## Contents

| List c         | of Figures            | 3  |   | χii      |  |  |  |
|----------------|-----------------------|--|---|----------|--|--|--|
| List of Tables |                       |  |   |          |  |  |  |
| List o         | List of Abbreviations |  |   |          |  |  |  |
| Introduction   |                       |  |   |          |  |  |  |
|                |                       |  |   | XX       |  |  |  |
| OLIAE          | TED 1                 | Inatituti                                    | ional Diatanae Consentualization and        |          |  |  |  |
|                |                       |  | onal Distance: Conceptualization and ements | 1        |  |  |  |
| 1.1            | Comme                 |  |   |          |  |  |  |
| 1.2            | 200                   |  | on: A Review                                | 2<br>6   |  |  |  |
|                |                       |  | on: A Review                                | 0        |  |  |  |
| 1.3            | 1.3.1                 | rements and Comparisons Data and Methodology |   | 8        |  |  |  |
|                | 1.3.1                 | 1.3.1.1                                      | Data  | 8        |  |  |  |
|                |                       | 1.3.1.2                                      |   | .0       |  |  |  |
|                |                       | 1.0.1.4                                      | based on an composite measure               |          |  |  |  |
|                |                       |  | creation                                    | 12       |  |  |  |
|                |                       | 1.3.1.3                                      | Approach 2: Multidimensional                | 12       |  |  |  |
|                |                       | 1.0.1.0                                      | distance                                    | 15       |  |  |  |
|                |                       | 1.3.1.4                                      | Comparison of ID measures                   | 17       |  |  |  |
|                | 1.3.2                 |  | ID: Results and Discussions                 | 18       |  |  |  |
|                |                       | 1.3.2.1                                      | PCA/FA results for the creation of an       |          |  |  |  |
|                |                       |  | informal institutional index                | 18       |  |  |  |
|                |                       | 1.3.2.2                                      | Descriptive statistics of informal ID       |          |  |  |  |
|                |                       |  | measures                                    | 19       |  |  |  |
|                |                       | 1.3.2.3                                      | Illustration of informal ID: The Swiss      |          |  |  |  |
|                |                       |  | case  | 20       |  |  |  |
|                | 1.3.3                 | Formal ID: Results and Discussions           |   | 25       |  |  |  |
|                |                       | 1.3.3.1                                      | PCA/FA results for the creation of a        |          |  |  |  |
|                |                       |  | formal institutional index                  | 26       |  |  |  |
|                |                       | 1.3.3.2                                      | Descriptive statistics of formal ID         |          |  |  |  |
|                |                       |  | measures                                    | 26       |  |  |  |
|                |                       | 1.3.3.3                                      | Illustration of formal ID: The Swiss        |          |  |  |  |
|                |                       | 50 7000                                      | case  | 28<br>34 |  |  |  |
| 1.4            | Discussion of Results |  |   |          |  |  |  |
|                |                       |  |   |          |  |  |  |

