</td>
<td>.142***</td>
<td>.162***</td>
<td>.166***</td>
<td>.198***</td>
</tr>
</tbody>
</table>

N=1189; ***p<.001; **p<.01; *p<.05

*Hypothesis 5* predicted that Multilatinas would display increased internationalization through cross-border acquisition equity participation on an intra-region basis (external to their headquartered country but internal to the Latin American region), when compared to an inter-region basis (external to both their headquartered country and region, thus occurring in a country within one of the seven regions other than Latin America). *Hypothesis 5 is supported* (see Table 14). Models 2, 3, 4, and 5 incorporated the intra-region/inter-region dichotomous predictor variable to ensure test validity across all hypotheses tests and with divergent institutional variable use – with the following coefficients, all of which were significant at p < .001 (M2: .278; M3: .334; M4 .204; M5: .237). Interestingly, the greatest correlation was in Model 3 (.334, p<.001) which also tested the country ‘region relative’ institutional variables,
and the smallest correlation was Model 4 (.204, p<.001) which tested the region institutional variables. To isolate and verify these results, I retested the hypothesis (H5) using logistic regression and converted the continuous dependent variable – equity participation – into a dichotomous dependent variable (full ownership | partial ownership) to further understand effects of the dichotomous region localization predictor variable (intra-region | inter-region) in Model 3. Results parallel and confirm main effects results from M2 through M5 examination (Exp(B): 3.543, p < .001).

Table 14

Multilatina Internationalization: Intra-region versus inter-region localization

<table>
<thead>
<tr>
<th>H5 Test Coefficients</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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<tr>
<td>HLR and Mixed Regression</td>
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<td></td>
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<tr>
<td>Intra-region / Inter-region</td>
<td>.278***</td>
<td>.334***</td>
<td>.206***</td>
<td>.237***</td>
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<tr>
<td>Logistic Regression</td>
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<tr>
<td>Exp(B)</td>
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<td>3.543***</td>
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</tbody>
</table>

N=1189; ***p<.001; **p<.01; *p<.05
Table 15

Aggregated hypotheses test results using mixed regression and linear regression

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<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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<tr>
<td>Intercept</td>
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<td>68.848***</td>
<td>68.422***</td>
<td>92.224***</td>
<td>91.282***</td>
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<td>Level: firm</td>
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<tr>
<td>Deal value</td>
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<td>.125***</td>
<td>.121***</td>
<td>.116***</td>
<td>.110***</td>
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<td>Due to space limitations, these firm level variable results are located in other tables</td>
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<td>Acquirer ownership type (5)</td>
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<td>Industry type (13 segments)</td>
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<tr>
<td>Level: firm/country</td>
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<td>.162***</td>
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<td></td>
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<tr>
<td>Regulatory control</td>
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<td></td>
</tr>
<tr>
<td>Capital investments</td>
<td>.078*</td>
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<td></td>
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<tr>
<td>Political democracy</td>
<td>.173***</td>
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<td>Capital investments - country ‘region-relative’</td>
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<tr>
<td>Political democracy - country ‘region-relative’</td>
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<td>Level: firm/region</td>
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<td></td>
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<tr>
<td>Intra-region / inter-region</td>
<td>.278***</td>
<td>.334***</td>
<td>.206***</td>
<td>.237***</td>
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<tr>
<td>Regulatory control - region</td>
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<td>-.263***</td>
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<tr>
<td>Capital investments - region</td>
<td>.298***</td>
<td>.249**</td>
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<tr>
<td>Political democracy - region</td>
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<td>Mixed Regression (SuperMix) Model Fit Summaries</td>
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<td>Goodness of fit: Akaike information criterion</td>
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<tr>
<td>Δ =AIC(model) –AIC of lowest AIC: Model 4</td>
<td>6512</td>
<td>6418</td>
<td>6287</td>
<td>6232</td>
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<td>Goodness of fit: Bayesian information criterion</td>
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</tr>
<tr>
<td>R-square</td>
<td>.153***</td>
<td>.166***</td>
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<td>.185***</td>
<td>.221***</td>
</tr>
<tr>
<td>Adjusted R-square</td>
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<td>.142***</td>
<td>.162***</td>
<td>.166***</td>
<td>.198***</td>
</tr>
</tbody>
</table>

