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**Cross-border M&As from emerging
economy firms and institutional strength:
the dangerous case of natural resource-
seeking firms**

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Summary

This study examines the determinants influencing the location choices of emerging economy (EE) firms in cross-border mergers and acquisitions (CBMAs), focusing on the role of a recipient least developed country's (LDC) institutional strength and its different components. It explores the moderating effects of the firms' internationalization motive, particularly natural resource-seeking (NRS)-firms. The research utilizes a comprehensive dataset of 991 CBMAs from 24 emerging economies, analyzing the impact of six World Governance Indicators (WGIs): control of corruption, political stability, government effectiveness, regulatory quality, rule of law, and voice and accountability. The findings indicate that EE firms tend to invest in countries with weaker control of corruption, regulatory quality, and voice and accountability. Furthermore, EE firms are more inclined to engage in CBMAs in LDCs with strong government effectiveness and rule of law. In contrast, NRS-firms prefer LDCs with weaker rule of law. The study concludes with recommendations for policymakers in LDCs to enhance their institutional frameworks to attract foreign investments from emerging economies. This research contributes to a nuanced understanding of how different types of EE firms prioritize various aspects of institutional strength based on their strategic needs and offers insights for policymakers to foster sustainable economic growth.

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1. Introduction

Since the mid-2000s, the value share of Emerging Economy (EE) M&As has been on the rise. In 2012, already half of the outwards foreign direct investments were made by the emerging multinational enterprises (EMNE) that form BRICS (Peng & Parente, 2012). Research conducted by the OECD showed that post-corona pandemic, completed emerging economy cross-border M&A (hereafter CBMA) deals exceeded pre-pandemic levels by 25% in EEs (2022). M&As undertaken by these EE firms often occur in the Least Developed Countries (LDCs) characterized by high levels of poverty and minimal GDP growth. These deals are known to create disruption by funding corrupt regimes (Mairoce, Silberberger & Zweynert, 2020). For example, in 2016, Brazilian construction giant Odebrecht confessed to bribing politicians and government officials in exchange for contracts in countries like Ecuador, Venezuela and Colombia (Gallas, 2019). Furthermore, China National Petroleum Corporation (CNPC) engaged in corrupt practices by bribing politicians for access to critical resources in Sudan and Nigeria (Global Witness, 2023). These practices were directly linked to horrific civil violence in South Sudan, which erupted in 2013.

The examples from CNPC and Odebrecht are not exceptions. The situation has reached the point where EU officials now sue African countries to counter spending from emerging economies into LDCs, aiming to preserve their control over these countries and limit the influence of EE countries (Valero, 2023). These recent developments highlight the necessity to further analyze the rising involvement of EE firms in CBMAs within LDCs: why do EE-firms increasingly choose to invest in LDCs?

Literature on these CBMAs by EE firms indicates that the strength of recipient country institutions is an important factor in EE firm's location choices for CBMAs (He & Zhang, 2018; Li & Wang, 2022). Institutions are commonly defined as the "humanly devised formal constraints that structure human interactions" (North, 1990, p.58). Institutional strength refers to the robustness and effectiveness of a country's institutions, including its legal frameworks, governmental structures, enforcement mechanisms, and public service systems (Levitsky & Murillo, 2009). Typically, the institutional strength of a country is assessed using six dimensions: control of corruption, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and voice and accountability. Collectively, these dimensions are known as the World Governance Indicators (WGI).

Generally, firms seek to pursue CBMAs in recipient countries characterized by strong institutions due to the advantages of having lower transaction costs (Benassy-Quere et al.,

2007). However, by analyzing the prevalence of EMNEs among the largest foreign firms in institutionally weak recipient LDCs, empirical evidence suggests that EE firms are more inclined to invest into LDCs with weak institutions over those with strong institutions (Niosi & Tschang, 2009). A popular explanation for this difference is that firms from emerging economies have specific advantages when dealing with weak institutions due to their experience in navigating difficult institutional settings. Emerging Economies are often linked to weak institutions, which can create inhospitable environments for firms (Kaufmann, Kraay & Mastruzzi, 2010). EE firms leverage their home country experience navigating weak institutional environments in LDCs like Sudan to gain competitive advantages (Cuervo-Cazurra & Genc, 2008). However, a different theory states that EE firms rather invest into developed recipient countries with strong institutions due to the institutional jumping effect (Witt & Lewin, 2007). Weak institutions of recipient countries increase transaction costs and should thus also reduce FDI activity (Blonigen, 2005). To give an example, weak institutional strength significantly increases the chance of expropriation, making it less attractive to settle in institutionally weak nations (Sabir, Rafique & Abbas, 2019). By investing in institutionally strong recipient environments, EE firms avoid weak institutions in their home country. For instance, the South-Korean firm Samsung made significant investments in the US to benefit from its IP laws, thereby protecting the company from advanced mobile threats from competitors (Samsung, 2018). This example suggests that EE firms are mainly interested in investing in countries with strong institutional frameworks in terms of regulatory quality and rule of law. This could explain the varying outcomes of previous studies attempting to capture the effect of institutional strength on location choices for CBMAs by EE firms.

Indeed, studies have indicated that the impact of individual recipient institutional components on location choices can vary widely. Buckley et al (2016) showed that rule of law, government effectiveness, regulatory quality, control of corruption, and voice and accountability significantly influenced the location choices of developed MNEs. However, they did not find significant effects for political stability, indicating that this WGI may not influence location decisions of developed MNEs. Further empirical evidence indicates that M&A activity from the US tends to be lower in LDCs with higher levels of corruption (Sujit, Kumar & Oberoi, 2020). Conversely, M&A activity increases with higher perceptions of voice and accountability within an LDC. These findings tell us that the effect of different factors of institutional strength, namely the WGI, varies.

There have only been a handful of studies that have analyzed the effect sizes and direction of individual WGI of a recipient LDC on the location choices of EE firms. De Beule and Duanmu (2012) investigate the location choices of CBMAs conducted by Indian and Chinese firms from the mining industry. They find that control of corruption negatively influences the location choice of Indian firms, but not for Chinese. However, in both cases, political stability proved to be a negative factor, suggesting that Chinese and Indian firms are less likely to choose an LDC for CBMAs if the country exhibits strong political stability. Furthermore, by analyzing quarterly greenfield investment flows into countries in the Middle East and North Africa (MENA) during the period from 2003 to 2012, Burger, Ianchovichina, and Rijkers (2016) demonstrated that weak institutional environments in the MENA region during this timeframe are associated with reduced investment flows. However, after analyzing the individual effects of the measured WGI, it became evident that this impact varied across indicators. Moreover, weak political stability was linked to increased levels of investment for recipient LDCs.

Both the studies conducted by de Beule & Duanmu, and Burger, Ianchovichina & Rijkers have their limitations. Burger, Ianchovichina, and Rijkers focus exclusively on analyzing greenfield investments within the context of LDCs in MENA during the period from 2003 to 2012. Consequently, their conclusions are applicable solely to that specific region and timeframe. As opposed to Burger, Ianchovichina & Rijkers, de Beule & Duanmu focus specifically on investment flows from India and China, two notable emerging economies. This choice was justified at the time, as M&As from both countries accounted for the lion share of EE investments (Nicholson & Salaber, 2013). However, since then, other emerging markets have experienced significant growth (Yuwei & Di, 2022), making it relevant to contextualize past findings in a modern day framework. Moreover, de Beule & Duanmu focus specifically on companies in the mining industry, thereby further limiting the scope of their study.

Even though research has been conducted on the topic of a recipient LDC's institutional strength and the location choice of EE firms' CBMAs, the effect of the different individual indicators that determine institutional strength has not yet been comprehensively measured within the context of new emerging economies. Based on this, the following research question was formulated:

Main question: How do different institutional aspects (WGI) of a recipient LDC influence the location choice for CBMAs by EE firms?

Despite their inherent differences, both the study by de Beule and Duanmu and the study by Burger, Ianchovichina, and Rijkers identified a moderating factor that appeared to influence the relationship between various recipient country WGI and location choice for LDCs: the internationalization motive of the investing firm. Indeed, literature within the framework of RDT corroborates these findings. EE firms with a market seeking motive are more inclined to invest into LDCs, because they can leverage available resources without facing competition from developed country firms. EE firms are not as well-endowed as firms from developed economies regarding access to resources (Luo & Tung, 2007). Therefore, EE firms with a market-seeking motive tend to internationalize to LDCs to access less competitive markets. Consequently, they are not deterred by the weak institutional strength of these LDCs (Ahsan & Sinha, 2022). While numerous, CBMAs from EE firms seeking access to new markets are generally perceived as being beneficial for inhabitants, since they allow for increased competition and access to a wider variety of products (Li & Wang, 2022). Therefore, it is highly unlikely that EE firms with a market seeking internationalization motive are the cause of the destabilizations in LDCs.

Besides a market seeking motive, it appears that EE firms with a motive to find natural resources are more inclined to invest in recipient LDCs if they have weak institutional strength (de Beule & Duanmu, 2012). This inclination arises from the inherent political scrutiny these firms face when engaging in CBMAs. Countries with weak institutional frameworks tend to offer less governmental and social interference, making it more attractive for these firms to invest in such LDCs (de Beule & Duanmu, 2012). However, the impact of individual WGI and an EE firm's internationalization motive to seek natural resources on its choice of location for CBMAs in LDCs remains significantly underexplored in contemporary literature.

Contradictory to previous studies examining the impact of individual WGI on the location choices of EE firms (Buckley et al., 2016), both studies by de Beule & Duanmu and Burger, Ianchovichina & Rijkers found that weak political stability in recipient countries can be particularly attractive to natural resource-seeking (hereafter NRS) EE firms. These firms have developed specific skills that facilitate rent extraction in such environments (Carney et al., 2016). Furthermore, de Beule and Duanmu (2012) suggest that recipient LDCs with weak

control of corruption are more attractive to NRS-EE firms because these environments resemble their own institutional backgrounds. This supports existing theories, such as those proposed by Cuervo-Cazurra and Genc (2008), which state that EE firms tend to invest in countries with institutional frameworks similar to their own.

Previous studies analyzing the interaction effects of individual WGI of a recipient LDC and a NRS internationalization motive on the location choices of EE firms have been limited in scope because they primarily included firms within the mining industries as a proxy for an NRS internationalization motive. Therefore, the conclusions were confined to firms within the mining industry, rather than encompassing all NRS-firms. Hence the following research question:

Sub-question 1 (SQ1): How does the motive of EE firms to engage in CBMAs effect the relationship between different institutional aspects (WGI) of a recipient LDC and the location choices for CBMAs by EE firms?

Although it seems like this question has already been answered within the context of CBMAs from India and China (de Beule & Duanmu, 2012) and recipient LDCs in sub-Saharan Africa (Burger, Ianchovichina, & Rijkers, 2016), we cannot coherently explain CBMAs from new emerging economies into LDCs and the moderation effect of the NRS internationalization motive. Studies have showed that NRS-CBMAs in LDCs can have potentially negative impacts due to the abuse of corruption in societal structures and the displacement of local communities (Lee et al., 2020).

This study aims to analyze the interaction effect of a recipient country's institutional strength, as measured by various WGI, and the internationalization motive of EE firms on their CBMA location choices. The analysis focuses on CBMA locations of firms from the 'older' BRICS countries and newer emerging economies. This approach extends beyond prior research which predominantly focuses on M&A activities from specific EEs by including samples from new emerging economies. This is a valuable addition because near term growth prospects of these 'new' emerging markets is set to improve due to stronger credit ratings (Wheeler & Papagianni, 2024). The limited understanding of how individual WGIs in recipient countries influence CBMAs from new emerging economy firms into LDCs, combined with the anticipated increase in such activities and the potential negative impacts of NRS-M&As highlights the critical need for this study.

To answer the previously stated research questions, data from The World Bank was collected regarding the specific factors of institutional strength, namely control of corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law, and voice and accountability. By highlighting the specific factors that influence M&A location decisions of EE firms, policymakers and government officials can strategically direct their efforts to improving these conditions in their recipient countries. Lastly, this study contributes to the ongoing discourse on the location decisions of EE firms and the institutional strength of recipient countries. It demonstrates that the impact is nuanced for specific aspects of institutional strength as measured by the WGI.

