

2022

# The Relationship Between New Foreign Direct Investment and U.S. All Industry Sales

Sherron Alexander Jackson  
*Walden University*

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# Walden University

College of Management and Technology

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Sherron Alexander Jackson

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Walden University  
2022

Abstract

The Relationship Between New Foreign Direct Investment and U.S. All Industry Sales

by

Sherron Alexander Jackson

MBA, Kennesaw State University 2018

BS, Georgia State University, 2013

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

December 2022

## Abstract

In the global production network, multinational corporations can squeeze domestic firms out of local markets. Nationally, economic developers are concerned about all industry sales as a symbol of the economic advantages featured in regional business production. Grounded in ownership, location, and internalization theory, the purpose of this ex post facto study was to examine the relationship between (a) new foreign direct investment (NFDI) for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Data were collected from the 2019 U.S. Bureau of Economic Analysis (BEA) archival records ( $n = 156$ ). The multiple linear regression analysis results indicated the model was able to significantly predict all industry sales in the United States,  $F(3,117) = 41.61$ .  $p < 0.001$ ,  $R^2 = .51$ . All predictor variables were significant, with NFDI for greenfield establishment projects ( $t = 2.60$ ,  $p = .01$ ,  $\beta = .21$ ) providing a higher contribution to the model than NFDI for greenfield expansion projects ( $t = -2.60$ ,  $p = .01$ ,  $\beta = -.20$ ) and NFDI for acquisition projects ( $t = -8.11$ ,  $p < .001$ ,  $\beta = -.76$ ). A key recommendation is for economic developers in the United States to recruit a mixture of market entry modes. The implications for positive social change include the potential to reduce gaps in foreign direct investment by expanding operations and diversifying industries to improve business production in respective U.S. regions. Doing so may boost the U.S. gross domestic product through residual tax revenue and sustainable businesses in the United States. Businesses sustain local communities and jobs allowing citizens to prosper economically, enjoy a higher quality of life, and have a longer life expectancy.

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## Dedication

I dedicate this doctoral accomplishment to my children, Wonder, Grace, and Beauty. Thank you for being my inspiration, making life full, and witnessing my doctoral journey. God blessed me to be your mom.

## Acknowledgments

I want to acknowledge my committee chair, Dr. Irene Williams, for her commitment and support of me throughout my doctoral journey. I appreciate her mentorship. Also, I am grateful to my committee members, Dr. James Glenn, and Dr. Natalie Casale, for their input and guidance.

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## Section 1: Background and Content

### **Historical Background**

As actors in the global production network (GPN), multinational corporations (MNC) facilitate the transnational trade of goods and services. Whenever an MNC enters an international target market, the transnational flow of capital enables economic opportunities through two mechanisms: foreign direct investment (FDI) and economic development (Burakovsky & Voloshyn, 2021; Janda & Nuangjamnong, 2021). In 2019, new foreign direct investments (NFDI) in the United States to acquire, establish, or expand businesses totaled \$194.7 billion (U.S. Bureau of Economic Analysis [BEA], 2019). The NFDI for acquisitions was \$190.7 billion, and greenfield NFDI, to establish new businesses or expand existing foreign-owned companies, was \$2.5 billion and \$1.5 billion, respectively (BEA, 2019).

BEA released NFDI statistics in the United States at the country, state, and industry levels. BEA collects data annually by conducting mandatory FDI surveys. *NFDI* is terminology defined by BEA as outlays to acquire, establish, or expand an MNC in the United States, including greenfield projects established or expanded on U.S. soil. For this secondary study, NFDI represents market entry modes, which were the independent variables contained in BEA's 2019 data set: New Foreign Direct Investment in the United States. Within the GPN, market entry modes are channels to strengthen economic opportunities and facilitate social change through sustainable development because of the flow of capital across borders through the mechanisms of FDI and economic development. The focus of this secondary study was to evaluate the BEA's data set about

the components of NFDI inward to the United States to examine the market entry modes of MNCs in 2019. To accomplish this, I reviewed the concepts of GPN, MNC, and economic development.

### **Organizational Context**

For this ex post facto study, BEA in Washington, D.C., was a source of accurate and objective statistics about the U.S. economy. Internally, BEA follows five core values: integrity, quality, excellence, responsiveness, and innovation. The mission and vision of BEA are to “promote a better understanding of the U.S. economy” by providing appropriate, applicable, and truthful economic accounts data impartially and cost-effectively (BEA, n.d.; Mackintosh, 2017). Executives in the White House, U.S. Congress, Federal Reserve, Wall Street, and the business community examine BEA statistics about the U.S. gross domestic product (GDP), foreign trade and investment, industry, state, and local data.

Additionally, BEA is the world’s most respected producer of financial accounts. BEA collects direct investments that encompass FDI, inward and outward. According to Limés (2017), the number of businesses that use BEA’s electronic filing system increase yearly. Consequently, BEA annually tracks FDI outlays to acquire, establish, or expand an MNC in the United States, including greenfield projects established or expanded on U.S. soil. To ensure the data released are accurate, timely, and complete, BEA receives and processes the reports most conveniently to minimize costs associated with follow-up for noncompliance (Limés, 2017). In the GPN, economic developers are responsible for marketing the business environment to attract FDIs. However, some of the leaders do not

know the relationship between market entry modes and sales to effectively market the competitive advantage of their territories.

### **Problem Statement**

In the GPN, MNCs can squeeze domestic firms out of local markets (Matei & Stanescu, 2018). Nationally, economic developers are concerned about all industry sales as a symbol of the economic advantages featured in quantities and qualities of regional business production. Economic developers can attain business productivity and sustainable economic development goals simultaneously (Rauter et al., 2019). Economic developers execute strategies to sustain communities and attract businesses, new investments, and employment to promote production and economic development (Phelps & Wood, 2018). Marketing is an increasingly fundamental strategy of local, state, and regional economic developers in the global competition for business investment (Cleave et al., 2016; Wu & Rogers, 2018). Economic developers inquire into the national statistics about market entry modes because their marketing emphasizes persuading foreign investors to open MNCs within their respective nations (Cleave et al., 2016; Vaupot, 2020). To understand the forces that influence business decisions, economic developers need to find and analyze data to bring about negotiations to market their nation over competitor nations (Rowe & McLaren, 2017; Slaper & Ping, 2018; Wu & Rogers, 2018).

At the time of this doctoral study, a disparity existed in empirical research to examine the outcomes of implementing FDI projects in one foreign location compared to another (Cleave et al., 2016; Phelps & Wood, 2018). BEA measured sales as the actual or



projected total annual amount for the fiscal year that ended on or before establishing inward FDI projects in the United States. Nations use sales as a performance measure for leveraging national competitive advantage. Some economic developers have not used BEA's 2019 NFDI data set to examine the relationship between (a) NFDIs for acquisition projects, (b) NFDIs for greenfield establishment projects, (c) NFDIs for greenfield expansion projects, and (d) all industry sales in the United States.

### **Purpose Statement**

The purpose of this ex post facto study was to examine the relationship between (a) new foreign direct investment (NFDI) for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Data were collected from the 2019 BEA archival records. The targeted population consisted of 156 foreign investors represented by MNCs located in the United States. The study findings have potential implications for positive social change by inspiring more sustainable economic development through FDI. Nationally, economic developers consider all industry sales as a product of the features inherent to a healthy business environment. Economic developers may use the findings to understand which market entry modes are suitable for their region and strategically market to foreign investors. By doing so, economic developers may increase their bargaining power within the GPN to expand the job market and inward FDI to sustain local firms. Business leaders may use the finding to make investment decisions about FDI projects to sustain their businesses. Sustainable businesses pay taxes that support government services that make communities better places to live. Sustainable businesses

provide jobs that allow individuals to prosper economically, enjoy a higher quality of life, and have a longer life expectancy (Vatavu et al., 2019).

### **Target Audience**

In the global competition for FDI, economic developers play a role in growing the GPN (Phelps & Wood, 2018). Economic developers function as negotiators between foreign investors and localities seeking to attract FDI. Nationally, economic developers at the regional, state, and local levels are responsible for marketing the United States in the global competition to attract foreign investment (Cleave et al., 2016). MNCs expanding corporate operations internationally experience exposure to uncertainty in the political, social, and economic domains (Montanari et al., 2019). Market entry modes are relevant to marketing because of the outcome on the future performance of MNCs in foreign markets (Giachetti et al., 2019).

Anderson (2021) analyzed the characteristics of FDI decisions in the United States and found that attracting FDI had connections to marketing the global society. Rather than focusing solely on the characteristics of the foreign location, economic developers consider the ownership demands and internalization aspects of the MNC (Phelps & Wood, 2018; Sharmiladevi, 2017; Sulaiman et al., 2020). Economic developers help the foreign investor understand their advantages based on market needs and maturity. Customarily, foreign investors collaborate with economic developers about starting operations in a mature market; however, locations in the United States are different from locations in other markets. The greater the expertise of the economic

developer, the more likely to attract an MNC to enter the nation or state successfully (Wood & Phelps, 2020).

Economic developers may use findings from this study about the United States to understand the relationship between market entry modes for inward FDI and business production outcomes measured by all industry sales. Economic developers can use FDI data to participate internationally to realize sustainable economic development goals and attain resources, such as expertise in technology, human capital, and access to global markets (Duggal, 2017). Also, economic developers may use the findings of market entry modes to bring about policy negotiations and persuade foreign investors to open new operations. Lastly, economic developers may use the findings to incorporate sustainable practices that add value to economic development, improve business practices, and bring about positive social change (Cleave et al., 2016; Rowe & McLaren, 2017; Slaper & Ping, 2018).

### **Research Question and Hypotheses**

RQ: What is the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States?

*H*<sub>0</sub>: There is no statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

$H_1$ : There is a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

### **Significance**

The United States is a pro-business environment that helps companies grow (*Fortune* magazine, n.d.). Site selectors and economic developers consistently rank the United States as the best nation for businesses (OECD, 2019). Criteria included in the ranking were most revenues generated by Global 500 companies and most Global 500 headquarters (*Fortune* magazine, n.d.). The United States is the global headquarter of 138 Fortune Global 500 companies, and 28% of Fortune's top Global 500 companies conduct operations in the United States (*Fortune* magazine, n.d.). U.S. government regulations and business incentives support new development (Wu & Rogers, 2018). Also, economic developers work to make the United States a sustainable environment for businesses; however, sustainability comes with its challenges.

Economic developers in the United States face global competition for new business investments. As a result, economic developers ought to be skillful and stay abreast of current statistics and trends to negotiate with foreign investors to open new operations within their respective territories (Cleave et al., 2016; Liou, 1993; Wood & Phelps, 2020). From the sizable number of industries operating in the United States, the findings from this doctoral study may positively impact a substantial portion of the U.S. economy. Correspondingly, economic developers recruit and grow industries to support global competitiveness. Also, economic developers lobby with policy makers to

promulgate standards for promoting, regulating, and incentivizing sustainable economic development (Phelps & Wood, 2018). This secondary study may be significant to leaders because it provides a practical model for economic developers to market the United States as a location of choice by better understanding the relationship between market entry modes for inward FDI and business production measured by all industry sales in the United States.

### **Value of the Study Findings**

This quantitative study may have value to economic developers as a robust analytical framework to fill a knowledge gap concerning business production. By analyzing market entry modes, leaders measure the global business activity in the U.S. economy and the scale of foreign-controlled business activities (Nelson, 2005; Rowe & McLaren, 2017; BEA, 2021). Also, leaders analyze business production outcomes to improve practices by understanding the value and return of inward FDI in the United States and the weight and return of inward FDI on sales as a competitive advantage.

### **Contribution to Business Practice**

The implications of this secondary research are applicable to real-world economic developers and policy makers, specifically those responsible for attracting inward FDI. Inward FDI brings funding and intangible assets of technology and knowledge that aid business sustainability (Derado & Horvatin, 2019). Economic developers in the United States may use the findings to lobby for policies to support global competitiveness and sustainability. Also, economic developers may use the findings to negotiate with foreign

investors to open new operations or expand existing industries within their respective territories, leading to an increase in the GDP, residual tax revenue, and employment.

### **Implications for Social Change**

Economic developers may use the study results to enhance sustainable development and economic growth in the United States by encouraging high-quality jobs, higher wages, and a higher standard of living for the citizens. Inward FDI is an essential factor in regional economic growth. The investment activities of MNCs leads to increases in technology and economic inputs (Rajabov & Mustafakulov, 2020). MNCs may offer added employment protection and job permanency than domestic firms, as evidenced by the higher offerings of full-time job stability and lower segments of provisional employment (Sotiris et al., 2019). The presence of MNCs leads to regional competitiveness that improves the standard of living.

The implication for positive social change includes the potential for economic developers to increase inward private investments, research and development, and technology inputs in the local communities in the United States (Derado & Horvatin, 2019; Duggal, 2017). Economic developers may positively leverage all industry sales in the United States to increase GDP by strengthening economic opportunities. Increased GDP and economic opportunities reduce poverty amongst the United States' citizens and increase life expectancy (Abegaz & Nene, 2018; Vatavu et al., 2019). From these efforts, the United States may also serve as a role model for other national and global leaders who want to create the exact social change in their communities.

## **Theoretical Framework**

The theory that grounds this quantitative study is the ownership, location, and internalization (OLI) framework (Dunning paradigm). Based on OLI theory, market entry modes consist of three sets of advantages that encourage FDI decisions at the MNC level: (a) ownership advantages, (b) location advantages, and (c) internalization advantages (Sharmiladevi, 2017; Zhao et al., 2017). Dunning first introduced the OLI framework in 1977. Dunning discovered and assessed the factors that motivate market entry modes, production, and economic growth from FDI. The more OLI advantages a foreign investor holds in a foreign location, the greater the tendency of implementing an NFDI project in that location (Robles & Jauregui, 2017; Zhao & Decker, 2004).

The logical connection between the OLI framework and the purpose of my study includes the MNC advantages presented in the variables of (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. According to Sharmiladevi (2017), OLI is a framework for understanding the scope and shape of the internationalization process undertaken by MNCs. Researchers use the variables to explain the internationalization process of MNCs and the investment profiles for industry, inter-country, and country (Sharmiladevi, 2017).

## **Operational Definitions**

Throughout the study, I used the following terms related to the research question defined above:

*All industry sales:* Defined by BEA as a performance measure leveraging the actual or projected total annual number of sales for all industries during the fiscal year that ended on or before establishing inward FDI projects in the United States.

*BEA Form 13 Surveys A, B, and C:* Instrument used by BEA to collect data about FDI inward to the United States at the national, state, and industry levels.

*Bureau of Economic Analysis (BEA):* A U.S. federal agency located in Washington, D.C., which produces statistics about the U.S. GDP, foreign trade and investment, industry, state, and local data.

*Economic development:* The longstanding practice to attract industry, new investment, and employment to enable economic growth and social prosperity. Economic developers facilitate location decisions for MNCs (Wood & Phelps, 2020). Economic development and economic developers include site selection and site selectors.

*Foreign direct investment (FDI):* Long-term direct investment by foreign investors channeled to transfer monetary, real estate, technology, and managerial skills to gain global access through an international target market (Moghadam et al., 2019).

*Global production network (GPN):* Defined as the range of actors (firms and nonfirms) engaged in producing goods and services (Phelps & Wood, 2018).

*Internationalization:* Transnational trade and economic development driven by MNCs engaging in technology transfers and exchanges of goods, services, and FDI (Burakovskiy & Voloshyn, 2021; Janda & Nuangjamnong, 2021).

*Market entry modes:* The way an MNC uses FDI to enter a new foreign market (Brouthers & Hennart, 2007). Market entry modes include acquisition and greenfield FDI



projects. Acquisition projects are the foreign takeover of part or all the equity of an existing business operation in the international target market (Jones et al., 2020).

Acquisitions include mergers and economic development of vacant land, building, and improvements (Jones et al., 2020). Greenfield projects are economic development that establish a new business or expand existing foreign-owned companies. Economic development entails the construction and equipment of the brand-new wholly owned subsidiary or a joint venture affiliate facility.

*Multinational corporation (MNC)*: A firm that engages in FDI to overcome the limitations of its size, resources, and market location (Kang et al., 2021), thereby establishing, expanding, or acquiring a foreign subsidiary and influencing the patterns of the transnational flow of capital, goods, services, and technological transfers (Janda & Nuangjamnong, 2021). MNCs represent foreign investors.

*New foreign direct investment (NFDI)*: Terminology defined by BEA as outlays to acquire, establish, or expand an MNC in the United States, including greenfield projects established or expanded on U.S. soil. For this secondary study, NFDI represented market entry modes constructed by the independent variables contained in BEA's data set about NFDI investment in the United States.

## **A Review of the Professional and Academic Literature**

### **Literature Review Introduction**

The purpose of this quantitative ex post facto study was to use secondary data to examine the cross-sectional relationship between market entry modes and all industry sales in the United States. Economic developers may apply the findings to increase public

benefits to Americans by positively leveraging all industry sales as bargaining power to expand the job market and FDI to sustain businesses and communities. This secondary study targeted 2019 data collected by BEA to evaluate the hypotheses. The alternative hypothesis ( $H_1$ ) states that a statistically significant relationship exists between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. A review of the previous literature about market entry modes was requisite to ascertain prior results and disparities in the research regarding the problem and the variables.

To frame the relationship between market entry modes and business production, I evaluated the professional and academic literature. FDI by foreign investors was a highly researched topic in international business. FDI capital remained the most significant investment flow to expand investment portfolios, especially in developing countries (Okwu et al., 2020). Although the literature about FDI was diverse, the limited research involved a handful of theories (transaction–cost analysis, factor endowment, and behavioral). Advancements in international business theories capture new developments in FDI and account for changes driven by the characteristics at the country, intercountry, and industry levels. Traditionally, researchers focused on FDI outcomes at the MNC level, which supports this quantitative study and future research to evaluate assumptions about the influence of market entry modes on business production nationally at the industry level. Recent access to secondary data caused research about FDI to increase.

Since 1970, researchers have published hundreds of articles about FDI. The popularity of FDI grew as a widely researched subject among scholars in the fields of

business and economics (Paul & Feliciano-Cestero, 2021). Diverse factors contributed to the increase in FDI research, including evolution in the features of MNCs, increased data availability from online resources, and advances in empirical analyses that allowed for more in-depth examinations. Researchers overcame obstacles to accessing secondary data by using the internet to discover data sets that otherwise would have been inaccessible (Spurlock, 2020). Due to the easy access of online resources, researchers used publicly available secondary data in 80% of all the studies sampled (Paul & Feliciano-Cestero, 2021).

The literature review represents articles related to this doctoral study. I analyzed articles that matched the study's general themes. Also, I explored and synthesized sources that aligned with the theoretical framework to evaluate the hypotheses based on the independent and dependent variables. Keywords used to search for references in this secondary study were *acquisition, Bureau of Economic Analysis, Dunning paradigm, foreign direct investment, economic developer, economic development, FDI, FDI promotion, FDI strategies, greenfield, market entry modes, marketing, multinational corporation, MNC, new FDI, and OLI framework*.

