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Country of origin institutional factors and internationalization of multinational companies in emerging markets: a review and future research agenda

Fatores institucionais do país de origem e internacionalização de empresas multinacionais de mercados emergentes: uma revisão e agenda de pesquisas futuras

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Abstract

Different countries have different institutional levels due to the evolution and complexity of institutions. Although there is a lot of research available, the analysis of how institutional factors influence the internationalization process is disconnected, so this article has three main objectives: (1) to map the field and identify the main research streams and their conclusions; (2) propose an integrative framework to analyze the institutional factors driving the internationalization process of companies; and (3) develop a future research agenda to identify opportunities and trends for future studies. For this, an integrative literature review was developed, with 33 articles in the sample. These articles were divided into four lines of research: developed countries, developing countries, regional level, and small and medium enterprises. Government support was the only common factor among these four categories identified as motivators for internationalization.

Keywords: internationalization, institutional factors, integrative review, multinational companies

Resumo

Diferentes países possuem diferentes níveis institucionais devido à evolução e complexidade das instituições. Embora haja muita pesquisa disponível, a análise de como os fatores institucionais influenciam o processo de internacionalização é desconexa, por isso este artigo tem três objetivos principais: (1) mapear o campo e identificar as principais correntes de pesquisa e suas conclusões; (2) propor um quadro integrador para analisar os fatores institucionais que impulsionam o processo de internacionalização das empresas; e (3) desenvolver uma agenda de pesquisas futuras, visando identificar as oportunidades e tendências de estudos futuros. Para isso, foi desenvolvida uma revisão integrativa da literatura, com 33 artigos na amostra. Esses artigos foram divididos em quatro linhas de pesquisa: países desenvolvidos, países em desenvolvimento, nível regional e pequenas e médias empresas. O apoio do governo foi o único fator comum entre essas quatro categorias identificadas como motivadores para a internacionalização.

Palavras-chave: internacionalização, fatores institucionais, revisão integrativa, empresas multinacionais

Introduction

Different countries have different institutional levels due to the evolution and complexity of the institutions (North, 1990). Literature shows that institutions are specific to each country and that the strategies adopted by the companies are determined by their country or origin's institutions, as well as their country of destination's institution and the differences between the origin's and destination's institutions (Berry et al. 2010; Peng et al., 2008).

Existing literature based on the institutional theory has observed how institutions from developing countries differ and how those factors influence companies' strategies. The selection of strategies adopted by the companies depends on the context of the economic environment it is set on. Whenever there is a change on the institutional environment, companies are led to make alterations on the adopted strategies in order to enhance their strategical opportunity potential (Chattopadhyay & Bercovitz, 2020; Meyer, 1982; Pinto et al., 2017; Wright et al., 2005).

Institutions are a key determinant of the entry mode of companies that internationalize abroad and their properties' options (Contractor et al., 2014; Malhotra et at., 2016). In conditions of great institutional distance, companies restrict the level of property acquired as a response to the risks and uncertainties (Contractor et al., 2014). On the other hand, on institutionally close markets, companies tend to acquire more, given the easiness and familiarity in business making (Kostova & Roth, 2002; Kostova & Zaheer, 1999). Thus, institutional differences must be considered on the decision about the level of capital acquired in international acquisitions (Dow & Karuanaratna, 2006; Pinto et al., 2017).

The internationalization process of multinational enterprises of emerging markets (MNEEs) was belatedly started, which made it harder to insert those companies on the global trading, since it was already dominated by developed countries' multinational enterprises (MNEs) (Cuervo-Cazurra & Genc, 2008). However, in the last years the MNEEs have increased their worldwide presence, so that the foreign direct investment flow (FDI) originated in developing countries keeps getting bigger (Unctad, 2019).

Despite several researches, the analysis of these institutional factors is wildly disconnected in literature. In order to fill the existing gap, this article has three main goals: (1) map the field and identify the main flows of research and its conclusions; (2) propose an integrative structure to analyze the institutional factors which are thrusters for companies' internationalization process; and (3) develop an agenda of future research, in order to identify opportunities and tendencies of future studies. Taking these comprehensive questions into consideration, this study offers a new and ambitious contribution to the elaboration of the first integrative literature review about the institutional factors that influence companies' internationalization process, therefore complementing previous literature about the institutional theory.

This work is justified by the fact that recent studies have shown that institutional differences between countries of origin and destination affect the choice of location, the flow of international acquisitions between countries, the strategies used, technology transfer and others (Deng & Yang, 2015; Erel et al., 2012). However, the literature is less comprehensive in analyzing how companies are sensitive to institutional differences in home and host countries (De Beule & Zhang, 2022). Therefore, despite the reported importance of the institutional environment, it is necessary to analyze which institutional factors drive the internationalization of MNCs and how these factors influence the strategies adopted by these companies in the international market (Ferreira & Falcao, 2019; Elango & Pangarkar, 2021; Reddy et al., 2022; Zhu et al., 2022).

The contributions of this research are twofold. First, with regard to the development of the literature, many aspects have not yet been worked on within this theme, making it possible to deepen research and expand institutional theory at some key levels, starting with bringing evidence of which institutional factors promote the internationalization of MNEES and small and medium-sized enterprises (SMEs). The point is to carry out a detailed survey of the literature, following the assumptions of Torraco (2005, 2016), to verify which institutional factors were identified in the literature as drivers of the internationalization of companies.