N=1189; **p<.001; *p<.01; *p<.05
CHAPTER 5
DISCUSSION

Relative to extant studies, this dissertation uses a more robust and comprehensive approach in examining how and to what extent the host institutional environment influences MNE internationalization - as represented by Multilatina cross-border acquisition location choices and levels of equity participation pursued. Results of this study strengthen the significance and relevance of a newly emerging region-oriented institutional perspective – semiglobalization. Featured relationships are tested by investigating how an MNE carries out its internationalization strategy in consideration of a target country’s institutional environment in relation to the institutional environment of the country’s respective region, as well as in consideration of the region level environment in and of itself. Findings support and extend nascent extant semiglobalization research (e.g., Arregle et al., 2009; Arregle et al., 2013), providing significant support for the importance of geographic regions as a level of analysis for MNE internationalization strategy.

Of significant importance and promise to the literature and practice, this study reinforces that an MNE considers and evaluates – or should - the overall institutional state/condition of the host geographic region, and considers target country institutions - relative to those of other countries in the same region - in their internationalization strategy and ultimate decisions to pursue equity participation in specific country markets via cross-border acquisitions. In other words, within their strategic vision and decision points, MNEs examine a country’s institutional environment from a regional perspective. Thus, this dissertation progresses beyond the consensus research framework accord, based on the
country-level tradition, and provides a more nuanced and accurate analysis of institutional effects and MNE semiglobalization strategy. Therefore, MNE research assigns greater importance to the region in understanding the constraints of its critical institutions - and of the target country’s institutional position - compared to other countries in the same region. Beyond the level of analysis comparison (i.e., country and region), this study also finds that relationships examined between institutional effects and Multilatina internationalization vary significantly in their strength and direction from one formal institution to another (i.e., regulatory control, political democracy, and capital investment). As illustration, when examining institutional effects at the country level, variables found to be most important (i.e., those determining greater MNE CBA equity participation at the country level), are different from those identified at the region level, ceteris paribus. Further, the magnitude of their differences likewise differentially vary across the specified constraining institutions. For example, in consideration of only country-level institutions – without any region level effect consideration – political democracy was the most important and significant institution from a Multilatina internationalization perspective. However, in consideration of only region-level institutions – without any country-level effect consideration – regulatory control was the most important and significant institution from the same Multilatina internationalization perspective. As an example of variance in relationship strength across the same institutions, capital investment is much more important and significant, ceteris paribus, at the region level than at the country level.

This study’s results, from an overall standpoint and from a comparative one, reflect the complex nature of institutions and their effects (upholding Ostrom, 2005). This complexity is
multi-dimensional in nature - because multiple levels of varying institutions exist, each having differential effects of disparate importance/significance – for which differences will be further moderated by context contingencies. Considering only country-level institutional effects simplifies (i.e., reduces complexity of) the examination process, but as this study affirms, can produce results which render a less precise explanation and understanding of the effects of institutions on MNE FDI patterns. For example, adding complexity through inclusion of region-level institutional effects adds explanatory value within the context of this particular study. With all other variables held constant, examining country-level effects only (i.e., Model 2), even though statistically and practically significant, produces a less complete explanation of Multilatina internationalization propensity - in consideration of all three formal institutions - when compared to the Multilatina ‘semiglobalization’ perspective, which simultaneously considers region-level influences in concert with country-level (i.e., Models 4 and 5). Thus, the combined country and region institutional models display stronger relationships, better fit, and an improved omnibus explanation of these phenomena, with greater relative statistical and practical significance. The semiglobalization perspective is thus more complex, but more meaningful, in illustrating the role of institutions in MNE internationalization decisions.

Outcomes from this study also begin to answer questions regarding which may be the most relevant level of analysis for examining the influence of institutions and explaining their effects on MNE strategy and conduct. Seeking to answer this question in varying empirical contexts not only furthers the literature, but has significant implications for both research and application regarding the influence of institutions on MNEs. In comparing the different levels of analysis examined in this study (i.e., country level, country level relative to region level, region
level, and combined country & region levels), some very interesting results surface (see Figure 8). While all levels of analysis reveal findings which are statistically and practically significant, main effects relationship strengths vary widely across levels of analysis, as well as across the institutions themselves. This signals that certain levels of analysis in this context (i.e., Multilatina internationalization commitment through cross-border acquisitions) are more important and relevant than others. For example, a general trend is found of increasing relationship relative strength (i.e. levels of analysis main effects results strictly compared to each other) beginning with country-level only, then to the country ‘region relative’ level, and ending with the greatest strength in combined country and region level – with the exception of one trend variation with political democracy, where country only is stronger than country ‘region relative’, but neither as strong as country and region together. Even though this general trend is important, the differential variance across levels of analysis but within each institution (e.g., regulatory control) may be more important to scholars and practitioners alike. For example, within regulatory control, the country ‘region relative’ variable relationship is 17.28% stronger than the country-only variable relationship with internationalization propensity.

