STRATEGIC MANAGEMENT DECISIONS IN THE CONTEXT OF FOREIGN DIRECT INVESTMENT. THE ROLE OF INSTITUTIONS AND ECONOMIC DETERMINANTS

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Abstract

Emerging markets have grown in importance as investment and corporate objectives because of globalization. Multinational corporations use foreign direct investment (FDI) as a strategical investment decision to gain a competitive advantage. The purpose of the study is to investigate the role of formal and informal institutional determinants of FDI and how multinational Companies (MNCs) base their strategic investment concerning the institutional environment of emerging and developing markets. Consulting the existing literature in relation to the quality of institutions and their relevance and impact on foreign direct investment strategies and investment decision process this study includes and analyze all institutions (Political, Regulatory, Economic and Cultural) that have an impact on the FDI management strategic investment decision. Herewith the study came with concrete findings and recommendations for potential international investors, local institutions but also organization involved with investment promotion. Based on the relevant theory and primary research findings five research questions and hypotheses were developed to address the research problem "Does institutional and economic determinants impact the strategic investment decision? The study results found that institution environment role on the FDI exist, and these effects include not only countries and regions but also the sector specific industries. When considering from strategic management perspective they are significant enough to dictate investment decision choice and strategies for selecting the country market that offers institutional and economic context that is in the best interest of the foreign investors. The results obtained are specific for a particular case and limited in the scope, so they cannot be applied to some other countries and regions. However, these results yield important theoretical and practical implications for international companies and policymakers throughout the region. For this purpose, interviews have been conducted including four experts representing international companies with the country, and in two different regions (Canada and Ukraine).

Keywords: Foreign direct investment (FDIs), Institutions, MNCs, MNEs, developed countries, developing countries, Globalization, Emerging markets
JEL Classification Codes: F21, F30, G20.

1. Introduction

Private capital will continue to be in search of new markets, and genuine investment strategies for competitive advantages that are becoming more challenging for multinational investors were complex institutional, economic, and cultural features and arrangements requires unique approach. Multinational Enterprises carry out FDI in emerging markets to take competitive advantage on their ownership and specific location advantages through executing the most suitable forms of entry strategies in international markets. Although emerging markets present a chance for expansion they cannot be treated as a single market due to their vast geographic size, different cultures and different consumer population (Paul et al. 2020, p. 245). However, the distribution of FDI inflows between countries and sectors is asymmetric. Zhao and Decker (2004, p. 4) categorize these determinants into country specific factors (cultural distance, institution, currency rate, etc.), industry specific factors (market size, market structure, indus try type, etc.), and product specific ones (product type, maturity, sale service, etc.). Luo (2002, p. 443) further classify those factors into four levels: (1) national level; (2) industry level; (3) company level; and (4) project level. Douglas and Jepsen (2014, p. 444) found considerable heterogeneity in the causes and characteristics of FDI across sector, notably industrial investment is volatile and drawn to less democratic regimes, investment in natural resources, on the other hand, prioritizes better democracy and property rights protection, whereas FDI in services is related with governmental budgetary prudence. Kumari and Sharma (2017, p. 674) in the research found that market size, trade openness and human capital have a positive association with FDI inflow. Each and every country have a different political infrastructure and economic performance, concerning the availability of resources, technological and infrastructure devel opment. According to Paul et al. (2020, p. 253) infrastructure quality, trade cost meas ured by tariff and non tariff barriers, institutional quality measured by effective rule of law, political stability, regulatory quality and control on corruption are significant determinants of FDI in EMEs. MNEs are exposed to uncertainty when they enter a foreign market. They need a clear knowledge and information of a country specific political, institutional and sector specific market information (e.g., Infrastructure quality, infla tion, political stability, exchange rate, natural and human resources) in order to have a realistic and information based decision for an investment. Expressed as hypothesis: *the higher the quality of governance and infrastructure (e.g., government effectiveness, regulatory quality, rule of law, transport, and energy) the more FDI inflows at the aggregate level for all sectors (e.g., primary, secondary tertiary) in the host country.*

Null hypothesis: *When companies in emerging markets commit to strategically evaluate and classify institutions (political, economic, and cultural) and create entry strategies decisions based on this information, their performance decreases.*