Secondly, much of existing literature on companies' strategies examined the response of companies to technological changes. Although previous literature focused on actions in which companies engage in order to acquire recourses from internationalization (Bucley et al., 2014; Cui & Jiang 2012; Meyer & Thein, 2014), not as much attention was paid to the institutional factors that boost this internationalization. Although literature acknowledges the importance of the institutional environment in the promotion of international strategies and technology transfers, there are no researches on which institutional factors lead MNEEs to internationalize (Alimov & Officer, 2017). This article aims to fill that gap.

This article is structured in five sections. The first is the introduction, which mentions the objectives, justifications and research structure. The second one is the literature review, in which we seek to understand the institutional factors that influence on multinational companies' internationalization. The third section is about the applied methodology, in which we specify how the research questions and criteria were formulated as well as the inclusion and exclusion criteria and indicate how relevant researches were selected for this paper. The fourth section shows the literature's descriptive analyses, as well as the future study agenda. Lastly, the fifth section shows the final considerations of this study.

Literature review

A country's institutional environment reflects the set of all the institutions that have been stablished over time (Kostova & Roth, 2002). North (1990) says that institutions provide the "rules of the game" that determine the fundamental aspects of a nation's structure and the organizations follow these formal (such as laws and regulations) and informal rules (such as codes of conduct and norms) in their interactions with society's various actors. Thus, institutions are responsible for stablishing a country's economic, political and social relationships (North, 1990; Zhu et al., 2019).

There are three pillars in a country's institutional environment: the regulatory, the normative and the cognitive pillar, as defined by Scott (1995). The regulatory pillar is related to the formal rules and regulations that have been sanctioned by the state (North, 1990). The normative pillar is related to the legitimate means of achieving the objectives. Lastly, the cognitive pillar refers to a society's beliefs and values system (Scott, 1995).

A country's institutional factors influence the internationalization behavior of multinational companies (Gaffney et al., 2016). Given that well developed institutions reduce the uncertainty and lower the transaction costs, as well as facilitate research and development processes (R&D) (North, 1990). Wu et al. (2016) and the World Bank (2010) agree that a country's institutional development depends on various factors, such as: (1) voice and responsibility, that reflect a country's major democratic dimensions; (2) political stability and the absence of violence, those affect economic growth and influence human and physical capital investments, meaning that a stable political environment reduces uncertainty and encourages innovator to adopt new initiatives; (3) government effectiveness, given that effective governments may offer higher quality in civil services such as education and security; (4) regulatory quality, given that higher quality regulatory frameworks reduce agency and transaction costs, which helps companies to lower information asymmetries and protect their property, creating R&D incentives; (5) rule of law, well defined and transparent laws boost R7D investments; (6) corruption control, as corruption increases uncertainty, transaction costs and the risks of appropriating technology developed by companies in an economy.

Thus, in countries with a good institutional development, MNEs may capitalize the institutional advantages in order to develop stronger technological capacities (Florida, 1997; Makino et al., 2002; Tung, 2007). Countries with higher levels of institutional quality offer more opportunities for companies to gain access to advanced technology, increased innovation networks and intermediate innovation benefits, such as Know-how and skilled labor. However, in countries with lower institutional levels, it is likely that incoming companies get involved in less efficient transactions and transformations, which contributes to the low rate of innovation performance in the country (Wu et al., 2016).

In addition, host county's institutional structure is one of the determinants for the definition of foreign investors entry strategies (Meyer et al., 2018). MNEs rules, regulations and norms for entering a country may be different from the ones of their origin country. Those differences come with opportunities and challenges for the MNEs, so they may present opportunities for institutional arbitrage and may also require learning about the new environment (Gaur & Lu, 2007).

Institutional theorists define the differences between origin and host countries' institutional environment as institutional distance, meaning the extension of the similarity or dissimilarity between the formal or informal aspects of two countries' institution (Gaur & Lu, 2007). The institutional distance between origin and host countries' economy holds an influence in the costs, risks and benefits of companies' internationalization. Therefore, institutional distance also holds an impact on the choice of location and entry mode of companies in the host country (Meyer et al., 2004).

Thus, MNEs are exposed to different types of institutional pressures derived from each country the company operates in, in which they need to accommodate while aligning with the values and practices adopted in the host economies. In a particular manner, MNEs must obey by the rules and belief system from each host country in which they operate in, in order to obtain local legitimacy. Said legitimacy may be enhanced by incoming companies when aligning their organizational practices to local norms and regulations, adopting organizational structures to imitate local companies, or by acting through alliances with local actors with high local legitimacy levels, for instance, through a partial acquisition (Meyer et al., 2018). Therefore, MNEs may exchange ownership for legitimacy, as a way of adapting to the host country's environment, which helps demonstrating that the company has local merit and identity (Pinto et al., 2017).

Methodology

Following the methodology proposed by Torraco (2005, 2016) aiming to fulfill research objectives and focusing on an integrative literature review on the influence of institutional factors in companies' internationalization process, which will lead to clear and precise answers for research questions of this study. Un integrative literature review implies generating new information about said topic (Torraco, 2005). Through the revision, critical analysis, and systematization of representative literature on a topic in an integrated manner, new structures and perspectives may emerge (Torraco, 2016). According to Scully-Russ & Torraco (2020), this research methodology is suited for when existing research is spread and has not been systematically analyzed and integrated yet. That is the case of literature regarding institutional factors that influence companies' internationalization process. This literature has been revised and synthesized in a new research agenda that offers new integrated perspective on the subject. The adopted methods for selecting and revising literature are described below.