Further, the region variable is 153.08% stronger than the country variable. Interestingly, capital investment at the region level is 2.8 times stronger than the country only relationship. “All 3 Institutions”, as revealed on the bar-chart (Figure 8), compares omnibus model results – with simultaneous evaluation of all three institutions in concert – across levels of analysis. Interestingly to note that the simultaneous evaluation of both country and region institutions together (i.e., the ‘semiglobalization” approach - 3 level multilevel model) reveals the strongest
and most significant relationships, as well as being the model that best fit the data, compared to country ‘region relative’ and country only levels of analysis. Also noteworthy is that the traditional ‘country only’ level of analysis – which has previously pervaded the literature – displayed weaker relationships relative to the other two levels of analysis, which incorporated region institutions in some form. It must be reinforced however, that country level relationship results were statistically significant and practically meaningful. It appears however, the ‘semiglobalization approach’ may be more meaningful in this study context.

Beyond the country-level tradition, the semiglobalization approach as operationalized herein generates results that also reinforce the research and practical importance of institutions, the constraining environments they create and maintain, and how they influence MNE foreign direct investment. At the region level, all three formal institutions (regulatory
control, political democracy, and capital investment) have a positive initial effect on Multilatina internationalization propensity through CBA. At increasing amounts of institutional influence, however, the relationship for regulatory control becomes significantly negative (i.e., inverted u-shaped), whereas political democracy and capital investment relationships remain positive and linear. Interpreted, a region’s political democracy level and capital investment amounts both continue to motivate foreign investments, even at greater amounts of institutional influence. In other words, the more a region’s government ‘central tendency’ is politically democratic in nature, the more a Multilatina will display an increased propensity to internationalize there. The lack of political democracy in a region will dissuade Multilatina CBA there. This is most likely a result of the central tendency of Latin America itself becoming more and more democratic in nature. Likewise, the more capital investment is infused into a region, the more a Multilatina will display an increased propensity to internationalize there. Increasing levels of regulatory control as a central tendency with a region however, have a threshold point beyond which Multilatina internationalization is dissuaded. These regulatory control results suggest that increased regulations and their enforcement across the region, are positively viewed initially by a Multilatina and seen as an FDI motivator. However, when regulations and their enforcement become too dominant and pervasive, it creates costs and overwhelms any positive effects, thereby discouraging Multilatina FDI through CBA. It is worthy of mention that certain relationships found in my study are inconsistent with some found in extant studies, such as the finding of a negative relationship between political democracy and MNE FDI – when controlling for property rights (Li & Resnick, 2003). Arregle and associates (2013) likewise found a negative relationship with political democracy and FDI. This inconsistency points to the importance of
context, which varied significantly across these studies. For example, a single Japanese MNE was the focus of the Arregle et al., (2013) semiglobalization study, as compared to my study which is based on all MNEs headquartered within the entire Latin American region. The highly varied study context is most likely the driver behind the inconsistent findings. In other words, a Japanese MNE’s strategy and FDI motivation may be very divergent from the Multilatina population. Likewise, the particular MNE focus of a study, even if held constant, will likely vary over time. Differential findings resulting from divergent “laboratory conditions” upholds the importance of conducting MNE microfoundations studies in varying contexts, and further, that it may be difficult to rationalize generalizations across large MNE populations, like has been done in the past.