2. Research Questions

Following on from this starting point, the master's thesis deals with the companies' strategic management decision making in the context of foreign direct investment in the developing and emerging markets and the role of institutional factors in the investment strategies. From an institutional standpoint, Wang and Li (2018, p. 1330) explained how the governance environment and market determinants influence foreign investors' strategic decision, depending on a country's economic and institutional development stage. Kolstad & Villanger (2008, p. 530), focused the research on the service sector FDI suggesting that political economy characteristics may have an impact on FDI flows in the service sector, and institutional quality and democracy appear to be more essential than general investment risk or political stability for FDI in services. According to Kolstad & Villanger (2008, p. 530) the following research question can be derived from this typology: Which institutional factors can increase the FDI in flows in specific market sectors enabling MNEs investment managers to construct their entry strategies? Expressed as a hypothesis: *The better business friendly institutions (e.g., effective rule of law, regulatory quality, lower Corruption) the more FDI inflows in all sectors (e.g. manufacturing, services) of the host Country.* Michael A. Hitt (2016, p. 206) studied the reasons why institutional context influences international investment strategies of multinational enterprises. He noted that because certain regulations are targeted at specific industries, regulatory institutions may limit the availability and usage of resources within such industries.

As a result, a multi-country research might investigate the link between countries' formal institutions, industry dynamism, and business strategy within industries. According to Michael A. Hitt (2016, p. 206) the following research question arises: what effects have country regulatory institutions on multinational investment strategic decision? Expressed as a hypothesis: the higher level of corruption, trade cost, fiscal burden, government control over wages and prices, monetary policy burden in the host economy, insufficient property and intellectual right protection, the lower level of FDI and less managerial decision to invest in the host country**.** Biglaiser and Staats (2010, p.519) conducted a survey with investors in order to find out what factors they thought were most crucial when making an investment decision. The findings are consistent with the premise that democratic political institutions that promote the rule of law, the protection of property rights, and a functioning court system are essential for promoting investment safety. Contrary to popular belief, investors tended to give less significance to factors such as democracy alone, respect for human, political, and civil rights, most economic concerns, security, and proximity. According to the Biglaiser and Staats (2010, p.519) the following research question arises: what is the impact of political institutions on the investment decision and strategies in the emerging markets? Expressed as a hypothesis: *the better democratic political institutions who affirm* the *rule of law, the protection of property rights, functioning court along with the promoting civil liberties, human rights, freedom of speech, religion, and right to vote, the more Inward FDI managerial decisions to invest in the hosting countries.* The possible drivers of foreign direct investment in both developed and developing countries were examined in research by Saini et al. (2018, pp. 348). Their findings demonstrate that in different countries show a range of outcomes. Gross fixed capital formation (GFCF), trade openness, and efficiency indicators were shown to be positively correlated with FDI in developing countries, whereas policy related drivers (GDP growth, trade openness, and freedom index) were sought after by FDI in developed nations. According to Saini et al. (2018, pp. 348). the following research question can be derived from this typology: What is the impact of economic determinants on FDI strategic management decisions by multinational companies? Expressed as a hypothesis: *the better performance of economy / e.g., developed human capital, market openness / size, stable interest rates, and modern infrastructure and technology, the more investments decisions from foreign investors.* Zhang et al. (2020, p. 316) in their qualitative study identified some key informal institution in south pacific developed country and show how host country informal institutions distinctiveness have a substantial impact on the behavior of expatriates and MNE firm level strategy. By identifying four local informal institutions, including the universalistic and impersonal government enterprise relationship, the rights based CSR (corporate social responsibility), the zero minute overtime norm, and giving health and safety the highest priority in the workplace. Furthermore, findings show that informal institutions in host nations are just as crucial as formal institutions and national cultures in host countries for MNEs. Informal institutions define societal expectations and attitudes, impact interactions and relationships, and shape behavior and management styles. An MNE cannot fully comprehend the local institutional context unless it has a correct understanding of informal institutions. An improved awareness of informal institutions in host nations might assist MNEs in making the correct decision and avoiding embarrassing misunderstandings and errors. According to Zhang et al. (2020, p. 316) the following research question arises: what is the impact of culture (Informal institutions) on investment strategies for MNEs? Expressed as a hypothesis: *the more investment companies invest in distant markets with different culture distance the higher the need for successful strategies and comprehensive assessment of probable investment decisions.*