Formulation of research questions and criteria

This research's structure was based on Viglioni et al. (2020) and Scully-Russ & Torraco (2020) as appropriate design criteria and to delimit the boundaries of conceptual research. The first step in order to granting sample's reliability was carrying out informal research to identify the most appropriate scientific terms to compose the search string. Then, formal scientific databases were chosen in the areas of interest. The chosen databases were *Web of Science- main collection (Clarivate Analytics)* and *Scopus (Elsevier)*, due to their wide range of journals on the applied social sciences area.

The title, abstract and keyword fields of the electronic databases were searched, given that these fields usually contain the research terms, as said by Vrontis & Christofi (2021). Search terms used for database searching were divided into two thematic groups focusing on the institutional factors and companies' internationalization process. Truncation was used on the search terms in order to find all relevant studies that had variants of the search terms. Furthermore, the keywords in each group were associated with the Boolean OR operators that were used in each group to create a string, that is, the terms used within the same set could be synonymous, while the AND was used to bring the groups together themes (Vrontis & Christofi, 2021).

The first group contains the term – *institutional factors* – as well as truncation with asterisk. Doing so allows us to gather every variation on the root word "institutional factors". The second group contains – *internationalization, internationalization of companies*. This is how the search string looked like*: TITLE-ABS-KEY (("institutional factors" OR "fact* Institution*")) AND TITLE-ABS-KEY (("internationalization" OR "Internationalization of companies")))*. The search at the bases was carried out on May 25, 2021, and resulted in a total of 95 articles, 41 of which were from *Web of Science* and 54 from *Scopus*.

Inclusion and exclusion criteria

After initial search of articles likely to compose the sample, said sample was subjected to additional evaluation based on numerous exclusion criteria. The first criterion was the selection of pear reviewed articles only, so nonacademic articles were excluded such as nook chapters, editorials, congress articles, synopses and reviews. After excluding said papers, the sample was left with 78 articles, 36 from *Web of Science* and 42 from *Scopus*. After that, duplicated articles were excluded. There were 21 duplicated articles on the sample, 57 articles remained to be analyzed. Time criterion was not taken into consideration, therefore articles posted up to the date of search were led into consideration. This process resulted on a total of 57 articles published between 1995 and 2021.

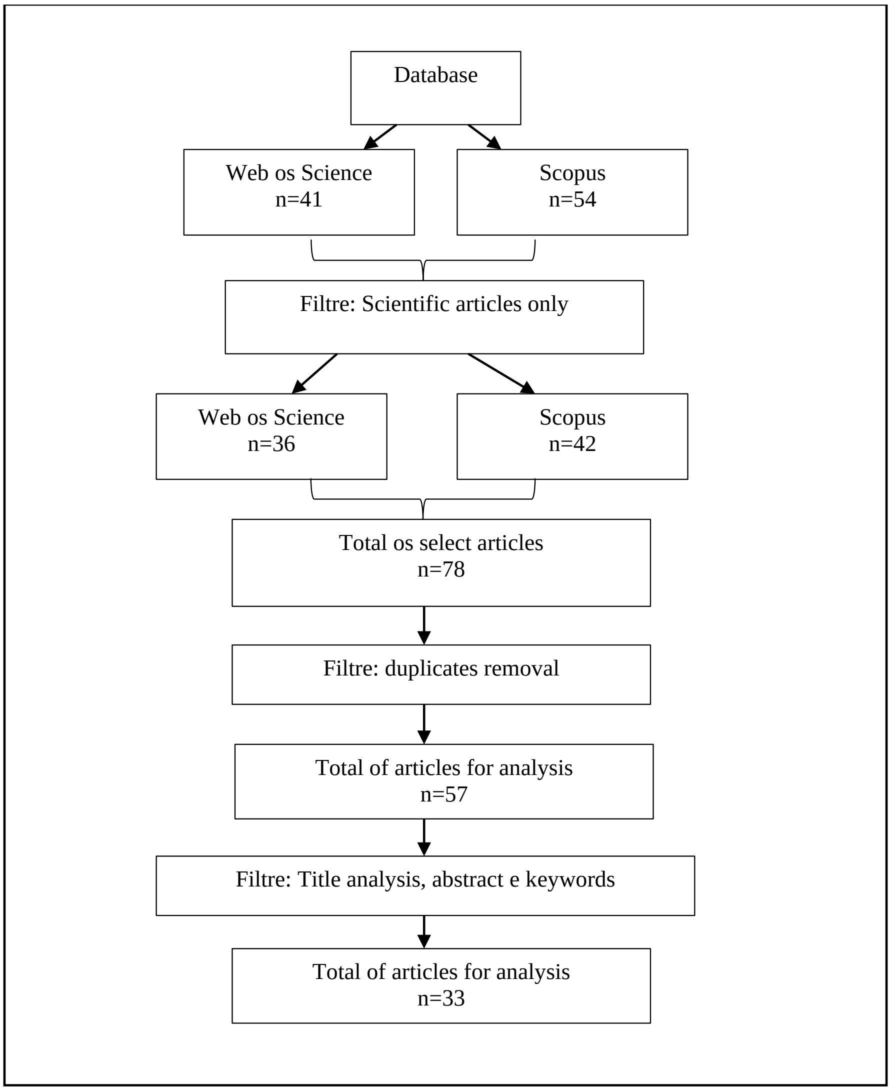
Relevant studies selection

The following step was reading titles, abstracts and keywords in order to exclude the articles that did not fit in this search scope, such as agribusiness, education, welfare, tourism, governance and open innovation. These articles were removed for not been directly related to the goals of this study. 24 papers were excluded, leaving a total of 33 articles to be analyzed.