The following conceptual model was drawn up to make a visual representation of the concepts used in this study (see Figure 1):



Figure 1, conceptual model, own information

2. Theory

2.1 Hypothesis 1: Institutional strength and location choice

Prior to setting apart the intricate relationship between the strength of a recipient LDC's institutions and CBMAs from emerging economies, it is essential to establish an accurate definition of institutions and the WGI. Institutions are commonly defined as "the humanly devised formal constraints that structure human interactions" (North, 1990, p58). Examples of formal constraints are laws and constitutions. The polity is responsible for establishing formal rules, while informal norms are considered to be part of culture. The World Bank identifies six indicators of institutional strength: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law and control of

corruption (Kaufmann, Kraay & Mastruzzi, 2010) (see Table 1):

World Governance Indicator	definition
Control of corruption	'captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests' (the World Bank: A, 2022, p.1)
Political stability and absence of violence/terrorism	'measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism' (The World Bank: B, 2022, p.1).
Voice and accountability	'captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media' (the World Bank: C, 2022, p.1).
Government effectiveness	'captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (the World Bank: D, 2022, p.1)
Regulatory quality	'captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development' (the World Bank: E, 2022, p.1)
Rule of law	'captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence' (The World Bank: F, 2022, p.1)

Table 1. WGI and their definitions, from The World Bank (2022, A, B, C, D, E, and F)

Literature on institutions and EE firm's location choice for CBMAs varies. On one hand, studies suggest that EE firms tend to invest in recipient countries with strong institutions due to transaction cost advantages which lead to institutional jumping (Witt & Lewin, 2007). However, other research suggests that institutional strength in a recipient LDC deters EE firms from engaging in CBMAs (Cuervo-Cazurra & Genc, 2008). EE firms' ability to adapt in challenging institutional environments can prove beneficial in comparable scenarios found in developing countries with similar institutional environments. Firms from developed economies do not have the same experience, making them less competitive in markets characterized by weak institutions (IMF, 2022).

Despite their differing conclusions, both the studies by Witt & Lewin and Cuervo-Cazurra & Genc identified a significant correlation between the strength of recipient

institutions and the location choices of CBMAs by EE firms. These findings are corroborated by other studies (Sabir, Rafique & Abbas, 2019; Kittilaksanawong, 2017), indicating that recipient institutional strength is a crucial determinant for EE firms when engaging in CBMAs. Research consistently shows that institutions, including government effectiveness, regulatory quality, political stability and absence of violence/terrorism, control of corruption, voice and accountability, and rule of law significantly influence the investment decisions of EE firms. Institutions ensure that contracts are enforceable and that the legal system upholds the rule of law. This provides potential investors with confidence that their agreements will be honored and disputes will be resolved fairly, which is crucial for maintaining investor confidence (North, 1990). Furthermore, political stability determines the risk of sudden political upheaval or policy changes, which may prove beneficial or detrimental for facilitating an EE firm's operations (Meier, 2006). Lastly, the control of corruption determines the playing field for all investors. Countries with lower levels of corruption are more attractive to specific investors because they can operate in a fair and competitive environment (Bénassy-Quéré et al., 2007). However, some investors may prefer a business environment with higher levels of corruption, as will be discussed in subsequent sections.

Institutions often correlate with better infrastructure and more efficient markets. Good infrastructure reduces operational costs, while efficient market systems ensure that investors can freely access markets and resources. This enhances overall investment returns and reduces operational uncertainties (Khadaroo & Seetanah, 2010).

Overall, the evidence that a recipient LDC's institutional strength significantly determines an EE firm's location choice for CBMAs is overwhelming. Therefore, H1 is the following:

Hypothesis 1 (H1): The individual WGI of a recipient LDC all significantly influence the probability of a LDC being chosen for a CBMA by an EE firm.

2.2 Hypothesis 1a: Control of corruption and location choice

A recurring theme in the literature is that control of corruption appears to be a significant factor in determining the location choice of EE-CMBA's (UNCTAD, 2007; de Beule & Duanmu, 2012). In LDCs with low control of corruption, it is often easier to overcome any regulatory hurdles raised by local governments (Goel, 2008). While there may be regional laws, a high degree of corruption can indicate a lack of enforcement in practice. In this case, EE firms can utilize their experience in navigating corrupt environments to locate powerful stakeholders within the value chain who are willing to collaborate with the firm. The

discovery, approach and maintaining of relationships with these local stakeholders are critical aspects, especially relevant to firms boasting advanced capabilities in network penetration and relational contracting (Carney et al., 2016). EE firms honed these skills out of necessity to achieve success in their home countries.

Second, companies can benefit from rent seeking behavior in countries with low control of corruption by negotiating favorable terms for investments through tax breaks or subsidies (Graf Lambsdorff, 2002). Rent seeking behavior occurs when individuals or groups see an opportunity to gain wealth through manipulation of policies or exploitation of resources. This type of behavior may lead to increased opportunities of bribing government officials (Ndikumana & Sarr, 2019). Rent seeking behavior of local stakeholders may also lead to obtaining licenses in a speedy manner or overlooking the violation of regulations by officials, resulting in less time to market for foreign firms (Iriyama et al., 2016). Research has indicated that engaging in corrupt practices in LDCs is not only a means of maximizing benefits from these environments, but also simply a strategy to be able to compete with local rivals (Iriyama et al., 2016). To give an example, Indian banks chose to engage in the illegal recovery of loans through corrupt practices to improve their asset quality compared to strong high status competitors (Krishnan & Kozhikode, 2015).

Based on the arguments above, this study argues that low control of corruption may be particularly compelling to firms from EEs. This institutional factor facilitates the use of their qualities optimally, potentially leading to enhanced benefits for investing firms through rent seeking behavior by local stakeholders. In LDCs, corruption has often become deeply institutionalized (Zahoor et al., 2023), necessitating the need for foreign firms to possess capabilities in network penetration and relational contracting to be able to compete with local rivals. These qualities are prevalent in EE-firms, thereby making low control of corruption a significant antecedent for EE firms' CBMAs. Therefore, H1a is the following:

Hypothesis 1a (H1a): The control of corruption in a LDC has a negative effect on the probability of a LDC being chosen for a CBMA by an EE firm.

2.3 Hypothesis 1b: political stability and location choice

Prior research has indicated that a recipient LDC's political stability forms a significant institutional factor in predicting the location choices of EE firms (Burger, Ianchovichina, and Rijkers, 2016). Governments and local stakeholders in politically unstable LDCs are open to negotiate with foreign firms in order to stabilize the country's economy and possibly create new job opportunities for inhabitants (Bebbington et al., 2018). The political instability in a

LDC can create extra bargaining power for firms that are willing to engage in CBMAs opposite weak states in politically unstable environments (Schneider, 2011). This way, EE firms can negotiate benefits such as tax incentives, regulatory exemptions, and additional resource licenses.

Unstable political environments offer opportunities for firms that are willing to engage in CBMAs in these environments. Firms with enhanced Corporate Political Activity (CPA) capabilities can create and appropriate value through the transformation of the political and regulatory environment (Dorobantu, Kaul & Zalner, 2016). Through transforming the institutional environment, an EE firm may reduce transaction costs, thus enabling value creation. A firm can use their CPA capabilities like lobbying to influence policymakers, thereby creating operating conditions more favorable to their business model.

Firms from emerging economies leverage their home country networks and political connections to enhance their international ventures, indicating a well-developed ability to engage in lobbying and political activities to secure their interests abroad (Yiu, Lau, and Bruton, 2007). In environments where control of corruption may be weak or inconsistent, EE firms rely heavily on these informal networks and political lobbying to achieve their objectives. These firms increase their lobbying efforts as their amount of international ventures grows, further demonstrating the importance of CPA capabilities in these contexts (Fatas & Mihov, 2013).

Firms from emerging economies possess enhanced CPA capabilities because of their experience in engaging with government officials in their home country. They can not only utilize these capabilities to alter the recipient LDC's institutional environment, but also to negotiate supplementary benefits. Therefore, H1b is the following:

Hypothesis 1b (H1b): The political stability and absence of violence/terrorism in a LDC has a negative effect on the probability of a LDC being chosen for a CBMA by an EE firm.

2.4 Hypothesis 2a: Control of corruption and location choice of NRS-firms

It is anticipated that firms from EEs are more inclined to invest in LDCs with weak control of corruption. These firms are able to leverage their expertise, developed in their home countries, to extract additional economic rents in such environments. Carney et al. (2016) identify three important institutional skills necessary for the senior management level of firms to succeed in countries with weak institutions. The first, network penetration, focuses on the knowledge of coping with cross-border political processes (Frynas, Mellahi & Pigman, 2006).

Network penetration skills include the ability to penetrate and achieve salience in a new institutional setting. The second skill is described as the ability to maintain relationships within the firm's newly achieved network, also known as relational contracting (Carney et al., 2016). This includes the 'structuring of credible commitments towards exchange partners in a sequence of transactions such that the ending date is unknown and uncertain' (Williamson, 1985, p.169). These skills are applicable in the context of developing economies, or LDCs.

Research indicates that the qualities observed in firms that excel in corrupt environments are more commonly found in firms driven by the motive to internationalize for a supply of natural resources (Jimenez, Luis-Rico & Benito-Osario, 2014). The argument that firms from EEs can leverage their experience in navigating corrupt environments is even more compelling for NRS firms. These firms possess enhanced skills in relational contracting and network penetration due to increased government scrutiny in their home countries, which has necessitated the development of such competencies (Jimenez, Luis-Rico & Benito-Osario, 2014). Natural resources are often seen as national assets, typically giving a government control of their extraction (Schopf & Voss, 2019). Industries that rely heavily on these natural resources are therefore bound to comply with government policies and regulations. Moreover, extraction of natural resources can have long-lasting damaging effects on the environment (Bell, 2017). This heightens attention of government officials. A government's control over natural resources and its power to allocate resources leads managers to maintain close contact with government officials (Yi et al., 2021; Aggarwal & Agmon, 1990), thereby developing new skills that are particularly valuable in LDC's. The ability to create and maintain good government contacts indicates high levels of relational contracting and network penetration within NRS-firms.

Based on the aforementioned arguments, Hypothesis 2a is stated as follows:

Hypothesis 2a (H2a): the negative effect of a LDC's control of corruption on the probability of the LDC being chosen for a CBMA by an EE firm is stronger if the investing firm's motive is NRS.

2.5 Hypothesis 2b: political stability and absence of violence/terrorism and NRS-firms

As established in section 2.3, politically unstable LDCs present various challenges for investing firms. However, these environments may also offer opportunities for firms that have developed specific CPA capabilities, such as lobbying. NRS-firms typically excel in CPA activities (Jimenez, Luis-Rico & Benito, 2014). NRS-industries are highly regulated. Firms in these sectors often engage in lobbying to influence regulations and gain favorable terms for

exploration, extraction, and environmental compliance (Hillman & Hitt, 1999). NRS-firms develop political strategies to shape regulatory outcomes in their favor. This involves both proactive measures to influence policy creation and reactive strategies to comply with existing regulations. Due to the high stakes involved, natural resource firms commit substantial resources to their political activities, ensuring that they have the necessary influence to protect and advance their interests (Hillman & Hitt, 1999).

Furthermore, operation of NRS-firms have substantial local impact, creating a need for strong relationships with local governments and communities. Effective CPA helps in managing these relationships and securing social licenses to operate (Henisz, 2000). Additionally, by employing CPA, NRS-firms can significantly enhance critical infrastructure, which greatly influences their operational efficiency and effectiveness. This includes building roads, ports, and utilities essential for their activities. The presence of mining activities, as explored in recent studies, has shown a direct correlation with improved infrastructure access, thus benefiting broader economic activities (Foster et al., 2023).

Lastly, international NRS-M&As from EE firms are more likely to receive resistance in politically stable countries compared to politically unstable countries (de Beule & Duanmu, 2012). Foreign governments in politically stable countries have the capability to resist entry of foreign firms to protect their own markets. Examples are acquisition bids from Chinese NRS-firms like CNOOC's bid for UNOCAL, MinMetals bid for Noranda and Chinalco's attempted merger with Rio Tinto that have all been denied due to government interference. These firms have been forced to move their view to African countries in order to retrieve their needed resources (de Beule & van den Bulcke, 2009).

Through their enhanced CPA capabilities, NRS-firms can derive greater benefits from politically unstable environments by modifying institutional and infrastructural frameworks to align with their business models. Therefore, H2b is the following:

Hypothesis 2b (H2b): the negative effect of a LDC's political stability and absence of violence/terrorism on the probability of the LDC being chosen for a CBMA by an EE firm is stronger if the investing firm's motive is NRS.

3. Methodology

3.1. Research design

This study uses the epistemological perspective of critical theory, since it aims to challenge power structures through researching aspects of society and culture. The hypotheses presented in chapter 2 were tested using available quantitative data regarding the unit of analyses. This

choice was made to comprehensively review CBMAs within the limited time span of two months. Since the aim of this study is to review CBMAs from 24 emerging economies, it was deemed unrealistic within a qualitative setting. Furthermore, this study aims to map patterns in CBMA behavior of EE firms. Qualitative research predominantly focuses on gathering data for in-depth analysis of individual human behaviors. Therefore, qualitative research was considered unsuitable for this study. SPSS was used to conduct the analyses. The program offers a comprehensive suite of data management tools to conduct the necessary analytical steps with regards to the conceptual model.