Article dates range from 2016 to 2021. Older articles informed the historical background of the study. I gathered a blend of research articles from Walden University Library databases, such as ABI/Inform Collection, Business Source Complete, Emerald Insight, ProQuest Central, SAGE Journals, ScienceDirect, and Ulrich's Periodicals Directory. Also, I used research material from BEA and Google Scholar. I included 137

peer-reviewed references, 131 published within the last 5 years; Tables 1 and 2 detail the references for the doctoral research and representative literature review.

**Table 1**

*Detail of Reference Sources for the Whole Document*

Reference source type	Number of reference sources published in past 5 years	Total
Peer-review research journals	131	137
Government websites	5	6

**Table 2**

*Detail of Reference Sources for the Representative Literature Review*

Reference source type	Number of reference sources in past 5 years	Total
Peer-review research journals	55	64
Government websites	6	5

### **Application to the Applied Business Problem**

In this ex post facto study, I examined the cross-sectional relationship between market entry modes (acquisitions and greenfield projects) and all industry sales in the United States. The null hypothesis was that there is no statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. The alternative hypothesis was that there is a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

**Theoretical Framework: Dunning Paradigm**

The theoretical framework outlined the relationship between market entry modes and business production. Researchers use the Dunning paradigm to examine the FDI market entry modes in the framework of OLI (Zhao et al., 2017). The premise of OLI is that foreign investors make FDI decisions motivated by three competitive advantages associated with market entry modes: (a) ownership advantages, which are specific to the nature and nationality of the MNC; (b) location advantages, which are based on the different resources, institutions, and regulations in the foreign location that influenced the performance of the MNC; and (c) internalization advantages because of the cost of operations arising from the transfer of ownership advantages of the MNC across national boundaries (Sharmiladevi, 2017).

Foreign investors' choices about FDI market entry modes depend on OLI advantages (Robles & Jauregui, 2017; Zhao & Decker, 2004). The OLI framework is comprehensive. Within the context of the Dunning paradigm, leaders test hypotheses about FDI market entry modes at the MNC and location levels to understand the relationship between independent variables and business production. Also, foreign investors use the framework to determine which market entry modes are best to implement FDI projects (Sulaiman et al., 2020). In the literature, the components of the OLI framework consisted of three types of interdependent advantages: ownership, location, and internalization.

### ***Ownership Advantages***

Ownership advantages pertain to the comparative advantage and the foreign investor's exclusive proprietary rights to tangible and intangible assets. The greater the comparative advantage, the more likely a foreign investor will invest in FDI projects globally (Bezuidenhout & Kleynhans, 2018). Tangible and intangible assets include real property, machinery and equipment, brand recognition, patents, knowledge, and managerial skills that allow the MNC to conduct operations in the international space effectively. The firm-specific assets of an investor determine the inherent advantages of the FDI project (Bezuidenhout & Kleynhans, 2018). Ownership is a competitive advantage because other MNCs do not possess the same comparative advantages for transnational operations (Sharmiladevi, 2017).

### ***Location Advantages***

Location advantages relate to the foreign location as an attractive business environment. The location advantages present diverse benefits based on the available economic, environmental, political, and social endowments of the foreign location. Foreign investors motivated by inexpensive labor, developed infrastructure, and institutions often decide to establish a subsidiary in the international target market (Burakovsky & Voloshyn, 2021). For a foreign investor to invest in an international target market, the cost is more efficient than producing at home—in which case, the foreign investor capitalizes on firm-specific assets (tangible and intangible) abroad and in the home country (Bezuidenhout & Kleynhans, 2018). Foreign investors assess the elements of other endowments like natural resources and economic development policies

to determine the competitive advantages to conducting transnational operations within a specific foreign location (Sharmiladevi, 2017).

### ***Internalization Advantages***

Internalization advantages influence the foreign investor's decision about the cost of operating an FDI project in a specific foreign location. For an internalization advantage to exist, a project must be more cost efficient for the MNC to use internal assets rather than outsourcing production to domestic firms in the international target market (Bezuidenhout & Kleynhans, 2018). The level of production of an MNC in the international marketplace depends on ownership advantages (tangible and intangible assets) and location advantages (raw materials, knowledge capabilities, financing, and other income-generating activities) not available to its competitors (Sulaiman et al., 2020). Foreign investors consider market entry modes by weighing the advantages between the degree of equity control of material assets and business production outcomes (Giachetti et al., 2019).

**All Industry Sales.** BEA defined all industry sales as a business production measure leveraging the actual or projected total annual sales for all industries during the fiscal year that ended on or before establishing inward FDI projects in the United States. Statement of Financial Accounting Standard require foreign investors in the United States to report revenues, operating profit and loss, and identifiable assets as a segment revenue (Khaw, 2019). Industry sales denote the economic advantages featured in quantities and qualities of production (market size, transportation, and marketing costs). By producing from within, an MNC retains control of production and quality. Internal control

minimizes the risk of counterfeit products and is more profitable than licensing or outsourcing the process to another company (Bhrammanachote, 2018).

As a function of financial performance, sales represent the MNC's internalization advantage of having control of production and prices (Bhrammanachote, 2018). Financial statement analysis is an evaluation of profitability and one method MNCs compare performance with competitors (Khaw, 2019). Successful market entry occurs when MNCs internalize markets and generate money in the market (Sharmiladevi, 2017). According to Khaw (2019), sales is a proxy for financial success and profitability (current assets minus current liabilities). The variable *all industry sales* is a function of the market entry modes representing the advantage of internalization of production.

Researchers use the interdependence of the OLI advantages to explain the patterns of FDI, globalization, and production (Sulaiman et al., 2020). According to Sharmiladevi (2017), a foreign investor's location decision influences ownership advantages the same way ownership advantages affect location decisions. Also, the internal strategy to strengthen a foreign investor's competitive position causes the need to assess the feasibility of existing operations and facilities. If balancing the cost and comparative advantages of owning and accessing resources and capabilities affects the internal organization, the foreign investor reappraises the FDI project to examine implications on innovation, technology deployment, and human assets (Sharmiladevi, 2017). Economic developers use the OLI framework to identify areas where the international target market emphasizes to attract inflows of FDI. Successful coordination of OLI advantages to attract FDI projects to a specific foreign location depend on the capacity of economic

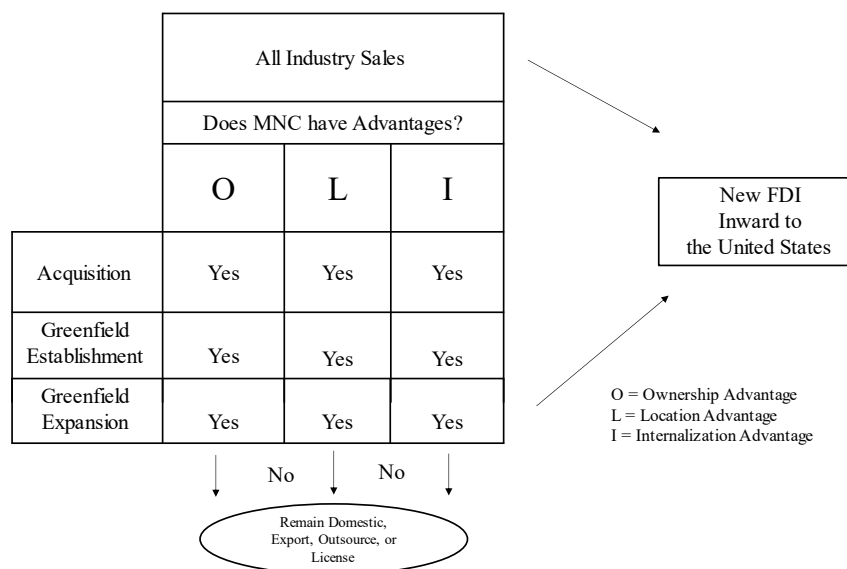


developers to build and sustain stakeholder wealth during the life of the MNC's operation (Sharmiladevi, 2017).

The OLI components explain why, where, and how foreign investors pursue FDI strategies. According to Park and Lee (2021), ownership advantages answer why foreign investors pursue an FDI strategy, location advantages indicate where foreign investors devise FDI strategies, and internalization advantages answer how foreign investors implement FDI projects. However, the integrated approach of the Dunning paradigm calls for the fulfillment of the three benefits simultaneously to successfully engage in FDI projects (Janda & Nuangjamnong, 2021). As a result, foreign investors use all three advantages to determine market entry modes (Park & Lee, 2021). Economic developers use the OLI framework to assess the feasibility, ownership gains, and social benefits of implementing FDI projects within specific foreign locations (Sulaiman et al., 2020). For this empirical study, the OLI framework was suitable for examining the market entry modes for NFDI projects. Figure 1 depicts the OLI theoretical approach to NFDI projects to explore the MNC advantages of market entry modes.

**Figure 1**

*Graphical Model of the OLI Framework in Relation to NFDI*



### *Evolution of the OLI Framework*

Dunning introduced the OLI framework in 1977 for his doctoral dissertation. The OLI framework, also known as the eclectic paradigm, draws on various economic theories to fully explain the globalization process of an MNC (Dunning, 2015). Dunning combined internalization and imperfect markets theories and extended them with location-specific advantages to evaluate the hypothesis that managers of U.S. manufacturing subsidiaries in the United Kingdom (U.K.) performed better than their U.K. competitors. Dunning's research revealed that U.S. manufacturers operating in the U.K. were 2 to 5 times more productive than U.K. domestic firms in the same industry. Initially, the phenomenon created questions about the relationship between performance, MNC financial resources, and managerial capabilities. The assumption was the

ownership-specific effect on the intangible assets possessed by the U.S. parent companies transferred to productivity differences in the U.K. Although the study results showed U.S. subsidiaries were not better than their U.K. competitors, the access to available resources or the nontransferable components from the United States' economy created the performance differential (Sulaiman et al., 2020). Of all the international business theories, the OLI framework widely supports the role of market entry modes in the globalization process. However, alternate theories in the literature about international investment are also significant to globalization.

### **Alternative Theories**

One characteristic of globalization is the substantial rise in people, goods, services, and international investments. FDI is a fundamental factor in globalization and economic growth in both developed and developing economies. Transnational activities by foreign investors enter the realm of international economics and economic development (Sharmiladevi, 2017). In the literature, FDI decisions about market entry mode choice originated from the theory of international investment. Although different theories attempt to explain the reasons, purpose, and existence of the concept, the theories answer basic questions about what motivated and enabled MNCs in the GPN. Four alternative modes of market entry exist in international business. They are (a) institutional theory, (b) the transaction—cost economics theory, (c) the dynamic capabilities model, and (d) the decision-making process model (Zhao & Decker, 2004). In the literature, researchers paid attention to the alternative models based on strategies for entering new international markets.

**Institutional Theory.** The first alternative theory, institutional theory, deals with how formal institutions influence FDI decisions. According to Ahmed et al. (2020), legal institutions are government regulatory, law enforcement, and economic reform organizations embedded in the social structures of society. The central concept of institutional theory is an isomorphism (Schellenberg et al., 2018). Government decision-making represents a diverse set of institutionalized social rules and cultural norms central to economic behavior and transactions (Ahmed et al., 2020). Isomorphism is the process that constrains population subjects in economies and forces them to resemble under pressure. The implications of institutional theory influence the perception of foreign investors. In the literature, developing nations possess less developed institutions than developed nations. Proponents of the institutional theory argue that foreign investors feel affected by the institutional environment of both their home country and the foreign country. The isomorphic demands effect the market entry mode selection of foreign investors. Simple, inexpensive administrative processes and transparent, effective legal systems create a business-friendly environment (Li & Xiong, 2021). Because the focus of institutional theory is location-specific, one aspect of market entry decisions, the theory was not appropriate for this doctoral study. Also, institutions were not a focus of this doctoral study.

**Transaction–Cost Economics Theory.** The second alternative theory was the transaction—cost economics theory that focuses on the inner workings of an MNC. The theory suggests that foreign investors chose market entry modes that minimize the transaction costs generated by negotiation, monitoring, and enforcement of transactions.

Foreign investors realize financial savings and maximize their net benefits. According to Sestu and Majocchi (2020), foreign investors prefer market entry modes with the highest level of control. The costs embedded in the selection process make the market entry modes less attractive (Pedrini & De Bernardi, 2020). Nonfinancial costs associated with loss of control outweigh the advantages of market entry. However, when transaction costs are high, vertical integration of FDI opposed to arm's length transactions to bypass transaction costs generated in markets. Under the transaction—cost economics model, wholly owned subsidiaries succeed over joint ventures. Because transaction—cost economics theory examines one aspect of market entry, MNC-specific, the theory was not an appropriate framework for this secondary study. Also, transaction cost was not a focus of this doctoral study.

**Dynamic Capabilities Theory.** The third alternative theory was the dynamic capabilities theory, which represents the perspective that a foreign investor's resources determine the market entry strategy. Access to resources allows a foreign investor to compete in the international marketplace. According to Panibratov and Klishevich (2020), when resources are insufficient for internationalization, foreign investors develop unique capabilities to access better resources. The dynamic capabilities theory extends the resource-based view and focuses on three other theories: (a) behavioral theory, (b) transaction—cost theory, and (c) evolutionary theory of firms. Based on the following capabilities, foreign investors compete in the international marketplace, including the ability to recognize, leverage, learn, and realign (Deng et al., 2020). During internationalization, the foreign investor interacts with multiple factors in the

international environment. The interactions call for more dynamic capabilities or amplified ambidexterity in the global marketplace than that required in domestic exchanges (Deng et al., 2020; Panibratov & Klishevich, 2020). Dynamic capabilities at the MNC level define leadership, managerial knowledge, human resources, organizational learning, and social capital. Leaders implement dynamic capabilities, core internal competencies, processes, and mechanisms required at the MNC level to meet the international marketplace's external demands rapidly. The dynamic capabilities theory limited the analysis to MNC-specific resources. Because the dynamic capabilities theory focuses only on MNC-specific resources, the framework was not appropriate for this secondary study. Also, the intangible asset of leadership is not a focus of this doctoral study.

**Decision-Making Process Model.** The fourth alternative theory, decision-making process model, consists of three main phases: (a) idea generation, (b) investigation, and (c) development, and presentation of decision. Decisions by a foreign investor to conduct FDI are not a straightforward process. According to Al Halbusi and Tehseen (2018), the decision process is an open-ended intuitive debate that incorporates different theories and concepts. The decision to make a direct investment internationally requires normative, descriptive, and prescriptive aspects of decision-making. During the internationalization process, the foreign investor incorporated the stages of initiation, investigation, and evaluation. The evaluation stage is a feedback loop designed to integrate new knowledge (Al Halbusi & Tehseen, 2018). According to Al Quran (2018), during the evaluation stage, the foreign investor determines if the potential profit margin is sufficient to invest

internationally in a foreign market directly. One limitation of the decision-making process model was implementing the final decision, detached from the process. Based on the dynamic environments in which an MNC operates, the outcome denotes the viability of the decision (Al Halbusi & Tehseen, 2018). Although the decision-making model incorporates an evaluation of production outcomes, the iterative component was not an appropriate aspect for the heart of this ex post facto study.

### **Global Production Network**

In the United States, the practice of economic development is long-standing within the GPN (Phelps & Wood, 2018). Phelps and Wood (2018) defined the GPN as the range of actors (firms and nonfirm) engaged in producing goods and services. Economic development practices impact the GPN because economic developers shape the global distribution of FDI. Currently, nations use go-global strategies to compete with other countries for the FDI projects. Globally, economic developers use strategies to stimulate economic growth by promoting production, foreign capital, human resources, and technology (Wu & Xie, 2018). Not only did the strategic change by economic developers attract FDI, but also the change built the GPN within the entire United States.

Because FDI is a mechanism that economic developers used to drive globalization and build the GPN through the trade and investment flow, practitioners customized incentives and investments (Phelps & Wood, 2018; Suehrer, 2019). By targeting international markets and industries to complement return on investment and sustainable economic development, economic developers drive the GPN, FDI, and the innovation of communities (Phelps & Wood, 2018; Suehrer, 2019). Undoubtedly, FDI is a source of

financing physical capital to fill capital deficits gaps and foreign exchange gaps to raise GDP in the United States. By customizing investments economic developers adapt FDI inflows to address such funding gaps in global production and sustainable economic development (Phelps & Wood, 2018; Suehrer, 2019). However, researchers recommended a comprehensive study to develop a framework to help economic developers customize FDI to fill funding gaps to sustain communities rather than negatively squeezing domestic firms out of local markets (Matei & Stanescu, 2018; Suehrer, 2019).

### **Foreign Direct Investment**

Economic developers use FDI to stimulate national growth by filling capital deficit and foreign exchange gaps to raise performance and living standards in the United States (Ayamba et al., 2020). Advanced economies like the United States lower entry barriers and provide various incentives to attract FDI. FDI is a channel for transferring monetary, real estate, and intangible assets (technology and managerial skills) to an international target market to gain global access (Moghadam et al., 2019). Additionally, technology promotes substantial changes in the way of life and performance. Both types of assets positively affect the GDP in the United States (Adedoyin et al., 2020). As a result, FDI inflow boosts economic growth and represents a source of capital for the United States.

FDI is often confused with other types of internationalization strategies. According to Matei and Stanescu (2018), FDI is a specific type of direct investment that is long-term over time (at least 10 years). FDI occurs when an individual or a domestic



firm from one nation (foreign investor) makes a material transnational investment in another country. The objective for implementing FDI is for leaders to establish a long-term interest or direct investment as a resident rather than an investor (Al Quran, 2018). FDI occurs in tangible or intangible forms such as real estate, personal property, employment, high-tech transmission, improvements in administrative and advertising skills, improved production, and enhancement of the societies. FDI is fundamental to developing and developed nations like the United States (Mateus et al., 2016). Direct investment by a foreign investor on U.S. soil constitutes inward FDI.

### ***Inward Foreign Direct Investment***

The United States and other advanced economies recognize the importance of inward FDI. Inward FDI boosts the host country's GDP through economic growth and tax revenues (Sari, 2019). Inward FDI represents a principal component of the U.S. economy because it generates massive economic gains (Anderson, 2017). Not only do economic developers use FDI to leverage billions of investment dollars, creating thousands of high-paying jobs for American employees, but also to reduce foreign debt and facilitate sustainable development. Economic developers support the economy in a host country by facilitating reinvestment of high profits by foreign investors (Matei & Stanescu, 2018). By diversifying capital assets, economic developers increase competition for goods and services, and leverage a higher demand for exports, and natural resources (Sari, 2019). Economic developers use inward FDI to improve American living standards, GDP, business performance, and economic growth (Setzler & Tintelnot, 2021). In the United States, economic developers apply inward FDI at an

astonishing and mounting rate. In the GPN, FDI is significant to the sustained economic development of the nation (Wu & Xie, 2018). Leadership outlooks toward FDI projects changed in the last few years to include information, communication, and technology (Adedoyin et al., 2020). Indirect and direct benefits exist in association with FDI.