Figure 1 summarizes the selection criteria of articles to compose the sample of this study.

Figure 1

Sample selection criteria



Source: Adapted from Viglioni et al. (2020)

Results

Descriptive analysis

This section analyzes collected data. The earliest published article dated from 1995, there was 1 article from 1996 and the next article was published 12 years later. 5 articles were published in 2015, making it the year with the highest publishing volume, this data shows that the topic is still incipient in the international business literature. This time gap may result in further research to identify why such pause was made. Regarding the journals, the articles from the sample were published in 27 different ones. The journals with the highest number of publications are *International Business Review* (h-index=95), with 4 published articles and *International Journal of Emerging Markets* (h-index=30), *International Marketing Review* (h-index= 89), *Sustainability* (h-index= 85), with 2 published articles each. It is notable that most international magazines focus on strategy areas and international business, which cover a wide range of researches that aim to analyze strategies adopted for companies to compete in the global market.

Regarding the articles' methodologic nature, it can be observed that most articles are quantitative, i.e., 57,5% (n=19) of the sample, 37% (n=7) of the articles utilize the regression method and 37% (n=7) used data panel. Quantitative studies ad up to 39,3% (n=13). 69% (n=9) of those used multiple case studies. Only one article used a quali-quantitave analysis, which was first performed with a negative binomial regression mode, later interviews were made to analyze and confirm data.

Regarding the analyzed countries, it is notable that 79% (n=26) of the articles studied developing countries. The studies involved multiple countries analysis like 21% (n=7) of the sample and 27% (n=9) in only once country, as Elmoez et al. (2021) studied the influence of cultural distance in the internationalization process of Saudi Arabian companies. However, the relevance of the Chinese environment proved to be relevant, as it was analysis by 31% (n=10) of the studies in the sample.

Regarding the analyzed sectors, it is notable that 64% (n=21) of them analyzed multiple sectors of the industry. The remaining analysis were divided between the manufacture sector 9% (n=3) and high tech 6% (n=2) and others with 3% (n=1) each. Therefore, this article identified a gap in research that may be identified by future studies in order to enhance strategy and global business strategy.

Integrative Analysis

Even though many articles have studies the impact of institutional factors in host countries, like Gaur & Lu (2007), Pinto et al (2017) and Meyer et al. 2018), few studies delved into the institutional factors of origin countries that influence on companies' internationalization. Companies internalize the advantages available in their home countries to increase their competitive advantages (Hong et al., 2014).

Thus, home institutions are important for defining the strategic choices of companies that can impact performance and internationalization (Yan et al. 2015). Such impact may or may not be positive (Meyer et al., 2009). Countries with strong institutions (for instance with high levels of political stability, strong intellectual protection laws, macroeconomic stability and others) may stimulate companies to compete overseas. However, countries with institutional voids might make the internationalization process harder. (Cuervo-Cazurra, 2012). Yet, given the intensification of MNEEs internationalization, it is necessary to investigate which institutional factors are responsible for boosting this process.

International business' literature seems to agree that institutional factors need to be incorporated into the understanding of the internationalization decision of multinational companies (Gammeloft et al. 2012). Thus, different search streams were developed throughout the years by different approaches. Therefore, all 33 articles analyzed in this integrative review were rearranged into four groups, regarding the topics studied and research questions. Table 1 shows the list of articles according to the search stream in which they were placed in this review.

Table 1

Grouping of articles according to Search stream

Search Stream	Article
For Developed Countries	García-Muiña et al. (2020)
	Hendry (1996)
	Silvani & Sirilli (1995)
For Developing Countries	Elmoez et al. (2021)
	Huang et al. (2020)
	Wu et al. (2018)
	Baloch et al. (2018)
	Yaprak et al. (2018)
	Chen & Fang (2016)
	Lv & Spigarelli (2016)
	He ey al. (2016)
	Sutton et al. (2015)
	Stucchi et al. (2015)
	Cooke (2014)
	Ketkar (2014)
	Mais & Amal (2011)
	Elango & Pangarka (2021)
	Quer et al. (2017)
	Stoian (2013)
	Gammeltoft et al. (2012)
	Jormanainen & Koveshnikov (2012)
Regional Level	Avioutskii & Tensaout (2016)
	Kolk et al. (2014)
	Opoku-Mensah et al. (2020)
	Mancha Navarro et al. (2017)
	Chen et al. (2015)
Small and Medium Companies	Yan et al. (2020)
	Torkkeli et al. (2019)
	Mihailova et al. (2015)
	Shirokova & Tsukanova (2013)
	Sekliuckiene (2017)
	Cassia & Magno (2015)
	Nguyen et al. (2013)

Source: Elaborated by the authors

In search stream 1, were located the articles that analyzed institutional factors in developed countries. In search stream 2, the articles that studies institutional factors in developing countries. In search stream 3, the articles that talk about institutional factors in a regional level. Finally, search stream 4 studies the influence of institutional factors in the context of small and medium companies.