The unit of analysis is the entity that is analyzed within a study. Within this study, the unit of analysis is CBMAs from firms who originated in emerging economies. The International Monetary Fund (IMF) defines emerging economies by a uniform narrative based on sustained market access, progress in reaching middle-income levels, and greater global economic relevance (IMF, 2021). Morgan Stanley Capital International (MSCI) has created an Emerging Market Index (EMI) that captures these economies. MSCI identifies 24 countries as emerging markets (MSCI, 2024). These countries include Brazil, China, Chile, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, South-Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. To correctly analyze investment patterns, CBMAs from these 24 countries were studied to make conclusions regarding the hypotheses.

Data for the unit of analysis will be retrieved from the Orbis M&A databank. The Orbis M&A databank comprises a total population of 94,322 M&As conducted during the period from 1998 to 2022. Of the 94,322 M&A deals, all transactions not conducted by an emerging economy firm were excluded, resulting in 7,192 deals. Subsequently, deals that did not occur in either a developed country or LDC, as defined in Section 3.2, were removed, leaving a total of 4,043 M&A deals for analysis. Finally, firms lacking valid scores for the control variables — internationalization experience, ownership structure, distance, and deal size — were excluded, resulting in a total of 991 samples for the binary logistic regression analysis. Using Yamane's formula for sample size and an expected degree of error of 5%, this study can state significant conclusions regarding different hypothesis at a sample size of approximately 399 units. Therefore, a sample size of 991 is deemed to be large enough.

3.2. Dependent variable: Emerging economy firm's location choice for CBMAs

To comprehensively analyze CBMA patterns of EE firms, data on the location of the investment was included in the data set. Only by integrating the location of the M&A could the study establish a direct link between the recipient country where the M&A occurred and the quality of the recipient country's six WGI at the time of the CBMA.

To determine when EE firms are more likely to invest into a LDC over a developed nation, the variable that measures the target location of an M&A ("Targetcountrycode") will be recoded into a different variable, namely "DevelopedOrLDC". If an M&A occurred in a "developed" country, the M&A receives a score of "0". If the M&A occurred in a "LDC", the M&A will receive a score of "1". This makes it a binary dependent variable, since the variable consists of two mutually exclusive categories (Hair et al., 2018).

The list of countries classified as either "developed" or "LDC" is included in Appendix 5. This list is derived from the Human Development Index (HDI) compiled by the UN. The HDI 'is a summary measure of average achievement in key dimensions of human development' (United Nations, 2024, p.1). Countries are scored based on three dimensions: the longevity and health of their inhabitants, the knowledge levels of their inhabitants, and the standard of living of their inhabitants. The HDI has been used as a tool to define developed and developing countries by different studies (van Hiel et al., 2018). Within these studies, countries that scored within the top quartile of HDI-scores were defined as "Developed" as these countries typically exhibit high levels of income, education, and life expectancy. Countries in the lowest quartile were classified as "Least developed" or "Developing" as these nations often face challenges such as lower income levels, poorer health outcomes, and limited educational opportunities (van Hiel, 2018). This study adopts the same definition, utilizing the average HDI scores of countries from 1998 to 2022 to classify them into the lowest and highest quartiles. This timeframe aligns with the period during which the analyzed CBMAs were recorded.

This variable identifies which specific WGI of the recipient country influence this decision. By incorporating the computed variable, this study can identify the specific institutional conditions that make an EE firm more likely to engage in a CBMA within an LDC rather than a developed country. Since the dependent variable is of a binary nature, binary logistic regression will identify which recipient LDC's WGI significantly influence the dependent variable.

3.3. Independent variable: institutional strength

Institutional strength was measured using the WGI as presented by The World Bank (Kaufmann, Kraay & Mastruzzi, 2010) (see Figure 2). These include a country’s strength regarding control of corruption, rule of law, voice and accountability, political stability and absence of violence/terrorism, government effectiveness, and regulatory quality. The WGI were designed to aid researchers and analysts in determining specific structures in governance and institutions. The six indicators all equally influence a country’s overall institutional strength. Data on the six WGI will be retrieved from the World Bank – databank, as this databank is especially relevant for making comparisons between countries and regions. To form a comprehensive image of institutional strength per indicator, The World Bank uses an extensive list of measured variables per indicator. All sources and variables per indicator can be found in Appendix 1. Each country can receive a score of 0 (institutionally weak) through 5 (institutionally strong) for each indicator. This makes it a ratio measurement scale because the rate is consistently 0-5 and the data includes a true 0-point. For a more detailed explanation per WGI, see Appendix 2.

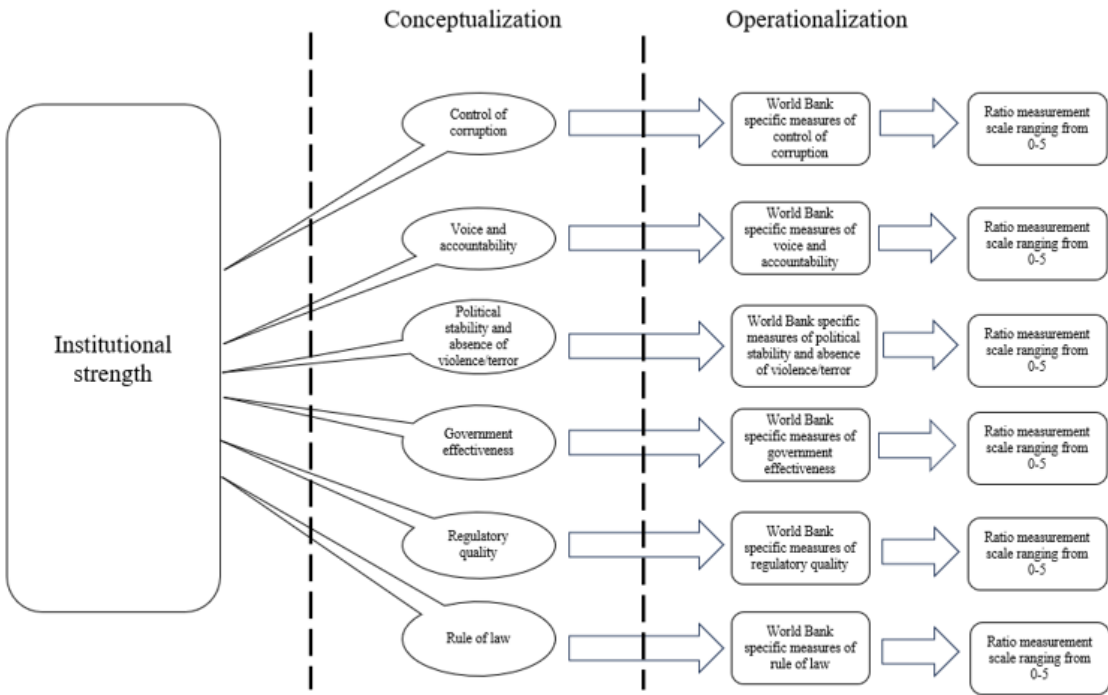


Figure 2, operationalization scheme institutional strength, own information.

3.4. Moderator variable: internationalization motive

Within the Orbis M&A database, it is possible for users to filter CBMAs conducted by EE-firms based on internationalization motive (van Dijk, 2024). The Orbis M&A dataset uses different Bureau van Dijk sectors to categorize data with regards to M&A objectives and

operations. Given previous research highlighting the relationship between institutional strength and internationalization motives, suggesting that firms driven by a motive to secure natural resources may show a preference for investing in nations with weaker institutions, this study will specifically examine EE firms exhibiting this motive, in contrast to firms driven by other internationalization motives. Within the Orbis M&A dataset, CBMAs occurring in the oil & gas, coal mining, minerals, quarrying, sand, forestry, petroleum, gas, copper, and clay sectors are classified as “extractive” M&As. This classification signifies that the primary objective of these transactions was to secure access to any of the aforementioned natural resources. CBMAs conducted outside of these industries are classified as “non-natural resource-seeking”. Consequently, this study uses a dummy variable to measure internationalization motive; if a CBMA was conducted within the boundaries of the extractive industries oil & gas, coal mining, minerals, quarrying, sand, forestry, petroleum, gas, copper, and clay, it is designated as having a “natural resource-seeking” motive. In this case, a unit within the dataset received a score of “1”. Conversely, if the CBMA did not occur within these sectors, the M&A was labeled as “non-natural resource-seeking”. Subsequently, CBMAs within this category were coded as “0”.

3.5. Control variables

Control variables enhance the rigor of a study by minimizing the impact of confounding variables unrelated to this study. This enables researchers to more accurately determine the relationship between the primary variables of interest, thereby reducing the likelihood of research bias and enhancing the study's internal validity (Taylor, 2013).

In terms of economic internationalization experience, firms from both China and India are likely to be significantly ahead compared to firms from other emerging economies (de Beule & Duanmu, 2012). Since firms with extensive internationalization experience are more inclined to invest into institutionally weak countries (Pogrebnyakov, 2016), it is important to control for this variable. Data regarding internationalization experience was retrieved from the Orbis M&A dataset. Within the dataset, this control variable was labeled “CrossBorderExperience”. Internationalization experience was quantified by the precise number of prior CBMAs conducted by a specific firm. Consequently, this variable is measured on a ratio scale

The second control variable is ownership structure. NRS-firms from emerging economies are often government-owned (Tu et al., 2021). Governments leverage these firms to procure natural resources as a means to gain global geopolitical influence. If a NRS-firm is under government ownership, they are unlikely to possess the expertise required to navigate

difficult institutional environments, as these skills have become redundant in their home country. Therefore, ownership structure is considered as a control variable within this study. Data regarding ownership structure was retrieved from the Orbis dataset. Since this study is mainly interested in the control of ownership structure if the company in question is government owned, firms that are not government owned will receive a score “0”, while firms that are government owned will receive a score of “1”. This categorization creates a binary control variable. Within the dataset, this control variable is labeled “GovOwned”.

The third control variable is geographical distance. EE firms engaging in CBMAs may choose to invest in nations that are geographically close to them because a greater distance means higher transportation costs (Buckley et al., 2007). Hence, this study controls for geographical distance. Data regarding geographical distance will be retrieved from the GeoDist database. This control variable was labeled as “dist”. The variable is quantified by the precise distance in meters between the EE where the investing firm originated and the recipient country, thereby categorizing it as a ratio variable.

Lastly, this study aims to account for the impact of deal size on CBMAs from EE firms. It seems more likely that large deals happen in economically and institutionally strong environments. However, an alternative perspective posits that firms pursuing large-scale investments are unable to execute these investments in countries with strong institutional frameworks due to heightened competition concerns of regulatory institutions (Soroushian & Neschke, 2022). Consequently, they target countries with weaker institutional environments for their investments. Due to the possible influence of deal size on location choice, this becomes the last control variable. Data regarding the deal size of individual CBMAs was retrieved from the Orbis M&A dataset. Within the dataset, this control variable was labeled as “DealvaluethUSD”. Deal size is quantified in dollars, categorizing it as a ratio variable.

3.5. Research ethics

The researcher did not conduct himself in a manner that can be perceived as irresponsible or disrespectful to those involved in the data collection and analysis process. The researcher maintained complete transparency regarding the research objectives to those involved in the data collection and analysis process.

3.6. Schedule

An overview of the research schedule regarding data collection and analysis can be found in Appendix 3.

4. Analysis

4.1 Descriptive statistics: EE firms

The descriptive statistics for all the included variables are presented in Table 2. These include the six WGI control of corruption (CCEST), government effectiveness (GEEST), political stability and absence of violence/terrorism (PVEST), regulatory quality (RQUEST), rule of law (RLEST), and voice and accountability (VAEST), the average institutional strength measured on a ratio scale (InstStrength), CBMA location choice in a developed or developing country (DevelopedOrLDC) and the dummy variable for natural resources (NaturalResource_Dummy). The variable "InstStrength" was calculated by summing all the individual WGI scores for each recipient country and then dividing this total by 6, which represents the total number of WGIs. The descriptive statistics include measurements of the central tendencies (mean, median, mode) and the variability (standard deviation, variance, skewness, kurtosis). Table 2 shows that there are no missing value for the variables included in the analysis.

		Inst Strength	Developed OrLDC	CCEST	GEEST	PVEST	RQUEST	RLEST	VAEST	NaturalResource_Dummy
N	Valid	4043	4043	4043	4043	4043	4043	4043	4043	4043
	Missing	0	0	0	0	0	0	0	0	0
Mean		2.637457	.1365	2.519336	2.920077	2.2733	2.806438	2.7075	2.5980	.01
Median		2.395372	0	2.362168	2.855403	2.2013	2.682567	2.5758	2.9278	0
Mode		2.303691	0	2.102309	2.636991	1.3457	2.186283	2.5968	2.9539	0
Std. Deviation		.8649021	.34340	.52049	.4971649	.74342	.590331	.55528	.86490	.099
Variance		.287	.118	.247	.247	.553	.348	.308	.748	.010
Skewness		.475	2.118	.417	.417	.072	.349	.398	-.953	9.907
Std. Error of Skewness		.039	.039	.039	.039	.039	.039	.039	.039	.039
Kurtosis		-1.179	2.487	-.598	-.828	-1.046	-1.249	-1.023	-.329	96.205
Std. Error of kurtosis		.077	.077	.077	.077	.077	.077	.077	.077	.077
Minimum		1.547645	0	1.33999	1.784163	.12397	1.607124	1.6333	.59280	0
Maximum		3.718229	1	4.05867	4.039397	3.7606	4.036198	3.8489	3.7925	1

Table 2, Descriptive statistics main variables, own information

On average, EE firms engaged in CBMAs in countries with a general institutional strength of 2,637457, which is close to the middle score of 2.5. Therefore, it is concluded that EE firms did not favor investments in either institutionally strong or weak countries.