In the literature, the indirect benefits of inward FDI represented the unintended consequences of spillover effects. The spillover effects positively or negatively affected domestic firms and their workers (Setzler & Tintelnot, 2021). The positive spillover effects encouraged economic growth or raised tax revenues (Sari, 2019). Although inward FDI increased domestic competition, both inward FDI and domestic investments contributed to consumer saving, consumption, and employment (Duggal, 2017). Inward FDI was an equally significant factor in economic growth and prosperity as domestic investment. Despite the benefits of inward FDI, there were negative consequences. The negative implications included the displacement of domestic businesses (Matei & Stanescu, 2018). Although disparity of expenditures was an extra possibility of an adverse consequence of inward FDI, the external balance of costs was positive. Also, the long-term nature of inward FDI prevented capital flows from leaving a nation when turbulence occurred in the economy.

Uncertainty in international markets and restrictive regulatory environments disadvantage an MNC. Each nation creates economic policies to regulate inward FDI and protect the business environment and local economy. BEA tracks inward FDI to the United States. Inward FDI includes outlays to acquire, establish, or expand an MNC in the United States (acquisition and greenfield projects established or expanded on U.S.

soil). Acquisition and greenfield projects denote market entry modes. For this secondary study, NFDI represented market entry modes, specific to the construct of the independent variables contained in BEA's data set, New Foreign Direct Investment in the United States, about inward FDI. The element of control is key to inward FDI and influences business production (Fuentelsaz et al., 2020). The classification of inward FDI occurs according to the amount of equity control or ownership when a foreign investor owns at least 10% of the corporation. A foreign investor with between 10% to 50% equity is an affiliate or majority-owned affiliate of the parent MNC (BEA, 2021). I discuss the element of control further under the heading of market entry modes.

### **Multinational Corporations**

In the literature, an MNC is based in its home country but owned and controls business operations internationally in one or more foreign countries (Kang et al., 2021). According to Masiero et al. (2017), an MNC is different from a domestic firm because of its long-term direct investments abroad. An MNC includes established facilities in foreign countries and coordinated operations (technological, information, financial, and human resource flows) from a global headquarters. Typically, an MNC is large-scale with manufacturing, distribution, and fulfillment facilities in each region of the globe (Burakovsky & Voloshyn, 2021). Sometimes a foreign investor assumes less risk with a small-scale market entry strategy, allowing leaders to gain new knowledge in the international target market (Burakovsky & Voloshyn, 2021). However, foreign investors increasingly seek to expand MNC productions globally in foreign countries to maintain

an advantage over their competitors (Kang et al., 2021). The process of becoming an MNC is known as internationalization (Burakovsky & Voloshyn, 2021).

### ***Internationalization***

Internationalization is the international business practice that requires a strategy by which domestic firms expand operations to conduct transnational product marketing and sales. The concept of internationalization involves the integration of national economies into the global system that fuels the economic growth of nations (Burakovsky & Voloshyn, 2021). Domestic firms represent local investors. Internationalization strategies allow domestic firms to maximize the benefits of transnational activities while minimizing risk (Burakovsky & Voloshyn, 2021). Although various internationalization strategies enable local investors to conduct business globally (export, distribution channels, outsourcing, etc.), certain domestic firms choose to become MNCs. A domestic firm is likely to become an MNC to conquer the limitations of its size, resources, and market location (Kang et al., 2021). A domestic firm becomes an MNC as soon as the local investor engages in FDI; thereby establishing, expanding, or acquiring a foreign subsidiary and influencing the patterns and transnational flow of capital, goods, services, and technological transfers (Janda & Nuangjamnong, 2021). For this doctoral study, MNCs represent foreign investors.

To internationalize, MNCs assess international target markets in which they choose to operate to determine which internationalization strategy will work best (Masiero et al., 2017). Aspects of the assessment include feasibility, the MNC's ability to finance, and their capacity to implement a new project (Masiero et al., 2017). Although

varied reasons motivate an MNCs' decisions to engage in FDI, the main reason is to maintain a competitive advantage through economic growth (Kang et al., 2021). The type of FDI projects MNCs implement abroad determines the market entry modes (Janda & Nuangjamnong, 2021). Determinants for market entry modes are the motivations for internationalization (Yakubu et al., 2020).

**Motivations for Internationalization.** One characteristic of internationalization is that all economies are open to trade and economic development (Burakovsky & Voloshyn, 2021). In international business, MNCs drive economic development by engaging in transnational business activities. The transnational activities include technological transfers and cross-border exchanges of goods, services, and capital (Janda & Nuangjamnong, 2021). MNCs are an external source of financing for physical facilities based on market entry modes. Researchers revealed the different motivations for FDI contributed to decisions about the internationalization strategy and market entry modes. The literature described the MNCs' choices of market entry modes as an interdisciplinary approach motivated by objectives that fit into one of four categories: (a) resource seeking, (b) market seeking, (c) efficiency-seeking, and (d) strategic asset seeking (Janda & Nuangjamnong, 2021; Yakubu et al., 2020).

**Resource Seeking.** One motivation for FDI is a cost-minimizing activity known as resource-seeking. Resource-seeking foreign investors secure a stable supply of resources at a lower cost (Janda & Nuangjamnong, 2021; Jones et al., 2020). According to Janda and Nuangjamnong (2021), when an MNC intends to acquire production resources not readily available or available at a higher cost at home, the MNC considers

FDI as an internationalization strategy. An MNC focused on R&D seeks tangible, physical, and immobile resources that attribute to operating internationally in another market. Government incentives are not a motivating factor for an MNC seeking resources (Bezuidenhout & Kleynhans, 2018). However, natural resources and assets such as labor are a significant advantage to an MNC during the FDI decision-making process. Low-skills and high-skills labor attracts FDI because a flexible labor market implies cost-saving hiring and lower taxes (Jones et al., 2020). In the literature, researchers indicated that resource-seeking motives drive FDI activities (Yakubu et al., 2020).

***Market Seeking.*** Another motivation for FDI is market-seeking, which is a significant reason an MNC internationalizes in a foreign economy. Market-seeking motives stem from conditions in the home economy (Janda & Nuangjamnong, 2021). According to Yakubu et al. (2020), an MNC engages in FDI as a strategy to increase its international presence in the global marketplace. When an MNC wants to expand its market share for its products, it engages in market-seeking activities (Bezuidenhout & Kleynhans, 2018). As an example, domestic competition creates pressure to expand internationally to a new market when a market-seeking MNC from an emerging economy chooses to invest in a developed economy. Sometimes an MNC chooses an international target market to take advantage of its proximity to transportation infrastructure and market access (Jones et al., 2020). As a developed economy, the United States offers excellent growth potential, and opportunities to maximize return on FDI and enjoy economies of scale (Yakubu et al., 2020). An MNC benefits from market size, market growth potential, penetration, and comparative advantage when it chooses to market in

the United States. Some MNCS seek new international target markets to circumvent trade barriers (Jones et al., 2020). Empirical research showed that market-seeking motives are a driver for FDI activities (Janda & Nuangjammong, 2021).

***Efficiency Seeking.*** The third motivation for FDI, known as efficiency-seeking FDI, gives rise to economies of scale or scope because MNCs consider undertakings already established abroad. In the GPN, MNCs realize internationalization through FDI and cost-minimizing motivators that include financial incentives (Bezuidenhout & Kleynhans, 2018). According to Janda and Nuangjammong (2021), an MNC assessed the international marketplace to identify a strategic point to expand production. Although vague, efficiency-seeking activities to access related industries are beneficial to the MNC. However, efficiencies are different across sectors (Jones et al., 2020). As an example, the high-tech sector tends toward efficiency (Janda & Nuangjammong, 2021). An MNC that benefits from high-skilled labor as a driver of efficiency also uses ancillary capability (technical, computing, transportation services) in high-tech industries. However, in the manufacturing industry, an MNC expresses fewer criteria for services (Jones et al., 2020). Efficiency-seeking motives are a driver for FDI projects (Yakubu et al., 2020).

***Strategic Asset Seeking.*** The last motivation for internationalization is strategic-asset-seeking FDI, which is one method firms compete globally. Strategic asset-seeking FDI is consequential to MNCs charged to produce wealth for shareholders (Bezuidenhout & Kleynhans, 2018). By acquiring tangible or intangible assets an MNC strategically enhances its comparative advantage. According to Yakubu et al. (2020), strategic assets,

including advanced technology, intellectual property, managerial skills, superior brands, etc., motivates firms to internationalize. Although government incentives are not a chief motivator, an MNC can leverage ownership advantages from lower production costs, an expansive technological workforce, government subsidies for R&D, and other government incentives (Athreye et al., 2021; Bezuidenhout & Kleynhans, 2018).

Acquiring strategic assets is the fundamental motivation behind an MNC's implementation of certain FDI projects abroad. However, accomplishing market entry goals is interdisciplinary. An MNC may combine market entry modes and channels to undertake FDI projects internationally.

**MNC Channels for Internationalization.** Based on the Dunning Paradigm, an MNC seeking to internationalize for growth diversifies horizontally or vertically to create new product lines or new production activities. To compete globally, ownership advantages outweighed the costs of internationalizing (Dunning, 1980). Also, an MNC diversifies the production of knowledge, acquires existing enterprises, or exploits foreign markets. To that end, the spillover from FDI projects enhances the export prospects and improve overall economic growth (Kemme et al., 2021). The literature described three broad channels where inward FDI generated direct and indirect spillover effects on economic growth: (a) horizontal, (b) vertical, and (c) conglomerate.

***Horizontal Channel.*** A horizontal channel for FDI occurs when an MNC invested abroad in the same industry (Sari, 2019). According to Bhasin and Kapoor (2021), horizontal FDI is a market-seeking endeavor of an MNC that wants to enter an international target market. An MNC that implements horizontal FDI inward to the



United States seeks to create a competitive advantage by expanding the market share. The endowments are identical unless the MNC is from another developed nation with better goods, services, economic conditions, processes, and resources. Horizontal FDI in the manufacturing industry substitutes exports by replicating production internationally in a new market.

Although horizontal FDI disrupts export flows, an MNC implements horizontal FDI to avoid the excessive cost of transportation and barriers to trade (Bhasin & Kapoor, 2021). Kemme et al. (2021) found that increasing costs associated with trade between similar nations make horizontal FDI more profitable than exporting and leads to subsidiary production abroad. As labor costs and income converge over time, horizontal FDI trends increase (Kemme et al., 2021). According to Kemme et al. (2021), subsidiary performance is a measure of industry sales, market size, skilled labor within the international target market, and the complementary relationship between the horizontal operation abroad and vertical integration at home. But the market size is the core measure (Kemme et al., 2021).

***Vertical Channel.*** Another channel for FDI, vertical, occurs when an MNC invests in the supply chain abroad but not directly in the same industry. According to Bhasin and Kapoor (2021), vertical FDI has less impact on export flows and less negative effect on export flows. An MNC that outsources part of its production chain implements vertical FDI to take advantage of abundant labor, technology, R&D, marketing capabilities, distribution network, branding, and managerial competencies. An MNC implements an FDI project to integrate vertically because the labor force creates a

location advantage that increases the flow of exports between the parent company and the subsidiary. Also, vertical FDI creates new markets, increases the export of goods, and reduces production costs through economies of scale. Correspondingly, the parent company exports more goods, incurring fewer costs. Although customer satisfaction is more substantial and creates a spillover demand for the company's other products, increases trade costs and barriers tend to limit vertical FDI (Bhasin & Kapoor, 2021; Kemme et al., 2021). When an MNC expands or diversifies by investing abroad in a completely different sector, conglomerate FDI occurs (Li et al., 2018).

***Conglomerate Channel.*** The last channel for FDI, conglomerate, involves both horizontal and vertical FDI inputs (Kemme et al., 2021). Although the inputs occur in the same industry, the products do not directly compete with goods produced by the parent company. According to Rozen-Bakher (2018), conglomerate FDI is a diversification strategy that involves industries that neither complement nor substitute products produced by the parent company. Although diversification provides opportunities for collaboration between the parent company and the subsidiary, diversity complicates the integration process. Additionally, the cultural differences between nations decreases the value of the subsidiary and weaken its chances for success in the new international market (Rozen-Bakher, 2018). The differences between the home market and international target market lead to higher costs, decreases profit margins, and negatively impacts the internalization advantages of the FDI project.

MNCs fuel economic development as a fundamental driver of globalization because FDI is a source of external financing and transnational economic integration

(Janda & Nuangjamnong, 2021). Because an MNC's undertakings transfer innovative skills and technologies, MNCs' transnational activities enter the realm of economic development (Sharmiladevi, 2017). The competition between MNCs fuels globalization and transforms economic development into an ever more complex goal. However, economic development strategies that function in one market may not be successful in another.

### **Economic Development**

Globally, FDI is often the catalyst for economic growth and development (Ayamba et al., 2020). The financial implication is that FDI is a mechanism to develop a sustainable business environment. The United States is the largest beneficiary of FDI globally (Setzler & Tintelnot, 2021). Economic developers try to ensure that development shortfalls from inward FDI do not exceed the benefits. When economic developers promote classic FDI, certain practices limit prospective locations based on readiness to facilitate investments (Suehrer, 2019). Foreign investors conduct due diligence on target international markets to customize FDI to achieve the desired return on investment and a sustainable impact.

Customized FDI is a sustaining factor of economic development in the environmental domain, followed by the social and economic realms (Ayamba et al., 2020; Voica et al., 2015). According to Suehrer (2019), economic developers who tailor FDI are conductors of sustainable economic development. Similarly, economic developers who customize FDI make communities and domestic firms sustainable (Suehrer, 2019). Direct investments in building, machinery, and equipment reduce

economic and development gaps between regions and increase competition, competitiveness, labor, and production (Mateus et al., 2016). In addition, MNCs create jobs, professional training and development, and human resources with FDI projects. Consequently, MNCs and FDI raise the standard of living and social development at the local level.

Equally noted, FDI is an environmentally friendly safeguard by supporting clean, cost-effective tools to fight toxic waste. If harnessed effectively, economic developers use strategies that include customized FDI to target gaps in funding sustainable economic development goals in every market (Suehrer, 2019). Also, economic developers who customize FDI inflows can boost the production and competitiveness of domestic firms (Mateus et al., 2016). According to Suehrer (2019), economic developers who customize FDI inflows produce meaningful stimulus for regional and local economic development. Policy makers are interested in the relationship between FDI and economic development because of the trichotomy of economic, social, and environmental costs and benefits.

Throughout the world, economic developers who increase FDI positively affect a nation's standard of living, wellbeing, ecosystem, and economic development. The positive effects are justification for the evolution of economic development practices to attract FDI inflows (Wood & Phelps, 2020). As an alternative to external borrowing, FDI is one means to finance an economy. Economic developers who use FDI instead of foreign loans support sustainable economic development. FDI stabilizes a national economy more than other investments because of its fixed nature during economic turbulence (Matei & Stanescu, 2018). FDI is a factor of sustained economic growth and

prosperity of a nation (Suehrer, 2019). However, researchers must further explore the relationship between FDI and sustainable economic development.

### ***Sustainable Economic Development***

Although every economy is different, FDI is an inducement for economic growth and sustainable economic development. Sustainable economic development is one policy economic developers use to safeguard production that does not compromise the ability of future generations to meet their own progress (Suehrer, 2019). When Voica et al. (2015) assessed the impact of FDI on sustainable economic development. They found that inward FDI promoted growth and wealth nationally at the regional and local levels. Also, a high volume of FDI sustained development and economic growth in U.S. markets without unintended negative consequences (Voica et al., 2015).

In 2015, the United Nations established Sustainability Development Goals (SDGs) (United Nations, 2022). Globally, society's growing concern about sustainable economic development impacts economic activities and human development. Policy makers heightened the determination for sustainable economic development with the recent formulation of the SDGs. The SDGs are a global call to action to stop poverty, protect the environment, and safeguard the enjoyment of peace and prosperity for all humankind by 2030 (United Nations, 2022). The 17 SDGs integrate. Policy makers designed the SDGs to interdependently shape global social policy.

All 17 of the SDGs are relevant for economic developers and MNCs (Schramade, 2017). Because economic developers and MNCs are main actors in the GPN, they have the potential to make meaningful contributions to accomplishing the SDGs in the areas of

business productivity, economic growth, poverty alleviation, and sustainable communities. Economic developers and investors accept global opportunities to close the funding gap while benefitting economically. Sustainable economic development is a pathway to value creation for MNC stakeholders, which include society and shareholders (Schramade, 2017; Suehrer, 2019). For that reason, economic developers depend on empirical evidence about FDI, business production and the value of money to understand how to fill funding gap, and in the efforts to accomplish sustainable economic development (Clark et al., 2018; Suehrer, 2019).

Just as strong markets produce strong societies, private sector efforts to achieve the SDGs are requisite to creating sustainable and inclusive markets globally. Based on advancements, MNC leaders may shape the future of FDI and reveal opportunities to invest in sustainable economic development (Suehrer, 2019). Findings in the research suggested the focus on an impact investment framework for FDI provided insights to close the annual funding gap for sustainable economic development. Economic developers need a comprehensive framework and technology for translating sustainable economic development into investment returns. In the literature, researchers observed that economic developers can use FDI to support the United Nation's SDGs. Researchers observed that FDI impacted economic growth because the financial flows promoted sustainable economic development and had broad implications for social change in the global demand for international trade and investment (Montanari et al., 2019; Phelps & Wood, 2018; Suehrer, 2019; Voica et al., 2015). Researchers denoted connections between economic development and FDI in the GPN.

### ***Role of Economic Developers***

In the GPN, economic developers are power brokers who implement economic development strategies to sustain communities, attract industry, new investment, and employment to facilitate production (Phelps & Wood, 2018). Since 1919, economic developers have facilitated location decisions for MNCs (Wood & Phelps, 2020). The competition for new FDI makes the role progressive as an intermediary between MNCs and local communities seeking to attract FDI. The role is difficult to modernize an economy or improve regional competitiveness without attracting new FDI. Economic developers attract inward FDI by using domestic capabilities and resources to accelerate sustainable development and economic growth (Rajabov & Mustafakulov, 2020). Nationally, marketing is an increasingly fundamental strategy of local, state, and regional economic developers in the global competition for foreign direct business investment (Cleave et al., 2016).