Implications

This dissertation’s findings have important implications for theory and research – in aggregate for international strategy – and independently for each of the four construct streams (i.e., institutions, semiglobalization, cross-border acquisitions, Multilatinas). Simply stated, this study clearly establishes the importance of regions on MNE’s internationalization decisions. Also, MNEs’ evaluation of institutions in their internationalization decisions is more comprehensive than demonstrated by prior research. MNEs demonstrate behavior which seems to reinforce a country ‘region relative’ paradigm - in selecting one country over others for FDI entry, and doing so based on its institutional attractiveness relative to that of the proximate countries in the same geographic region. Additionally, this illuminates the empirical and practical importance of determining and evaluating the institutional central tendency of the region under consideration. Strategy and decisions enable MNEs to leverage and optimize
these location–specific FDIs across the region, and in so doing control/reduce risk while improving returns and other benefits across the countries within the region. This study also supports the semiglobalization perspective and its relevance to a more holistic and comprehensive understanding of institutional effects. This is very important, because the semiglobalization approach – as conceptualized here – alters the manner in which we view and the processes whereby we measure, evaluate, and understand institutional effects on MNE strategy, motivations, and behavior, regardless of context. This signals the need for future theorizing and empirical testing of institutional influences on MNE strategy / conduct / performance to be carried out differently than has been the tradition.

Theoretical extensions and empirical findings from my dissertation have practical significance, in addition to academic, on the need for further MNE focus on: (1) institutional influences, (2) geographic regions, and (2) multilevel models. Strategic decision making and tactical/operational actions are an outflow of an MNE’s decision mix considered; this ‘mix’ which would be greatly enriched by including robust representations/examination these constructs (i.e., country and region institutions, geographic regions, multilevel analysis). MNE leaders, policy makers, and management teams increased awareness of institutional environments and their effects is critical, at both the country and region levels, and compoundingly so if arbitrage is a part of their strategy. MNEs would benefit greatly from, and possibly have competitive advantages associated with, a more complete understanding of the specific processes whereby the institutions of host environments (country AND region) constrain their own decision making – specific to overall FDI strategy, location choices, investment levels, as well as resource and capability coordination & orchestration. One can
begin to see the potential compounding benefits realized if this capability scope is developed on a larger scale (beyond country) but not too large to lose logistic efficiencies and market idiosyncrasies from increased distance (i.e. benefits from focusing on a particular region, versus a country, versus a larger field beyond region). Policy maker greater understanding of these combined effects would likewise benefit their country/region as well – in recognizing the importance of having a regional dimension of international institutional attractiveness - to entice IFDI from competitive environments. My study further illuminates potential benefits gained from increased regional collaboration between incumbent country governments, in order to strengthen their competitive edge over other regions for IFDI. Region collaboration across countries would also help facilitate regional integration, which then could be fashioned and situated in such a way as to increase FDI inflows to a region strategically through countries. The ‘semiglobalization approach’ provides governments with a more intricate perspective in deciding which institutions might be selected over others for focus in attracting foreign direct investment from MNEs. A regional structure and cohesive framework among linked countries could be strategically maintained in efforts to entice IFDI while swaying opportunistic intra-regional competitive behaviors. Further, country specific adoption of a semiglobalization centric approach may make them more attractive over other countries in a region who do not.

In consideration of results, and the previous discussion of government cohesion and region integration, this study also has implications for Latin America and Multilatina research and practice. It specifically helps further our understanding of where and how Multilatinas may internationalize on an intra-regional (within Latin America but external to their country of origin) versus inter-regional (external to both their country and region) semiglobal basis, as well
as how institutional environments may influence their international strategy and FDI decision processes. Latin America has historically trailed other regions in their economic regional integration across countries. Regional economic integration there has severely lagged behind all other 7 regions, as operationalized in this study. Effects of country-level historical and institutional evolution and development have served as barriers to integration. Beyond this, there are a number of explanations for this lag (e.g. vulnerable regional institutions, weak market infrastructures, dominant informal economy, high corruption, income distribution inequality, cultural duality - see Table 2, p23 for a complete picture). However trends indicate that increased regional economic integration is occurring through intra-regional FDIs by MNEs headquartered in Latin America (Multilatinas). Multilatina intra-regional cross-border acquisition activity levels are significantly increasing. As demonstrated in this study, a Multilatina is roughly 3.5 times more likely to pursue full ownership during a cross-border acquisition when targeting firms within their same region (i.e., Latin America). This study will further the Latin America and Multilatina research streams in revealing specific internationalization patterns and propensities, specific to which particular institutional conditions serve as motivators versus dissuaders. For example, high levels of country and region regulatory control dissuade Multilatina FDI through CBA, whereas high levels of political democracy and capital investment at country and region levels both increasingly motivate Multilatina FDI. From an applied perspective, this information is very useful in having a more accurate picture of specifically how a government entity or other institution could motivate IFDI from a Multilatina into their country and region.
Limitations and Future Research