Descriptive statistics for the dependent variable, "DevelopedOrLDC", indicate that EE firms were more likely to engage in CBMAs in developed countries rather than LDCs. Table 3

offers further details on the descriptive statistics of the dependent variable. According to the table, out of 4043 CBMAs, 3491 occurred in developed economies, compared to 552 in developing nations. This indicates that 86,3% occurred in a developed country, compared to 13,7% in a developing country.

	Frequency	Percent	Valid percent	Cumulative percent
Developed	3491	86,3	86,3	86,73
Developing	552	13,7	13,7	100
Total	4043	100	100	

Table 3, descriptive statistics DevelopedOrLDC, own information

Regarding the individual World Governance Indicators scores, it is noteworthy that EE firms engaged in CBMAs in countries with higher scores on regulatory quality (2,806438) and rule of law (2,7075), while these firms engaged in CBMAs in countries with relatively low political stability and absence of violence/terrorism (2,2733).

4.2. Binary logistic regression analysis

A binary logistic regression was conducted to analyze the effect of individual WGI on an EE firm’s location choice. Model 1 contains the main effects of the control variables. Model 2 contains the control variables and the six WGI. Lastly, Model 3 includes the main effects of the control variables and the WGI, and the interaction terms of the individual WGI and the NRS-dummy. For an overview of all results across the three models, see the gravity model in Figure 3.

Data assumptions

The data assumptions for binary logistic regression encompass requirements related to sample size, the dependent variable, independence of observations, multicollinearity, and the linearity of independent variables with the log odds. For an overview of the results regarding the assumptions, see Appendix 4.

All assumptions were met except for multicollinearity and linearity of the independent variables with the log odds. Consequently, an Exploratory Factor Analysis (EFA) was conducted to create unique factors. The EFA showed that all WGI load on one factor, namely “Institutional strength”. This factor was used in consequent analyses to provide support for H1. Furthermore, interaction variables for political stability and absence of violence/terrorism, regulatory quality, government effectiveness, voice and accountability, and rule of law and with their logit terms were incorporated into the model. Including the interaction terms improves the model fit and predictive power by accounting for third variable variance. It

allows the model to capture variations that a linear model might miss, leading to improved predictions and more reliable coefficient estimates. Therefore, incorporating these logarithmic interactions allows the included variables to still provide relevant information necessary for accepting or rejecting the stated hypotheses.

Model 1: control variables

Model 1 contains the main effects of the control variables. The relevant tables pertaining to Model 1 can be found in Appendix 6. The first table to be analyzed is the “Omnibus tests of model coefficients” (Table 11). This table tests whether the addition of variables to the model significantly improves the fit of the model compared to the intercept-only model, also known as the null model. The null model only includes the intercept without any of the independent variables. As is visible in Table 11 in Appendix 6, The addition of the control variables does improve the model fit compared to the intercept in the null model ($X^2(4, N = 991) = 213,872, p < .001$). Therefore, it is concluded that the set of independent variables in model 1 as a group significantly predict the dependent variable.

The second table to be analyzed is the “Model Summary” table (see Table 12, Appendix 6). The statistics in this table serve as a tool to understand how much variation in the dependent variable can be explained by the model. The table provides metrics similar to the R^2 in multiple regression, specifically including the Cox & Snell R-square and Nagelkerke R^2 values. Both metrics are used to calculate the proportion of variance explained by the model. Since Cox & Snell’s test cannot achieve a value of 1, Nagelkerke’s test is usually used to simplify interpretation. Therefore, this statistic is used to determine the explained variance.

The first model explains 34,4% (.344) of the variance in the dependent variable. There is no threshold to determine whether the independent variables predict a large or small part of the variance. However, an R^2 of .344 can be considered as predicting a moderate amount of variation

The “Variables in the equation” table displays the contribution of each independent variable to the model along with its statistical significance. The Wald column is utilized to assess the statistical significance for each of the independent variables. The β -coefficient represents the change in the log-odds of the dependent variable for a one-unit increase in the predictor, assuming other variables are held constant. A positive coefficient indicates an increase in the probability of the outcome as the predictor increases, while a negative coefficient suggests a decrease. The “Variables in the equation” table for model one can be found below in Table 13 in Appendix 6.

3 of the 6 control variables significantly impact the location choice of EE firms for CBMAs with a confidence level of 95%. These are deal value ($\beta = -.000, \rho < .05$), distance ($\beta = .000, \rho < .001$), and ownership structure ($\beta = .871, \rho < .05$) (see Appendix 6).

The analysis reveals that the influence of government structure is positive and significant, indicating that government-owned EE firms are more likely to engage in CBMAs in LDCs opposite developed nations. Further examination shows that the effect of geographic distance on location choice is negative, suggesting that EE firms are less inclined to engage in CBMAs in LDCs when the geographic distance between the countries is substantial.

Model 2: including the factor institutional strength and the individual WGI

The WGI are incorporated into the model to conclusively accept or reject hypotheses H1, H1a, and H1b. Since the WGI were found to be highly correlated, each indicator was added separately to prevent their mutual influence from affecting the outcomes. However, first, the factor “Institutional strength” was added to the model to see how much variance the underlying factor explains.

The “Omnibus tests of model coefficients” table of Model 2 included in Table 5 shows that the factor “Institutional strength” included in Model 2 opposite Model 1 ($X^2 (1, N = 991) = 8,209, \rho < .05$) significantly improves the model.

	Chi-Square	df	Sig.
Step	8,209	1	.004
Block	8,209	1	.004
Model	222,081	5	<.001

Table 5. Omnibus Tests of Model Coefficients, own information

Next, the Model Summary table is examined (see Table 6) to assess the additional variance explained by incorporating the factor “Institutional strength”. Model 2 accounts for 35,5% of the total variance ($R^2 = .355$). This indicates that the factor “Institutional strength” contributes an additional 1.1% to the explained variance, given that the initial model accounted for 34.4% of the variance. While there are no specific thresholds to classify the total explained variance as small or large, an explained variance of 1.1% suggests a small impact on the location choices of EE firms’ CBMAs.

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
602,959	.201	.355

Table 6. Model Summary: Model 2, own information

The "Variables in the Equation" table is utilized to identify which included variables significantly influence the dependent variable and to understand the nature of their effects. To

provide definitive support for H1, the individual WGI replace the construct “Institutional strength” in the model (see Table 7). However, due to the correlations among the WGI, these variables were added separately to prevent them from influencing each other (see Figure 7).

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
Control of corruption	.120	.086	1,943	1	.163	1,128
Political stability and absence of violence/terrorism	.315	.082	14,888	1	<.001	1,370
Government Effectiveness	.609	.096	40,350	1	<.001	1,838
Regulatory Quality	.177	.086	4,197	1	<.05	1,193
Rule of law	.352	.086	16,873	1	<.1	.564
Voice and accountability	-.206	.080	6,664	1	<.05	2,784

Table 7. Variables in the equation: Model 2, own information

Hypothesis 1 (H1):

- The individual WGI of a recipient LDC all significantly influence the probability of a LDC being chosen for a CBMA by an EE firm.

Result: partly supported. Table 7 shows that government effectiveness ($\beta = .609$, $\rho < .001$), rule of law ($\beta = .352$, $\rho < .1$), political stability and absence of violence/terrorism ($\beta = .315$, $\rho < .001$), and regulatory quality ($\beta = .177$, $\rho < .05$) positively and significantly influence the probability of an LDC being selected for EE-CBMAs over a developed country. The WGI voice and accountability ($\beta = -.206$, $\rho < .05$) negatively and significantly influence the probability of an LDC being selected for EE-CBMAs. However, the WGI control of corruption ($\beta = .120$, $\rho < .163$) does not appear to significantly influence. Since the hypotheses states that all WGI significantly influence the location choice of EE firms’ CBMAs, this hypothesis is only partly supported.

Hypothesis 1a (H1a):

- The control of corruption in a LDC has a negative effect on the probability of a LDC being chosen for a CBMA by an EE firm.

Result: not supported. Table 7 shows that the effect of control of corruption ($\beta = .120$, $\rho = .163$) on the probability of an LDC being selected for EE-CBMA is insignificant. Therefore, this hypothesis is not supported.

Hypothesis 1b (H1b):

- The political stability and absence of violence/terrorism in a LDC has a negative effect on the probability of a LDC being chosen for a CBMA by an EE firm.

Result: not supported. A LDC’s strength regarding political stability and the absence of violence/terrorism ($\beta = .315$, $\rho < .001$) positively impacts the likelihood of an LDC being chosen for EE CBMAs over a developed country, thus providing evidence to reject H1b.

Model 3: including interaction effects

Model three includes the interaction effects between the different WGI and the moderator variable NRS-motive. This model was used to definitively accept or reject H2a and H2b. Therefore, only the interaction effects of the internationalization motive with control of corruption, and political stability and absence of violence/terrorism were added to the model to definitively accept or reject the aforementioned hypotheses. As in Model 2, these effects were added separately to prevent multicollinearity. The “Variables in the Equation” table is analyzed to state conclusions regarding H2a and H2b. The results are incorporated in Table 10. The table is followed by the hypotheses and their relevant results.

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
Int_CC_NRS	.186	.270	.473	1	.492	1,204
Int_PV_NRS	.419	.322	1.690	1	.194	1,520

Table 8, Variables in the equation: Model 3, own information

Hypothesis 2a (H2a):

- The negative effect of a LDC’s control of corruption on the probability of the LDC being chosen for a CBMA by an EE firm is stronger if the investing firm’s motive is NRS.

Result: not supported. The interaction effect of control of corruption and the NRS-CBMA motive is insignificant ($\beta = .186$, $\rho = .492$), thereby rejecting H1a.

Hypothesis 2b (H2b):

- The negative effect of a LDC’s political stability and absence of violence/terrorism on the probability of the LDC being chosen for a CBMA by an EE firm is stronger if the investing firm’s motive for CBMA is NRS.

Result: not supported. The analysis provides evidence to reject this hypothesis, since the effect of the added interaction term was insignificant ($\beta = .419$, $\rho = .194$).

	1 (Model 1: control variables)	2 (Model 2a: incl. factor)	3 (Model 3b: incl. control of corruption)	4 (Model 2c: incl. government effectiveness)	5 (Model 2d: incl. political stability)	6 (Model 2e: incl. regulatory quality)	7 (Model 2f: incl. rule of law)	8 (Model 2g: incl. voice and accountability)	9 (Model 3a: incl. Int. Corruption * NRS)	10 (Model 3b: incl. Int. Political stability * NRS)
Factor Institutional strength		.091** (.052)								
Control of corruption			.120 (.086)							
Government effectiveness				.609*** (.096)						
Political stability and absence of violence/terrorism					.315*** (.082)					
Regulatory quality						.177** (.086)				
Rule of law							.352* (.086)			
Voice and accountability								-.206** (.080)		
Interaction control of corruption									.186 (.270)	
* NRS motive										
Interaction political stability and absence of violence/terrorism										.419 (.322)
* NRS motive										
Internationalization experience	-.060 (.049)	-.077 (.051)	-.063 (.050)	-.082 (.053)	-.085 (.052)	-.073 (.051)	-.081 (.052)	-.040 (.049)	-.057 (.049)	-.056 (.049)
Ownership structure	.871** (.017)	1.088** (.375)	.956** (.366)	1.252*** (.379)	1.048** (.367)	1.010** (.372)	1.121** (.373)	.592 (.374)	.802** (.379)	.835 (.364)
Distance	.000*** (.000)	.000** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)
Dial size	.000*** (.000)	.000*** (.000)	.000** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)	.000** (.000)	.000*** (.000)	.000*** (.000)	.000*** (.000)
# Observations	991	991	991	991	991	991	991	991	991	991
R ²	.344	.335	.346	.405	.365	.35	.368	.333	.344	.346

Notes: The figures in parenthesis are pair clustered standard errors, and *, **, and *** stand for statistical significance at the 10%, 5% and 1% level respectively.
Figure 3. Gracity matrix, Model 1, own information.

5. Discussion

5.1. Answering the research questions

The primary focus of this research was to explore the influence of various institutional aspects on the location choice for cross-border mergers and acquisitions (CBMAs) by emerging economy (EE) firms. The study specifically sought to determine whether the effect of different WGI differed for natural resource seeking firms.