According to Montanari et al. (2019), when an MNC enters a new international market, it integrates its brands with the image of the location, conforming its product offerings to local tastes, culture, and environmental and packaging needs. Economic developers generate positive attitudes about the location image through effective use of advertising, branding, and word of mouth (Wood & Phelps, 2020). The positive effects of the location image relate to the MNC's brand in a new market and creates a competitive advantage for the firm operating in a foreign location (Montanari et al., 2019). In addition to focusing on the location features, economic developers contemplate MNCs' ownership demands and internalization aspects (Phelps & Wood, 2018; Sharmiladevi, 2017;

Sulaiman et al., 2020). Attracting inward FDI is necessary for the sustainable development of economies. By attracting new construction or reconstruction of MNCs, economic developers create opportunities to increase employment, income, and improve other social issues (Rajabov & Mustafakulov, 2020). Economic developers lobby for and provide incentives to construct the conditions necessary for attracting inward FDI. Economic developers within the OLI framework promote location advantages to encourage site selection and add value to the FDI process.

### ***Economic Developers' Specialized Knowledge***

Wood and Phelps (2020) studied the value of economic developers to industrial recruitment. According to Wood and Phelps (2020), economic developers use specialized knowledge and information to coordinate the behavior of MNCs and governments. Economic developers impact location decisions globally, at regional, national, state, and local levels. A characteristic of economic developers is the advice they provide about the competitiveness of the sites and the localities they market. During the FDI process, economic developers recognize opportunities or obstacles, solve problems, and offer customized support and solutions (Wood & Phelps, 2020). Because entering an international target market is a complex endeavor, economic developers must be skillful at directing the process of FDI.

Economic developers possess knowledge about economics and geography that evolve and shape the distribution of FDI in the GPN (Phelps & Wood, 2018). However, the number of locations for new FDI outweigh the scarcity of what one foreign location provides (Wood & Phelps, 2020). The demand for economic developers to provide



information and assistance to prospective MNCs is disproportionate. When MNCs demand locations for FDI projects, economic developers introduce suitable sites that MNCs evaluate when making FDI decisions. Understanding the FDI process is one strategy economic developers use to compete globally, accomplish sustainable economic development goals, and acquire resources such as technology, human capital, and access to international markets (Duggal, 2017). The better the expertise of the economic developer, the added prospect of appealing to MNCs in the site selection process (Wood & Phelps, 2020).

### ***Value of Economic Developers as Policy Negotiators***

One role of economic developers in the GPN is one of political economists. Economic developers affect the regulatory process, including the mobility and adaptation of FDI practices and policies for sustainable economic development (Phelps & Wood, 2018). In addition, economic developers play a role in the liberalization of FDI regulation and policy. The role of economic developers, their contribution to the publication of standards for promoting, regulating, and incentivizing FDI requires more research (Phelps & Wood, 2018). Based on their implication in the GPN, significant findings in existing research suggested a need to examine economic development in the global regulatory scheme related to FDI and sustainability. Specifications about market entry modes facilitates the role of economic developers in the global economy and GPN (Phelps & Wood, 2018).

Because there is no universal framework that economic developers use to attract an MNC to locate in a nation, economic developers need more empirical evidence to

understand how foreign businesses establish operations to create an attractive environment for companies and inward FDI (Ko, 2019). There is a gap in research concerning the relationship between FDI, location image, and the internationalization process. None of the empirical results focused on the impact of market entry modes on performance outcomes at the MNC, industry, and government levels, which was the focus of this doctoral study. Attracting an MNC is the manifestation of the competitiveness of the firm and the foreign location, which means both the firm and location possess advantages (ownership, location, and internal) unlike competitors in the same industry (Montanari et al., 2019; Sharmiladevi, 2017; Sulaiman et al., 2020).

Economic developers accomplish global competitiveness in the space where location-specific and MNC-specific advantages intersect (Montanari et al., 2019). Because the FDI process positively affects both the images of the foreign location and the MNC, economic developers recognize rewards and returns associated with competitiveness. However, when an MNC commits resources to internationalize, the foreign investors make strategic plans for long-term FDI. Even though each project is different, the capability of economic developers to support the requirements of the prospect is significant to market entry modes. (Cleave et al., 2016). The market entry modes are relevant to marketing FDI projects because of the effect on the future performance of MNCs in foreign markets.

### **Market Entry Modes**

Market entry modes represent the internationalization of an MNC in a new foreign market (Brouthers & Hennart, 2007). According to Davies et al. (2021),

recognizing the different patterns of FDI and the policies and practices help to attract FDI. The main modes of entry for inward FDI projects across national borders include acquisition (including mergers) and greenfield projects. When an MNC enters an international target market using FDI, the investors decide if the development should be an acquisition or a greenfield project. Market entry mode is one of the key decisions for an MNC internationalizing to increase competitiveness through expansion and growth.

Market entry mode decisions are a central issue for MNCs motivated to internationalize to sustain a competitive advantage (Xie et al., 2018). According to Giachetti et al. (2019), the choice and implementation of market entry modes determine the success or failure of an FDI project and present substantial implications for performance outcomes. While each market entry mode has a degree of risk (exports offer the lowest degree of control, licenses and franchises provide a higher degree of power), equity market entry modes were the focus of this ex post facto study.

Although the literature described two modes of equity market entry, acquisitions, and greenfield FDI, little research compared the two. Equity market entry modes afford the highest element of control. In 2019, equity market entry modes accounted for \$194.7 billion of inward FDI. Equity market entry modes include joint ventures and wholly owned subsidiaries of parent companies (Giachetti et al., 2019). Although MNCs balance flexibility and power to create a market entry strategy, the task is difficult to switch from one entry mode to another (Robles & Jauregui, 2017). In the literature, the impact of FDI concerning operation outcomes in a foreign location depended on the market entry modes (Jaworek et al., 2018).

### ***Acquisition Mode***

Acquisition projects involve the foreign takeover of part or all the equity of an existing domestic business operation in the international target market (Jones et al., 2020). Sometimes researchers refer to acquisition projects as brownfield projects that include mergers in the international business investment literature and reports. Jones et al. (2020) defined acquisition projects as economic development including land, building, and improvements that were vacant or not in use. In the Dunning Paradigm, an efficiency-seeking foreign parent company use FDI to produce economies of scale or scope by reinvesting in an existing site. Foreign parent companies use acquisition projects as a mechanism to capitalize on the existing industrial, transport, or shipping capabilities available in the international target market (Jones et al., 2020). According to Giachetti et al. (2019), acquisition projects represent a high element of control compared to other market entry modes with low degrees of power (exporting or franchising). However, previous owners accrue rent from acquisition projects, which means acquisition projects do not necessarily expand the local capital stock (Harms & Méon, 2018). Foreign parent companies benefit from efficiency-seeking acquisition projects in three ways: (a) operationally, (b) strategically, and (c) financially (Giachetti et al., 2019).

### ***Greenfield Modes***

In comparison, greenfield projects involve the formation of a new affiliate business operation in the international market of choice. Because greenfield projects entail the construction and equipment of the brand-new affiliate facility, they contribute to the capital stock and strongly impact local growth (Harms & Méon, 2018). Also,

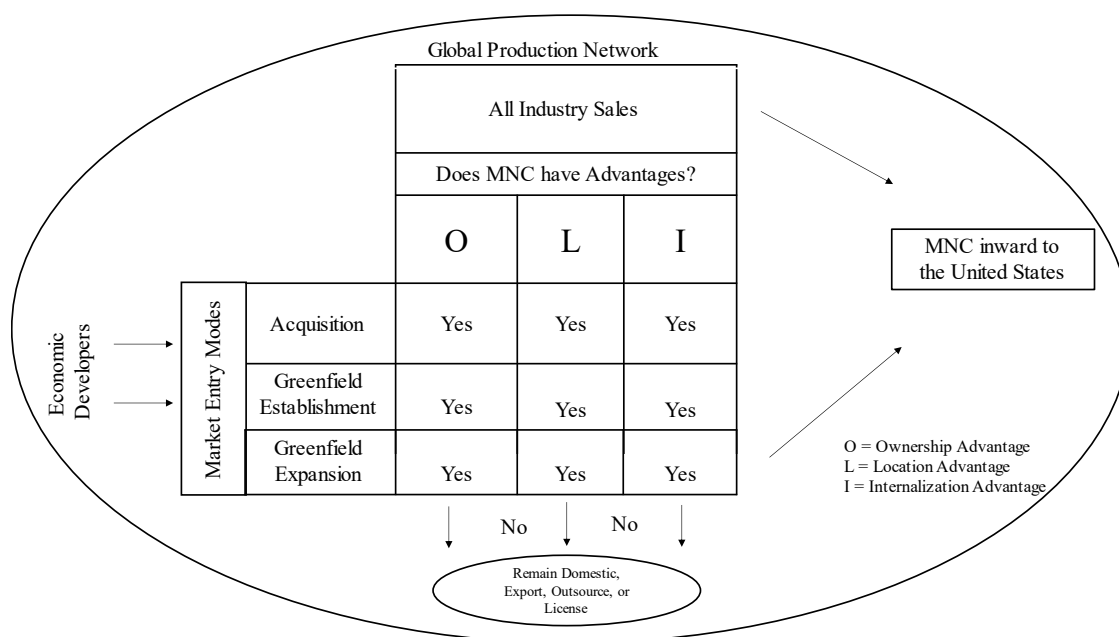
greenfield projects form wholly owned subsidiaries or joint ventures. While acquisition projects transfer ownership of existing assets, greenfield projects center on the internal and ownership capabilities of the MNC (Davies et al., 2021). Although greenfield projects represent a high element of control compared to the exporting and franchising modes of market entry, the success of the projects depends on economic development and financial institutions in the international target market (Davies et al., 2021). However, the relative impact between the acquisition and greenfield modes of market entry is complex and varies according to the economic development of the international target market and the financial benefits to the parent MNC.

In the literature, inflows of FDI impacted localities based on the market entry modes. According to Jaworek et al. (2018), the choice of market entry mode depends on the following interrelated factors: (a) the parent MNC, (b) the subsidiary, (c) the industry, and (d) the host government. Industry-level data created a dimension of distinction between the two modes of market entry. In addition, the information in the literature noted that MNCs may crowd domestic firms out of local markets. Acquisition projects showed little to no impact on domestic investment, while greenfield projects were known to contribute to the capital stock and the growth of local markets (Davies et al., 2021). Nonetheless, inward FDI that flows into a foreign location from abroad is the main component of economic development. In the literature, economic development through FDI promotion was conditional in each global market (Wu & Xie, 2018). The traditional view about FDI is that the market entry modes directly impact business and social performance. Because foreign investors determine FDI decisions by assessing property

ownership, location, and internalization, which represents the Dunning Paradigm (Montanari et al., 2019). Figure 2 illustrates the OLI theoretical approach to NFDI projects to explore the MNC advantages of market entry modes in relation to the GPN and economic developers.

**Figure 2**

*Graphical Model of the OLI Framework in the Global Production Network*



### ***Recent Studies on Market Entry Modes and Business Production***

Giachetti et al. (2019) examined the extent to which market entry modes impacted business production outcomes when the international target market was in a developing country. The researchers analyzed the results from 133 quantitative studies of secondary data on the relationship between equity and nonequity market entry modes and business production outcomes between 1980 and 2010. Giachetti et al. (2019) synthesized the results and found that both equity and nonequity market entry modes were effective

factors to decisions for business production when entering developing economies.

Although the study focused on developing economies, certain equity market entry modes were more effective because domestic firms could better manage international market uncertainty. However, the nonequity market entry modes offered the flexibility of control and higher business production outcomes needed to mitigate risk in the context of a developing economy, which was different from business production in the United States.

Ko (2019) used secondary data to investigate the relationship between market entry modes and production outcomes at the industry level. Ko (2019) examined the equity inputs for 833 international business operations in the manufacturing and sales industries. Because the manufacturing industry relied on local partnerships instead of local talent, Ko (2019) hypothesized that the role of market entry modes was significant to business productivity in the international target market. Although the researchers narrowly limited the study to two industries, the empirical results strongly supported the hypothesis about the significance of market entry modes. Ko (2019) found that subsidiaries with joint ventures helped manufacturing-type MNCs accomplish production goals. Joint ventures obtained local knowledge through local partnerships, which helped MNCs overcome foreign risks, including the various costs incurred from transnational business operations. Based on the types and availability of regional subsidiaries and potential partnerships, researchers found wholly owned subsidiaries the more efficient mode of entry in the sales industries.

Jones et al. (2020) used the Dunning Paradigm to conduct an empirical study about FDI site selection and market entry modes. Jones et al. (2020) evaluated secondary

data about more than 35,000 MNCs to understand the relationship between the variables in the developed region of the European Union (EU) between 1997 and 2010. The results revealed a statistically significant difference in the foreign investors' motivations between the choices of FDI market entry modes (acquisition and greenfield project) and location. The reasons ranged from logistics and proximity to export markets, access to quality resources, an educated workforce, and politics. Also, Jones et al. (2020) found that economic development played a role in the site selection process, especially in cases where foreign investors expressed efficiency-seeking motivations as determinants for choosing a FDI market entry and mode.

In the literature, researcher' significant findings of MNCs included the question about which was the best market entry mode into certain transnational markets to optimize ownership and internalization advantages for successful operations on the ground (Xie et al., 2018). Economic developers questioned what linkages within the business environment stimulated cooperation and partnerships. In the literature, public funds had a limited effect on attracting high-end market entry modes in certain areas of the world. According to Burger (2021), economic developers cautioned against recruiting only high-end market entry mode projects; doing so sometimes created talent shortages because the higher wages led to fewer jobs that required more excellent skills and competencies. High-end market entry mode projects included the formation of headquarters and R&D facilities or advanced production services. Because high-end projects were the type of market entry modes economic developers wanted to attract, the finding raised questions about policy, government incentives, and how to attract FDI that



complemented existing local industries (Burger, 2021). Economic developers contemplated FDI acquisition and greenfield modes of entry to improve production, technology, and workforce skills to contribute more significantly to the economic development of local and regional economies and avoid squeezing domestic firms out of local markets.

Investors reported a limited number of studies that evaluated the relationship between market entry modes and business production outcomes (Jaworek et al., 2018). Although research about FDI increased, researchers did not evaluate secondary data about other profitable relationships with FDI inward to the United States at the industry levels (Orazgaliyev, 2018). Additionally, BEA's was not a commonly used data set. Another limitation was the exclusion of the concept of greenfield investment. While two percent of the articles reviewed discussed new FDI, none of the recently published articles about FDI cited theories that investigated the relationship between market entry modes (acquisitions projects and greenfield projects) and sales at the national and industry levels. Paul and Feliciano-Cestero (2021) suggested that researchers evaluate hypotheses about the relationship between market entry modes and business production outcomes further. Researchers may reference wholly owned subsidiaries and joint ventures to find evidence from different countries. BEA constructed such a data set about market entry modes. The data set included acquisitions and greenfield FDI inward to the United States, corresponding to industries. In this empirical study, I examined the various relationships among the variables that could help economic developers address the most appropriate market entry modes.

### ***Reasons for Understanding Market Entry Modes***

Economic developers promote location image to attract FDI, resulting in more location advantages within the OLI framework. However, the FDI process of expanding corporate operations beyond borders, regions, and nations expose MNCs to risk (Montanari et al., 2019). The uncertainty related to entering the international marketplace involves political, social, economic, and legal systems. Market entry modes are relevant to marketing FDI projects because of the effect on the future production and performance of MNCs in foreign markets (Giachetti et al., 2019). Anderson (2021) analyzed the effect of locational characteristics on FDI decisions in the United States. Not only do global cities attract FDI in the United States, but also different metropolitan areas contribute to attracting investment and connections to the wider world. Attracting FDI to a location requires filtration and comparison of data (Wood & Phelps, 2020).

There is no clear consensus about the impact of market entry modes on business production outcomes (Giachetti et al., 2019). While assorted studies showed a positive relationship between the market entry modes and business production outcomes, others found a negative or no significant relationship (Giachetti et al., 2019). Giachetti et al. (2019) conducted an empirical analysis of the relationship between market entry modes and business production outcomes. Giachetti et al. (2019) reported ambiguous results from previous studies about the connection. Certain foreign investors are hesitant because the uncertainty in FDI-based considerations for which taxes are a factor (Anderson, 2017). The ambiguity is related to the reform of tax laws by which nearly all assets, net

income, and sales measures diminished along with the reduction in total expenditures for new enterprises (Anderson, 2017).

Although employment increased, sometimes diminished returns reflected significant acquisitions in labor-intensive industries (Anderson, 2017). The ambiguous findings included differences in theoretical frameworks, namely the institutional perspective, transaction cost perspective, and dynamic capabilities perspective (Giachetti et al., 2019). Despite the ambiguity, researchers discovered that an MNC that chose market entry modes with high elements of control demonstrated higher performance outcomes versus a low degree of control overall (Giachetti et al., 2019). Also, adopting market entry modes with a high element of control for firms entering developing economies produced higher performance outcomes. Economic developers can set business productivity and sustainable economic development goals at the same time (Rauter et al., 2019). Economic developers who understand market entry modes can boost the production and competitiveness of firms (Mateus et al., 2016). In this secondary study, I used the OLI framework to examine equity-controlled market entry modes in the United States.

### **Transition**

Section 1 included the historical background, the problem and purpose statements, research questions, a discussion about the theoretical framework, and study's significance. Subsequently, in Section 2 and Section 3, I highlight the project design, process, and deliverable, respectively. Section 2 includes the research method, design, population sampling, data collection, psychometric properties related to the reliability and

validity, and analysis of BEA's data set. In Section 3, I present the quantitative data analysis, discuss the results and conclusions, and recommend a plan of action to implement social change.

## Section 2: The Project Design and Process

In Section 1, explanations from the literature review indicated the need for more empirical research to examine the outcomes of implementing FDI projects in one foreign location compared to another. The role of economic developers in the GPN has evolved to include more complex variables for FDI projects. Based on global market demands and development, certain economic developers facilitate MNCs OLI advantages. In addition to concentrating on the location features, economic developers consider the demands of MNCs within the OLI framework. Although MNCs that started businesses in developed markets are accustomed to partnering with economic developers to select sites, localities in the United States are different from locations in other global markets. The more economic developers know about market entry modes, the better they appeal to MNCs in the site selection process and attract operations and industries to support global competitiveness.

In the United States, inward FDI in 2019 totaled \$194.7 billion (BEA, 2019). Of that amount, \$2,382 billion concentrated in the United States, which accounted for 12% of the total new inward FDI that year. Little to no research exists about the effect of inward FDI within the United States. Because BEA produced data about inward FDI, this empirical study about the economic impact of inward FDI in the United States may have theoretical and practical importance. I assessed the data set produced by BEA. The results may clarify and enrich the research about FDI, help economic developers adjust strategies to conduct international business more effectively. However, economic developers require the filtration and comparison of data to attract FDI to a location. In

Section 2, I will discuss the research method, design, population sampling, data collection, psychometric properties related to the reliability and validity, and analysis of BEA's data set. Subsequently, in Section 3, I will present the quantitative data analysis, discuss the results and conclusions, and recommend a plan of action to implement social change.