Commensurate with all social science research, my dissertation has limitations. The semiglobalization perspective adopted herein conceptualizes and frames regions based on geography. This is not a limitation per se, but there are alternative regional frameworks study in the literature, such as those conceptualized in terms of trading blocks, culture, and institutions. However, specific to testing research questions and hypotheses associated with my study, a geographic conceptualization and framing and regions is clearly the most relevant and optimal operationalization. As illustration, Arregle and associates (2013) used a geographic regional framework in their study, then retested hypotheses using alternative definitions of regions for purposes of post hoc robustness checks, and found that alternative conceptualizations did not provide as good of a test of their research question as did the geographic framework (see Arregle et al. (2013) for the complete regions robustness study). Secondly, from application and generalization perspectives, MNE semiglobalization-based strategy and conduct does not necessarily apply unilaterally to the population of all multinationals. MNEs may not have this perspective for a variety of reasons. For example, if an MNE cannot successfully use at least one of the two mechanisms to facilitate semiglobalization (i.e., region-bound firm specific advantages and region-based organization learning) it will have reduced incentives/motivation to adopt a semiglobalization-based strategy and would not pursue FDI to fulfill this strategy. In addition, MNEs may pursue FDI localization in only one target country without considering expansion into the corresponding region and any of its proximate countries. This could be due to the absence of regionally fungible resources –which are available and capable to deploy and redeploy, or having a strategy which necessitates focus only on a specific country - possibly due
to or based on its idiosyncratic characteristics - which are attractive to the MNE. It is thus important to note that MNEs (in this case, Multilatina) who take equity ownership through CBA and do so in several countries may or may not have a region-level strategy. Next, all hypotheses in this study are tested using Latin American MNEs (Multilatinas) over a specific period of time (2007-2011). The informal and formal institutional environments of Latin America may differentially influence the strategies and decisions taken by these firms, as well as based on those of the targeted countries and regions. There likewise may be variation associated with the temporal components of this study. This intent of this study, however, was not to generalize Multilatina behavior to that of the MNE population at large. The contextualization of my study does reinforce and greatly extend research and practical value of the very limited previous semiglobalization studies (e.g., Arregle et al., 2013), by examining semiglobalization in a completely different context (Latin America MNEs) and by a different, yet extremely important internationalization mechanism (CBA equity participation). And further, because semiglobalization findings vary across institutions from study to study, this points to the importance of context and MNE microfoundations studies. Thus, instead of generalizing to the larger MNE population, study results uphold MNE microfoundations and reinforce the need for more nuanced, context based examination. It would be interesting and add research value to replicate this study with data for other periods of time (e.g. the previous five years) on a comparative basis, because the institutional environments of countries and regions can change, resulting in divergent MNE strategy and conduct. However, this comparative study would add value specific to the context set in and does not otherwise undermine the core logic of this dissertation, or the relative improvement of the semiglobalized approach over the country-level
tradition. Also, there was no consideration or accounting within this study for the actual MNE decision-making process and how they may sequence consideration of region and country institutional influences in their strategy or decision mix. For example, their strategy could necessitate starting the evaluation process at either the region or country level, which might influence the decision mix and the ultimate decisions made. As such, a study of this nature would inform the literature. Next, my research questions, hypotheses, and operationalization of models focuses on predictor variable subsets reflecting formal institutions, as opposed to informal institutions such as culture. I decided to use formal institutional influences and operationalize them through procedures which also reflect and incorporate informal institutional effects and influences in the formation of formal institutional variables used in my study (see Holmes et al., (2013) for an extensive review of informal institutional influence on development of formal institutions). Finally, although my semiglobalization approach based on 8 geographic regions of the world provides an effective way of measuring such regions, future research might extend this by examining other region based MNES (other than Latin America), in contrasting (complementing) parts of the world.

In conclusion, this dissertation and study uniquely merges traditional institutional perspectives with a semiglobalization perspective – using four previously uncombined constructs (institutions, semiglobalization, Multilatinas, and cross-border acquisitions) - to examine the effects of the country environment and of the general institutional environment of a region on internationalization decisions. The nascent ‘institutions – semiglobalization’ stream is thus furthered. Results suggest that the internationalization of this MNE microfoundations segment is influenced by the general institutional environment of both countries and regions.
Thus, this study introduces newly operationalized institutional variables, in solidifying a new perspective regarding institutional influences on the international strategy of MNEs, in a new and previously unexamined context and methodological manner.
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