The research questions were formulated based on the observed trend of increasing M&A activities by EE firms in LDCs and the existing literature that suggests institutional strength significantly influences the location choices of firms. The study aimed to fill the gap in understanding the interaction between institutional strength regarding different WGI and the internationalization motives of EE firms, particularly those seeking natural resources.

To present the core findings in a structured and focused manner, this section provides answers to the proposed research questions. It provides a succinct summary of the key findings related to each research question. Below are the research questions and their corresponding answers:

Main Question:

- How do different institutional aspects (WGI) of a recipient country influence the location choice for CBMAs by EE firms?

The influence of a recipient LDC's institutional strength on the location choice of an EE firm between an LDC and a developed country is primarily determined by five components of institutional strength: political stability and absence of violence-terrorism, government effectiveness, regulatory quality, rule of law, and voice and accountability. Regulatory quality, political stability and absence of violence/terrorism, government effectiveness, and rule of law positively influence the location choice of EE firms for engaging in CBMAs in LDCs over developed countries. Conversely, voice and accountability negatively influences the location choice of EE firms. Contrary to the stated hypotheses H1 and H1a, a recipient LDC's control of corruption does not influence the location choice of EE firms. The strength regarding the five relevant components of institutional strength explained a small part of the variance in location choice, suggesting that there are more factors that influence the location choices of EE firms.

Sub-question 1 (SQ1):

- How does the motive of EE firms to engage in CBMAs effect the relationship between different institutional aspects (WGI) of a recipient LDC and the location choices for CBMAs by EE firms.?

The effects of a recipient LDC's political stability and absence of violence/terrorism becomes insignificant after adding the moderator. The effect of control of corruption on the location choice of EE firms for an LDC opposite a developed country remains insignificant. These findings have to be viewed in light of the relatively low amount of NRS-firms in the dataset (40). This might explain why Model 3 did not improve the model fit and why the interaction effects of control of corruption and political stability and absence of violence/terrorism WGI were not significant when the moderator was included.

5.2. Discussion of Findings

The research findings provide several insights into the behavior of EE firms regarding their CBMA activities. A recipient LDC's control of corruption did not appear to influence the probability of investment from EE firms. This indicates that the control of corruption in a recipient LDC does not significantly influence an EE firms' decision to invest in that country. This is likely due to their previous experiences operating in corrupt environments. EE firms know how to operate these environments and are therefore not deterred by them. However, in LDCs where there is strong control of corruption, the predictability offered is comparable. As a result, this institutional factor becomes less significant in influencing their location decisions. Next, voice and accountability was found to negatively influence the likelihood of a LDC being selected for investment over a developed country. The effect is similar to prior research, which states that investments can be lower in countries where citizens are more involved in their government, express themselves, and are able to hold their government accountable (Oh & Oetzel, 2011). This is due to the concerns public protest may spread about a firm's operations in a specific country. If the inhabitants of a country are more likely to express concerns about a firm's operations, it may hinder the company's activities to the extent that it can no longer operate profitably in that country.

Government effectiveness, rule of law, regulatory quality, and political stability and absence of violence/terrorism positively influenced the location choice of EE firms. For government effectiveness, this indicates that the higher the quality of public services, the more professional and independent the civil service, the better the policy formulation and

implementation, and the stronger the government's commitment to policies, the more likely it is that an EE firm will engage in CBMAs in a LDC over a developed country. This is because effective governance of the aforementioned factors reduces transaction costs and creates a more predictable business environment (Sabir, Rafique & Abbas, 2019). Furthermore, high quality public services support business operations by providing necessary infrastructure, a skilled workforce, and a healthy population. These factors are attractive to firms from EEs looking to expand their operations in regions that can support their business activities effectively (Sabir, Rafique & Abbas, 2019).

The positive effect of rule of law indicates that EE firms are more inclined to invest into LDCs over developed countries when individuals, institutions and entities, both public and private, are accountable to national laws. Similar to government effectiveness, improved rule of law can significantly boost a LDC's appeal by providing a more stable and predictable environment for business operations. Strong rule of law diminishes the risks associated with contractual disputes, property rights violations, and arbitrary government actions.

Furthermore, regulatory quality of a recipient LDC positively influences the location choice for an LDC over a developed country. This implies that EE firms prefer LDC's with stringent regulatory frameworks where they may find it easier to navigate the business landscapes. The finding indicates that EE firms find stringent regulatory frameworks as facilitators for their operations. High regulatory quality often translates to better enforcement of contracts and protection of property rights, which mitigates the risk of expropriation and arbitrary government actions. Furthermore, strong regulatory frameworks can enhance operational efficiency. Robust regulatory frameworks usually mean more efficient and transparent bureaucratic processes, leading to faster and smoother approvals for business operations, thereby reducing time and cost burdens on firms.

The finding that political stability in a recipient LDC positively influences the location decisions of an EE firm is surprising and contradicts hypothesis H1b. One explanation for this result is the reduced risk and uncertainty of investing in politically stable environments. Political stability and absence of violence/terrorism reduces the risk of sudden disruptions to business operations, such as damage to infrastructure, loss of assets, or threats to personnel safety. Furthermore, a stable political environment ensures predictability in the legal and regulatory framework, making it easier for firms to plan long-term investments. These advantages outweigh the potential benefits firms receive if they decide to transform the political landscape to suit their business model.

After incorporating the interaction terms between the control of corruption, political stability and absence of violence/terrorism and the NRS internationalization motive, the impact of political stability and absence of violence/terrorism becomes statistically insignificant. This suggests that NRS-EE firms do not prioritize the institutional strength of this factor in recipient LDCs.

The indifference to political stability and absence of violence/terrorism and control of corruption of NRS-EE firms is interesting. One explanation is the presence of untapped resources. Investing in LDCs might be part of a long-term strategy to establish a presence in regions with untapped resources. Despite the risks or potential gains associated with a recipient LDC's strength of institutions, the potential for high returns in the future can outweigh these risks. Firms might be willing to invest in institutionally weak or strong LDCs for the prospect of securing valuable resource deposits that can be exploited over a long period of time (Sabir, Rafique & Abbas, 2019).

Lastly, findings suggest that NRS-EE firms are primarily attracted to LDCs with weak rule of law, as the interaction effect yielded more negative outcomes for NRS-EE firms compared to EE firms in general. Weak legal frameworks can facilitate quicker project approval and lower compliance costs, making such environments attractive for firms looking to maximize resource extraction efficiency and profitability (Cohen, 2007). Weak legal frameworks usually indicates fewer environmental laws and more lenient enforcement of these existing laws. This judicial flexibility allows firms to rapidly scale their operations and maximize resource extraction. Furthermore, in LDCs with weak rule of law, the process for obtaining approvals for resource extraction projects can be faster due to less bureaucracy. Negotiations for land acquisition and resource rights can be more straightforward, often involving fewer stakeholders and less public scrutiny compared to LDCs with strong legal frameworks (Al-kasasbeh, Alzghoul & Algraibeh, 2022).

5.3. Implications

Theoretical implications

This study contributes to the literature on international business and institutional theory by providing empirical evidence on the differential impact of institutional strength on location choices for EE firms versus NRS-EE firms. The findings challenge the contemporary view that strong institutions universally attract more foreign investment. By demonstrating that the

effects of institutional strength varies across different components, the study highlights the nuanced effects of the WGI on location preferences for LDCs compared to developed countries. The findings denies claims by various academics claiming that EE firms rather invest into either institutionally weak or strong nations (Witt & Lewin, 2007; Cuervo-Cazurra & Genc, 2008). Academics who assert that EE firms typically invest in institutionally strong environments generally support Witt and Lewin's institutional jumping theory. Conversely, those who argue that EE firms tend to invest in weak institutional environments often endorse Cuervo-Cazurra and Genc's theory, which posits that these firms transform institutional disadvantages into advantages in similar markets.

The findings of this study support the coexistence of both theories. Witt & Lewin emphasize the existence of the institutional jumping effect within the public domain, or the so called 'hard regulatory infrastructure' of a country. This study supports that finding through the significant and positive effects of government effectiveness and rule of law. These findings indicate that sound lawmaking and the effective governance of these policies can increase M&A activity in LDCs.

Support for the theory of Cuervo-Cazurra & Genc is found in control of corruption, voice and accountability, and regulatory quality. Similar to their theory, this research found that control of corruption has a significant negative effect on the location choice of EE firms for developing countries. In their article, they emphasize that one of the advantages of emerging economy firms is their ability to develop distribution networks and facilities that are better suited to the conditions of their home countries. Often, value is extracted from these networks by engaging in corrupt practices. The findings of both Cuervo-Cazurra and Genc's study, as well as this research, indicate that firms from EEs prefer operating in corrupt environments where local populations and regulatory institutions are unable to obstruct their operations. These firms possess the necessary expertise to derive value from such conditions.

Lastly, by focusing on a diverse range of emerging economies, this research fills a gap in the literature and provides a more comprehensive understanding of the investment behaviors of firms from a wider array of EEs.

Policy implications

The finding that regulatory quality negatively influences the probability of an EE-CBMA taking place in a LDC opposite a developed country means that policymakers in LDCs need to strike a balance between maintaining sufficient regulatory standards to ensure stability and not

imposing overly stringent regulations that could deter potential investors. Second, policymakers need to balance the implications of maintaining corrupt practices with the benefits of creating attractive investment environments and upholding transparent governance standards. The long-term effects of weak control of corruption could lead to economic and social challenges through inefficient resource allocation, reduced public revenues, and increased inequality. A similar trade-off has to be made regarding a LDC's voice and accountability. While measurements reducing voice and accountability might attract EE firms, it could undermine democratic processes and citizen participation, leading to governance issues. Relying on such a strategy can lead to reduced public trust and potential social unrest (Cuervo-Cazurra, 2006).

Opposite the aforementioned WGI, policymakers can focus on improving government effectiveness to attract EE CBMAs. Improving government effectiveness enables sustainable economic growth, market openness, social welfare, sound financial systems, environmental protection (Mujtaba et al., 2018), foreign trade and business development (Kaufmann & Kraay, 2002). It includes enhancing the efficiency and transparency of public institutions, ensuring the functioning of bureaucracy, and reducing administrative burdens on businesses, which leads to a more predictable and stable business environment (Kaufmann et al., 2010).

Lastly, the finding that strong rule of law in recipient LDC attracts EE CBMAs in general, but deters CBMAs made by NRS-EE firms is specifically interesting to policymakers. As stated in chapter 1, NRS-CBMAs can have potentially negative social and environmental consequences for LDCs. Policymakers can thus focus on strengthening legal frameworks and their standards of legal enforcement, thereby attracting high-quality investments

Social implications

If policymakers opt to aggressively attract CBMAs from emerging economies, this could have significant social implications. Weakening control of corruption can exacerbate inequality and establish corrupt practices. When corruption is rampant, resources are often diverted away from public services and infrastructure, leading to limited allocation of essential services like education, healthcare, and sanitation. This disproportionately affects the poor and marginalized communities, thereby widening the inequality gap (Gupta et al., 2002). Furthermore, lowering standards in voice and accountability can diminish public trust in government institutions. When citizens perceive that their voices are not heard and their rights are not protected, trust in public institutions decreases. The erosion of trust can lead to increased social unrest and instability (Kaufmann et al., 2010). Lastly, lowering regulatory quality can lead to a deteriorating business environment. It can hinder sustainable economic growth and development by increasing the

levels of informal economic activity and raising entry barriers for smaller firms (Djankov et al., 2002).

Beneficial social implications are related to improving a LDC's rule of law and government effectiveness. A strong rule of law helps resolve disputes fairly and efficiently, thereby reducing the likelihood of social conflicts and unrest. By strengthening the rule of law in a LDC, policymakers can not only discourage CBMAs from NRS-firms that may negatively impact local communities, but also attract CBMAs from companies that generate broader societal benefits. Lastly, improving government effectiveness in LDCs can ensure that public services such as healthcare, education, and infrastructure are delivered more efficiently and equitably, particularly for the poor and marginalized populations in LDCs (Fukuyama, 2013).

5.4 Limitations

This study, while comprehensive in its scope and analysis, has limitations that must be acknowledged to provide a clear understanding of its constraints and the context within which the findings should be interpreted.

Scope and Generalizability

The scope of this research is primarily focused on the analysis of CBMAs by emerging economy firms in relation to institutional strength and natural resource-seeking motives. This narrow focus limits the generalizability of the findings to other types of international business activities, such as FDI in general, and firms from advanced economies. Additionally, the study's conclusions are most applicable to the specific countries and industries examined, and caution should be exercised when extrapolating these results to different contexts or broader geographical regions.

Methodological Constraints

Although the sample size of 991 CBMAs is robust, the relatively small number of NRS-CBMAs within the dataset (40) could lead to potential biases and limit the statistical power of the analysis. The statistical power of the added interaction effects in Model 3 was likely affected, potentially leading to the insignificance of some results. This imbalance may affect the reliability and validity of the findings pertaining to NRS-firms.

