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CROSS-CULTURAL INCENTIVES FOR THE FDI

Literature review

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Abstract

In order to invest there are some incentives needed, including among them, certainly, the ones discussed and analysed in the scientific literature such as: specific earning chances (expectations) of each participant (wage, profit, dividend, budget revenue, etc.), potential investor's general or current state, etc.. Less visible incentives from complex areas not obviously related to the investment are, however, less considered. Among these could be incentives arising from inherited or education and culture transmitted philosophy, generally regarding earnings, business and investment.We notice these incentives in case of FDI in different shades and intensities.Investor's decision to acquire, sell or to carry out projects in a particular area, region or country is not only due to purely economic, commercial or financial reasoning. In such operations, meeting among businessmen, managers and other professionals in the field is, first of all, meeting in specific circumstances, among more or less different cultures.Both theory and practice must be concerned in what way and to what extent these factors influence the investment intention, outcome and yield.

Our study proposes a list of the most important cultural type incentives for investment (mainly FDI), based on a set of cases, through a logical and empirical research, using some of the most relevant and recent studies and several real situations to which we got access. These are early data and analysis that will allow us to draw attention to the problem and to develop further research to reach generalizable results.

1. FDI reasons

Classical studies on FDI do not often consider social, cultural or political factors that might influence international investments. The literature on FDI focuses on the determinants of FDI following economic parameters. The implicit assumption is that the corporate decisions are rational and can be explained by the determinants for any investment decision.

We focus on the ‘non-economic’ determinants that show social, cultural, historical and political preference for the investment decision.

The growth of multinational enterprise (MNE) activity in the form of foreign direct investment (FDI) has grown at a faster rate than most other international transactions (Blonigen, 2005).

Bernur and Ersoy (2009) consider that foreign enterprises, like domestic ones, pursue the good business environment rather than the special favours offered to induce the foreign enterprises to locate in the incentive offering regions.

The most fundamental question about FDI activity is why a firm would choose to service a foreign market through affiliate production, rather than other options such as exporting or licensing arrangements (Blonigen, 2005).

Trade has traditionally been the principal mechanism linking national economies in order to create an international economy. Bernur and Ersoy (2009) emphasise that FDI is a similar mechanism linking national economies; therefore, these two mechanisms reinforce each other.

Bernur and Ersoy (2009) conclude that FDI can have both positive and negative economic effects on host countries. Positive effects come about largely through the transfer of technology and other intangible assets, leading to productivity increases and improvements in the efficiency of resource allocation. Negative effects can arise from the market power of large foreign firms (multinational corporations) and their associated ability to generate very high profits or from domestic political interference by multinational corporations.

Bernur and Ersoy (2009) consider that, generally, foreign investors are influenced by three broad groups of factors: (1) The profitability of the projects, (2) The ease with which subsidiaries’ operations can be integrated into investors’ global strategies and (3) The overall quality of the host country’s enabling environment.

Liu, Daly and Varua(2013) focus on the location theory which draws on policy, economy variables, and cost of productions to explain why different locations are more or less attractive for FDI.

Although a significant amount of research has explored the patterns of FDI, little work has been done to assess what determines why some cross-border mergers are expected to result in higher synergies when compared to others (Sonenshine& Reynolds, 2014).

Sonenshine and Reynolds (2014) notice that while most cross-border mergers take place among firms in developed countries, an increasing amount of activity has been occurring in emerging markets.

Sonenshine and Reynolds (2014) consider that firms primarily engage in cross-border mergers versus other forms of FDI to gain control over assets, particularly due to difficulties writing or enforcing complete contracts.

Singh and Jun (1995) highlight that from a theoretical point of view, three questions dominate the FDI literature:

* Why do national firms evolve into multinational organizations?

* Why do firms locate production in a foreign country rather than licensing or exporting?

* What determines the geographic pattern of FDI flows?

Nunnenkamp, P. (2002) highlights that the reasoning on globalization-induced changes mainly refers to FDI in manufacturing, but the recent boom of FDI in developing countries is largely due to a stronger engagement of multinational enterprises (MNEs) in the services sectors of developing countries.