3. Literature Review

The Role of Institutional on Foreign Direct Investment Strategic Decision

Countries' institutional environments are complex and are composed of several formal and informal institutions. The role of Institutions is essential in a market economy in order to support the effective functioning of the market mechanism, such that firms and individuals can engage in market transactions without incurring undue costs or risks (Peng, 2008, p. 920). North (1991, p. 97) defines institutions as human invented constraints consisting of structural, economic, political and social issues. Indeed, institutions represent the formal and informal rules of the game in which different players and economic actors interact and` perform actions to maximize their profits and returns. Due to globalization, emerging and developing markets have become important targets for investment and business (Fornes and Butt Philipp, 2011, p. 98). Three types of formal institutions appear to be important to managers including regulatory, political, and economic institutions. Reflecting continued globalization and internationalization efforts by firm's scholarly attention to institutions continues to surge. The study from Saini and Singhania (2018, p. 348) found that in the developed countries market size, trade openness and freedom index are essential determinants of FDI and for developing countries, trade openness, gross fixed capital formation and efficiency variables are important determinants of FDI. To measure and analyse the formal institutions and its effects on Foreign Direct Investment, Holmes et al. (2013, p. 531) integrates prior research from multiple disciplines to identify and assess the impact of a country's formal regulatory, political, and economic institutions. According to Holmes et al. (2013, p. 531), it is hypothesised that the more integrated business friendly and balanced formal institutions (regulatory / e.g. promoting a more friendly business environment (e.g. "providing and promoting public goods and creating laws to protect private property"), political / e.g. democratic political system (e.g. "transparency, reduced political uncertainty, adequate government allocation of a country's resources"), economical / e.g. monetary, fiscal and capital availability, unemployment rate (e.g. "stable interest rates, money supply, inflation and workforce population without a job available"), collectivism / e.g. social membership integration (e.g. "the rights of individuals, their participation in government, the distribution of resources, and other civic concerns"), future orientation / e.g. emphasized long term outcomes (e.g. "investing in long term growth opportunities") the lower the negative impact on international firms and MNC / e.g. FDI inflows (e.g., services and manufacturing investments) intending to invest in the domestic market. Paul et al (2020, p. 245) looked into identifying factors of institutional determinants of FDI in most important emerging economies. This study was the first to analyse the sectorial institutional determinants of Inward FDI in the emerging economies using data from World Bank, Index of Economic Freedom. They came into conclusion that infrastructure quality, trade cost (tariff and non tariff barriers), institutional quality (effective rule of law, political stability), regulatory quality and control on corruption are significant determinants of FDI for MNEs. These factors influence FDI inflows disproportionately in the three major sectors – primary, secondary and tertiary. Sabir et al. (2019, p. 1) studies institution quality impact on Foreign Direct Investment analysing data from countries with low, middle, and high income, and their findings conclude that institutional quality has a positive impact on FDI for all countries. A study conducted by Saha et al. (2022, p. 10828) on the inflow of FDI in lowermiddle income countries suggest that low corruption levels and regulatory quality strengthen FDI inflow whereas elevated rule of law, voice and accountability diminish it in lower middle income countries. According to United Nations Conference publication on Trade and Development (2020, pp.465-468) during the years 2018 and 2019 the FDI inflows in developing countries were almost half of the total foreign investments, whereas share of FDI inflows in lower middle income countries was just below double digits, and the reason for these low levels of investments were low level of income percapita, low literacy rate, and higher population growth. Buchanan et al. (2012, p. 88) found that countries preoccupied only with stable macroeconomic environment and neglect or have inadequate institutional reforms would not be effective in attracting foreign investments. Walsh and Yu (2010, p. 5) also analyse the market size related with larger demand and lower cost due to economies of scale and potential grow prospects will be more attractive to inflows of capital. Wei (2000, p. 1) investigates the corruption level and the increase tax rate on MNEs in a host country concluding that these two factors hinder inward foreign direct investment (FDI), and multinational firms see tax increase only to foreign companies as another form of intentional barrier by host country institutions. Tintin (2013, p. 287) investigates the significance of the traditional and institutional determinants from six east European countries and their impact on future investors from (EU-15, US, Japan and China) and the findings suggest that GDP size, trade openness, EU membership, and institutions (measured by economic freedoms, state fragility, political rights, and civil liberties indices) and their findings show a significance and positive relation on FDI inflows in these countries and the these factors differ between across future countries investors. Academics (e.g., Emako and Menza 2022, p. 1) have also studied political stability and regulatory quality in the developing countries and found that these two institutional elements have very important impact on FDI. However, they also looked into civil liberty like voice and accountability to be associated negatively for foreign capital and proposed language policies allowing one or two foreign languages to be officially recognised. Chen and Jiang (2022, p. 1) investigated 42 G20 countries and explained the relationship of institutional quality and foreign direct investments, show that institutions quality related to trade openness, technological innovation and accelerated industrial structure attract foreign capital investments. Moreover, abundance of natural recourses together with stronger financial sector strengthen the promoting role of institutional quality in attracting FDI**.** Hence the following question arises**:** in which institutional, macroeconomic and business environment countries receive more FDI. Hypothesized as follows: *the better* countries' institutional and macroeconomic performance (e.g., low corruption, effective rule of law, stable inflation, stable financial sector, and friendly business environment) *the more* foreign direct capital inflows from foreign investors. As an important factor to be considered by investors is also financial sector crises and in this regard Peres et al. (2018, p. 637) investigated the significance of the financial crises in both developed and developing countries and confirmed that FDI is negatively affected by unstable financial market in the host country. They also explained in their findings that in addition to the weak structure of institutions, infrastructure of a country and the size of the market also play an important role. Jurčić et al. (2020, p. 44) focused on establishing the relationship between non economic determinants with foreign capital investments in Croatia and analysed in parallel with economic determinants in different periods of economic cycle. Their results come to a conclusion that institutional determinants are not of much important factors in relation to FDI inflows comparing to economic determinants such as GDP per capita and average gross wage.