Furthermore, the study uses several complex indices and variables (e.g., WGIs), which, despite their reliability, may not capture the full nuance of institutional strength or the

multifaceted nature of firm motivations. The WGI aggregate complex, multifaceted aspects of institutions into six broad categories. This can oversimplify the nuanced and context-specific nature of institutional strength.

6. Conclusions

The key conclusions drawn from this research are as follows:

6.1 Institutional components and internationalization motive matters

Institutional strength plays a critical role in shaping the investment decisions of EE firms. While various aspects of institutional strength significantly influence the location choices of EE firms in general, they do not similarly affect the location decisions of NRS-EE firms. While these effects may have been influenced by the low amount of NRS-firms in the dataset, it is still concluded that the location choices of different EE firms are influenced by a complex interplay of institutional factors. While government effectiveness, voice and accountability, regulatory quality, and control of corruption impact an EE firm's decision to locate to a LDC, they were not found to be significant determinants for natural NRS-EE firms. This complexity suggests that different types of firms prioritize aspects of institutional strength based on their specific needs and strategies.

6.3. Future research directions

Future research should explore the role of other factors, such as cultural and power dynamics, in shaping the investment decisions of EE firms. Additionally, longitudinal studies could provide deeper insights into how changes in institutional strength over time impact the investment patterns of these firms. Understanding the long-term effects of institutional reforms on attracting EE M&A's could further inform policy decisions. Lastly, a study with a larger sample size is necessary to definitively determine whether internationalization motive influences the relationship between the strength of different WGI and the location choice of EE firms for CBMA. While this study indicates that the impact of various WGI might be insignificant for NRS-firms, the small sample size of NRS-EE CBMAs likely influences these findings.

In conclusion, this study contributes to a nuanced understanding of the influence of institutions on EE firms' strategic decisions. By highlighting the role of different WGI and the specific needs of different types of firms, the research provides a framework for analyzing the

investment behaviors of EE firms. These insights can help policymakers make informed decisions to foster more favorable conditions for CBMAs and sustainable economic development. Furthermore, this study provides valuable insights for academics into how the environment of the recipient LDC influences the movements and decisions of transnational corporations, particularly those motivated by the pursuit of natural resources.

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Appendix 1: WGI Sources and variables

Political stability and absence of violence/terrorism

Representative Sources

- EIU** Orderly transfers
Armed conflict
Violent demonstrations
Social unrest
International tensions / terrorist threat
- HUM** Political terror scale
- IJT** Security risk rating
- IPD** Intensity of internal conflicts: ethnic, religious or regional
Intensity of violent activities...of underground political organizations
Intensity of social conflicts (excluding conflicts relating to land)
- PRS** Government stability
Internal conflict
External conflict
Ethnic tensions
- WMO** *Protests and riots*. The risk that the nature and impact of protests and riots (excluding those related to labour) cause damage to assets or injure or detain people, particularly if these disrupt normal movement, business operations, and activity.
Terrorism. The risk that the activities of any non-state armed group or individual cause (or are likely to cause) property damage and/or death/injury through violence. This risk definition includes terrorism, which uses violence (or the threat of) to advance a political cause, and similar tactics used by "for profit" organised crime.
Interstate war. This risk measures resultant impacts (death/property damage) and means, covering the spectrum from targeted military strikes against limited targets to full-scale war with the aim of changing the government and/or occupation.
Civil war. The risk of intra-state military conflict, in the form of an organised insurgency, separatist conflict, or full-blown civil war, in which rebels/insurgents attempt to overthrow the government, achieve independence, or at least heavily influence major government policies.

Non-representative Sources

- HRM** Right to Freedom from Disappearance
Right to Freedom from Extrajudicial Execution
Right to Freedom from Arbitrary Political Arrest
Right to Freedom from Torture and Ill-Treatment
- WCY** The risk of political instability is very low
- WJP** Factor 5.2: Civil conflict is effectively limited

Non-representative Sources

HRM	Right to Freedom from Disappearance Right to Freedom from Extrajudicial Execution Right to Freedom from Arbitrary Political Arrest Right to Freedom from Torture and Ill-Treatment
WCY	The risk of political instability is very low
WJP	Factor 5.2: Civil conflict is effectively limited

Code Data Source Name

ADB	African Development Bank Country Policy and Institutional Assessments
AFR	Afrobarometer
ASD	Asian Development Bank Country Policy and Institutional Assessments
BPS	Business Enterprise Environment Survey
BTI	Bertelsmann Transformation Index
CCR	Freedom House Countries at the Crossroads
EBR	European Bank for Reconstruction and Development Transition Report
EIU	Economist Intelligence Unit Riskwire & Democracy Index
EQI	European Quality of Government Index (Underlying Survey Data)
FRH	Freedom House
GCB	Transparency International Global Corruption Barometer Survey
GCS	World Economic Forum Global Competitiveness Report
GII	Global Integrity Index
GWP	Gallup World Poll
HER	Heritage Foundation Index of Economic Freedom
HRM	Human Rights Measurement Initiative
HUM	Cingranelli Richards Human Rights Database and Political Terror Scale
IFD	IFAD Rural Sector Performance Assessments
IJT	iJET Country Security Risk Ratings
IPD	Institutional Profiles Database
IRP	African Electoral Index
LBO	Latinobarometro
MSI	International Research and Exchanges Board Vibrant Information Barometer
OBI	International Budget Project Open Budget Index
PIA	World Bank Country Policy and Institutional Assessments
PRC	Political Economic Risk Consultancy Corruption in Asia Survey
PRS	Political Risk Services International Country Risk Guide
RSF	Reporters Without Borders Press Freedom Index

TPR	US State Department Trafficking in People Report
VAB	Vanderbilt University Americas Barometer
VDM	Varieties of Democracy Project
WCY	Institute for Management and Development World Competitiveness Yearbook
WJP	World Justice Project Rule of Law Index
WMO	IHS Markit World Economic Service

Control of corruption

Representative Sources

EIU	Corruption among public officials
GCS	Diversion of public funds Irregular payments in exports and imports Irregular payments in public utilities Irregular payments in tax collection Irregular payments in public contracts Irregular payments in judicial decisions
GWP	Is corruption in government widespread?
IPD	Level of "petty" corruption between administration and citizens Level of corruption between administrations and local businesses Level of corruption between administrations and foreign companies
PRS	Corruption
VDM	Corruption index
WMO	<i>Corruption</i> . The risk that individuals/companies will face bribery or other corrupt practices to carry out business, from securing major contracts to being allowed to import/export a small product or obtain everyday paperwork. This threatens a company's ability to operate country, or opens it up to legal or regulatory penalties and reputational damage.

Non-representative Sources

ADB	Transparency, accountability, and corruption in public sector
AFR	Corruption: office of the presidency Corruption: judges and magistrates Corruption: government officials
ASD	Transparency, accountability, and corruption in public sector
BPS	How common is it for firms to have to pay irregular additional payments to get things done? Percentage of total annual sales do firms pay in unofficial payments to public officials? How often do firms make extra payments in connection with taxes, customs, and judiciary? How problematic is corruption for the growth of your business?
BTI	Anti-corruption policy
CCR	Anti-corruption and transparency
EQI	Corruption Is Prevalent in Education System Corruption is Prevalent in Health Care System Corruption is Prevalent in Police Force Been Asked For a Bribe in Past 12 Months (% Yes) Paid a Bribe in Past 12 Months (% Yes)
FRH	Corruption (NIT)
GCB	Frequency of household bribery: education Frequency of household bribery: judiciary Frequency of household bribery: medical Frequency of household bribery: police Frequency of household bribery: permit Frequency of household bribery: utilities Frequency of corruption among public institutions: Parliament / legislature Frequency of corruption among public institutions: Legal system / judiciary Frequency of corruption among public institutions: Public officials
GII	Accountability
IFD	Accountability, transparency and corruption in rural areas
LBO	Corruption in judiciary Corruption in office of the presidency Corruption in parliament Corruption in public employees Corruption in local government (councilors) Corruption in police Corruption in national tax office
PIA	Transparency, accountability and corruption in public sector
PRC	To what extent does corruption exist in a way that detracts from the business environment for foreign companies?
VAB	Perception of politicians to be corrupt -- % of respondents agreeing with statements: more than half & all politicians are corrupt

Thinking of the politicians, how many of them do you believe are involved in corruption?

WCY Bribery and corruption do not exist

WJP Factor 2: Absence of corruption

Code	Data Source Name
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HRM	Human Rights Measurement Initiative
HUM	Cingranelli Richards Human Rights Database and Political Terror Scale
IFD	IFAD Rural Sector Performance Assessments
IJT	iJET Country Security Risk Ratings
IPD	Institutional Profiles Database
IRP	African Electoral Index
LBO	Latinobarometro
MSI	International Research and Exchanges Board Vibrant Information Barometer
OBI	International Budget Project Open Budget Index
PIA	World Bank Country Policy and Institutional Assessments
PRC	Political Economic Risk Consultancy Corruption in Asia Survey
PRS	Political Risk Services International Country Risk Guide
RSF	Reporters Without Borders Press Freedom Index
TPR	US State Department Trafficking in People Report
VAB	Vanderbilt University Americas Barometer
VDM	Varieties of Democracy Project
WCY	Institute for Management and Development World Competitiveness Yearbook
WJP	World Justice Project Rule of Law Index
WMO	IHS Markit World Economic Service

Voice and accountability

Representative Sources

- EIU** Democracy index
 - Vested interests
 - Accountability of public officials
 - Human rights
 - Freedom of association
 - FRH** Political rights (FRW)
 - Civil liberties (FRW)
 - Freedom of the net (FOTN)
 - GWP** Confidence in honesty of elections
 - IPD** Freedom of elections at national level
 - Are electoral processes flawed?
 - Do the representative institutions (e.g. parliament) operate in accordance with the formal rules in force (e.g. Constitution)?
 - Freedom of the press (freedom of access to information, protection of journalists, etc.)
 - Freedom of association
 - Freedom of assembly, demonstration
 - Respect for the rights and freedoms of minorities (ethnic, religious, linguistic, immigrants...)
 - Is the report produced by the IMF under Article IV published?
 - Reliability of State budget (completeness, credibility, performance...)
 - Reliability of State accounts (completeness, audit, review law...)
 - Reliability of State-owned firms' accounts
 - Reliability of basic economic and financial statistics (e.g. national accounts, price indices, foreign trade, currency and credit, etc.).
 - Reliability of State-owned banks' accounts
 - Is the State economic policy (e.g. budgetary, fiscal, etc.)... communicated?
 - Is the State economic policy (e.g. budgetary, fiscal, etc.)... publicly debated?
 - Degree of transparency in public procurement
 - Freedom to leave the country (i.e. passports, exit visas, etc.)
 - Freedom of entry for foreigners (excluding citizens of countries under agreements on free movement, e.g. Schengen Area, etc.)
 - Freedom of movement for nationals around the world
 - Genuine media pluralism
 - Freedom of access, navigation and publishing on Internet
 - PRS** Military in politics
 - Democratic accountability
 - RSF** Press freedom index
 - VDM** Expanded freedom of expression
 - Freedom of association
 - Clean elections
-

Trust in parliament
MSI People have rights to create, share, and consume information; people have adequate access to channels of information; there are appropriate channels for government information; there are diverse channels for information flow; and information channels are independent.
OBI Open budget index
VAB Trust in parliament
Satisfaction with democracy
WCY Transparency of government policy is satisfactory
WJP Factor 1: Limited government powers
Factor 4: Fundamental rights
Factor 3: Open government

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WJP World Justice Project Rule of Law Index
WMO IHS Markit World Economic Service

Non-representative Sources

- AFR** Trust parliament / national assembly
Satisfaction with democracy
Freeness and fairness of the last national election
 - BTI** Political participation (SI)
Stability of democratic institutions (SI)
Political and social integration (SI)
 - CCR** Civil liberties
Accountability and public voice
 - EQI** Confidence in Parliament
Elections are Not Free and Fair
 - FRH** Independent media (NIT)
Civil society (NIT)
Electoral Process (NIT)
 - GII** Elections
Public management
Access to information and openness
Rights
 - HRM** Right to Opinion and Expression
Right to Participate in Government
Right to Assembly and Association
 - IFD** Policies and framework for rural development and rural poverty alleviation
Legal frameworks for and autonomy of rural people's organizations
 - IRP** Electoral index
 - LBO** Satisfaction with democracy
-