2. FDI definition (types)

Wang, Alba and Park (2013) consider four major modes through which firms undertake foreign direct investment (FDI) – merger and acquisition (M&A), joint venture (JV), new plant (NP) and others (O). The four modes of FDI are distinct from each other, and each has its own unique advantages and disadvantages. While a large and growing empirical literature examines the determinants of FDI, very few studies examine the determinants of different modes of FDI.

Recent studies divide FDI into M&A FDI versus non-M&A FDI, and finds that some factors which influence M&A FDI do not influence non-M&A FDI and vice versa. More specifically, they find that while the financial health of main banks affects both types of FDI, relative wealth affects only M&A FDI while profitability and firm size affect only non-M&A FDI (Wang et al, 2013).

3. M&A Determinants at firm level

The literature's focus on partial equilibrium frameworks is due to the difficulty of building a model that accounts for general equilibrium features that is tied back to microeconomic decision making. The concern with evidence from partial equilibrium models is that they ignore important long-run general-equilibrium factors that affect FDI decisions and locations (Blonigen, 2005).

Erdogan (2012) suggests that size is an important explanatory variable in M&As and smaller companies are more likely to become acquired than larger companies. The author argues that there are several size-related costs of acquisitions.

In the banking system, a higher likelihood of becoming an acquirer exists for larger banks with a history of high growth, greater cost X-efficiency, and lower capitalization (Beccalli& Frantz, 2013).

Sonenshine and Reynolds (2014) confirm that ownership percentage has a positive effect on the deal premium and the effect is greatest when the target is in an emerging market but there are differences in some of the factors that affect the deal premium when the sample is segmented into high and low intangible asset intensity acquirers.

4. FDI Determinants

A large number of studies have been conducted to identify the determinants of FDI but no consensus has emerged, in the sense that there is no widely accepted set of explanatory variables that can be regarded as the "true" determinants of FDI. For example, factors such as labor costs, trade barriers, trade balance, exchange rate, R&D and tax have been found to have both negative and positive effects on FDI (Bernur&Ersoy, 2009).

It is generally believed that removing restrictions and providing good business operating conditions will positively affect FDI flows and if outward-oriented economies are relatively successful in attracting more FDI, the size of the domestic market need not be a handicap (Singh & Jun, 1995).

Nunnenkamp (2002) notices that, despite globalization-induced changes, surprisingly little has changed since the late 1980s. Traditional market-related determinants are still dominant factors. Among non-traditional FDI determinants, only the availability of local skills has clearly gained importance.

There is a wide variety of determinants analysed by the authors, as shown in the following paragraphs.

Liu et al (2013) examine the following determinants: market size, labour cost, labour quality, physical infrastructure development, telecommunication, degree of economic openness, and government incentives to attract FDI.

Blonigen (2005) considers the following FDI determinants: Exchange Rate Effects, Taxes, Institutions, Trade Protection, and Trade Effects

The following variables are considered traditional determinants (Nunnenkamp, 2002): population of host countries, GDP per capita in host countries, GDP growth of host countries, administrative bottlenecks, entry restrictions, risk factors. By contrast, the following non-traditional variables should become more important (due to globalization): complementary factors of production, average years of schooling, cost factors, restrictions of foreign trade, the change in trade shares. Some variables cannot easily be classified as either traditional or non-traditional: post-entry restrictions and technology related regulations.

Studying the SEE countries, Hengel (2010) considers the following variables: gross domestic product per capita (GDPcap) from the World Bank's World Development Indicators (WDI) database, trade openness measured as the ratio of a country's imports and exports to GDP, Inflation measured by GDP deflator, duration of membership in CEFTA or CEFTA 2006, EBRD index of infrastructural reform, EBRD index of privatisation reform, EBRD index of competition reform, EBRD index of enterprise restructuring.