4. **Research Design**

This master's thesis was written using a qualitative research approach. The study's ob- jective is to emphasize the importance of investment decisions and the strategy that must be designed to implement these investments, where the involvement of formal and informal institutions is essential in the decision to invest in emerging markets and the implementation of these strategies. Qualitative research has the advantage of allowing for a deep analysis of phenomena that are out of scope for quantitative research (McNulty et al. 2013, p.192). This study has a qualitative component that involves semi structured in depth interviews with experts in addition to a review of the literature. The selection of the interview experts for this study was based on companies within a country that operate in the service sector. All sizes of companies were included. The selected organizations have pursued investments in emerging economies and adopted FDI strategies into their practices. Four of the 9 experts approached via LinkedIn provided positive feedback and indicated their readiness to conduct interviews. The chosen experts come from a variety of backgrounds and operate in diverse fields. Their primary responsibilities, however, are associated to implementing FDI investment strategies created to ensure investments in the country in which they operate. The interviews were performed in English during the period of February 2023. According to Crouch and McKenzie (2006, p. 483), qualitative research based on interviews typically seeks to explore aspects of social life that go beyond outward appearances and obvious meanings. In this instance, the researcher must be actively engaged in the study domain, cultivate continuing, constructive relationships with respondents, and thoroughly examine the research challenge through theoretical reflection. In connection with the theoretical background of FDI Investment strategy and institution impact in constructing specific country entry mode, the following research questions arise for the present study:

1. Which institutional factors can increase the FDI inflows in specific market sectors enabling MNEs investment managers to construct their entry strategies?
2. What effects have country regulatory institutions on multinational companies' investment strategic decision?
3. what is the impact of political institutions on the investment decision and strategies in the emerging markets?
4. What is the impact of economic determinants on FDI strategic management decisions by multinational companies?
5. what is the impact of culture (Informal institutions) on investment strategies for MNEs?

Based on the subject and the research topics, guiding questions were created to serve as a link between theoretical preliminary considerations and qualitative research methodologies. The following guiding questions were derived:

1.Do you think that having weak regulatory institutions (corruption, contract and property rights, foreign investment restrictions, government control over wages and prices, government restrictions on industry, Informal markets) affect MNE strategic decisions and company attitudes toward strategic foreign investment?

2.In which institutional economic and macroeconomic (nominal GDP, exchange rate, total foreign debt, unionized work force, industry work force and unemployment rate) context companies consider investing in emerging markets?

3. How do the political Institutions (civil liberties, executive political restrictions, political constraint, and political rights) impact the Investment decision by MNCs Mangers Respectively Inward FDI?

4. Whether informal institutionsculture (morals, values, conventions, norms, traditions and believes) has an impact on Multinational Companies investment decisions and strategy building?

5. In your perspective do regulatory institutions influence the mode of MNCs choice of investment (wholly owned, joint venture and greenfield investment)?

6. Based your experience do political and economic institutions have a role on of MNCs in investing in emerging markets (wholly owned, joint venture and greenfield investment)?

7. In your experience whether cultural distance have an impact on the entry investment mode of MNCs (wholly owned, joint venture and greenfield investment)?

The aforementioned guiding questions may be used to generate hypothetical approaches that highlight the significance of integrating institutions into the strategic management strategies and decisions of businesses in an ever changing and competitive global economic environment.