Government effectiveness

Representative Sources

- EIU** Quality of bureaucracy / institutional effectiveness
Excessive bureaucracy / red tape
 - GCS** Quality of road infrastructure
Quality of primary education
 - GWP** Satisfaction with public transportation system
Satisfaction with roads and highways
Satisfaction with education system
 - IPD** Coverage area: public school
Coverage area: basic health services
Coverage area: drinking water and sanitation
Coverage area: electricity grid
Coverage area: transport infrastructure
Coverage area: maintenance and waste disposal
 - PRS** Bureaucratic quality
 - WMO** *Infrastructure disruption*. This reflects the likelihood of disruption to and/or inadequacy of infrastructure for transport, including due to terrorism/insurgency, strikes, politically motivated shutdowns, natural disasters; infrastructure includes (as relevant) roads, railways, airports, ports, and customs checkpoints.
State failure. The risk the state is unable to exclusively ensure law and order, and the supply of basic goods such as food, water, infrastructure, and energy, or is unable to respond to or manage current or likely future emergencies, including natural disasters and financial or economic crises.
Policy instability. The risk the government's broad policy framework shifts over the next year, making the business environment more challenging. This might include more onerous employment or environmental regulation; local content requirements; import/export barriers, tariffs, or quotas; other protectionist measures; price controls or caps; more "political" control of monetary policy, or simply more direct intervention into the operations and decisions of private companies etc
-

Non-representative Sources

ADB	Quality of public administration Quality of budgetary and financial management Efficiency of revenue mobilization
AFR	Handling improving basic health services Handling addressing educational needs
ASD	Quality of public administration Efficiency of revenue mobilization Quality of budgetary & financial management
BPS	How problematic is electricity for the growth of your business? How problematic is transportation for the growth of your business?
BTI	Consensus building (MI) Steering capability (MI) Resource efficiency
EQI	Quality of Education System Quality of Health Care System
GII	Civil service integrity Public management Business environment & infrastructure Welfare Health and education
IFD	Allocation & management of public resources for rural development
LBO	Trust in government
PIA	Quality of public administration Quality of budgetary and financial management Efficiency of revenue mobilization
WCY	Adaptability of government policy to changes in the economy is high Bureaucracy does not hinder business activity The distribution infrastructure of goods and services is generally efficient

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WMO	IHS Markit World Economic Service

Regulatory quality

Non-representative Sources

ADB	Regional integration Trade policy Business regulatory environment
ASD	Trade policy Business regulatory environment
BPS	How problematic are labor regulations for the growth of your business? How problematic are tax regulations for the growth of your business? How problematic are customs and trade regulations for the growth of your business?
BTI	Market organization
EBR	Price liberalization Trade and foreign exchange system Competition policy
IFD	Enabling conditions for rural financial services development Investment climate for rural businesses Access to agricultural input and product markets Trade policy
PIA	Business regulatory environment Trade policy
WCY	Protectionism does not impair the conduct of your business Competition legislation is efficient in preventing unfair competition Capital markets (foreign and domestic) are easily accessible The legal and regulatory framework encourages the competitiveness of enterprises Foreign investors are free to acquire control in domestic companies Public sector contracts are sufficiently open to foreign bidders Real personal taxes do not discourage people from working or seeking advancement Labor regulations (hiring/firing practices, minimum wages, etc.) do not hinder business activities Subsidies do not distort fair competition and economic development
WJP	Factor 6: Regulatory enforcement
Code	Data Source Name
ADB	African Development Bank Country Policy and Institutional Assessments
AFR	Afrobarometer
ASD	Asian Development Bank Country Policy and Institutional Assessments
BPS	Business Enterprise Environment Survey

Representative Sources

EIU	Unfair competitive practices Price controls Discriminatory tariffs Excessive protections Discriminatory taxes
GCS	Burden of government regulations Prevalence of non-tariff barriers
HER	Investment freedom Financial freedom
IPD	Ease of starting a business governed by local law? Ease of setting up a subsidiary for a foreign firm? Share of administered prices Does the State subsidize commodity prices (i.e. food and other essential goods, excluding oil)? Does the State subsidize the price of petrol at the pumps? the narrow constraints of the market)... related to the administration (red tape etc.) constraints of the market)... related to the practices of already established competitors Efficiency of competition regulation in the market sector (excluding financial sector)
PRS	Investment profile
WMO	<i>Regulatory burden.</i> The risk that normal business operations become more costly due to the regulatory environment. This includes regulatory compliance and bureaucratic inefficiency and/or opacity. Regulatory burdens vary across sectors so scoring should give greater weight to sectors contributing the most to the economy. <i>Tax inconsistency.</i> Tax inconsistency also captures the risk that fines and penalties will be levied for non-compliance with a tax code that appears disproportionate or manipulated for political ends.

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Rule of Law

Representative Sources

- EIU** Violent crime
Organized crime
Fairness of judicial process
Enforceability of contracts
Speediness of judicial process
Confiscation/expropriation
Intellectual property rights protection
Private property protection
- GCS** Business costs of crime and violence
Organized crime
Judicial independence
Efficiency of legal framework in challenging regulations
Intellectual property protection
Property rights
- GWP** Confidence in the police force
Confidence in judicial system
Have you had money property stolen from you or another household member?
Have you been assaulted or mugged?
- IPD** Degree of security of goods and persons
Violent activities by criminal organizations (drug trafficking, weapons, prostitution...)
Degree of judicial independence vis-à-vis the State
Degree of enforcement of court orders
Timeliness of judicial decisions
Equal treatment of foreigners before the law (compared to nationals)
Practical ability of the administration to limit tax evasion
Efficiency of the legal means to protect property rights in the event of conflict between private stakeholders?
Generally speaking, does the State exercise arbitrary pressure on private property (e.g. red tape...)?
Does the State pay compensation equal to the loss in cases of expropriation (by law or fact) when the expropriation concerns land ownership?
Does the State pay compensation equal to the loss in cases of expropriation (by law or fact) when the expropriation concerns production means?
Degree of observance of contractual terms between national private stakeholders
Degree of observance of contractual terms between national and foreign private stakeholders
In the past 3 years, has the State withdrawn from contracts without paying the corresponding compensation... vis-à-vis national stakeholders?
In the past 3 years, has the State withdrawn from contracts without paying the corresponding compensation... vis-à-vis foreign stakeholders?
Respect for intellectual property rights relating to... trade secrets and industrial patents
Respect for intellectual property rights relating to... industrial counterfeiting
Does the State recognize formally the diversity of land tenure system?
- PRS** Law and order
- TPR** Trafficking in people
- VDM** Liberal component index
- WMO** *Expropriation.* The risk that the state or other sovereign political authority will deprive, expropriate, nationalise, or confiscate the assets of private businesses, whether domestic or foreign.
State contract alteration. The risk that a government or state body alters the terms of, cancels outright, or frustrates (usually through delay) contracts it has with private parties without due process.
Contract enforcement. The risk that the judicial system will not enforce contractual agreements between private-sector entities, whether domestic or foreign, due to inefficiency, corruption, bias, or an inability to enforce rulings promptly and firmly.

Non-representative Sources

- ADB** Property rights and rule based governance
- AFR** How often feared crime in home
Trust courts of law
Trust police
- ASD** Property rights and rule based governance
- BPS** How often is following characteristic associated with the court system: Fair and honest?
How often is following characteristic associated with the court system: Enforceable?
How often is following characteristic associated with the court system: Quick?
How problematic is crime for the growth of your business?
How problematic is judiciary for the growth of your business?
- BTI** Rule of law (separation of powers, independent judiciary, civil rights, prosecution of office abuse)
- CCR** Rule of law
- EQI** Quality of Police Force
- FRH** Judicial framework and independence (NIT)
- GII** Rule of law
Public management
Gender
- IFD** Access to land
Access to water for agriculture

LBO Trust in judiciary
Trust in police
Have you been a victim of crime?

PIA Property rights and rule based governance

VAB Trust in supreme court
Trust in justice system
Trust in police
Have you been a victim of crime?

WCY Tax evasion is not a threat to your economy
Justice is fairly administered
Parallel (black-market, unrecorded) economy does not impair economic development
Intellectual property rights are adequately enforced

WJP Factor 5.1: Crime is effectively controlled (order and security)
Factor 7: Civil justice
Factor 8: Criminal justice

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WMO IHS Markit World Economic Service

Appendix 2: Individual WGI explained

Control of corruption

In total, The World Bank uses 54 different data sources to measure control of corruption (the World Bank: A, 2022). If a country is weak regarding control of corruption, it is more likely to use public power for private gain, making it more vulnerable for rent seeking behavior. If a country is strong regarding control of corruption, it likely separates public power from the ability to obtain private gains. Within the dataset, the variable control of corruption is named “CCEST”.

Government effectiveness

The World Bank uses 51 different data sources to comprehensively measure a government’s effectiveness (The World Bank: D, 2022). If a country is weak regarding government effectiveness, it is unable to formulate and implement policies, deliver public services, and

respond to the needs and demands of its citizens transparently and efficiently. If a country is strong regarding government effectiveness, its government carries out their functions effectively, instills public services, upholds the rule of law, and achieves desired outcomes regarding inhabitants' needs and demands in areas such as public health, education, economic development, and infrastructure. Within the dataset, the variable is named "GEEST".

Political stability and absence of violence/terrorism

The World Bank uses 34 different data sources to comprehensively measure a countries political stability and absence of violence/terrorism (The World Bank: B, 2022). If a country is weak regarding political stability and absence of violence/terrorism, it's government is at risk of being destabilized or overthrown by unconventional or violent means, including terrorism and/or politically-motivated violence. If a country is strong regarding control of corruption, it possesses strong government structures that are less susceptible to be overthrown by violent means. Within the dataset, the variable is named "PVEST".

Regulatory quality

The World Bank uses 49 different data sources to measure regulatory quality. If a country is weak regarding regulatory quality, its government does not possess the capacity to formulate, implement, and enforce regulations that facilitate economic efficiency, social welfare, environmental sustainability and public safety while at the same time minimizing burdens on businesses and individuals. If a country is strong regarding regulatory quality, it has a government that is able to shape the business environment to create a friendly investment climate, thereby increasing overall economic performance. Within the dataset, the variable is named "RQUEST".

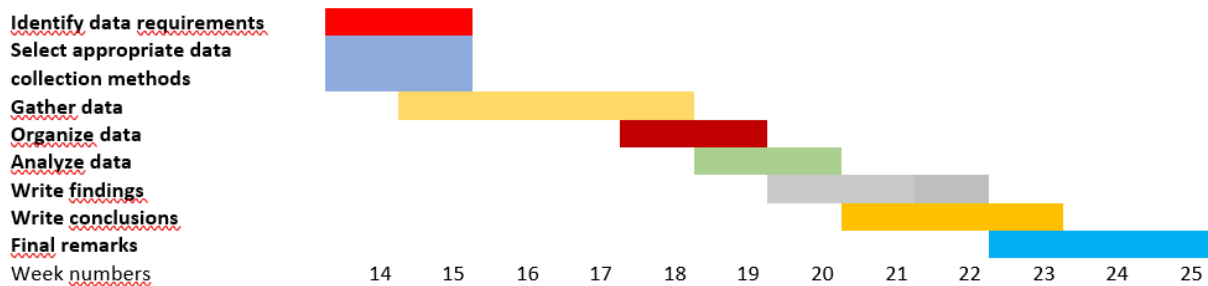
Rule of law

The World Bank uses 57 different data sources to measure rule of law. If a country weak regarding rule of law, the country does not instill equality before the law, supremacy of the law, and adherence to legal norms and procedures. If a country is strong regarding rule of law, the country possesses the principles and practices that govern the behavior of individuals and governments within society, ensuring that they can be held accountable for their actions, meaning that they are subject to legal constraints. Within the dataset, the variable is named "RLEST".

Voice and accountability

The World Bank adopts data from 56 different sources to compute different scores on voice and accountability for each country (The World Bank: C, 2022). If a country weak regarding voice and accountability, its inhabitants are unable to participate in the political process, freely express their opinions, hold their government accountable, and influence decision making. If a country is very strong regarding voice and accountability, it offers its inhabitants the freedom to express themselves, voice their opinions and participate in the democratic election of governments. Within the dataset, the variable is named “VAEST”.

Appendix 3: schedule



Appendix 4: Assumptions binary logistic regression

Sample size

Logistic regression must consider the size of the sample being analyzed. Parameter estimates derived from very small samples contain significant sampling error, making it unlikely to identify any but the most substantial differences (Hair et al., 2018). One aspect that sets logistic regression apart from other techniques is its reliance on maximum likelihood estimation (MLE) for parameter estimation. MLE necessitates larger sample sizes, meaning that, all else being equal, logistic regression typically requires a larger sample size compared to multiple regression. Hosmer, Lemeshow and Sturdivant (2013) recommend a sample size greater than 400, although logistic regression is applied successfully in many situations which have smaller samples. Since our dependent variable includes a sample of 991 observations, this assumption is satisfied.

In addition to the overall sample size, a common issue encountered is the sample size per category of the dependent variable. The recommended sample size for each group is at least 10 observations per estimated parameter (Hair et al., 2018, p. 555). Within the sample, the group with the least observations is the ‘‘Developing’’ category of the dependent variable (145). This indicates that the assumption of sample size per category is satisfied.