Reffering to five ASEAN countries Ho and Rashid (2011) consider the following determinants: Economic Growth, Degree of Openness, Inflation, Exchange rate, Manufacturing Output, Consumer Income, Infrastructure, Telecommunication, Employment, Tourism, Skills& Knowledge.

Bandelj (2009) highlights that economic theory posits that economic incentives are the most important determinants of FDI but, in contrast, his analysis shows that neither a country's economic prosperity and stability nor political risks exert a crucial influence during the initial phases of FDI proliferation into a country and to encourage FDI inflow, states must institutionalize FDI as a legitimate market behavior.

Cultural familiarity is exercised also by the same origin of the country's legal system as well as being part of the same international economic or political unions. Familiarity factors such as a common language, trade and immigrant links have significant influence. These familiarity factors should be considered in decision making with regard to different kinds of investments.

Wang et al (2013) highlight that the relative importance of FDI determinants changes. Even though traditional determinants and the types of FDI associated with them have not disappeared with globalization, their importance is said to be on the decline.

Hengel (2010) suggests that simultaneously opening trade and improving the investment climate reaps the highest levels of FDI. With the exception of price liberalisation, the marginal effect of investment climate reforms increases when a country has a higher degree of trade openness.

Ho and Rashid (2011) highlight that for emerging or developing countries, degree of openness can influence FDI inflows in both directions, either positively or negatively.

Yang, Martins and Driffield (2013) remark that the literature on multinationality and firm performance has generally disregarded the role of geography.

We consider that investors find it more difficult to gather information on more ‘distant’ investment possibilities. Different factors such as distance, language and political/cultural barriers; lead the decision makers to disregard distant investments.

Ho and Rashid (2011) show that as domestic inflation increases domestic consumption, it reduces the costs of FDI. Similarly, an increase in foreign inflation reduces the cost of domestic investment, thus, shifting investments from the foreign economy to the domestic economy.

Bandelj (2009) concludes that in conditions of high uncertainty economic actors rely more on social, political, and cultural cues rather than on formal indicators of economic efficiency.

Quer, Claver and Rienda (2012) consider that institutions establish the rules of the game that structure interactions, and organizations are the players limited by these rules, which can be both formal — laws and regulations — and informal — customs, traditions, or codes of conduct .

Kersan-Skabic (2013) reveals that institutional weaknesses, frequent changes in laws and inefficiency (slowness) of public administration, may cause a weak inflow or the absence of FDI inflows.

Liu et al (2013) consider the following variables in their study: Market size, Labour cost, Labour quality, Physical infrastructure, Telecommunication, Degree of openness, Government incentives.

Nunnenkamp (2002) highlights that for instance, tariff-jumping FDI to serve large protected markets should have become less relevant as various developing countries have liberalized their import regime and relaxed performance requirements such as local content rules.

Studying the SEE countries,Kersan-Skabic (2013) includes the efficiency of institutions in the analysis of market economies. It includes a variety of indicators such as: property rights, governance efficiency, social norms and social capital, human assets, asymmetric information, strategic behaviour, opportunism, moral hazard, contractual safeguards, monitoring costs, incentives to collude, hierarchical structures, etc.

Singh and Jun (1995) emphasize that the relative size of the export sector is the strongest explanatory variable for FDI flows and, in particular, manufacturing exports play a critical role.

Sathe and Handley-Schachler (2006) consider that in attracting of FDI in India the level of urbanisation matters to the almost total exclusion of all other factors. Independent of wealth, family structure or cultural background, cities attract investment and the countryside does not.

Yang et al (2013) conclude that the effects from investing abroad on firm’s return on sales are stronger in the case of developing-country subsidiaries when compared with developed-country counterparts.

A large body of institutional analysis argues that institutionalization encompasses the establishment of formal rules and informal norms of behavior (Bandelj, 2009).

We consider that the cross border investments tend to favour countries with close political and regional ties.

5. FDI cultural determinants

Shenkar (2012) emphasises that cultural distance is a widely used construct in international business, where it has been applied to foreign investment expansion, entry mode choice, and the performance of foreign invested affiliates, among others.