All four search streams are basis for creating constructs to analyze the influence of institutional factors in companies' internationalization process, which will be discussed in the following section.

Search stream 1: For developed countries

Developed markets have an environment with more mature institutions (Yan et al. 2015). This leverage helps companies to operate in foreign markets. This MNEs relocation is related to the acquisition of low-cost workforce and new technologies. MNEs capacity to leave their origin country with a stable institutional environment to operate in less developed economies is related to the ability of firms to arbitrate the difference in factor prices across national borders, this ability depends on the internal organization that may substitute external institutions. This phenomenon is called institutional arbitration (Zhao, 2006).

Beyond the formal institutional factors, companies need to analyze informal institutional factors. Informal institutions follow a certain region's norms, beliefs, traditions, costumes or codes of conduct (North, 1990). These concepts have been incorporated in literature as cultural difference, although authors like García-Muiña et al. (2020) say that culture does not reflect all of the informal institution's complexity.

Religion and language also influence the way people communicate. Origin county's language could make it harder, or easier, for MNEs to internationalize, since it can complicate the collection, analysis and interaction of information about the foreign market. Similarly, religion represents a wide range of beliefs, behaviors and norms that are shared in a community. Non-verbal communication between people reveals these aspects embedded in religion. Therefore, these institutional factors influence companies' internationalization choices, since the bigger the differences in religion and language, less willing the companies will be to leave their origin economies to install themselves in other countries (García-Muiña et al., 2020).

Other institutional factors that influence MNEs internationalization process from emerging markets is the search for technology and for developing superior products, as said by Hendry (1996). According to him, MNEs are willing to leave their origin country to search for qualified human resources at a low-cost to support technology development process, through skills focused on networking, teams and organizational learning. The author mentions that even companies oriented towards the domestic market reach a point of saturation of product development, and need to internationalize their activities in search of the development of superior products.

Silvani & Sirilli (1995) put government support as a booster for developed countries MNEs internationalization. The authors analyzed the Italian market and concluded that government support through financing and loans to national companies facilitates their internationalization in order to intensify their technological activities, this study agrees with Hendry's (1996) findings.

Search stream 2: For developing countries

While MNEs from developed countries operate in environments with well-developed institutions, MNEEs originated from underdeveloped capital markets with strong government intervention, high political risks, corruption and a weak legal system (Chen et at., 2015). This is consistent with the "institutional voids" notion, which leads to the increase of transaction costs and create uncertainties about the legitimate ways of creating value from internationalization, thus influencing the drivers and results of international expansion. (Cassia & Magno, 2015; Chen et al., 2015; Elango & Pangarkar, 2021).

Government support is a key factor in facilitating MNEEs' internationalization (Stucchi et al., 2015; He et al., 2016). Such support helps companies gain access to privileged information and resources from the government itself or from trade organizations and to reduce uncertainties that may rise in the internationalization process. However, this support is not promptly available to every company. There are several public policies to encourage this government support among emerging countries, like go global, and *guanxi* in China, *campeãs nacionais*, in Brazil, *Chabols* in South Korea and others. Government support can extinguish the impact of psychic distance between origin and host countries. It is a critical formal institutional factor, because it incorporates the regulatory dimension of domestic institutions, that includes laws, rules and government policies (Chen et al., 2015).

Guanxi represents the insertion of informal institutions that can be observed through the role of social networks in society. In this public policy, the government is involved in promoting bonds that help reducing transaction costs and connecting companies through partnerships and strategic alliances in the domestic and international market. Thus, companies become more adaptable to the changing needs of the international market, and therefore are able to select a suitable market to install their activities in, regardless of psychic distance (Yaprak et al., 2018). However, Chen et al. (2015) mention that this government support differs from network businesses that are portraited in Occident centered theories, in which they are more professional and instrumental. Thus, *guanxi* have a friendship component that exerts an effect on managerial decisions rather than professional business networks. Besides, according to Baloch et al. (2018), the affiliation of isolated companies to business groups can help companies to increase the availability of financial resources and to survive, which can induce the internationalization process.

Other institutional factors mentioned in literature as influencers of the internationalization process are state and foreign ownership. Some articles say that state ownership is associated with political and economic advantages, that lead to safer property rights, better public provision, access to privileged information and some control over competitor's resources. Thus, an organization's state ownership may be considered an institution related factor and help generating positive effect in the internationalization process (Cooke, 2014; Lv & Spigarelli, 2016; Wu et al., 2018; Baloch et al., 2018). However, Chen et al. (2016) say that the government may use state ownership to serve to political and social goals, thus increasing the scope for deviant behavior and profit maximization and reducing the sensitivity of companies to the market. Therefore, state ownership may hold a negative influence over a company's performance.

Likewise, foreign ownership is an important institutional factor at a company's level because it reflects governmental policy over internationalization. Some international business theories (i.e., Vernon (1979)'s product cycle theory and Barney (1991)' resource-based vision theory) suggest that MNEs transfer technologies to local affiliates to offset 'foreign liabilities.

In this way, foreign ownership in a company can generate knowledge spillovers through demonstration effects and technology leakage (Lv & Spigarelli, 2016; Chen et al., 2016; Wu et al., 2018). Therefore, the involvement of foreign ownership may be considered an internal internationalization process that often occurs before external movement. (Chen et al., 2016).

