

What Matters in Location Strategies for Latin American Multinationals:

Countries, Regions or Cities?

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Abstract:

This study draws upon international business, economic geography and institutional theory to consider how neighboring locations may impact upon the FDI location choices of Latin American MNEs. As Beugelsdijk and Mudambi (2013) argue “international business research examining the spatial dimension has serious weaknesses, stemming from its traditional assumption of the country as the location unit of analysis.” Furthermore they stress that ‘incorporating spatial variation from economic geography into the modern theory of the MNE will bring us closer to . . . “a general theory of the enterprise in space”’. As Peng, Wang, and Jiang (2008) suggest “strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework that managers confront.” We thus wish to consider here alternative conceptions of distance such as the administrative and/or economic distances from neighboring locations that may well affect the likelihood of FDI location. We test our hypotheses with a hand collected dataset of subsidiary locations of MNEs headquartered in Latin America (Brazil, Argentina, Chile, Colombia, Mexico and Peru). For subsidiary locations, we use the Corporate Affiliations database provided by LexisNexis (2013). We include all subsidiaries no matter where they are located, ie., in the MNE’s home country or foreign subsidiaries. The final database contains around 500 MNEs from six home countries with subsidiaries located in more than 50 host countries. We select the Global Competitiveness Report (GCR) published by the World Economic Forum as the data source for the regulatory and normative institutions.