Dependent variable

The dependent variable needs to be measured at a nominal measurement level. In logistic regression, the two groups of interest are represented as binary variables with values of 0 and 1. For the analysis, it does not matter which group is assigned the value 0 versus 1. Furthermore, the dependent variable must consist of mutually exclusive and exhaustive categories. As defined by the HDI, each nation, whether developed or developing, is included in the list. Consequently, the dependent variable, ‘‘DevelopedOrLDC’’, is considered exhaustive. Therefore, this assumption is satisfied

Independence of observations

The data needs to include independent observations. To ensure that each observation within the dataset is selected independently from the population, random sampling was used to select the included samples. Therefore, this assumption is satisfied for both models.

Multicollinearity

Multicollinearity occurs when two or more independent variables correlate with each other. This means that each one has an impact on the other's outcome. This could lead to problems in determining which of the two variables contributes to the explanation of the dependent variable. To test for multicollinearity in the data, a Variance Inflation Factor (VIF) matrix will be generated using the independent variables control of corruption (CCEST), government effectiveness (GEEST), voice and accountability (VAEST), rule of law (RLEST), regulatory quality (RQEST), political stability and absence of violence/terrorism (PVEST) and the moderator variable NRS-motivation (NaturalResource_dummy) (see the Table below). The VIF can be calculated by fitting separate linear regression models for each predictor with all others as independent variables. If a VIF score is greater than 10, the variables are generally considered to be highly correlated. If the VIF score is 5 or higher, it indicates that there is high correlation between variables. This threshold is considered to be problematic. Together with the VIF score, a tolerance inverse is calculated, indicating the proportion of variance in a predictor that is not determined by other independent variables. Tolerance values lower than .1 suggests severe multicollinearity within the data. Furthermore, a tolerance score lower than .2 indicates potential multicollinearity problems.

As shown in the table below, no two variables exceed the threshold of a VIF greater than 10, nor do they fall below the tolerance threshold of .1. However, there are several combinations of variables, particularly the WGI, that exhibit a VIF score exceeding 5 and a tolerance score below 0.2. Therefore, the decision was made to conduct a Exploratory Factor Analysis (EFA) to reduce the number of independent variables into a smaller set of uncorrelated variables, known as factors. The EFA will combine the information contained in the original variables into these factors, which can then be used in further analyses without the multicollinearity issue.

<i>Central predictor</i>	<i>Independent variables</i>	<i>Tolerance</i>	<i>VIF</i>
<i>CCEST</i>	<i>GEEST</i>	<i>.168</i>	<i>5.968</i>
	<i>PVEST</i>	<i>.230</i>	<i>4.357</i>
	<i>RQEST</i>	<i>.126</i>	<i>7.911</i>
	<i>RLEST</i>	<i>.126</i>	<i>7.910</i>
	<i>VAEST</i>	<i>.313</i>	<i>3.200</i>

	<i>NaturalResource_Dummy</i>	.996	1.004
<i>GEEST</i>	<i>PVEST</i>	.226	4.430
	<i>RQEST</i>	.130	7.716
	<i>RLEST</i>	.141	7.096
	<i>VAEST</i>	.452	2.212
	<i>CCEST</i>	.129	7.742
	<i>NaturalResource_dummy</i>	.998	1.002
<i>PVEEST</i>	<i>RQEST</i>	.134	7.476
	<i>RLEST</i>	.107	9.315
	<i>VAEST</i>	.332	3.008
	<i>CCEST</i>	.131	7.624
	<i>GEEST</i>	.167	5.975
	<i>NaturalResource_dummy</i>	.996	1.004
<i>RQEST</i>	<i>RLEST</i>	.105	9.551
	<i>VAEST</i>	.439	2.277
	<i>CCEST</i>	.148	6.737
	<i>GEEST</i>	.197	5.065
	<i>PVEST</i>	.275	3.638
	<i>NaturalResource_dummy</i>	.997	1.003
<i>RLEST</i>	<i>VAEST</i>	.443	2.257
	<i>CCEST</i>	.159	6.286
	<i>GEEST</i>	.230	4.348
	<i>PVEST</i>	.236	4.231
	<i>RQEST</i>	.112	8.914
	<i>NaturalResource_Dummy</i>	.996	1.004
<i>VAEST</i>	<i>CCEST</i>	.131	7.617
	<i>GEEST</i>	.246	4.066

	<i>PVEST</i>	.244	4.092
	<i>RQEST</i>	.157	6.369
	<i>RLEST</i>	.148	6.759
	<i>NaturalResource_dummy</i>	.996	1.004

Exploratory Factor Analysis

To address the issue of multicollinearity in the dataset, an Exploratory Factor Analysis (EFA) was employed to reduce the data and identify the underlying components. The EFA was conducted using the WGI is included variables, since they appeared to show signs of multicollinearity among several included indicators. EFA was chosen over Confirmatory Factor Analysis (CFA) because there was no pre-existing theory indicating how the World Governance Indicators (WGI) would group together. Factor analysis reduces the number of variables by identifying the underlying factors that explain the patterns of correlations within a group of variables.

Exploratory Factor Analysis (EFA) involves several key assumptions. As previously determined in section 4.1, there were no missing cases for the independent variables. Consequently, there was no need to conduct a missing cases analysis. Secondly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is used to determine the suitability of the data for factor analysis. This index indicates the proportion of variance in the variables that might be common variance. A KMO value between 0.5 and 1.0 signifies that the data is appropriate for factor analysis. Another critical assumption is Bartlett's test of sphericity. This test examines the hypothesis that the variables are uncorrelated in the population. For factor analysis to be viable, the variables must be correlated, allowing them to be grouped together. Therefore, Bartlett's test should yield a significant result, indicating that the null hypothesis (H0) of no correlation among the variables can be rejected. Lastly, a general guideline for sample size in Exploratory Factor Analysis (EFA) is that the sample should be four to five times the number of variables included in the analysis. Given that this study includes six independent variables, the required sample size is at least 30, this assumption is met since 991 samples were used in the study.

The communalities describe the amount of variance a variable shares with all other variables taken into the study. A relatively small value of the communality suggests that the

variable is a misfit for the factor solution and should be dropped from the analysis. Therefore, the threshold value for communality is .2.

To conduct the initial analysis, the extraction method of principal axis factoring was utilized, as it is likely that each variable contains unique variance not explained by an underlying factor. Additionally, the direct oblimin rotation method was employed because the extracted factors were expected to be correlated, making the varimax rotation method unsuitable. The results of the first round of the Exploratory Factor Analysis (EFA) are presented below.

The assumptions of KMO (.807) and Bartlett ($p < .001$) were passed. Furthermore, there were no communalities lower than .2, indicating that all the included WGI can be retained in the EFA. The "Total Variance Explained" table indicated that one factor had an eigenvalue greater than 1, accounting for 79, 269% of the variance. The table "Factor Matrix" showed that all WGI loaded significantly on the single factor identified.

The fact that all six indicators load on one factor suggests that they share a common underlying trait. This trait is likely related to the robustness and efficiency of the institutions they measure. The name "Institutional strength" provides a comprehensive description of what the factor represents, making it clear that the factor is not just about one specific aspect of governance but a holistic measure of institutional effectiveness and governance performance. Therefore, the name "Institutional strength" was used as a label for this factor. The factor was included in further analyses under the name "Gen_Inst_Strength".

KMO and Bartlett's Test	
KMO	.807
Bartlett	<.001

Communalities		
Variable	Initial	Extraction
CCEST	.871	.901
GEEST	.833	.723
PVEST	.775	.753
RQUEST	.890	.920
RLEST	.898	.920
VAEST	.694	.347

Total Variance Explained			
Factor	Total	% of Variance	Cumulative %
1	4,756	79,269	79,269
2	.713	11,888	91,156

3	.231	3,844	95,001
4	.127	2,118	97,119
5	.117	1,956	99,075
6	.055	.925	100,000

	Factor 1
CCEST	.949
GEEST	.850
PVEST	.868
RQUEST	.959
RLEST	.959
VAEST	.589

Linearity of the independent variables and the log odds

This assumption tests the linearity of the logit. The transformed logistic model presupposes a linear relationship between the logit and the independent variables, particularly those that are continuous. However, logistic regression may face nonlinear relationships that reduce the capacity of the coefficient to fully capture the impact of the variables. The simplest test for linearity of the logit is the Box-Tidwell procedure applied to each continuous independent variable. Therefore, new interaction terms of the independent variables and its log value are created. If these terms are significant, they should be retained in the model instead of the regular independent variables (Hair et al., 2018). Table 5 includes the contribution of all the variables including the logit interaction terms for the NNRS-firms (Model 1).

Variables	B	S.E.	Wald	df	Sig.	Exp(B)
CCEST	-1,406	2,592	.294	1	.174	.245
GEEST	-5,934	3,396	1,697	1	.193	.003
PVEST	3,133	1,014	14,812	1	<.001	22,946
RQUEST	10,231	4,358	4,010	1	.045	27746,680
RLEST	9,001	3,344	6,564	1	.010	8114,419
VAEST	4,725	1,011	25,974	1	<.001	112,737
CCESTlog	.192	1,319	1,247	1	.264	1,211
GEESTlog	3,375	1,636	2,520	1	.039	29,230
PVESTlog	-1,707	.566	13,157	1	.003	.181
RQUESTlog	-4,569	2,171	3,447	1	.01	.010
RLESTlog	-4,331	1,692	6,339	1	.012	.013
VAESTlog	-2,807	.583	25,828	1	<.001	.060
Constant	-28,592	4,871	34,449	1	<.001	.000

Table 5. Variables in the equation including log interaction terms: Model 1, own information

The significant interaction effect of the independent variables voice and accountability ($\beta = -2,807, \rho < .001$), rule of law ($\beta = -4,331, \rho < .05$), regulatory quality ($\beta = -4,569, \rho = .01$), government effectiveness ($\beta = 3,375, \rho = .039$), and political stability and absence of violence/terrorism ($\beta = -1,707, \rho = .003$) and their logit terms indicate a nonlinear component

for these independent variables. Therefore, these interaction variables take the place of their original variants in the model. The main effects (coefficients) of the WGI mentioned above will represent the effect when the log-transformed variable is zero. Including the interaction terms improves the model fit and predictive power by accounting for third variable variance. It allows the model to capture variations that a linear model might miss, leading to improved predictions and more reliable coefficient estimates. Therefore, incorporating these logarithmic interactions allows the included variables to still provide relevant information necessary for accepting or rejecting the stated hypotheses.

Appendix 5: List of “developed” countries and “LDCs”

“developed” countries	“developing” countries
United States (US), Netherlands (NL), Canada (CA), Australia (AU), Japan (JP), Germany (DE), United Kingdom (GB), France (FR), Sweden (SE), Kazakhstan (KZ), Switzerland (CH), Norway (NO), Denmark (DK), Sri Lanka (LK), Chile (CL), Finland (FI), Singapore (SG), New Zealand (NZ), Belgium (BE), Argentina (AR), Austria (AT), Italy (IT), Spain (ES), Iceland (IS), San Marino (SM), Cyprus (CY), Luxembourg (LU), Bahamas (BS), Ireland (IE), Russia (RU), Lithuania (LT), Latvia (LV), Peru (PE)	Afghanistan (AF), Ukraine (UA), Jamaica (JM), Burundi (BI), Central African Republic (CF), Congo (CD), Eritrea (ER), Ethiopia (ET), Gambia (GM), Guinea (GN), Haiti (HT), Liberia (LR), Madagascar (MG), Malawi (MW), Mali (ML), Mozambique (MZ), Niger (NE), Sierra Leone (SL), Somalia (SO), South Sudan (SS), Sudan (SD), Togo (TG), Yemen (YE), Angola (AO), Benin (BJ), Burkina Faso (BF), Comoros (KM), Djibouti (DJ), Guinea Bissau (GW), Lesotho (LS), Myanmar (MM), Nepal (NP), Rwanda (RW), Senegal (SN), Tanzania (TZ), Zambia (ZM), Zimbabwe (ZW), Thailand (TH), Cambodia (KH)

Appendix 6: Tables Model 1

	Chi-square	Df	Sig.
Step	213,872	4	<.001
Block	213,872	4	<.001
Model	213,872	4	<.001

Table 11, Omnibus tests of model coefficients: Model 1, own information.

Model	-2 Log likelihood	Cox & Snell R square	Nagelkerke R square
1	611,168	.194	.344

Table 12, Model Summary: Model 1, Own information

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
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DealvaluethUSD	.000	.000	6,751	1	.009	1,000
dist	.000	.000	126,556	1	<.001	1,000
GovOwned	.871	.364	5,739	1	.017	2,389
CrossBorderExperience	-.060	.049	1,462	1	.227	.942
Constant	.417	.179	5,407	1	.020	1,517

Table 13, Variables in the equation: model 1, own information.