### **Purpose Statement**

The purpose of this ex post facto study was to examine the relationship between (a) new foreign direct investment (NFDI) for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Data were collected from the 2019 BEA archival records. The targeted population consisted of 156 foreign investors represented by MNCs located in the United States. The study findings have potential implications for positive social change by inspiring more sustainable economic development through FDI. Nationally, economic developers consider all industry sales as a product of the features inherent to a healthy business environment. Economic developers may use the findings to understand which market entry modes are suitable for their region and strategically market to foreign investors. By doing so, economic developers may increase their bargaining power within the GPN to expand the job market and inward FDI to sustain local firms. Business leaders may use the finding to make investment decisions about FDI projects to sustain their businesses. Sustainable businesses pay taxes that support government services that make communities better places to live. Sustainable businesses

provide jobs that allow individuals to prosper economically, enjoy a higher quality of life, and have a longer life expectancy (Vatavu et al., 2019).

### **Research Question and Hypotheses**

RQ: What is the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States?

*H<sub>0</sub>*: There is no statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

*H<sub>1</sub>*: There is a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

### **Research Method and Design**

#### **Research Method**

For this ex post facto study, I used a quantitative method to understand the relationship between the variables (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Selecting an appropriate research approach is necessary to connect the study's purpose to the research methodology (Basias & Pollalis, 2018). Researchers use quantitative methods to evaluate assumptions about relationships between variables (Mohajan, 2018). Also, researchers use quantitative methods to explore participants' experiences with phenomena driving a study (Basias & Pollalis,

2018). Other research methods assessed for this doctoral study included qualitative and mixed methods.

Qualitative methodologies are not appropriate for gaining an understanding of the relationship between variables. In qualitative studies, researchers primarily collect data by conducting interviews (Basias & Pollalis, 2018). Open-ended interview questions improve the in-depth discovery of complex implications of a phenomenon. However, this ex post facto study contained predetermined variables of measurement. Interviews would not satisfy predetermined variables, as the variables were subject to change within the research process (Aspers & Corte, 2019). Qualitative researchers interpret responses to interview questions based on their understanding, which can be a disadvantage of qualitative inquiry (Apuke, 2017). For this doctoral study, I did not use a qualitative method. Although qualitative methods are reliable approaches to research, the methodologies did not align with the purpose of this study.

Another consideration for an approach to this doctoral study was mixed methodologies or the combination of a qualitative method and a quantitative method to address the central research question (Yin, 2018). One advantage of the mixed-method approach is that any combination of quantitative and qualitative procedures applies within a study (Pluye et al., 2018). Researchers use the advantages of one method to balance the limitations of another using the mixed-method approach. Although the capability to monitor and evaluate the relationships between variables was appealing, complex mixed methodologies can complicate the research process. Complications make studies difficult to replicate (Palinkas et al., 2019). The mixed method did not align with



this doctoral study because the objective of this study was to understand the relationship between variables.

Quantitative research is systematic because it arises from specific methods that carefully define a purpose, collect, and analyze data, and convey the findings (Apuke, 2017). Standards inform researchers on what to include and exclude in inquiries and the approach to conduct studies. Quantitative researchers investigate empirical data about a phenomenon through statistics, calculation, and analysis (Basias & Pollalis, 2018). Quantitative research connects empirical observation and statistics to express relationships between variables in measurable terms (Mohajan, 2018). A quantitative analysis facilitates discovering how a study correlates and feasibly affects a population to bring about social change. In addition, quantitative researchers can investigate at least one question about a phenomenon, which suggests that analysis starts because of a desire to answer a question (Apuke, 2017). Researchers use computer software to investigate quantifiable statistics about the research question (Bloomfield & Fisher, 2019). For this secondary study, the primary researchers collected data through surveys to process and evaluate copious amounts of data in the quantitative method, removing researcher bias on the data sets, a significant advantage of the quantitative approach (Basias & Pollalis, 2018). Because the objective of this quantitative study was to evaluate assumptions about relationships between variables, the quantitative method was appropriate.

### **Research Design**

The proper selection of a research design assures the accomplishment of the research objective and answers to the research question. Quantitative research includes

two categories: descriptive and analytical (Das et al., 2020). With descriptive designs, researchers summarize the outcome (Rezigalla, 2020). Ex post facto research is a descriptive design (Apuke, 2017; Bloomfield & Fisher, 2019). To accomplish the purpose of this secondary study, I used the ex post facto research design.

The rationale for selecting the ex post facto research design included various considerations. The ex post facto design implies investigation of a problem by studying variables after the fact (Apuke, 2017). In a retrospective examination, researchers know the result of the dependent variable, so the main objective is to understand the precursors of the outcome (Itani et al., 2020). Typically, researchers conduct ex post facto analysis when the decision is not feasible or ethical for researchers to choose the population sample randomly (Bloomfield & Fisher, 2019). Lastly, the ex post facto design uses quantitative methods to examine the relationship between variables and the findings provide evidence that describes the relationship between the variables (Apuke, 2017; Bloomfield & Fisher, 2019; Schober et al., 2018; Vetter, 2017). Because the objective of this study was to use a secondary data set to examine the relationship between variables after the fact, the ex post facto design was appropriate.

One challenge for researchers conducting ex post facto studies is to understand the variables that comprise the secondary data set. According to Apuke (2017), a variable is an attribute or feature that varies in quality and quantity. Variables are measurable. Typically, researchers manipulate and control variables, and independent variables are changeable (Apuke, 2017; Duckett, 2021). Also, the outcome of the dependent variable depends on the independent variable(s) because the independent or predictor variables

contribute to the variance in the dependent variable. Thus, researchers use independent variables to assess the effects, collectively or individually, of the independent influence on the dependent variable. The benefits of using a secondary data set are that the design is inexpensive, easy to use, and logistically feasible compared to primary data collection (Spurlock, 2020). One disadvantage in ex post facto research is the lack of manipulation by researchers to control the independent variables after the fact, potentially distorting the findings (Allen, 2017). I tried to overcome the disadvantage by understanding secondary data collection and the framework of the data set.

According to Das et al. (2020), researchers apply a combination of research designs to the same study to evaluate hypotheses. Like the ex post facto design, researchers use cross-sectional studies to examine the relationship between independent and dependent variables during a point in time. Although limited to a moment in time, cross-sectional research is also descriptive. Researchers in economics and other social sciences use cross-sectional studies because the advantages of collecting the data require less time than longitudinal studies. The predefined large pool of data points and the researchers' ability to observe the variables without manipulation are advantages as well (Rezigalla, 2020). Frequently, researchers use secondary data sets freely available online to implement cross-sectional studies. Because I used a data set that limited the variables to a point in time, the cross-sectional design was ideal with the ex post facto nature.

## **Data Collection and Analysis**

### **Target Population**

The targeted population consisted of MNCs that located a subsidiary in the United States during the data collection period, 2019. BEA collected data from the target population about FDI projects inward to the United States. BEA defined FDI projects as acquisition and greenfield FDI implemented on U.S. soil by MNCs. Stakeholders of MNCs include all actors within the GPN (Phelps & Wood, 2018). Five assumptions existed about the target population. The first assumption was that MNCs own at least 10% corporation equity (Khaw, 2018; BEA, 2021). Secondly, the researchers assumed the MNCs could choose alternative locations to invest in and create new employment and other social benefits. The third assumption was that the FDI decision was a profit-maximizing choice by the MNCs to locate a subsidiary in the United States. Another assumption was that MNCs compared local economic development incentives that resulted in a mutually exclusive decision among alternatives to maximize future return on FDI (Stavropoulos et al., 2020). Finally, by producing internally, MNCs that located a subsidiary in the United States during 2019 realized an internalization advantage from keeping the international expansion within the firm. Instead of licensing to an outside firm, the assumption was the MNCs more easily protected their assets (Sharmiladevi, 2017; Sulaiman et al., 2020).

### **Geographical Location**

In 2019, the United States was the geographical location of 138 Fortune Global 500 companies, and 28% of Fortune's top Global 500 companies conducted operations in

the United States (*Fortune* magazine, n.d.). The United States consistently ranks in the top 10% of businesses. According to site selectors and economic developers, the United States is a pro-business environment that helps companies grow (OECD, 2019). Criteria included in the ranking are most revenues generated by Global 500 companies and most Global 500 headquarters (*Fortune* magazine, n.d.). Nonetheless, the ranking comes with challenges. Economic developers in the United States face global competition for new business investments. Although government regulations and business incentives support further development, economic developers have made the United States a supportive environment for businesses. From the sizable number of operations that occur in the United States, the findings from the study could positively impact a sizable portion of the global economy. Also, economic developers may use information in the findings to recruit a mix of operations and industries to support global competitiveness.

### **Data Collection**

I used a secondary cross-sectional data set (New Foreign Direct Investments in the United States) from 2019 to complete this ex post facto study. BEA compiled the data set. Secondary data collection refers to previously collected data (Spurlock, 2020). According to Trinh (2018), large organizations collect and archive data on diverse topics for researchers to examine after the fact. Governmental sources provide transparent and trustworthy collections of secondary data sets (Martins et al., 2018). I extracted the data from BEA. In 2019, BEA conducted mandatory surveys to collect NFDI data from 156 MNCs. According to Apuke (2017), surveys capture facts about people, beliefs, opinions, attitudes, motivations, and behavior. Also, surveys quantify cross-sectional aspects of

target populations to study relationships and public interests (Apuke, 2017). For this secondary study, surveys in quantitative research include the sample, design, and administration of data collection from the target population under examination. In addition, researchers use survey research and questionnaires to quantify the attributes of the given population through statistics and methods.

Although most government agencies use surveys to collect data related to the public interest, sometimes, the purpose of secondary data collection may not fit the aim of current research (Martins et al., 2018; Trinh, 2018). One challenge for secondary researchers is formulating research questions that align with the data set or tailoring the data to match the secondary research objectives (Sherif, 2018). To that end, this secondary data study extended primary research with follow-up questions to the preliminary examination. The research questions and related hypotheses align with the purpose statement of this empirical study, which aligned with the secondary data set.

For all secondary data, an appraisal of the methods used by the primary researcher to collect data is requisite in business research. BEA surveyed the target population quarterly, annually, and five-year benchmarks. Also, BEA requires all foreign-controlled U.S. businesses to file surveys according to federal standards (BEA Form 13 Surveys A, B, and D). Each year, BEA obtains data from foreign investors about inward FDI projects to generalize attributes of the entire population (Anderson, 2017). The surveys consist of questions that capture NFDI transactions by MNCs to measure the amount of FDI inward to the United States based on type, country of origin, host state, industry, and sales amounts. Then, BEA reports data on inward FDI expenditures to acquire, establish, or

expand an existing business on U.S. soil. The NFDI data sets include costs of NFDI and analysis of acquisition and greenfield projects (Anderson, 2017; Anderson, 2021).

BEA defined NFDI as a transaction in which a foreign investor (parent company) acquired an existing U.S. business or started a greenfield project. NFDI characterizes equity market entry modes (Brouthers & Hennart, 2007; Jaworek et al., 2018). An NFDI project is either a subsidiary, joint venture subsidiary or a wholly owned subsidiary of the parent company (Jaworek et al., 2018). The difference between a subsidiary, a joint venture subsidiary, and a wholly owned subsidiary equates to the voting interest held by the parent company, quantified by the interval scale of measurement. When a parent company has a controlling stake of 51% or more, it owns the majority votes and controls the operations (Brouthers & Hennart, 2007; BEA, 2019). NFDI projects denoted the independent variables in this secondary study, grouped nominally using dummy quantifiers and using ratio measurements suitable for assessing the relationship between the variables for this ex post facto study.

NFDI for acquisition projects occurs when a foreign investor purchases U.S. real estate (without adding construction) and acquires at least a 10% voting interest in the enterprise. Foreign investors obtain voting interest directly or indirectly through a current U.S. affiliate (Anderson, 2017; BEA, 2019). NFDI for greenfield projects occurs when a foreign investor establishes or expands a new business. An establishment occurs when a foreign parent company or U.S. affiliate starts a new legal entity in the United States and owned 10% or greater voting interest. An expansion occurs when a U.S. affiliate of a foreign investor expands operations, including a new facility to conduct business

(Anderson, 2017; BEA, 2021). All industry sales capture the total annual sales for the fiscal year that ended on or before an acquisition or greenfield project commenced. If the greenfield project was an expansion, all industry sales represented the facility's projected annual sales once it became fully operational (Anderson, 2017; BEA, 2021).

I chose the 2019 BEA's NFDI data set for conducting this ex post facto study because it contained data about the variables (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States, which aligned with the research question. Also, the variables were measurable, matched the objective of this secondary study, were quantifiable, and aligned with the terminology in the data set. BEA produced the secondary data set (Table 3) that I used to evaluate inward FDI characteristics in the United States based on the independent and dependent variables to describe the growth during 2019.

An unreliable measurement cannot be valid. Researchers review two indicators to assess the quality: reliability and validity (Zangaro, 2019). Because measurement instruments evaluate the findings of a study, researchers accomplish accuracy, stability, and truthfulness by integrating expertise with evidence-based practices. Reliability and validity measure transparency (Mohajan, 2017). Sometimes scientific methods that drive data collection create limitations and biases within secondary data sets. Secondary researchers are aware of the rules of evaluating the data set (Allen, 2017; Trinh, 2018). My role as a researcher was to define the variables, formulate the hypothesis, extract the secondary data set, analyze the data, and present the findings (Zangaro, 2019). Also, my



responsibility was to minimize ethical concerns associated with secondary research and obtaining IRB approval to conduct this doctoral study.

**Table 3**

*Inward New Foreign Direct Investment in the United States*

Nominal variables	Description	Values	Scale of measurement
NFDI for acquisition projects (BEA survey form 13A)	Sales when a foreign investor owns or acquires at least 10% of a U.S. business	Industry sales	Ratio
NFDI for greenfield establishment projects (BEA survey form 13B)	Sales when a foreign investor established a business or affiliate on U.S. soil	Industry sales	Ratio
NFDI for greenfield expansion projects (BEA survey form 13D)	Sales when a foreign investor expanded an existing business or affiliate on U.S. soil	Industry sales	Ratio
All industry sales	Actual or projected total annual amount for the fiscal year ended on or before the acquisition, location, or expansion of the business enterprise in the United States	Annual sales	Ratio

*Note:* Secondary data set produced by BEA

**Reliability**

This quantitative ex-post-facto study involved existing data of historical filings and tests. Normally, researchers performing secondary analysis obtain and review the original survey and protocols followed by the primary researchers related to the data set to confirm the accuracy of the data points (Zangaro, 2019). Also, researchers audit the trail of records to track each study component (Sherif, 2018). For this secondary study, I did not have access to obtain all documentation of the processes and protocols followed

by the primary researchers, including the survey forms, all coding materials, and publications produced using the data set. In this secondary study, BEA was the primary researcher responsible for the primary documentation. BEA is a source of accurate and objective statistics. BEA automatically assessed for inconsistencies in submitted survey forms. An authenticity check is a validity condition that regulated the relationships, and the values gathered from one or more survey items (Limés, 2017). By law, BEA could not officially release the documentation. To reduce ethical threats, BEA kept the primary documentation confidential.

Reliability represents the consistency of research results after repeated replication. Also, reliability signifies researchers' faith that analysis of the data set would yield the same or approximately the same outcomes given the same population and environments (Wang et al., 2018). For this quantitative ex post facto study, the reliability coefficient (Cronbach alpha) for the scale measurements was between 0 and 1 (absolute reliability approached 1, and no reliability equaled 0) (Mohajan, 2017). Threats to reliability in secondary research consist of random errors in the data set (Green & Salkind, 2017). To reduce threats, secondary researchers check the data points downloaded from the public website to confirm the correct exportation of the data and to ensure the proper handling of missing or perturbed data.

### **Validity**

Validity was determined by whether I accomplished study objectives, and whether the results answered the research question. To that end, assessing the survey purpose and design helped identify the uncertain elements (Zdebska, 2021). According to

Fabrigar et al. (2020), whenever a replicate study fails to yield the same or similar results as the original, the failure is likely because of validity problems. Fife (2020) prescribed eight steps to resolve major statistical issues and false-positive relationships between variables for researchers to avoid. The steps included stating the hypothesis, assessing the variables, identifying the outliers, identifying heteroskedasticity or uncertainty, studying residuals, interpreting effect size, setting decision criteria, and replicating on a new data set. To examine the validity, secondary researchers conduct statistical tests in SPSS, including t-tests, statistical power analysis, and parametric tests.

Internal validity represents the extent to which a study detects a relationship between variables (Fabrigar et al., 2020). The primary threat to internal validity in descriptive research designs (*ex post facto* and cross-sectional) is missing data (Zdebska, 2021). Researchers use statistical analyses to accurately assess the relationships between the variables in the data set (Fabrigar et al., 2020). Missing data impacts the validity of a study. Another threat to internal validity includes historical events that happen in a geographical location. Alterations to the environment of a study disturb the outcome. In addition to internal validity, there were three other types of validity: (a) statistical conclusion, (b) construct validity, (c) external validity, which I discussed under data analysis.

### **Data Analysis**

For this quantitative study, I used a combination of descriptive and multiple linear regression analysis to assess hypotheses of *ex post facto* cross-sectional designs. Descriptive statistics include a wide-ranging model that exposes data patterns by

describing the relationship between the variables (Das et al., 2020). Although researchers use descriptive statistics to reduce data to a manageable format, the outputs consist of categorized data limited to descriptions of single variables in the study. In quantitative studies, the three categories of descriptive statistics include frequency, central tendency (mean, median, and mode), and dispersion or variation (variance and standard deviation) (Mishra et al., 2019). Descriptive statistics is the basis for every quantitative analysis of data.

I supported the descriptive findings by conducting multiple linear regression analyses. Multiple linear regression is an appropriate data analysis technique for the examination of the relationship between two independent variables and one dependent variable (Pallant, 2020). According to Uyanık and Güler (2013), researchers use multiple linear regression to examine the relationship between the independent variables using  $r$  squared. Researchers assess  $r$ -squared to explain the strength of the relationship between two or more independent variables and one dependent variable, and the value of the dependent variable when the independent variable equals a specific value (Rights & Sterba, 2019).

To perform multiple linear regression, I used SPSS. Researchers use SPSS to find the best fit for each independent variable by calculating (a) least error regression coefficient, (b)  $t$ -statistic, and (c) the  $p$ -value of the likelihood the  $t$ -statistic occurs if the null hypothesis was true (Araiza-Aguilar et al., 2020). Also, researchers produce graphs in SPSS to describe the strength of the relationship between the variables and the dependent variable's value based on the independent variables' value (Uyanık & Güler,

2013). I used SPSS to produce graphs depicting the multiple linear regression analysis results based on the data set. Then, I displayed the different graphical results showing the effect of each independent variable (x-axis) on the dependent variable (y-axis).