On a national level, this subsection’s articles demonstrate that corruption, political risk, liberalization, economic reforms, state of law, tax system, judiciary system and exchange rates are important drivers for the internationalization of MNEEs. These institutional voids are boosters for MNEEs to go overseas. For instance, many companies in China, India, Brazil, Russia and South Africa (BRICS) establish subsidiaries abroad and then return to the home country as foreign direct investment (FDI) to enjoy the most preferential policies as foreign investors (Gammeltoft et al., 2012).

When it comes to corruption, that is the abuse of public power in order to gain private benefits, it can have a significant impact over MNEEs internationalization (Gammeltoft et al., 2012). High corruption levels, political uncertainty and lack of transparency, implicates in high operational costs for MNEEs (Gammeltoft, et al., 2012; Domínguez et al., 2020). These home country institutional difficulties provide MNEEs with better knowledge of the circumstances and procedures involved in operating in countries where the quality of institutions is poor, which is known as institutional learning. Institutional learning developed by MNEEs, makes it easier for them to operate in environments with weak institutions in host countries (Domínguez et al., 2020; Cuervo-Cazurra et al., 2018).

Ketkar 2014)’findings show that corruption control is related to higher MNEEs internationalization. The author says that corruption control has a stronger hold over internationalization when compared to the weak protection of property rights in developing markets. This comes to show that as governments start to contain high corruption levels, the barriers to internationalization processes diminish. The author also mentions that companies with higher human capital levels are more likely to benefit from their origin country's corruption and engage in the internationalization process.

Political risk is defined by Weston and Sorge (1972) as derivative from national government's actions that interfere or impede commercial transactions or that alter the terms of agreements, or cause the confiscation of foreign commercial property in whole or in part. In other words, political risk is a governmental intervention in private investments. Authors Quer et al (2017). Concluded from their research that high political risk in origin country is positively associated with internationalization, once every MNEEs tends to be located in countries where regulatory institutions are less repressive.

The results of Quer et al. (2017)'research emphasize that government support can reduce the political risks companies face. Companies with government support may be less influenced by a country's political risk, once the diplomatic relationship can serve as a risk reduction mechanism.

Liberalization and economic reforms are important drivers of the internationalization of MNEEs. Jormanainen & Koveshnikov (2012) demonstrated in their research's results that after the liberalization of Latin American and Chinese economies, there was a significant increase in internationalization of those countries'. companies. However, both authors warn that liberalization is a complex process that involves numerous national and international actors.

State of law and judiciary systems can make the process harder as well as more expensive for local companies, if the institutions are weak. According to Lv & Spigarelli (2016) it happens because companies tend to be overloaded with regulations, laws, authorizations and excessive bureaucracy, along with poor infrastructure support such as transportation and security. Thus, these deficient institutional factors in the MNEEs countries of origin can act as propellers for the internationalization process of companies, as they tend to expand to more institutionally developed regions (Jormanainen & Koveshnikov, 2012; Wu et al., 2018).

When it comes to tax system and exchange rates, the articles highlight that they act as barriers to the entry and exit of companies in the country. Stoian (2013) aimed to investigate the determinants of post-communist economies in the internationalization of companies. The results showed that enhance rates influence internationalization process once it is related to high uncertainty levels due to the time gap between making an investment and collecting the profits. Therefore, if the domestic environment is experiencing large fluctuations in the exchange rate, a company may decide to internationalize as an institutional escape from perceived misalignments between the needs of companies and the institutional environment (Gammeltoft et al., 2012).

In a similar matter, tax burden is a big MNEEs internationalization booster. So, some governments create tax free zones in developing countries in order to facilitate the process of entry and exit of companies in their economies. These tax-free zones may result in competitive advantages that can benefit the internationalization process, such as favorable policies and regulations, like tax exemption. A couple examples of these zones are the Manaus Free Trade Zone, which is a free trade area for imports, exports and special tax incentives, which was established by the Brazilian government with the aim of creating an industrial, commercial and agricultural center in the interior of the Amazon; and the Special Economic Zone implemented by the Chinese government, which consists of areas intended for directing industrial activity by offering advantages to attract foreign investment.

Search Stream 3: Regional level

Institutions are responsible for establishing economic, political and social relationships in a country (North 1990; Zhu et al 2019). However, institutions may differ among the subnational regions of a country, due to the heterogeneity between the level of economic development, existing resources and technology available in the region. Ma et al. (2012) argue that the local context of the subnational region is formed by three main dimensions: production factors, institutions and cluster. This divergence is intensified in emerging markets, since within a nation, some regions have relatively strong institutional systems, while other regions are affected by institutional weaknesses. (Yang, 2018). Therefore, institutional differences in the conditions of subnational regions influenced the economic performance of the region and the companies located in it. (Ma et al., 2012).

Avioutskii & Tensaout (2016) identified in their research that political ideology affects companies' internationalization choices. Politics is a process in which ideologically segmented voters seek to aggregate their conflicting political demands. In democratic countries this aggregation takes the form of voting in political parties, resulting in a differentiation in the allocation of available resources among interest groups. Therefore, in order to avoid radical changes, the companies chose to install themselves in countries and regions governed by parties which policies are favorable to internationalization. Beyond that, another important conclusion of this study is that the vote for a liberal party positively affected the distribution of internationalization in the states.