5. **Data Collection**

In the current study, data were collected by conducting semi structured interviews with professionals working in the different fields of service industry who represent investments from abroad. English has been the language of choice for all interviews. According to Yin (2016, p. 54), A primary source of data that is relevant to the research can be directly addressed by conducting interviews. Utilizing interviews allowed for in depth discussion and comprehension of the effects of foreign investment strategies and the role that institutions play in a company's investment success. This type of interviewing has also made it possible to more thoroughly examine some of the underlying reasons and assess the reliability of the replies. Semi structured interviews can be chosen to give interviewees some latitude to express their ideas, to draw attention to areas of particular interest and expertise they may feel they possess, to allow for more in depth probing of some responses, and in particular to draw out and resolve apparent contradictions (Horton et al. 2004, p. 340). The chosen experts hold a variety of positions within their organizations, mostly in managerial positions related to service industry like financial management, trade, and foreign property management. They were selected according to their extensive understanding of the subject, significant expertise in foreign investment management, and time spent working on various multinational investment companies. The specifics of the questions have to take these variations into account given the various expertise each interviewee may possess. As a result, based on the position, skill, and kind of activity of the organization, the interview questions were adapted to each interviewee. Each interview lasted, on average, 30-40 minutes, depending on the topic of discussion by conducting anonymous research, confidentiality of the statements of the interviewees was also ensured. An overview of the experts consulted is shown in the table below. In order to provide light on the background and qualifications of the experts who were questioned, roles held by interviewees within the companies are specified and listed.

Eperts	Positions	Interview Date	Interview Nethod	Interview Length
Expert 1	Country/Region CFO	11/2/2023	Phone Call	27 min
Expert 2	Vice Presindent	13/02/2023	Phone Call	36 min
Expert 3	Auditing Mananager	9/2/2023	In Person	45 min
Expert 4	Country Operating Manager	9/2/2023	In Person	40 min

Table 2: Experts Background Interviewed

5.1 Data Analysis

For this study, a qualitative content analysis was conducted on the semi structured interview data using a set of categories in accordance with Schreier's (2012) technique. All interviews were conducted in English. After conducting the interviews, they were processed for the qualitative content analysis. Such an approach enabled the researcher to comprehend the study problem more clearly and provide a more thorough response. Coding guidelines have been created in order to distinguish between the categories. In light of this, the researcher studied the transcript and underlined any passage that looked relevant. Following that, the established categories were reevaluated, and the transcript's material was organized using a color scheme. In addition to summarizing and paraphrasing certain remarks in the researchers' own words, some have been explicitly cited. The key findings included a discussion and reflection on the obtained results.

5.2 Main Findings

The findings from the conducted interviews will be provided in this section. The 7 interview guide questions are evaluated using the previously specified category system.
Q1: Do you think that having weak regulatory institutions (corruption, contract and property rights, foreign investment restrictions, government control over wages and prices, government restrictions on industry, Informal markets) affect MNE strategic decisions and company attitudes toward strategic foreign investment? Judicial system, Corruption, well regulated banking system, laws related to the intellectual property rights protection, international financial standardized reporting, trade laws and barriers, the informal economy rate, tax laws, minimal wages and the costs related to the workforce were mentioned as the main factors and reasons that have emerged in the current context and have driven companies to integrate and develop investment strategy approaches in their business decision to expand abroad. “Investors and multinational companies are increasingly aware of the impact of regulatory and administrative challenges concerning the emerging and developed markets. Companies in particular have recognized the seriousness of globalization challenges and they require from companies’ management to analyse and design adequate plans that presents real and pragmatic situation of these new emerging markets. I can say that western Balkans countries went through a very challenging transition period. Having sad that our company in the industry of beverages analysed thoroughly political stability and regulatory administrative environment and addressed in the investment strategy the main concerns particularly on the judicial system, banking, and the laws regulating the intellectual property rights” (Expert 1), “Second Businesses demand for expansion and they are aware of the difficulties shifting in a new market will bring costs and uncertainties. I would say we as financial service company are very focused on analysing and confirming weather a country has well regulated industry laws and aligned with international financial standardized reporting, if the government and related local admin-

istration holds accountable" (Expert 3). Expert 4 In answering this question explained that the company's main concerns to transfer his business operation in another country is mainly linked with trade laws and agreements, memberships in regional and international economic agreements, economic informality, and qualified workforce. "In fact, informality it concerns the most because it has an impact on our competitiveness and makes it harder to expand products and services in the market" (expert 4). Expert 4 further indicated that companies should two consider the contract implementation protection and disputes settlements should be a concern and addressed in their cost of doing business in emerging countries. "A valuable assessment before making an investment decision is prerequisite for a corporation intent to invest. Being alert and paying special attention on detailed country's regulatory aspect is cheaper and saves time and money. For example, in the industrialized nations, this regulatory aspect is safer and more effective, and our organization is more preoccupied to tax regulations, minimum wage requirements, labour expenses, and other industry barriers that may have an influence on the cost of investment. I believe in southern Europe our focus will fall more in the effectiveness of country juridical system and informality of the sector we intend to enter." (Expert 2).