In survey data, the main limitation is uncertainty that existed because of incomplete answers or missing data. A carefully designed survey is the best way for researchers to avoid missing data (Zdebska, 2021). As a provider of secondary data sets, BEA modified the data to exclude identifying information. Government agencies like BEA perturb results to protect data points' correct value and confidentiality (Rinott et al., 2018). Managing incomplete or uncertain information is a significant challenge for researchers who engage in secondary data analysis (Hariri et al., 2019). Before using statistical models to analyze secondary data sets, I checked the data. A review of government procedures for anonymity and confidentiality helps researchers balance risk, analytical efficiency, usefulness, and the security of the data set (Goldstein & Shlomo, 2018). To deal with missing or perturbed data, I performed data cleaning techniques.

Data cleaning techniques exist to address data quality and clear up uncertainty. Sometimes researchers clean up data sets by excluding outliers from the analysis. If the assumptions are satisfied, omitting the outliers can produce unbiased study results provided the sample is large enough and the power sufficiency of the study (Matthay & Glymour, 2020). Also, researcher clean the data to improve analysis by detecting missing at random data (Hariri et al., 2019). Although incomplete responses are unavoidable, researchers often analyze data sets and changes within the data collection to understand the behavior and characteristics of the target population and surrounding stakeholders

(Martins et al., 2018). Also, researchers conduct statistical analysis to manage missing data. According to Zdebska (2021), researchers used statistical t-tests to verify the randomness of the missing data. If the missing data is not random, researchers consider variables related to the missing or uncertain data. Imputation techniques allow researchers to replace missing data with estimated values. Instead of deleting cases because of missing values, imputation techniques preserve data points by changing the missing data with a probable value calculated by other existing statistics (Hariri et al., 2019; Rinott et al., 2018). After replacing missing values, researchers analyze the data set using standardized practices.

Researchers address the threats to statistical conclusion validity to ensure the quality of the ex post facto study and the findings. Statistical conclusion validity is the preciseness of the conclusion regarding a relationship between the variables. According to Mohajan (2017), two conditions exist in precise (error-free) research: (a) confirmation and acceptance of the null hypothesis by researchers, and (b) the null hypothesis is false and rejected by researchers. If the conclusion claims a relationship exists when such a relationship does exist, no error occurred to invalidate the study. However, when there was a violation of statistical conclusion validity, Type I or Type II errors exist in the original or replicate studies (Fabrigar et al., 2020). As a secondary researcher, I followed proven guidelines to minimize Type I (false positive results) and Type II (false negative) errors.

To assess statistical conclusion validity, researchers make three considerations: (a) ruling out random error, (b) meeting the defined assumptions of the statistical model,

and (c) correctly specifying the statistical model (Matthay & Glymour, 2020). In linear regression, the data must meet the assumptions of multicollinearity, outliers, normality, linearity, homoscedasticity, and evaluating the independence of residuals (Fife, 2020). Researchers measured the assumptions in linear regression through probability plotting (P-P) and a scatterplot to assess residuals (Green & Salkind, 2017). If a violation of assumptions occurs, researchers quickly fixed the violation by choosing the correct linear model (Fife, 2020). Otherwise, researchers use nonparametric techniques to generate percentiles from the random repetition of the sample (Aneiros et al., 2018). The percentiles range within the 95% confidence interval for assumptions satisfied based on nonparametric testing techniques. By addressing the unique or unintended data points between the variables, researchers minimize adverse effects on the study results.

Although not a primary concern for researchers of secondary data analysis, violation of construct validity occurs if errors contaminate the operation of the variables. Construct validity represents the extent to which the independent and dependent variables correspond to the intended construct to capture the intended phenomenon (Matthay & Glymour, 2020). If errors arise because researchers incorrectly deduce information about the variables, missing variables, or subject bias in responses about the variables, threats to construct validity cause a mistake in the data, which produce no effect (Fabrigar et al., 2020). Missing data denoted by shading, punctuation, or symbols such as a period or a dash or the letter D in a cell suggests suppressed data perturbed by primary researchers to protect the confidentiality of the subjects from the target population (Rinott et al., 2018). The footnotes explain such omissions for privacy and the presence of punctuation or

symbols (Hayes-Larson et al., 2019; Rinott et al., 2018). During data cleaning, I used statistical applications to measure and overcome suppressed cells in secondary data compiled by BEA.

Finally, researchers judge the external validity by the generalizability of the investigation and the goals within the study. External validity represents the extent to which the initial study results are generalizable to the population (Fabrigar et al., 2020). For descriptive analyses, the generalization measures the extent to which the description of the relationship between the independent and dependent variables aligns in a new setting or population. To establish the quality of quantitative research, researchers record and describe their investigation of the research questions to those who wish to replicate the study and results. Because threats to external validity often occur by introducing different data points, variables, and settings, researchers address the extent to which the findings are helpful beyond the context studied. Researchers cure threats to external validity by calibrating the research design or analytic features, researchers usually address threats by clearly interpreting the results and identifying the reference population (Matthay & Glymour, 2020).

### **Population Sampling**

Sampling is fundamental to research because of the impact on the quality of the findings. Selection bias likely occurs in ex post facto studies because the design does not include the random assignment of the data points to the variable groups (Fabrigar et al., 2020). Although the nature of a measure changes over time, a lack of clarity about the variables can lead to ambiguous findings (Matthay & Glymour, 2020). A violation of



random assignment results in a false or countervailing relationship between independent variables that affect the outcome (dependent variable) (Fabrigar et al., 2020). Population sampling theory refers to probable selection of each participant from a subset of an entire population (Peregrine, 2018). When completed correctly, population sampling accurately reflects the range of normal distribution of variation within the entire population.

Probabilistic sampling is a suitable technique for this ex post facto study. Probabilistic methods to randomly select data points from the sample population include simple random sampling, systematic random sampling, stratified random sampling, and cluster sampling (Peregrine, 2018). Simple random sampling reduces the potential for human bias in selecting data points for the study. Also, simple random sampling produces a highly representative sample of the study population, assuming no missing data points (Sharma, 2017). Researchers use histogram charts to illustrate probabilistic sampling designs. Probabilistic techniques are easy to follow because they help researchers select the proper data points to align with the purpose of the study. Researchers do not recommend nonprobabilistic methods secondary descriptive statistical analysis (Peregrine, 2018). Nonprobabilistic designs are inappropriate for nonexperimental data to evaluate random uncertainties (Wang et al., 2018). For this secondary study, I chose a probabilistic sampling design. Simple random sampling was a suitable probabilistic technique for this ex post facto study.

Researchers cannot use inadequately powered studies to correctly describe the relationship between variables (Matthay & Glymour, 2020). To guard against Type II errors, secondary researchers conduct a power analysis to estimate the minimum sample

size required for a given significance level, effect size, and statistical power (Perugini et al., 2018). In this quantitative study, I evaluated the statistical significance to confirm the effect of the study, which was a depiction of the chance the study examined the relationship between variables. If the statistical power is too small or too large, high error rates occur in study results, nullifying study results as insignificant (Krefeld-Schwalb et al., n.d.). Researchers use power analysis to estimate the minimum sample size required for a given significance level, effect size, and statistical power (Perugini et al., 2018).

I conducted a power analysis using the G\*Power 3.1 by Faul et al. (2009) to calculate the appropriate sample size for this quantitative study. Within the G\*Power software, I included the parameters of (a) effect size of .15; (b)  $\alpha$  err probability of .05; (c) statistical power of .80; and (d) three independent variables as suggested by prior researchers to detect a medium effect (Brysbaert, 2019; Brysbaert, & Stevens, 2018). The results of the a priori *F* test analysis for multiple linear regression showed a required sample size of 77 businesses for this quantitative study (Appendix A). Because the data set consisted of 156 MNCs sampled, I could offset Type II errors by increasing the sample size. The strategy of increasing the sample size could strengthen the statistical power and reduce insignificant results (Matthay & Glymour, 2020).

### **Ethical Research**

Ethical research aligns with the research method and design. According to Zhang and Liu (2018), ethical issues arise in the research process based on the technique used to investigate the research question. Before the first oral defense, the University Research Review (URR) invited me, as a secondary researcher, to seek approval from the

Institutional Review Board (IRB) at Walden University to conduct this quantitative ex post facto study. The IRB applies standard rules and regulations to protect human subjects and provides an independent review to support researchers with comprehensive expertise (Brown et al., 2020). Ethical research begins with informed consent (Zhang & Liu, 2018). Informed consent allows individuals to determine whether to participate in a study after understanding the facts about the survey (Zhang & Liu, 2018). The IRB staff provided a list of documents required from the secondary researchers and primary researchers.

In 1979, the National Commission for the Protection of Human Subjects of Biomedical and Behavior Research created *The Belmont Report* of ethical principles for the adequate treatment of subjects throughout the research process (Brown et al., 2020; Stewart, 2021). Quantitative researchers comply with local and institutional policies that regulate informed consent in the research process to protect human subjects' rights and privacy interests. The guidelines ensure the appropriateness of the methodology, informed consent, and withdrawal from the research process (Sivasubramaniam et al., 2021). Researchers use the principles to address how they will manage ethical issues (Zhang & Liu, 2018).

The data set in this quantitative study consisted of secondary data collected by BEA. In quantitative, ex post facto research, secondary researchers and IRBs practice due diligence to protect anonymity and preserve confidential information (Stewart, 2021). While using BEA's data set, I did not primarily contact the subjects in the study. The study subjects were not physically accessible. According to Stewart (2021), secondary

data sets do not pose an imminent risk to the well-being of subjects. Researchers collecting primary data must adhere to the Commission's standards to protect human subjects. Although BEA, as the primary collector of the data, was responsible for observing informed consent guidelines and safeguarding the confidentiality of the subjects, the secondary researcher are responsible for securely storing the information for at least five years to minimize data breaches. Accordingly, opt-out policies respect subjects' rights to rescind consent or opt out of research at any time during the five years by writing to the primary researchers.

No requirement exists for researchers to obtain informed consent forms to conduct secondary data analysis. Because problems related to research differ in behavioral research, individual IRBs address such issues (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). In the IRB process at Walden University, secondary researchers accomplish the objective by following procedures to complete Form B, which frame the research process and define the study's ethical proportions. The ethical proportions include accepted principles of justice, beneficence, respect, merit, and integrity as guides for ethical research (Brown et al., 2020).

The IRB reviews and approves applications to conduct secondary analysis research to mitigate ethical problems (Brown et al., 2020). I sought IRB guidance as an exercise of my due diligence to address all ethical considerations for this quantitative ex post facto study. As a secondary researcher, I consulted with the IRB, observed informed consent guidelines, and protected confidentiality of the subjects in secured storage for at

least five years to minimize data breaches. The manuscript does not include names or any other identifying information of individuals or organizations. The final manuscript for my DBA portfolio capstone includes the Walden IRB approval number. The Walden University IRB Approval Number for this doctoral study was 04-01-22-1008123.

### **Transition and Summary**

In this quantitative study, I used secondary data to examine the cross-sectional relationship between market entry modes and all industry sales in the United States. Economic developers required the filtration and comparison of data to attract FDI. Little to no research existed about the relationship between the variables (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Because BEA produces data about inward FDI, I used linear regression to evaluate the secondary data set. The results may clarify and enrich the research about FDI and helps economic developers adjust strategies and applied practices to attract new FDI projects and conduct international business more effectively. Section 2 highlighted the research method, design, data analysis, and psychometric properties related to the reliability and validity of the data set. In Section 3, I present the quantitative data analysis, discuss the results and conclusions, and recommend a plan of action to implement social change.

### Section 3: Application to Professional Practice and Implications for Change

Economic developers inquire into the national statistics about market entry modes and business production because their marketing emphasis is to persuade foreign investors to open MNCs within their respective nations (Cleave et al., 2016; Vaupot, 2020). To understand the forces that influence business decisions, economic developers analyze data to bring about negotiations (Rowe & McLaren, 2017; Slaper & Ping, 2018; Wu & Rogers, 2018). At the time of this quantitative study, a void existed in empirical research to examine the outcomes of implementing FDI projects in one foreign location compared to another (Cleave et al., 2016; Phelps & Wood, 2018). To examine the outcomes of implementing FDI projects in the United States, I applied sales as a performance measure for leveraging the nation's competitive advantage. BEA defined sales as the actual or projected total annual amount for the fiscal year that ends on or before establishing inward FDI projects in the United States. Some economic developers have not used BEA's 2019 data set to examine the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. In Section 3, I present the quantitative findings, recommendations for action, communication plan, the implication for social change, skills and competencies, and application to professional practice.

#### **Presentation of the Quantitative Findings**

Grounded in OLI theory, also known as the Dunning paradigm, the purpose of this quantitative ex post facto study was to use secondary data to examine the cross-

sectional relationship between market entry modes and all industry sales in the United States. I used SPSS software, Version 28, to assess the relationship between market entry modes and all industry sales in terms of productivity. The initial data set produced by BEA included 156 data points that represented foreign investors who acquired, established, or expanded MNCs inward to the United States during 2019.

The multiple linear regression analysis results indicated the model can significantly predict all industry sales in the United States,  $F(3,117) = 41.61$ ,  $p < 0.001$ ,  $R^2 = .51$ . All three independent variables were significant, with NFDI for greenfield establishment projects ( $t = 2.60$ ,  $p = .01$ ,  $\beta = .21$ ) providing a higher contribution to the model than NFDI for greenfield expansion projects ( $t = -2.60$ ,  $p = .01$ ,  $\beta = -.20$ ) and NFDI for acquisition projects ( $t = -8.11$ ,  $p < .001$ ,  $\beta = -.76$ ). After consideration of the key assumptions, I rejected the null hypothesis and retained the alternative hypothesis. The data set met the assumptions, and the analysis indicated a significant relationship between market entry modes and all industry sales.

The independent variable, NFDI for acquisition projects, had the most significant, although inverse, relationship with all industry sales by .769. Also, the findings indicated that NFDI for greenfield projects to establish or expand an MNC had significant relationships with all industry sales (establishment by .212 and expansion by .200, respectively). The literature and theoretical assessment support the findings of market entry modes and the business production outcome (Burakovsky & Voloshyn, 2021; Davies et al. 2021). I discuss the supporting elements in the section on applications to professional practice.

Economic developers may use the findings to spur economic development by customizing inward FDIs. When economic developers adapt FDI inflows to address funding gaps in global production, economic development is more sustainable (Phelps & Wood, 2018; Suehrer, 2019). In relation to the sustainable development goals outlined by the United Nations, implications for positive social change include the potential for economic developers to increase inward private investments, research and development, and technology inputs in the local communities within the United States. Economic developers may positively leverage all industry sales in the United States to increase GDP by strengthening economic opportunities. In the literature, increased GDP and economic opportunities have led to a reduction in poverty among U.S. citizens and an increase in life expectancy (Abegaz & Nene, 2018; Vatavu et al., 2019). From these efforts, the United States may also serve as a role model for social change globally.

### **Research Question and Hypotheses**

RQ: What is the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States?

*H<sub>0</sub>*: There is no statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

*H<sub>1</sub>*: There is a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.



## **Data Preparation and Cleaning**

Before using SPSS to answer the research question and evaluate the hypotheses, I downloaded and reviewed the Excel file from BEA's public website. The raw data consisted of responses from 156 foreign investors that either acquired, established, or expanded an MNC inward to the United States during 2019. I prepared the data to address the quality and reduce uncertainty within the model before performing multiple linear regression analyses. According to Zdebska (2021), the best way to reduce uncertainty because of missing data is to carefully design the survey. However, as a secondary researcher, I did not design the survey. Instead, I reviewed the data set for missing data to assess whether the missing values were random or whether a systematic pattern existed.

Preparing the data was a significant challenge during this secondary analysis (Hariri et al., 2019). To overcome the challenge, I followed Goldstein and Shlomo's (2018) recommendation and reviewed BEA procedures for anonymity and confidentiality, which helped balance risk, analytical efficiency, and usefulness of the data set. BEA modified the data to exclude the correct values. Primary researchers perturb the data points to protect confidentiality (Rinott et al., 2018). To deal with missing or perturbed data, Pallant (2020) suggested that researchers perform data cleaning techniques. First, I used the multiplier feature in Excel to recalculate each cell that contained ratio measurements by multiplying each by \$1,000,000 in accordance with BEA standards. After multiplying each ratio measurement, I checked for additional missing data. Typically, researchers use descriptive statistics to understand missing data

for each variable. Researchers use statistical t-tests to verify the randomness of the missing data (Zdebska, 2021). Because BEA perturbed the data points to protect confidential information, the missing data were not random or unavoidable. By following the recommendation of Martins et al. (2018), I considered variables related to the missing data and further analyzed the data set to understand the changes within the data.

Next, I used the transform feature in SPSS, which converted missing data into a usable format by replacing missing data points with a mean value. The imputation technique consisted of replacing perturbed data with estimated values. Researchers often use imputation methods to address missing data from the analysis (Pallant, 2020). Instead of deleting cases because of missing values, the imputation technique allowed me to preserve all data points by assigning a probable value calculated by the other existing statistics (Rinott et al., 2018). Data cleaning improves the performance of data analysis by replacing missing data (Hariri et al., 2019). After cleaning the data, I analyzed the data set using the descriptive statistics feature in SPSS to explore the variables.

### **Descriptive Statistics**

Because nominal variables cannot be treated using numerical operators, I grouped the nominal variables in SPSS according to types of NFDI. Some descriptive statistics are not appropriate for nominal variables (Mishra et al., 2019). Instead of mean and standard deviation, I used frequencies to count the number of times that in each nominal variable occurred. From the output shown in Table 4, among the 156 FDI projects inward to the United States in 2019, 33.3% of the projects were acquisition and 66.6% were greenfield projects (33.3% establishment and 33.3% expansion). The sizes for each group of

nominal variables were equal. Unequal group sizes may be unsuitable to conduct descriptive analyses (Pallant, 2020). Finally, to compute the means and standard deviations for the independent and dependent variables (ratio scales), I used SPSS to generate descriptive statistics for the measurements highlighted in Table 5.

Because multiple regression is a statistical technique based on assumptions about the data, small samples tend to violate because of the skewness within the distribution of the data points (Marshall & Samuels, 2017). A medium sample size ( $100 < N < 300$ ) was appropriate for this quantitative study. The results of the a priori F test analysis for multiple linear regression showed a required sample size of 77 businesses. To guard against Type II errors, the formula for calculating sample size for social science research is based on the number of independent variables:  $N > 50 + 8m$  (where  $m$  = number of independent variables) (Pallant, 2020). The sample size for this quantitative study was 156 points of data. The required sample size is based on the parameters of (a) effect size of .15; (b)  $\alpha$  err probability of .05; (c) statistical power of .80; and (d) three independent variables as suggested by prior researchers to detect a medium effect (Brysbaert, 2019; Brysbaert, & Stevens, 2018). I included all 156 data points in the regression analysis to increase the statistical power. To further define the characteristics of the data set, I checked the variables for violation of the assumptions underlying the statistical analyses of the research question. Because there were no missing data after the cleaning process, the next step was evaluating the assumptions of normality, outliers, multicollinearity, linearity, and homoscedasticity (Fife, 2020).