Furthermore, companies' agglomeration in a region was also identified as being a booster for the internationalization process, according to Mancha-Navarro et al. (2017). The authors say that the regional concentration implies in a concentration of products, job availability and increases the importance of high value activities as well as contribute to the development and competitivity, making companies able to internationalize their activities. Chen et al. (2015)'s researched agree with the previous mentioned authors and

indicate that in regions with a higher degree of commodification the effects on internationalization are greater than in regions with a lower degree of commodification within a given country.

The image of the region was also reported as influential in the process of internationalization of companies in a given region. Mancha-Navarro (2017) demonstrated in its results that the focus of this factor is diverse, as health, education, real estate transactions and medium-sized cities reflect the image that a region has. The image of the region influences the competitiveness of the companies installed there. The greater the image of the region, the more likely the companies located in them are to internationalize their activities.

Opoku-Mensah et al. (2020) e Kolk et al. (2014) analyzed government intervention at a regional level, as influencer of companies' internationalization process. Opoku-Mensah's finding show that in a developing economy, the likelihood of inequalities in market growth is high. The authors mention China's market as an example, in which there are some provinces with well-developed institutions, however, in some provinces there is a precarious level of protection of rights and regional development. The implications of said inequality result in higher foreign investment flow in the well-developed regions, which implicates in higher competitivity and enhances the advantages of that region that can be internalized by the installed companies and create conditions for internationalization. Complementing these findings, the results of the research by Kolk et al. (2014) reveal that some governments 'push' companies abroad through more sustainable liberalization of their domestic markets, while others provide a safer domestic market to allow for safer internationalization of companies.

Search Stream 4: Small and medium enterprises

The internationalization of small and medium private enterprises (SMEs) has stimulated the increase of researched in these organizations. SMCs face some challenges in dealing with an uncertain and skewed institutional reality that favors big companies (Nguyen et al., 2013; Sekliuckiene, 2017; Torkkeli et al., 2019).

Nguyen et al. (2013) highlight that it is necessary to specify highlighted that it is necessary to specify the analysis process and explain the underlying mechanisms of institutional influence on the performance and strategies adopted by SMEs. The authors stated that this is especially important in the study of SMEs in emerging economies where institutions are complex and volatile. To this end, the authors aimed to examine the relationship between export strategies and SME performance, and the extent to which subnational institutional factors moderate this relationship. The authors identified four institutional factors that impact SMEs' internationalization process: national culture, nation history, provincial transparency and information provision. The results indicate that SMEs' institutional factors should be considered in decision making about the location of companies. Furthermore, private companies perform better when they are located in provinces where there are high levels of transparency and low levels of bias from state-owned multinational companies. Finally, the survey results showed that to perform better with exports, managers must have a good information network, as well as support from the local government.

Cassia & Magno (2015), identified that corruption, long bureaucratic processes, tax evasion and general market instability are thrusters in Italian SMEs internationalization. The results pointed that the institutional void may slow local companies' performance. Also, SMEs need to face higher levels of barriers to operate, so they tend to select narrow geographic areas or selected niches, where they are able to build a satisfactory sales and after-sales network.

Similar result was found in Torkkeli et al. (2019), which identified government roll and legislation as institutional factors that influence the internationalization process. The results show that institutional barriers do not seem to prevent Finnish SMEs to operate internationally. Besides, SMEs need to develop networking skills to succeed in internationalization.

Sekliuckiene (2017) investigated the factors that lead to early internationalization of new international ventures in Lithuania. Some factors were identified such as major barriers to entry to the domestic market, small domestic market, global market integration and attractiveness of foreign markets, foreign learning in the board and ability to acquire international experience. The results show that the entrepreneurial factors are key factors in internationalization.

Shirokova & Tsukanova (2013) analyzed whether specific factors in the regulation and administrative system affect the internationalization process. The following institutional factors have been identified: tax rates, tax administration. Judiciary system, business licensing and authorization and corruption. The results highlight the significant role of property's tax rates, tax administration and corruption in SMEs' internationalization process.

Mihailova et al. (2015) examined the results of internationalization of new ventures in terms of degree of scope.

The authors identified the following institutional factors as drivers of the internationalization process: favorability of national regulatory institutions, existence of norms for international expansion, and global orientation of entrepreneurs.

The results indicate that institutional factors have a stronger association with the degree and scope of internationalization of new ventures compared to entrepreneur, company and industry factors. Furthermore, the results show that unfavorable regulatory factors have a positive relationship only with the degree and not with the scope of internationalization, while normative and cognitive factors are important both for the degree and scope of internationalization of new ventures.

Yan et al. (2020) analyzed the role of psychic distance in SMEs' internationalization process. Their findings show that even though psychic distance matters, formal institutions such as government support and informal institution like political and entrepreneurial *guanxi*, allow Chinese SMEs to choose increasingly distant markets. In addition, informal institutions integrate with formal institutions to further influence the internationalization of SMEs in the international market.

Agenda of suggestions for future research

Table 2 shows suggestions for future researches identified in the samples' articles. The suggestions have been grouped in seven different categories. Even though the sample contains 33 articles, 2 of them did not present future studies suggestions and 4 of them suggested that the analyzed model is improved. Therefore, table's 4 subsample contains 27 suggestions identified in the articles. To sum up this agenda for future research brings together the authors and suggestions identified with a significant value-added contribution to further study of the topic. (Torraco, 2005).