| CHAP | TER 2   | Institutional Distance, Location, and Entry            |          |  |  |
|------|---|--|----------|--|--|
|      |   | Mode Choice: Theoretical Foundations                   | 39       |  |  |
| 2.1  | Role of Institutional Distance on Location Choice   |  |          |  |  |
|      | 2.1.1   | Institutional Distance, Liability of Foreignness,      |          |  |  |
|      |   | and Internationalization Process                       | 42       |  |  |
|      |   | 2.1.1.1 Definition of foreignness                      | 42       |  |  |
|      |   | 2.1.1.2 Institutional distance, liability of           |          |  |  |
|      |   | foreignness, and legitimacy concerns                   | 44       |  |  |
|      | 2.1.2   | Institutional Distance and Learning Process            | 49       |  |  |
|      |   | 2.1.2.1 The stage approach                             | 50       |  |  |
|      |   | 2.1.2.2 The network approach                           | 52       |  |  |
|      | 2.1.3   | Institutional Distance versus Institutional Quality    | 57<br>58 |  |  |
| 2.2  | Role of Institutional Distance on Entry Mode Choice |  |          |  |  |
|      | 2.2.1   | Entry Mode Strategies                                  |          |  |  |
|      | 2.2.2   | Institutional Distance and Firms' Entry Mode           |          |  |  |
|      |   | Strategies   | 61       |  |  |
|      |   | 2.2.2.1 Institutional distance and establishment       |          |  |  |
|      |   | choice   | 62       |  |  |
|      |   | 2.2.2.2 Institutional distance and ownership           |          |  |  |
|      |   | choice   | 64       |  |  |
|      | 2.2.3   | Factors Reducing the Impact of ID on Entry             |          |  |  |
|      |   | Mode Choice  | 66       |  |  |
|      |   | 2.2.3.1 Types of experience                            | 67       |  |  |
|      |   | 2.2.3.2 Networks                                       | 69       |  |  |
| 2.3  | Theor   | etical Hypotheses: A Summary                           | 71       |  |  |
| СПУ  | DTED 2  | Institutional Distance and Location Choice             |          |  |  |
| UHA  | FILN J  | of Swiss FDI: A Country-Level Analysis                 | 75       |  |  |
| 2.4  | г   |  | 76       |  |  |
| 3.1  |   | ical Models and Methodology                            | 80       |  |  |
| 3.2  | Variables   |  |          |  |  |
|      | 3.2.1   | Dependent Variable                                     | 80<br>84 |  |  |
|      | 3.2.2   | Key Independent Variables                              | 85       |  |  |
| 2.2  | 3.2.3   | Control Variables                                      | 87       |  |  |
| 3.3  | Results   |  |          |  |  |
|      | 3.3.1   | Results for Models with Aggregate Measure              | 88       |  |  |
|      | 2 2 2   | of ID<br>Results for Models with Individual Dimensions | 00       |  |  |
|      | 3.3.2   |  | 92       |  |  |
| 2.4  | C   | of Informal ID   | 98       |  |  |
| 3.4  |   | tivity Analysis  |          |  |  |

| CHAPTER 4                                  |                      | 4                       | Institutional Distance, Location, and Entry |  |     |  |  |
|--|----------------------|-------------------------|---|--|-----|--|--|
|  |                      |                         | Mode (                                      | Choice of Swiss FDI: A Firm-Level      |     |  |  |
|  |                      |                         | Analysi                                     | S                                      | 105 |  |  |
| 4.1  | Metl                 | 100                     | lology                                      |  |     |  |  |
| 4.2  | Descriptive Analysis |                         |   | 107                                    |     |  |  |
|  | 4.2.1                |                         | Trends over the Period 2010-2014            |  | 107 |  |  |
|  | 4.2.2                | 2                       | Statistics on the Firm's Largest FDI        |  | 110 |  |  |
| 4.3  | Econometric Analysis |                         | alysis                                      | 125                                    |     |  |  |
|  |                      |                         | Empirical Models                            |  | 125 |  |  |
|  |                      |                         | Variables                                   |  | 130 |  |  |
|  |                      |                         | 4.3.2.1                                     | Dependent variables                    | 130 |  |  |
|  |                      |                         | 4.3.2.2                                     | Key independent variables              | 130 |  |  |
|  |                      |                         | 4.3.2.3                                     | Control variables                      | 131 |  |  |
|  | 4.3.3                | 3                       | Results                                     |  | 133 |  |  |
|  |                      |                         | 4.3.3.1                                     | Average marginal effects for           |     |  |  |
|  |                      |                         |   | establishment choice                   | 133 |  |  |
|  |                      |                         | 4.3.3.2                                     | Average marginal effects for ownership |     |  |  |
|  |                      |                         |   | choice                                 | 144 |  |  |
|  |                      |                         | 4.3.3.3                                     | Interrelated choice of establishment   |     |  |  |
|  |                      |                         |   | and ownership                          | 154 |  |  |
| 4.4  | esults               | 156                     |   |  |     |  |  |
|  |                      |                         |   |  |     |  |  |
|  |                      |                         |   |  |     |  |  |
| Concl                                      | usion                |                         |   |  | 159 |  |  |
| APPENDIX A Country-Level Analysis: Results |                      | Level Analysis: Results | 165   |  |     |  |  |
|  |                      |                         |   |  |     |  |  |
| APPENDIX B                                 |                      | В                       | Firm-Level Analysis: Results                |  | 177 |  |  |
| APPENDIX C                                 |                      |                         | KOF Questionnaire on Internationalization   |  |     |  |  |
|  |                      |                         |   | Firms, 2014                            | 189 |  |  |
| Riblio                                     | aranh                | v.                      |   |  | 193 |  |  |
| Bibliography                               |                      |                         |   | 130                                    |     |  |  |
| Index                                      |                      |                         |   |  | 213 |  |  |