**Table 4***Frequency Table*

Variable	Type	N	Frequency	Percent
NFDI for acquisition projects (BEA survey form 13A)	Independent	156	52	33.3
NFDI for greenfield establishment projects (BEA survey form 13B) and	Independent	156	52	33.3
NFDI for greenfield expansion projects (BEA survey form 13D)	Independent	156	52	33.3

*Note.* *N* = number of data points.

**Table 5***Means and Standard Deviations for Independent and Dependent Variables*

Variable	Type	N	M	SD
NFDI for acquisition projects (BEA survey form 13A)	Independent	156	.33	.472
NFDI for greenfield establishment projects (BEA survey form 13B) and	Independent	156	.67	.946
NFDI for greenfield expansion projects (BEA survey form 13D)	Independent	156	1.00	1.419
All industry sales	Dependent	153	8.83	.818

*Note.* *N* = number of data points; *M* = mean; *SD* = standard deviation.

### **Assumptions**

#### **Normality**

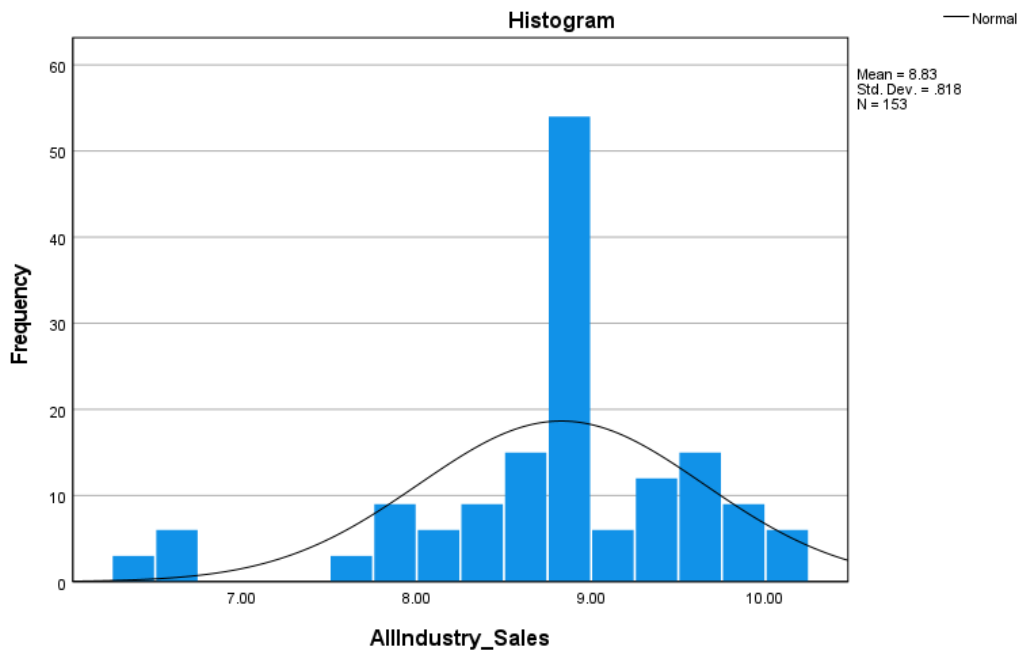
I checked the distribution of all industry sales for normality between the probability plots and histograms. Probability plots that present the distribution are known as Q-Q plots. Normally distributed data form a straight line (Shanthi, 2019; Kalemis, 2022). Nonnormal data points form a curved distribution or an output that does not resemble a straight line. I used descriptive statistics to analyze information regarding the

distribution of scale variables (skewness and kurtosis). Researchers assess skewness and kurtosis for valuable information about the normality of scale variables in parametric statistical tests (Pallant, 2020). While skewness indicated the symmetry of the distribution, kurtosis described the peak. Perfectly normal distributions output a value of zero for skewness and kurtosis, which is uncommon in studies of social sciences (Pallant, 2020).

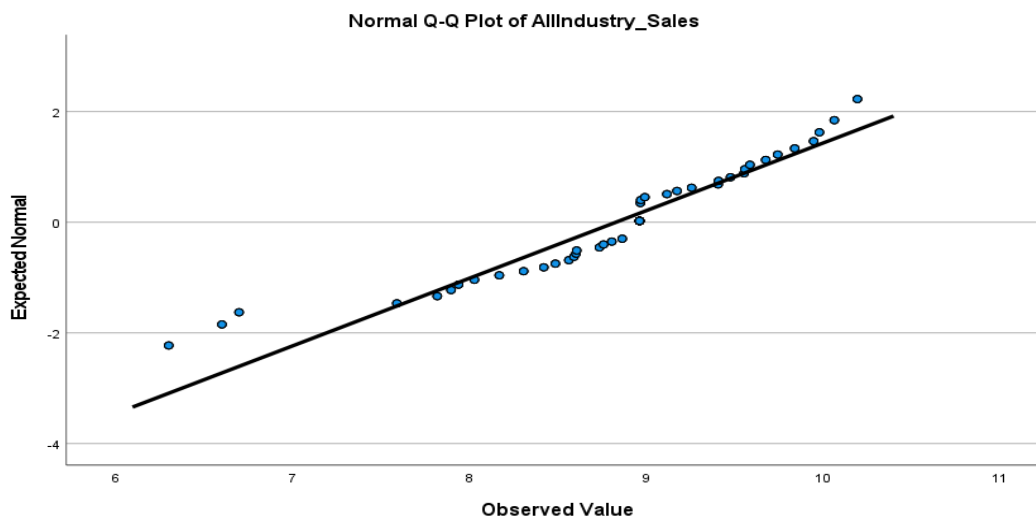
If skewness existed within the distribution, I transformed the variables by recalculating them using the transform feature in SPSS. The transform feature mathematically modified the ratios using various formulas until the distribution looks more normal (Pallant, 2020). Although there were various formulas to transform the ratio variables depending on the shape and distribution of the data points, I used log arithmetic to better meet the assumptions to perform parametric statistical analysis. The log arithmetic created an exponent of the ratio variable. By raising the number exponentially, the log transformation compressed and stretched out the upper and lower tails (Denis, 2018). As a result, the transformed data appeared normally distributed. The normal distribution was symmetrical and peaked in the middle above the mean (Marshall & Samuels, 2017). Although the histogram for the dependent variable appeared slightly negatively skewed (Figure 3), the data points did not require perfect distribution for the tests to be dependable (Marshall & Samuels, 2017).

**Figure 3**

*Histogram for All Industry Sales with Normal Approximation Curve*



As an alternative to the histogram, researchers use Q-Q plots as a graphical method to assess normality (Marshall & Samuels, 2017). Researchers may find Q-Q plots easier to interpret. When the scatter is close to the line with no obvious pattern forming away from the line, researchers consider the data points normally distributed (Pallant, 2020). Figure 4 depicts an example of the same normally distributed and slightly, negatively skewed data illustrated in Figure 3. Because the plots resembled a straight line, the Q-Q plots for the dependent variable, all industry sales, showed 153 data points that appeared normally distributed (Figure 4).

**Figure 4***Q-Q Plot for All Industry Sales*

Visually, the Q-Q plots revealed the data met the assumption of normality. I used measures of kurtosis and standard error provided by SPSS to check the normal distribution of data points. Outputs from the Kolmogorov-Smirnov and Shapiro-Wilk included Z-scores and Kurtosis scores for normality (Pallant, 2020). Z-scores and Kurtosis scores for normality divided skewness ( $-1.117$ ) and Kurtosis ( $1.720$ ) of the distribution by its related standard error ( $.196$  and  $.390$ , respectively). Standardized Z-scores range  $\pm 3.29$  for a medium sample of 156 (Kalemis, 2022). In small and medium samples, Kurtosis results may underestimate of the variance (Pallant, 2020). Table 6 below illustrated the normality distribution for all industry sales. The output Z-kurtosis score of  $.173$  for all industry sales indicated a nonnormal distribution.

**Table 6***Tests of Normality*

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
All industry sales	.173	153	<.001	.902	153	<.001

*Note.* a. Lilliefors significance correction; Df = degrees of freedom; Sig. = significance

Researchers use Kolmogorov-Smirnov and Shapiro-Wilk statistical tests to evaluate hypotheses to determine if the data points are normally distributed (Marshall & Samuels, 2017). The null hypothesis for normality centers on the assumption that the data points were normally distributed, while the alternative hypothesis states the data points were not normally distributed (Shanthi, 2019). In this quantitative study, the p values of < .001 for both tests were < .05. The dependent variable, all industry sales, indicated a nonnormal distribution. Based on the Kolmogorov-Smirnov test and the Shapiro-Wilk, I would have rejected the null hypothesis for normality of the dependent variable, all industry sales, and accept the alternative hypothesis. However, in regression analysis, normality of the dependent variable is not always necessary.

Sometimes the result is acceptable to show that the residuals are normal (Kalemis, 2022). Standard residual statistics range between 1.5 and 2.5 to accept the assumption of normality (Kalemis, 2022). The minimum and maximum standard residual values for the dependent variable, all industry sales, were 6.30 and 10.19, respectively. Also, the p-value of < .05 signified significance and that of < .001 ( $p < .001 < \alpha .05$ ) indicated statistical significance. Such residual statistics implied that the residuals were nonnormal (Marshall & Samuels, 2017). Thus,  $p < .001$  denoted high significance, and the p-value

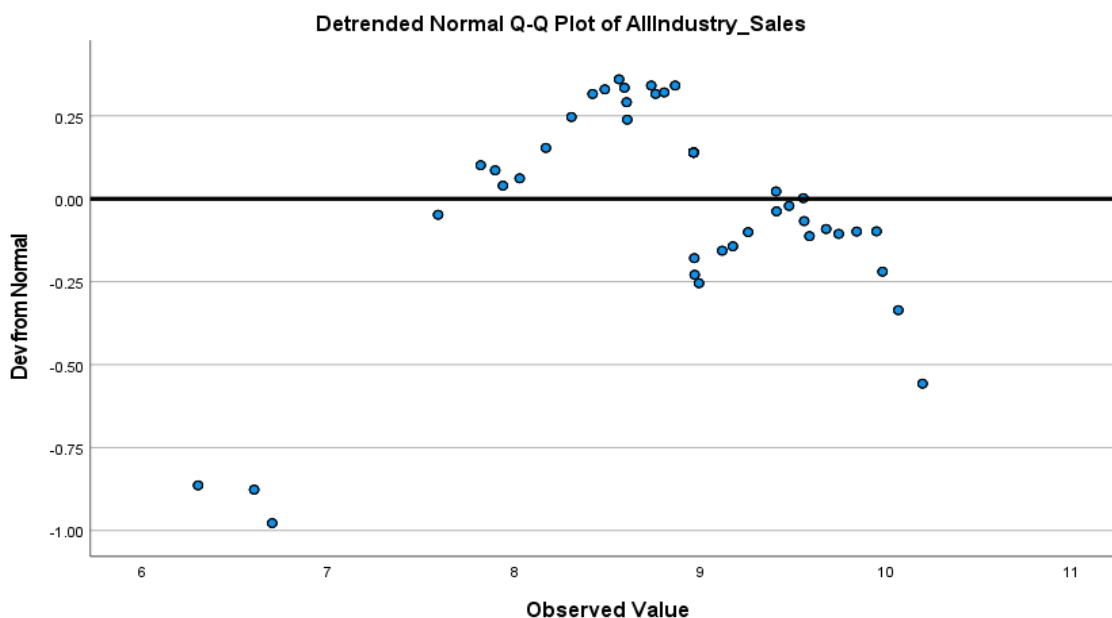


provided strong support to oppose the null hypothesis for normality. But substantial deviations from normality did not result in statistical significance in small and medium-sized samples. Researchers recommended assessments also include an evaluation of the normality of histograms or Q-Q plots (Marshall & Samuels, 2017).

Researchers can use the Kolmogorov-Smirnov test and the Shapiro-Wilk test in combination with either a histogram or a Q-Q plot to inspect the shape of the distribution (Pallant, 2020). I used descriptive statistical analysis tests to assess the underlying distribution, which were sensitive to outliers according to sample size. Although the Shapiro-Wilk test was more sensitive, the test was less likely to detect nonnormality in small or medium-sized samples (Marshall & Samuels, 2017). Visually, the actual shape and the distribution of the data points in the histogram appeared normally distributed, and the Q-Q plots formed of a straight line (Mishra et al., 2019). Although the Detrended Normal Q-Q Plots (Figure 5) show no real clustering of the data points around the zero line, the distribution of data points appeared normally distributed (as the data points barely deviate from the line of normal distribution). Based on the visual graphs, a parametric test was sufficient to assess normality, provided all other assumptions are satisfied (Marshall & Samuels, 2017). Otherwise, researchers may overcome the nonnormal distribution of the data points by conducting nonparametric sampling (Mann-Whitney test or Spearman's correlation coefficient test) that did not require the assumption of normality (Pallant, 2020).

**Figure 5**

*Detrended Normal Q-Q Plot of All Industry Sales*



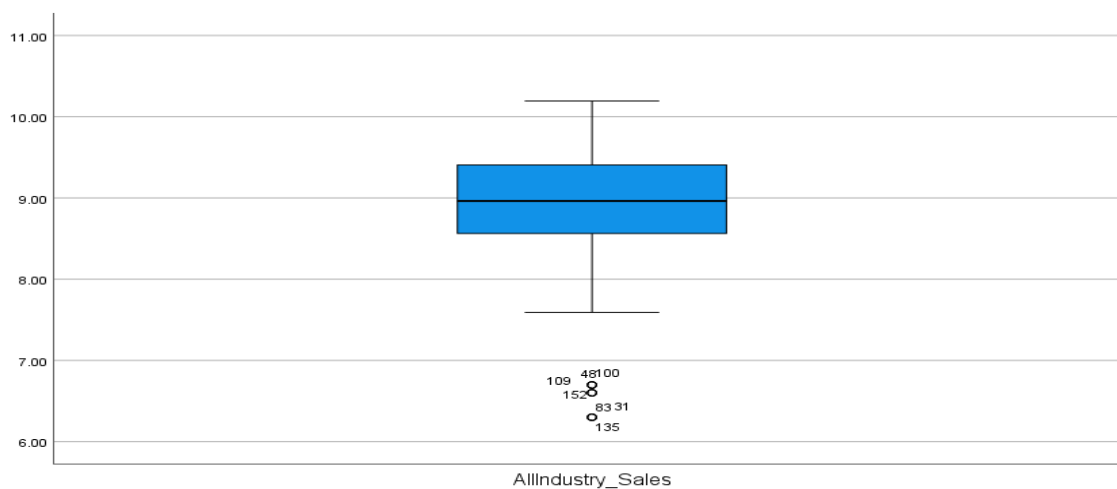
## Outliers

Outliers are data points extremely above or extremely below the margin of other data points (Pallant, 2020). Sometimes researchers remove all extreme data points from the data set. Typically, omitting the outliers produces unbiased study results if the sample is large enough and had sufficient power (Matthay & Glymour, 2020). Other researchers change the value of the outlying data points to one less extreme. According to Denis (2018), the criterion for outliers is subjective. For this ex post facto study, I considered the data point carefully. When I attempted to remove the outlying data points, the significance levels did not change. Therefore, to preserve the statistical power of the study, I did not remove data points from the data set because all data points arose truly from the population.

I used box plots for the dependent variable (all industry sales) to illustrate the presence of potential outliers in the dependent variable. In SPSS, potential outliers extended away from the box between 1.5 to 3.0 box lengths (Pallant, 2020). Figure 6 below illustrates seven outliers: data points 31, 48, 83, 100, 109, 135, and 152. Also, the p-value of  $< .001$  denoted the presence of outliers. As a statistically significant indicator, a p-value of 0.05 or lower denotes the existence of outliers (Leys et al., 2018). I double-checked the data records to determine if the outliers were genuine or if there were errors. If there was a mistake in data entry or another error, I could correct it and repeat the descriptive statistics to produce another boxplot. However, I found no data entry or other errors.

**Figure 6**

*Box Plot for All Industry Sales*



### **Multicollinearity**

The definition of Multicollinearity detailed the relationship among the independent variables. Multicollinearity exists when the independent variables are highly

correlated ( $r = .9$  and above) (Shrestha, 2020). In multiple regression, multicollinearity does not promote a dependable regression model (Pallant, 2020). For multicollinearity to occur, the independent variables (two or more) must highly correlate (Pallant, 2020). A variance inflation factor (VIF) between 1 and 5 specifies moderate correlation among variables. A VIF between 5 to 10 specifies highly correlated variables, indicating multicollinearity among the independent variables (Shrestha, 2020). If a violation of the multicollinearity assumption occurs, SPSS displays inaccurate statistical relationships.

To assess the multicollinearity assumption that no independent variables (two or more) were correlated, I performed collinearity statistics and scatter plots outputs in SPSS. Tolerance and the VIF are indicators of independence among variables. SPSS calculated Tolerance using the formula  $1 - R^2$  for each variable (Pallant, 2020). If the tolerance value is small ( $< .10$ ), the multiple correlation with other variables was high, suggesting the possibility of multicollinearity. In Table 7, the tolerance scores for each independent variable were  $.650$  or greater. Because the scores were not  $< .10$ , there were no violations of the multicollinearity assumption.

I used SPSS to calculate the VIF (the inverse of tolerance), by formulating the quotient of 1 divided by Tolerance. VIF scores above 10 suggested multicollinearity (Pallant, 2020). I examined the VIF for each independent variable. The VIF scores were between 1.33 and 1.53, below the maximum of 10. Because the VIF scores were between 1 and 5, moderate correlation existed among the variables. Conversely, VIF scores between 5 to 10 indicate multicollinearity among the independent variables that were highly correlated (Shrestha, 2020). If a violation of the multicollinearity assumption

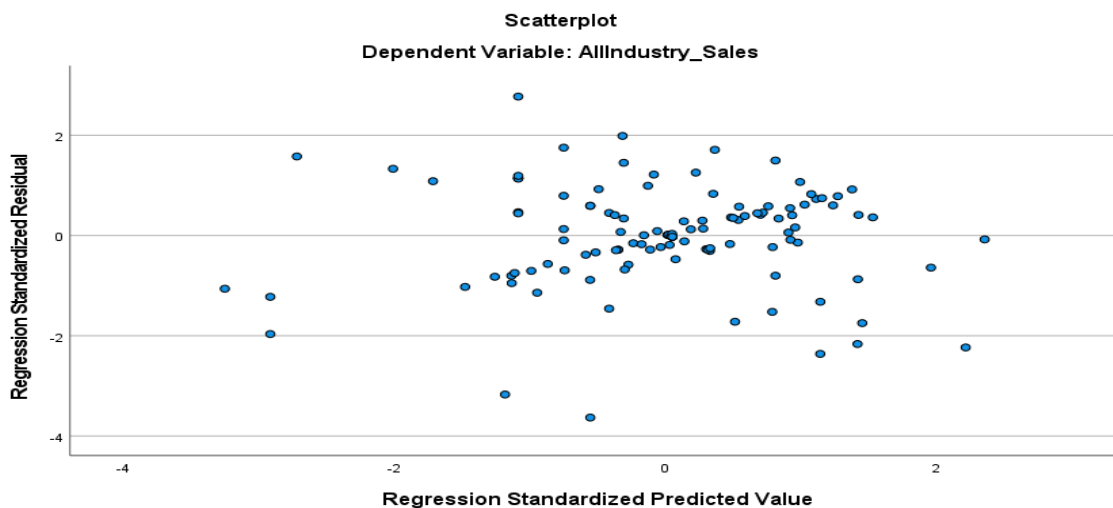
occurs, inaccurate statistical relationships arise in SPSS, which displays inaccurate statistical relationships. For this quantitative study, the VIFs for the independent variables were under 10. In Table 7, moderate to no multicollinearity within the independent variables, which is common for nominal variables (dummy) (Islam et al., 2019; Pallant, 2020). Researchers detect multicollinearity among variables by reviewing scatter plot graphs, to assess the linear relationship between independent variables (Shrestha, 2020). In Figure 7, the scatterplot of all industry sales evidence independence among the scale variables. Also, no correlation existed between NFDI sales by type and all industry sales as denoted by the Pearson Correlation score of .475.