Table 2:

Future study's agenda of suggestions

Categories	Authors	Future research suggestion
Sector Analysis	Elmoez et al. (2021)	Analyzing some sector-specific variables to verify the behavior of institutional factors would remain
	Jormanainen & Koveshnikov (2012)	Study whether country, industry and sector-specific factors provide additional information about the internationalization process.
	Cassia & Magno (2015)	Examine whether sectoral analysis integrates the moderating effects of institutional elements into traditional country-level models.
	Opoku-Mensah et al. (2020)	Conduct a study considering the specific role of industrial sectors.
	Stucchi et al. (2015)	Verify which factors at industrial level promote internationalization
	Chen et al. (2015)	Analyze the moderating effects of home institutions on the relationship between internationalization and performance for specific sectors.
Regional Analysis	Lv & Spigarelli (2016)	analysis that includes country of origin factors, where attention should be paid not to the country as a whole, but to individual provinces.
	Shirokova & Tsukanova (2013)	Investigate whether the factors in the normative, cognitive and regulatory dimension are maintained within the regions of the countries.
	Kolk et al. (2014)	Analyze the path of internationalization of companies at a regional level.
Innovation	Wu et al. (2018)	To analyze the influence of institutional factors on the entry of a global network of innovation, transfer of knowledge and technology.
	Yaprak et al. (2018)	Check how institutional factors promote learning agility and technological development in the organizational environment.
	Chen & Fang (2016)	Examine whether companies with more intangible assets are more likely to engage in internationalization strategies because of their institutional characteristics
	Gammeltoft et al. (2012)	Investigate whether institutional factors promote the search for strategic assets for the development of technology and knowledge in the internationalization process.
	Ketkar (2014)	Identify how the level of qualified human capital impacts the process of innovation and internationalization.
Institutional Distance	Stoian (2013)	Check how institutional distance impacts the internationalization process.
	Elango & Nitin (2021)	Understand the influence of the specific markets of the host country and the domestic market of companies in the choice of internationalization, as argued by the Uppsala Model.
Institutional Factors Integration	Torkkeli et al. (2019)	Apply a comprehensive scale separating the three institutional pillars.
	Yan et al. (2020)	Examine how institutional factors interact with other factors, such as market potential and managerial factors, in the study of SMEs.
	Nguyen et al. (2013)	Integrate institutional and organizational factors to verify their impact in the internationalization process
New Institutional Factors	García-Muiña et al. (2020)	Analyze other institutional factors such as terrorism, ethnicities, colonial ties and gastronomy, that influence the internationalization process.

Categories	Authors	Future research suggestion
	Avioutskii & Tensaout (2016)	Check whether the liberal vote and the type of political regime influence the internationalization of companies.
	Quer et al. (2017)	study whether the factors cultural, psychic distance, micropolitical risk and sector influence internationalization.
	Silvani & Sirilli (1995)	To analyze the influence of universities and public research agencies in the internationalization process.
	Sutton et al. (2015)	Identify the influence of gender, experience of the top management team in the internationalization of companies.
	Cooke (2014)	Verify government support in the internationalization of companies.
Internationalization Impediment due to Institutional Factors	Baloch et al. (2018)	Analyze when and how failures in the internationalization process occur due to institutional factors.

Source: Elaborated by the authors (2021)

Conclusion

Researches developed so far on the influence of institutional factors in multinational companies' internationalization, that address the following subjects were taken into consideration and grouped in four sets, so that they were compared and criticized to find the answers related to the influence of institutional factors in the internationalization of companies.

Faced with the objective of this article was to carry out an integrative review based on studies that analyzed institutional factors that promoted the process of internationalization of companies. It was observed that the topic of study is relatively new, because even though the first study of the sample was published in 1995 and another in 1996, there was an interval of 16 years for the next publication and growth in the number of publications on the topic. It peaked in publication in 2015, with five articles published in that year.

Regarding the institutional factors that affect MNEs internationalization process, the subsection articles indicate that companies are willing to leave their origin economies in search of resources for technology development and superior product development. The most cited institutional factors driving the process of internationalization of MNEEs were cultural distance, state ownership, legal protection, corruption, political risk and economic reforms. The authors point out that given the institutional voids present in these economies, these factors can act as motivators for companies to leave their home economies and seek to install their companies in other countries.

When it comes to the regional factors, it is pointed out that institutional factors may be different in different regions in a country, therefore, they must be taken into consideration. In this subsection, economic liberalization and law environment were the most cited factors as drivers for the internationalization of companies. Finally, another category that emerged in the sample articles were small and medium-sized companies, it was stated that these should be seen in isolation, since the main studies in the area verified institutional factors only in the context of large companies. In this category the most cited institutional factors were tax and law systems and manager's global orientation. Government support was the only factor pointed out in all four categories identified as drivers for internationalization.

This article presents several contributions. When it comes to theory, this research advances in the literature on the institutional factors driving the internationalization of companies, since it is a dispersed topic in the academy. Furthermore, it is believed that the agenda of future studies will be able to guide researchers in carrying out further work on the topic in question. In managerial terms, it is hoped that this review can help managers to identify the factors available in their economies that can assist in the internationalization process.

The main limitation of this review is the use of articles in only two databases (*Web of Science e Scopus),* because even though these databases are the main indexing databases in applied social sciences, they may not contain every article related to the search terms. So, future researches may apply search procedures in other databases like *Emerald Insights, Taylor & Francis Group e Scielo,* to diversify, reinforce or contest this study's findings. Furthermore, Future research could carry out empirical research on the subject, aiming to confirm the influence of these factors on the internationalization of multinational companies.

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