Rkibi (2009) shows that, going through the literature, it seems that the intercultural management is an "issue" of organization, information, communication, decision making, human resource management, financial management, production management and marketing. There are frequent references to the cultural factor that functions as leverage, for example in the case of FDI.

Zait (2013) believes that intercultural approach should remain what it is and was considered since its inception: a way to consider relating of different cultures where the company, corporation or organization performs actions, activities or business to which those connections can have consequences.

Siegel, Licht and Schwartz (2011) identify how country differences on a key cultural dimension — egalitarianism — influence international investment flows. A society's cultural orientation toward egalitarianism is manifested by intolerance for abuses of market and political power and a desire for protecting less powerful actors. They highlight a robust influence of egalitarianism distance on cross-national flows of bond and equity issuances, syndicated loans, and mergers and acquisitions. An informal cultural institution largely determined a century or more ago, egalitarianism exercises its effect on international investment via an associated set of consistent contemporary policy choices. But even after controlling for these associated policy choices, egalitarianism continues to exercise a direct effect on cross-border investment flows, likely through its direct influence on managers' daily business conduct.

Lee, Shenkar and Li (2008) highlight that while cultural distance showed no significant relationship with the degree of control sought over the cooperative ventures, cultural distance was significantly related with a preference for ventures in domestic or foreign markets. The impact of cultural distance was found to be greater in inward investment than in outward investment.

Shenkar (2012) emphasises that certain cultures are considered attractive to other cultures. A foreign culture's perceived attributes may be a major reason for the preferences expressed by potential partners and host countries.

We argue that corporate financial decisions are influenced by the familiarity of the environment where investment opportunities arise.

Bhardwaj, Dietz and Beamish (2007) provide a novel perspective towards understanding the influence of host country culture on the location choices of foreign firms. The authors argue that host country cultural variables: uncertainty avoidance and trust, influence the location choices of foreign firms such that foreign firms prefer to invest in nations with low levels of uncertainty avoidance and high levels of trust.

Quer et al (2012) emphasise that while institutions are crystallizations of culture, culture is the substratum of institutional arrangements and culture can be considered part of the environment's informal institutions, which underpin formal institutions. When multinational companies enter an institutional environment with a different set of rules, they must meet social expectations to demonstrate social responsibility and build social legitimacy in the host country. The difficulty in attaining this social legitimacy is related to the cultural distance between the country of origin and the host country.

Shenkar (2012) highlights that often confused with culture distance (as in the case of Canada as a first foreign investment for East- and Mid-West US firms), geographic proximity reduces entry barriers, subject to transportation and information processing requirements.

Holmes, Miller, Hitt and Salmador (2013) suggest that the country's informal institutions, in the form of the cultural dimensions of collectivism and future orientation, shape the country's formal institutions.

Lee et al (2008) highlight the moderating role of investment direction in the relationship between cultural distance and control preferences which provides support for the cultural familiarity theory, reaffirming the importance of culture in FDI decisions.

Bhardwaj et al (2007) consider that because the cultural values underlie business practices, they are potentially parsimonious explanations for cross-national differences in actual FDI inflows, which are not attributable to economic, institutional, policy-based, and regulatory factors.

Shenkar (2012) shows that in the FDI literature, culture distance has had three primary thrusts. The first thrust has been to explain the foreign market investment location and especially the sequence of such investment by multinational enterprises (MNEs). The second, to predict the choice of mode of entry into foreign markets. A third application has been to account for the variable success, failure and performance of MNE affiliates in international markets.

Siegel et al (2011) highlight that societal fractionalization, whether consequent to historical divisions in ethnicity, language, or religion, is an ecological variable commonly used in the institutions literature as an exogenous factor.

Shenkar (2012) analyses the main 'illusions' on cultural distances in literature: symmetry, stability, linearity, causality, discordance.

Quer et al (2012) show that establishment of social legitimacy can be also more difficult than regulative legitimacy, as normative controls stress a deeper moral base and are more likely to be internalized than regulative controls and cultural distance is considered a major barrier for multinationals gaining normative legitimacy in host countries, thus affecting FDI location choice.