Q2: In which institutional economic and macroeconomic (nominal GDP, exchange rate, total foreign debt, unionized work force, industry work force and unemployment rate) context companies consider investing in emerging markets?

Experts gave several arguments on the role of how economic and macroeconomic variables depending on the field of business operations can shape the decision and strategies by investors. Expert 1 indicated that all the economic factors play crucial role when deciding to expend in a new market. I am confident. In our case whenever we develop new investment plan we consult and present the country economic conditions in real terms gathering the information for the selected market and decide how we proceed further. Since GDP shows the purchasing power of an economy it is of high importance. Other factor we look on to it is foreign debt because it gives us a picture of a potential economic breakdown. Unemployment rate is also a concerning factor to be in our scope of analyses, since it may cause serious social unrests" (expert 1), "In emerging markets in most of the cases is harder to find and higher qualified workers. Unemployment rate also is a factor that shows that the countries educational system cannot respond to the specific industry requirements (Expert 3). Expert 4 explained that company's strategy is directly influenced by the market economic conditions: "Definitely. In fact, in the industry of technology, we consider that the strength of the economy that is shown through the purchasing power is an important determinant to incorporate in companies' investment strategy. Also, the professional working force that is qualified in the field of technology is important, since it determines the performance and the potential of a company to offer products and the services to the highest standards. Furthermore, one important element to examine is the specific market industry development, which determines the direction of the country's industry growth". Expert 2 further indicated that a healthy and strong economy in my opinion is evaluated through the purchasing power and the degree of unemployment of the market and companies interested to growth consider this as a key element in their plans to expend. You see this doesn't apply to a strong and developed economy. Very often the last two factors are less of concern because a strong economy indicates less unemployment rate, and the educational system is well established to respond the economic and market demands".

Q3: How do the political Institutions (Civil liberties, Executive Political restrictions, Political constraint, and Political rights) impact the Investment decision by MNCs Mangers respectively Inward FDI.

In answering this question, most experts seem to strongly acknowledge the existence of a positive and potential constraint relationship between political institutions and companies' investment strategic decisions. Expert 1 explained that in the strategy must be integrated the political environment of the country, since this are the most important information to be consider in order to have a map of political stability incorporated in the investment strategy decision. "Definitely. Without a political stability and the respect, the rights and basic liberties there is no economic perspective to be considered. If you think investing in a country as an international entity and you actually face political instability within or even between the regions, you won't be able to run your business normally. For example, in the two of East European Countries political situation changed drastically, and our company had to withdraw suffering enormous losses. Political destabilization creates chaos and fear for business" (Expert 1). Expert 3 high lighted the importance of the fundamental values and the adaptation of these values by countries. "Most definitely. The fundamental principle incorporated in country political government and municipality institutions are very much of concern for our future plans to join a market. International companies in financial service sector pay very close attention to the political situation and public rights because these values are also our fundamental values" (Expert 3). Expert 2 noted that the growth potential, political and social stability effect the decision of their investment. "Yes, there is direct correlation between these two aspects. In the developed countries political system is likely predictable also rights and freedoms of society are well regulated, since we actually operate in North America, we face no such problems, but we plan to expend this year in western Balkan country, and we are looking to that comprehensively. However, the outcome will greatly depend on how we can coordinate and cope with country business rules and policies" (expert 2). Expert 4 stressed that the clarity of economic orientation of a country enable companies how to approach the new market. "Yes, definitely. Both political environment and free market are the two most influential and interrelated to our foreign investment. As the political stable state in our experience adopt free market regulations" (Expert 4).

Q4: whether informal institutions culture (morals, values, conventions, norms, traditions and believes) has an impact on Multinational Companies investment decisions and strategy building.

In responding to this question, most experts appear to firmly believe that there is an association between culture and Multinational Companies investment in the foreign markets and strategy decisions. Expert 1 explained that the integration of culture diversity in the strategy is actually ensuring that the investment successfully met the market needs: "Definitely cultural implications play important role in a particular market. For example, religion is an important factor to consider, since in some religions particular products are not consumed such as alcohol and other products. In some markets there is already established a form of nurture, consumer behaviour and the products that are newly introduced face a longer time of acceptance. So, I think integrating culture values, norms and traditions is business wise thinking for long term success of market expansion" (Expert 1). Expert 2 highlighted the importance of coordination among home country management team and local staff and feeding multiculturalism in the company. Yes, definitely. Depending on the country specifics, affirming culture traditions, norms, gets you close into comprehending more market specific demands and doing so your strategy fits and the investment is more prone for success. For example, in North America, multiculturalism is highly valued and very present in almost every public office and private sector. The same it applies to products services offered from every corner of the globe. However, it is important also to emphasize when it comes to work culture local native employees refuse long working hours and whenever they can avoid work related pressure. Expert 3 indicated that the implementation of culture in the business investment strategy allows companies to meet market needs:" Further more, companies that initially incorporate culture in the investment strategy are more likely to fulfil the needs of the market and enjoy competitive advantage amongst their peers". He continued by stressing that because such a strategy involving culture as an important determinant is focused on long term gains, it enables businesses to experience long term benefits. "Knowing in advance the culture of the society will enable us to avoid potential misunderstandings and building long term relationship". Expert 4 emphasized the significance of having a cultural investment strategy plan in relation to customer satisfaction. He demonstrated how such an approach might help businesses create a sustained competitive edge by addressing customers' needs. He illustrated his assumption with an example: "due to the fact that in certain regions, access to technology to a specific group of people is not the same as in others we plan the rang and category of products and services for a specific market and culture specific needs.

Q5: In your perspective do regulatory institutions influence the mode of MNCs choice of investment (wholly owned, joint venture and greenfield investment)?

From the answers of the experts, it was clearly indicated how important it is to have entry mode strategy or to discriminate the institutions feedback to choose what sort of investment firms to make. They believe that the investment strategy incorporating and identifying clearly regulatory institutions in deciding to enter in to the emerging and developing economies have a positive impact on of multinational investment choice. Expert 1 noted that specific market regulatory conditions company develops entry investment plan. “Based on the level of political and regulatory satisfaction in a certain country or market, we select whether to enter as a lone investor or to partner with an other national firm to invest jointly. In case when market conditions are firmly established, we participate as a completely owned subsidiary or as a greenfield investor. Second when perceived high trade restrictions and uncertainty we follow the strategy by joining local partners as a safer strategy. Expert 4 stated that the industry features and trade regulatory situation together with market share and service product availability are the most important factors to consider in a market specific entry form: “My belief is that the industry in which our firm works determines the preferred investing strategy. Our major goal is to capture a significant portion of the market for the goods and services we provide. We decide what type of investment to make based on market dynamics and market demand for the goods and services. If our goods and services are in short supply, we enter the market as a greenfield investment; but, if we see fierce rivalry, we go for a different strategy by partnering with a local company that already has a strong customer base and industry expertise”. According to the expert 3 the only crucial element for expending in a foreign market is perceived satisfactory regulatory environment.” Our choice to join a certain market and our strategic investment is completely dependent on the political and regulatory landscape of that country. As the nature of our firm's investments is sole or entirely equity based, if market circumstances are not favourable, we wait until they permit us to enter the market”. Whereas expert 2 stated that regulatory institutions are always looked closely because of the nature of our services: “In well established markets, we often choose to engage as a greenfield or equity investor”.

Q6: Based your experience do political and economic institutions have a role on of MNCs in investing in emerging markets (wholly owned, joint venture and green field investment)?

Most of the experts who responded to this question affirmatively acknowledged that market political and economic environment are strongly related with the strategy and the form of the investment multinational companies’ choice. Expert 2 explained that integration of these two very important determinants by international investors is of high importance to the investment strategy's success: “Beyond question. Our experience tells us that political and economic factors are very important when deciding whether or not there is a chance to join a new market. Politics tend to be less accessible and less easy to comprehend in developing market countries for the most part. A higher level of bureaucracy is typically seen in the public institutions. But access to institutions and the services they provide is less difficult in developed economies, which reduces the cost and time required for our activities significantly. So, when choosing a market to enter as a greenfield, we tend to choose those that provide a better level of political administrative and economic predictability” (Expert 2). Expert 1 highlighted the political clarity, disputes and volatility of country should be incorporated into the company’s business investment strategy in order to improve the overall scope in the investment implementation plan. “Yes definitely. Foreign businesses evaluate their chances of joining a certain market. My own experience tells me that the political climate affected our company significantly when we implemented investment initiatives. There are political factors involving conflicts across country regions and regional conflicts that influence our company's overall commercial operations. Challenges to doing business in these emerging markets on an economic level are another issue. As a result, our investments are more vulnerable to these situations since we are unable to forecast with precision when and how these disputes may emerge. As these events do occur when we consider participating in these marketplaces, we must be cautious of our investment strategy. Under these circumstances, we take unpredictability and other potential costs into account while preparing our strategy. In these conditions, entering as a totally owned or joint venture investment is the most suitable business entry” (Expert 1). Expert 4 pointed out that political and economic institutions are important stakeholders who have an impact on the performance of investments: “Yes, there is a direct correlation between these. In order to join a market, we must analyse the political and economic climate of the host country and based on the information we acquire, we plan our way of investing. Generally, we decide to join venture our investment if we conclude that the political situation is not very stable, and the economic environment is unpredictable. However, expert 3 stressed that companies need to ensure that country political and macroeconomic assessments are based and not handled by third parties:

"In my experience, in some instances, the information gathered by contracted agencies did not accurately reflect the true and factual scenario. This better demonstrates the fact that we are the organizations that are contracted in many instances to evaluate and find facts and data that are required by various investors, where in some cases we witnessed observations and findings from contracted firms that had significant inconsistencies.