Holmes et al (2013) link the informal institutions of countries to their formal institutions. The authors argue that culture provides a foundation on which a country's formal institutions develop. Societal members devise formal institutions to remedy problems the society confronts. Over time, the society's norms and values reinforce the formal institutions and enable them to be accepted, supported, and maintained in the society

Bhardwaj et al (2007) show that in high uncertainty avoidance nations, feelings of "what is different, is dangerous" (feelings that may be associated with ethnocentrism) may create additional barriers that potential foreign investors have to overcome. These additional barriers may result from "discrimination by government, by consumers, and by suppliers".

Vidal-Suárez and López-Duarte (2013) analyse the role language distance plays on the choice between greenfield investments and acquisitions when investing abroad. Based on transaction cost theory, the author focuses on the impact of language distance on ex ante and ex post costs in international acquisition processes.

Specifically, in a comprehensive data set on debt and equity portfolio investment, syndicated loans, and strategic investment transactions around the world, Siegel et al (2011) find a robust negative role for the distance between origin and destination countries on cultural egalitarianism. Countries' stances on egalitarianism constitute their most fundamental informal institution concerned with issues of power and its consequences. This institutional posture is reflected in a broad array of important policy mechanisms that include imposing controls on corruption, regulating market power, curbing agency problems in firms, and mitigating harsh circumstances endured by weaker members of a society.

Shenkar (2012) highlights that the literature acknowledges the importance of foreign experience as a cultural distance closing mechanism and remarks that acculturation can generally be assumed to reduce the cultural distance to the host country. The author emphasises that bicultural individuals play an especially important role in closing the cultural distance between the foreign and host countries.

We expect that there is a strong preference in corporations to invest in surrounding countries and places of social and cultural familiarity. Corporate managers feel more familiar with countries with which they share a border, certain historical ties, or even a common past as parts of the same country in the past. Such historical ties sometimes lead to the existence of minority population which strengthens familiarity through a common language.

Bhardwaj et al (2007) focus on specific cultural characteristics (uncertainty avoidance and trust) of a host nation rather than focus on cultural distance and they seek to advance the concept of value trumping, the idea that in "specific cultural context, certain cultural values may take precedence over others". The authors highlight that, in high uncertainty avoidance nations, relative to low uncertainty avoidance nations, the emphasis on rigid structures and the preference for extensive written rules discourages foreign investors.

Holmes et al (2013) suggest that collectivism increases the level of control regulatory institutions exert, while reducing the democratic nature of political institutions. Democratic political institutions give voice to individuals and special interests.

In a departure from prior studies presuming a beneficial experience effect in foreign direct investment (FDI), Zeng, Shenkar, Lee and Song (2013) examine the conditions under which FDI experience may actually harm subsequent subsidiaries. The authors argue that multinational enterprises (MNEs) may draw erroneous inferences and learn incorrectly from their early expansions when new to a dissimilar culture, because their learning abilities are eroded by cultural differences. The authors conclude that, when expanding into dissimilar cultures, MNEs must establish mechanisms to mitigate incorrect learning and reexamine the correctness of inferences drawn from past experience before applying them.

Bhardwaj et al (2007) define trust as the expectation of "regular, honest cooperative behavior" within a society. This trust stands for the approach that members of a society take in forming relationships. High levels of interpersonal trust in a host country influence both trust at the individual and inter-organizational levels.The authors highlight that the consequences of the positive linkages between host county trust and FDI performance are two fold: First, positive FDI performance likely generates more FDI from well-performing foreign firms. Second, and more importantly, positive FDI performance has an important signaling effect on other foreign investors.

Vidal-Suárez and López-Duarte (2013) demonstrate the need to unbundle language distance from cultural distance in order to identify the role that it plays in the choice between greenfield and acquisitions when investing abroad. When so doing, cultural distance arises as a main factor conditioning the transaction costs of an acquisitions process.

Holmes et al (2013) consider that future-oriented cultures emphasize long-term outcomes and the importance of making the necessary investments to facilitate such outcomes. In turn, countries with strong future orientations are likely to build economic institutions that craft monetary and fiscal policies to encourage long-term investments.

We consider that these opinions remove the shadow from the hidden role of the cultural factors that drive political ones, in the way political factors could be considered as a result of hidden cultural factors.

6. FDI in SEE

Hengel (2010) highlights that FDI in SEE is attracted to markets with higher income, greater trade openness and a higher degree of investment climate reforms.

Kersan-Skabic (2013) investigates the institutional environment in SEE countries and its importance in attracting FDI inflows. His results indicate the importance of economic determinants (GDP p.c. and inflation) to FDI inflows, while among institutional factors, only corruption, large scale privatisation, the development of trade and forex systems, and overall infrastructure reform have a significant impact on FDI inflows. Property rights freedom and small scale privatisation are not considered significant variables.

Hengel (2010) shows that labour productivity and cost had significant impacts on foreign investment in Central and Eastern Europe and the same situation prevails in SEE.

Kersan-Skabic (2013) highlights that not all SEE countries have been equally successful in attracting foreign capital and their position depends on the specific location and institutional characteristics of each country. The author shows that this region is not as large as the CEE market (total population), so market size (population) is probably not the most influential factor where FDI inflows are concerned.

Kersan-Skabic (2013) considers the following variables: GDP p.c. , Wages, Inflation, Enterprise restructuring, Trade and forex system, Corruption, Property rights freedom, GDP p.c.*corruption, Large privatisation, Small privatisation, Overall infrastructure reform.

Kersan-Skabic (2013) studies the efficiency of institutions and considers that it includes a variety of indicators such as: property rights, governance efficiency, social norms and social capital, human assets, asymmetric information, strategic behaviour, opportunism, moral hazard, contractual safeguards, monitoring costs, incentives to collude, hierarchical structures, etc.

Kersan-Skabic (2013) emphasises that although the countries in the region share some common features (corruption, non-application of the rule of law, slow administration, adverse business environment), there are some differences between them in terms of success and their attractiveness to foreign investors. Croatia is the most developed country in the region, with GDP per capita 219 of EUR 10,400 (which is 61%of the EU-27average), followed by Romania and Bulgaria, and Albania and Bosnia and Herzegovina are at the bottom of the list (30% of the EU-27 average). In terms of FDI inflows in absolute values, Romania and Bulgaria as the biggest countries of the region occupy top positions, but in terms of relative values Montenegro and Croatia attract the highest inflow per capita. It is interesting that Croatia had the highest FDI stock per capita until 2010, when Montenegro took over this position.

7. Conclusions and future research

Table 1 shows a total of 33 determinants of which 10 cultural, 1 commercial, 2 social, 7 institutional, 11 economic, 1 organizational and 1 technological. Some of them have a definite positive or negative influence while others are considered not significant. Other determinants are still disputed. One of the reasons is the country where they are analysed: developed or emerging countries or countries that have experienced a post-communist reform process (SEE).

Blonigen (2005) shows that the issues are complicated enough that broad general hypotheses such as taxes generally discourage FDI simply should not be expected once one takes a closer look. The more insightful and innovative papers in the literature have developed hypotheses about when a factor should matter and when it should not matter, and then find creative ways to test these hypotheses in the data. The ever greater availability of micro-level data should also help in the future to clear some of the muddy waters.

Traditional studies on FDI focuses on finding the determinants of FDI following economic parameters and do not often consider social, cultural or political factors that might influence international investments.

This article argues that the contribution to the existing literature by introducing new evidence of non-traditional factors that affect FDI decision, which require specific strategies to deal a framework that is able to deal with such complicated cultural factors, starts with admitting and understanding the real elements of such factors, in order to manage their effects on FDI decision.

Much of the risk associated with working in Central Europe stems from uncertainty and lack of experience. This gives neighbouring countries with close historical and cultural ties to the region, such as Austria, a distinct advantage over more distant investors.