Q7: In your experience whether cultural distance have an impact on the entry investment mode of MNCs (wholly owned, joint venture and greenfield investment)?

In answering this question, the experts explained the multiple ways in which including culture in the investment strategy and understanding their norms and values can have a positive impact the investment decision mode and implantation of planed investment. Expert 2 explained that the integration of culture diversity and values is actually how serious companies approach markets culture distant to their home country planning to deploy their capital investment in the host country. "Definitely. You won't succeed in your investment strategy by disregarding this important component and having a vague understanding of how culture affects your investment. We believe strongly that cultural component of society is of high significance to our business. As a result, we focus our investment also according to the culture of the country. While our line of business activity in property management is highly recognized and accepted in western countries, it is lesser understood and known in eastern and other European countries. As a result, we focus on investing in Northern American countries like Canada and the US for our line of business. Taking all the aforementioned factors into account, if we are to join the market of a developed country, we do so as partnerships or totally owned entity. Expert 3 stressed that companies need to ensure that to learn and adopt in the culturally different business environment should be considered as seriously comparing to other economic and political factors of importance: "We only have one option because of the nature of our firm, which is equity owned, and that is to become accustomed to the cultural and national differences. As a result, we work closely with our partners to accomplish this aim and train our local management staff to adhere to cultural norms and values". However, expert 1 explained that knowing the traditions, beliefs, and vices of a particular market helps us prepare the range of products we provide there, and as a result, this influences our strategy on how we approach a market with diverse cultural norms: "Definitely. What the market dictates in the east, where culture and religion limit a group of consumer products, differs substantially from the category of products that we supply in Western European and American markets". Furthermore, Expert 4 addressed the cost that cultural distant markets can bring in doing business in these countries and the strategy to be employed. This involves too the marketing strategy design for product service labels and advertising considering a culture you are operating". If these cultural differences result in a greater cost to our investment, we take a different strategy by partnering with a local firm that is already well established and understands the culture of that market".

6. Conclusion

Emerging markets represent significant investment and economic opportunities as a result of globalization, challenging investors and business. Multinational companies are embracing investment strategies involving market institutional and economical elements in their investment decisions as a viable and long-term way to remain competitive in emerging economies. The objective of this study was to determine and identify the influence of countries institutional determinants on strategic investment decisions in order to improve perspective investment business performance. The results reported the importance of adopting country specific institutional factors into investment strategies in determining the business investment success. Specifically, a significant correlation was found on country specific institutions and characteristics and the impact they have on the investment choice by MNCs. Therefore, this study contributed to existing studies by demonstrating the positive effects of adopting these strategies on organizations plans for FDI in the emerging markets. In addition, this present work aimed to expand the focus on multinational investment corporation on the decision-making process and in relation to factors that confines their strategies and how the investors address these new emerging investment opportunities with many unknowns and possibilities. This study further examined the roles of country market and industry specific regulatory, political, economic, and cultural dynamics, and relationship between these factors with investment entry mode of choice, by not simply analysing the institutional factors but also investigating how investment managers identify the key factors and include them on the strategy and possibly FDI decision to invest in certain institutional context. The results provided new insights as to why it is important to take into account the aforementioned institutional antecedents to support the effective implementation of the investment process in a distant country, entry decision and entry FDI strategy in relation with given institutional realty and other economic and social parameters. Based on these conclusions, companies should engage in investments in new emerging markets, create a comprehensive strategic plan to join, understand and incorporate all aspects of a country targeted for investment and make a decision to diversify they foreign investment capital portfolio in the benefit of the company. Subsequently, the results supported all the hypotheses regarding the investment strategic decision process in relation with the institutional environment selected for investment. Nonetheless, it should be mentioned that this study was constrained by the small sample size, sectors chosen, and resources accessible to the researcher. The findings should not be generalized, and they may be biased. Furthermore, this study opens opportunities for future research to cover broad sectors, particularly in contexts where other factors such as different industries, natural resources availability and other factors involving environmental regulations can impact the implementation of investment strategies and decision to enter foreign markets, resulting in different outcomes.

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