The findings show that proximity to the investor country will reduce transport costs, and may give the advantage of cultural proximity and special knowledge of the host country.

Our analysis shows that corporate taxes, common border and a common language all play a significant role for bilateral FDI flows in the different types of services.

We have to emphasize four aspects: common language, common history between the country pairs, same origin of the country's legal system and common membership to a political or economic union between the country pairs.

We consider that FDI decision is based on informal rules customs, traditions etc.

Future research should aim at providing more aspects of non-traditional FDI determinants because globalization may have made cross-cultural incentives a more important determinant of FDI.

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Table No. 1. FDI Determinants: an integrated system

Determinant category	FDI exogeneous variable	Authors	Direction of the Relationship
Economic	1. Previous FDI performance	Bhardwaj et al (2007)	positive
	2. Income	Hengel (2010)	positive
	3. Trade openness	Hengel (2010) Bernur&Ersoy (2009). Singh & Jun (1995) Nunnenkamp (2002) Ho and Rashid (2011)	positive positive and negative positive positive positive or negative
	4. Investment climate reforms	Hengel (2010) Nunnenkamp (2002)	positive less relevant
	5. GDP p.c.	Kersan-Skabic (2013) Nunnenkamp (2002) Hengel (2010)	positive positive positive
	6. Inflation	Kersan-Skabic (2013) Ho and Rashid (2011)	positive positive
	7. Small scale privatisation	Kersan-Skabic (2013)	not significant
	8. Market size (population)	Kersan-Skabic (2013) Singh & Jun (1995) Nunnenkamp (2002)	less significant less significant positive
	9. Labour productivity	Hengel (2010)	positive
	10. Labour cost	Hengel (2010) Bernur&Ersoy (2009).	positive positive and negative
	11. Taxes	Blonigen (2005) Bernur&Ersoy (2009) Nunnenkamp (2002).	less significant positive and negative less relevant
Social	1. Societal fractionalization	Siegel et al (2011)	negative
	2. Property rights freedom	Kersan-Skabic (2013) Bandelj (2009)	not significant less significant
Cultural	1. Egalitarianism	Siegel, Licht and Schwartz (2011)	positive
	2. Familiarity of the environment	Bernur and Ersoy (2009)	positive

	3. Uncertainty avoidance and trust	Bhardwaj, Dietz and Beamish (2007)	negative
	4. Collectivism	Holmes, Miller, Hitt and Salmador (2013)	negative
	5. Future orientation	Holmes, Miller, Hitt and Salmador (2013)	positive
	6. Cultural familiarity	Lee et al (2008)	positive
	7. Language distance	Vidal-Suárez and López-Duarte (2013)	negative
	8. Acculturation	Shenkar (2012)	positive
	9. Emphasis on rigid structures and the preference for extensive written rules	Bhardwaj et al (2007) Sonenshine and Reynolds (2014)	negative positive
	10. Inferences drawn from past experience in dissimilar cultures	Zeng, Shenkar, Lee and Song (2013)	negative
Institutional	1. Level of control regulatory institutions exert	Holmes et al (2013) Kersan-Skabic (2013)	negative negative
	2. Democratic political institutions	Holmes et al (2013) Liu, Daly and Varua(2013) Bandelj (2009)	positive positive less significant
	3. Corruption	Kersan-Skabic (2013)	negative
	4. Large scale privatisation	Kersan-Skabic (2013)	positive
	5. Development of trade and forex systems	Kersan-Skabic (2013) (Bernur&Ersoy, 2009). Singh and Jun (1995)	positive positive and negative positive
	6. Overall infrastructure reform	Kersan-Skabic (2013) Bernur and Ersoy (2009)	positive positive
	7. Efficiency of institutions	Kersan-Skabic (2013)	positive
Technological	1. R&D	(Bernur&Ersoy, 2009).	positive and negative
Organizational	1.Company size	Erdogan (2012) Beccalli& Frantz (2013)	negative positive
Comercial	1. Geographic proximity	Shenkar (2012)	positive