**Table 7**

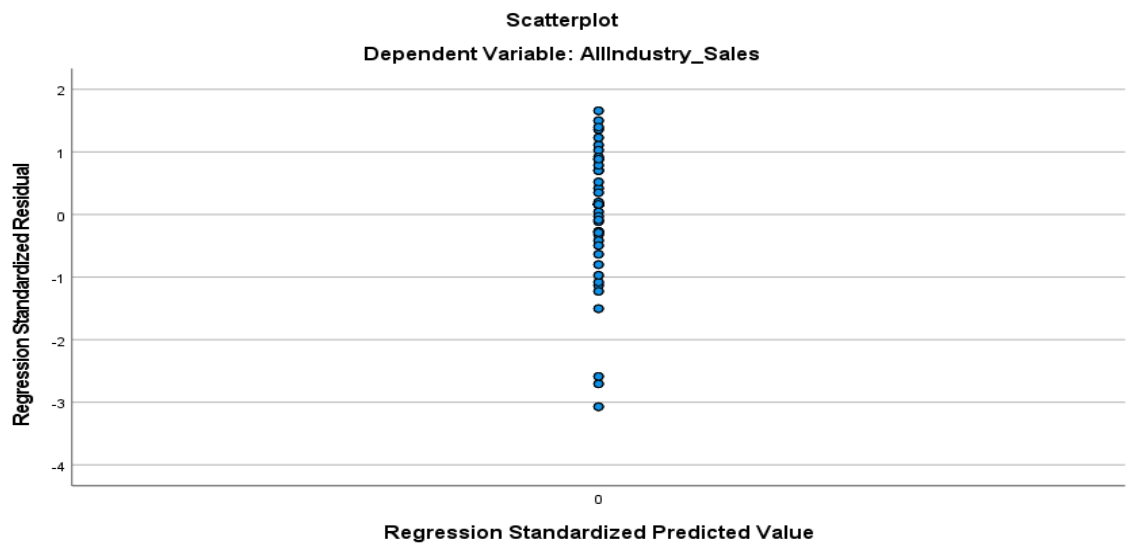
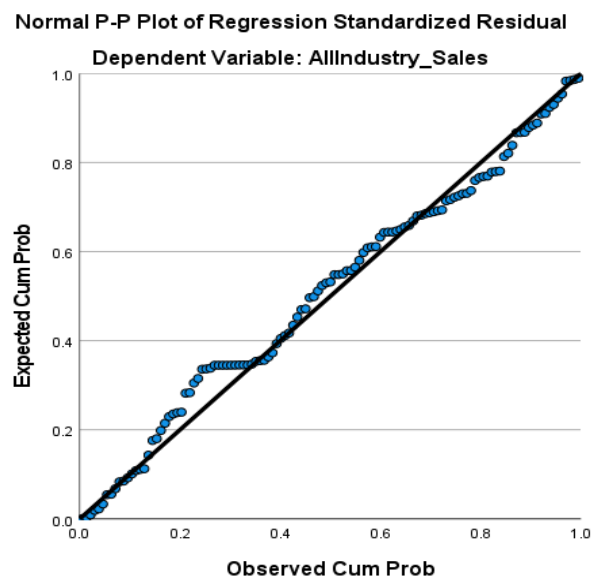
*Collinearity Statistics and Variance Inflation Factors*

Variable	Collinearity tolerance	VIF
NFDI for acquisition projects (BEA survey form 13A)	.650	1.53
NFDI for greenfield establishment projects (BEA survey form 13B)	.750	1.33
NFDI for greenfield expansion projects (BEA survey form 13D)	.750	1.33

*Note.* VIF = variance inflation factors

**Figure 7***Scatterplot for Industry Sales***Linearity and Homoscedasticity**

In linear regression, once the data met the assumptions of independence, and normality, I assessed for homoscedasticity, and linearity. To evaluate the two remaining assumptions, I followed the recommendation of Green and Salkind (2017) and used SPSS to output a probability plot (P-P) and a scatterplot to assess residuals. A straight-line output implied linearity characterizing the relationship between the standardized predicted values and the standardized residual values (Pallant, 2020). In Figure 8 below, the scatter plots of the standardized residuals and the predicted values fit the assumptions of linearity. Also, the scatter plots illustrated independence of the standardized residual values and the validity of homoscedasticity.

**Figure 8***Scatterplot for All Industry Sales***Figure 9***P-P Plot for All Industry Sales*

In the event of a violation of assumptions, researchers quickly fix the violation by choosing the correct linear model (Fife, 2020). Researchers assess three considerations to

evaluate statistical conclusion validity. The considerations are: (a) ruling out random error, (b) meeting the defined assumptions of the statistical model, and (c) correctly specifying the statistical model (Matthay & Glymour, 2020). If a violation of an assumption occurred, I could overcome the violation with nonparametric techniques (bootstrapping) to generate percentiles from the random repetition of the sample (Aneiros et al., 2018). In Figure 9 above, the P-P Plot displays a linear pattern. For the dependent variable, all industry sales, the assumptions were satisfied by parametric testing using SPSS to produce visual outputs (Figure 9).

### **Inferential Statistics**

To answer RQ: What is the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States? I used multiple linear regression to examine the following hypotheses about the relationship between market entry modes (independent variables) and all industry sales (dependent variable) in the United States in 2019:

*H<sub>0</sub>*: There is no statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

*H<sub>1</sub>*: There is a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.



To evaluate the model summary, I checked the  $R^2$  to understand the amount of variance in the dependent variable, all industry sales, explained in the model. The independent variables NFDI for acquisition projects and NFDI for greenfield projects explained .516. Expressed as a percentage, the model explained 51.6% of the variance in all industry sales in the United States in 2019 (Table 8). Adjusted  $R^2$  for the model was .504. In the model summary, ANOVA (Appendix B) showed the statistical significance of all industry sales. Based on ANOVA, the model evaluated the null hypothesis of multiple  $R$  in the sample with a statistical significance of .001 ( $p < .001$ ). As detailed in Table 8 below and Appendix B, the model significantly predicted all industry sales:  $F(3,117) = 41.61$ ,  $p < 0.001$ ,  $R^2 = .51$ . From the analysis, I rejected the null hypothesis and accepted the alternative hypothesis because there was a statistically significant relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

**Table 8**

*Model Summary for All Industry Sales*

Model	$R$	$R^2$	Adjusted $R^2$	Std. error of the estimate
1	.71	.51	.50	.54

*Note.*  $R$  = Correlation coefficient;  $R^2$  = Coefficient of determination; Std. = Standard

In the model, the  $\beta$  coefficient expressed the contribution of the independent variables to the dependent variable. To compare the independent variables (Table 9), I looked at the standardized coefficients, which were on the same scale (Pallant, 2020).

The largest  $\beta$  coefficient is  $-.769$ , NFDI for acquisition projects (BEA survey form 13A). NFDI for acquisition projects (BEA survey form 13A) made the strongest unique contribution to explaining the dependent variable, all industry sales. The  $\beta$  scores for NFDI for greenfield establishment projects (BEA survey form 13B), and NFDI for greenfield expansion projects (BEA survey form 13D) were slightly lower ( $.212$  and  $-.200$ , respectively), indicating less contribution to all industry sales.

The significance of NFDI for greenfield projects (establishment and expansion) was less contribution than NFDI for acquisition projects to the outcome of all industry sales. When the equation for all industry sales included NFDI for acquisition projects, the variable contributed significantly to the prediction of the outcome with a statistical significance of  $.001$ . While NFDI for greenfield projects (establishment and expansion) contributed less significantly to all industry sales with a statistical significance score of  $.011$  each. Because the scores are  $< .05$ , each independent variable contributed significantly to the dependent variable (Pallant, 2020). By squaring the part correlation coefficients, the indication of the total variance in the dependent variable explained each independent variable.  $R^2$  dropped by the same amount if the model did not include the independent variable. In the model, NFDI for acquisition projects expressed a squared part correlation coefficient of  $.27$ , an indication NFDI for acquisition projects explained 27% of the variance in all industry sales in the United States in 2019. For NFDI for greenfield projects, the part correlation coefficient of  $-.167$  squared yielded  $.02$ , an indication NFDI for greenfield projects (establishment and expansion) contributed 2% to the variance of all industry sales in the United States in 2019.

**Table 9***Coefficients for All Industry Sales*

Variable	Unstandardized coefficients		Std. coef.		
	<i>B</i>	<i>Std. error</i>	<i>B</i>	<i>T</i>	<i>Sig.</i>
(Constant)	4.69	.403		11.67	<.001
Acquisition (13A)	-1.18	.146	-.769	-8.11	<.001
Establishment (13B)	.172	.066	.212	2.60	.011
Expansion (13D)	-.115	.044	-.200	-2.60	.011

*Note.* *B* = Beta; *Std.* = Standard; *Coef.* = Coefficients; *t* = t-statistic; *Sig.* = Significance

### **Applications to Professional Practice**

I used the ownership, location, and internalization (OLI) theory (also known as the Dunning Paradigm) as a framework to examine the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. BEA collected the data set in 2019 for secondary use by the public. The idea of OLI is that foreign investors make FDI decisions inspired by three competitive advantages related to market entry modes: (a) ownership advantages, which were specific to the nature and nationality of the MNC, (b) location advantages, which are based on the different resources, institutions, and regulations in the foreign location that influenced the performance of the MNC, and (c) internalization advantages because of the price of operations arising from the allocation of ownership advantages of the MNC transnationally (Sharmiladevi, 2017). The reasonable construction between the OLI framework and the purpose of my study comprised the MNC advantages presented in the variables of (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment

projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States.

Because this doctoral study centered on the OLI framework to examine business production based on equity-controlled market entry modes in the United States, the empirical findings may be significant to leaders as a practical model for economic developers to market the United States as a location of choice. By using BEA's data set, economic developers may better understand the relationship between market entry modes for inward FDI and business production measured by all industry sales in the United States. In the final model, the independent variables, NFDI for acquisition projects and NFDI for greenfield projects (establishment and expansion), significantly influenced the dependent variable, all industry sales in the United States. Although inverse, the findings indicated that NFDI for acquisition projects had the most significant relationship with all industry sales. The findings indicated that NFDI for greenfield projects to establish or expand an MNC had significant relationships with all industry sales, respectively. Although there was no consensus, the assessment of the theoretical framework and information in the literature supported the findings of market entry modes and business production (Burakovsky & Voloshyn, 2021; Davies et al. 2021). The findings based on BEA's data set were statistically significant.

In the literature, economic developers inquired the best market entry modes to optimize ownership and internalization advantages for successful business operations transnationally (Xie et al., 2018). Because public funds had a limited influence on encouraging high-end market entry modes in areas of the world, economic developers

questioned what linkages within the business environment stimulated cooperation and partnerships. Also, economic developers cautioned against engaging solely high-end market entry mode projects (Burger, 2021). High-end projects were the type of market entry modes economic developers wanted to attract. Previous findings raised questions about policy, government incentives, and how to attract FDI that complemented existing local industries without displacing domestic firms (Burger, 2021).

Whether domestic firms realize explicit advantages from the location of MNCs depends on the economic competitiveness of the business environment in the international target market. How the market entry modes impact industry sales and other business production outcomes is not well known (Bhattarai & Negi, 2020). According to Suehrer (2019), FDI that consisted of a mixture of acquisition and greenfield projects to improve production, technology, and workforce skills contributed more significantly to the sustainable economic development of local and regional economies. While previous researchers found a positive relationship between the market entry modes and business production outcomes, others found a negative or no meaningful relationship (Giachetti et al., 2019). According to Anderson (2017), nearly all assets, net income, and sales measures diminished along with the reduction in total expenditures for new enterprises. The results in this doctoral study supported previous findings of firms that adopted market entry modes with a high element of control to enter developing economies produced higher performance outcomes. As discussed in Section 1, MNCs that choose market entry modes with high elements of control demonstrated higher performance outcomes versus a low degree of control overall (Giachetti et al., 2019).

The results of this doctoral study supported previous findings about acquisition and greenfield projects. Acquisition projects showed little to no improvement on domestic investment and economic growth. Because of the foreign takeover of part or all the equity of an existing business, less economic development of vacant land, building improvements, fewer new full-time jobs and other FDI (inward private investments, research and development, and technology) inputs occurred in the local communities in the United States (Jones et al., 2020; Sotiris et al., 2019). Greenfield projects either established a new business or expanded existing foreign-owned companies in the United States. Greenfield projects were known to contribute to the capital stock and the growth of local markets because the projects entailed economic development to construct and equip brand-new wholly owned subsidiary or a joint venture affiliate facility (Davies et al., 2021). Successful market entry occurs when MNCs internalize markets and generate money in the market (Sharmiladevi, 2017). In the literature, the relative impact between the acquisition and greenfield modes of market entry was complex and varied according to the economic development of the international target market and the financial benefits to the foreign investors (Davies et al, 2021). Some consensus emerged from the BEA data; however, there was a discrepancy among study methods, samples, and specifications. Also, the heterogeneous nature of FDI contributed to the lack of consensus (Harms & Méon, 2018).

According to Khaw (2019), sales was one method business leaders measured productivity, financial success, and profitability (current assets minus current liabilities), as discussed in Section 1, Theoretical Framework: Dunning Paradigm. However, cost-

minimizing motivators in the GPN involving financial incentives was one explanation of internationalization through FDI (Bezuidenhout & Kleynhans, 2018). Although MNCs assessed the international marketplace to identify strategic points to expand production, motivations (efficiency-seeking) to access related industries influenced both market entry modes and business outcomes (Janda and Nuangjamnong, 2021). Because FDI is an instrument that economic developers use to facilitate globalization, trade, and investment flow, practitioners tailor inducements to investments (Phelps & Wood, 2018; Suehrer, 2019). Business production goals and sustainable economic development can occur simultaneously (Rauter et al., 2019). By targeting international markets and industries to complement sustainable development, economic developers drive the GPN, FDI, and the innovation of communities (Phelps & Wood, 2018; Suehrer, 2019).

FDI is a source of physical capital to fill financing deficits and foreign exchange gaps and raise GDP in the United States. By customizing capital economic developers can adapt FDI inflows to address funding gaps in global production and sustainable economic development (Phelps & Wood, 2018; Suehrer, 2019). Economic developers may use the findings from this ex post facto study to customize FDI to fill funding gaps to sustain communities (Matei & Stanescu, 2018; Suehrer, 2019). Because efficiencies are different across sectors, economic developers use the OLI framework for considering the scope and shape of the internationalization process by MNCs. Researchers found that economic development is a factor in the site selection process, especially in cases that factor an MNC's FDI market entry and mode. Based on BEA's data set, economic developers may explain the internationalization process of MNCs and the investment

profiles for industry in the United States using the findings from the model in this doctoral study within the context of OLI (Jones et al., 2020; Sharmiladevi, 2017).

### **Implications for Social Change**

From the substantial number of FDI projects that occur inward to the United States, economic developers may use the findings from this ex post facto study to positively impact a large portion of the United States economy. Economic developers may use the study results to encourage sustainable development in the United States by enhancing high-quality jobs, higher wages, and a higher standard of living for the citizens. Attracting inward FDI is necessary for the sustainable development of economies. MNCs may propose more employment safety and job permanency than domestic firms, as demonstrated by their higher contributions to full-time jobs and fewer segments of temporary employment (Sotiris et al., 2019). By attracting new FDI in the form of acquisition projects and greenfield projects, economic developers create opportunities to increase employment, income, and improve other social issues (Rajabov & Mustafakulov, 2020). The implication for positive social change as highlighted in the United Nations' SDGs includes the possibility for economic developers to expand inward private investments, research and development, and technology efforts in the local communities in the United States. Economic developers may positively influence all industry sales in the United States to boost GDP. By recruiting a mixture of FDI, economic developers could enhance sustainable economic development and solidify economic opportunities. Increased GDP and economic prospects reduce poverty among the United States citizens and raise the level of life expectancy (Abegaz & Nene, 2018;



Vatavu et al., 2019). From the implications, the United States may also serve as a role model to other nations that want to create social change in their areas of the world.

### **Recommendations for Action and Communications Plan**

This quantitative study has value to economic developers as a vigorous systematic framework and model to fill an information gap about market entry modes in the United States. By using BEA's data set to evaluate market entry modes, leaders may quantify global business activity in an economy and the scale of foreign-controlled business activities (Nelson, 2005; Rowe & McLaren, 2017). Also, leaders may contemplate market entry modes to advance practices by considering all industry sales to assess the value and return of inward FDI in the United States and the weight and return of inward FDI on sales as a competitive advantage (BEA, 2021).

The results of this empirical study are appropriate for real-world economic developers and policy makers who are responsible for generating inward FDI. Inward FDI delivers funding and other assets (technology and knowledge) that sustain businesses (Derado & Horvatin, 2019). A key recommendation is for U.S. economic developers to recruit a mixture of market entry modes to reduce capital deficit gaps in FDI and contribute significantly to business production and the sustainable development of local and regional economies (Suehrer, 2019). Economic developers who customize FDI inflow can boost the production and competitiveness of firms (Mateus et al., 2016). Finally, economic developers may use the findings to lobby for policies that enable global competitiveness for the United States. Economic developers may use the findings to inform negotiations with foreign investors to open new or expand existing industries

within their respective regions. Doing so may boost the U.S. GDP, through residual tax revenue, and employment.

I plan to disseminate the results of this empirical study in connection with existing research by partnering with professional associations for economic development practitioners to present at regional, national, and international conferences. Also, I plan to communicate the research findings with economic development leaders as a contributor in peer-reviewed journals and other publications that impact society.

### **Recommendations for Further Research**

Some economic developers have not used BEA's 2019 New FDI (NFDI) data set to examine the relationship between (a) NFDI for acquisition projects, (b) NFDI for greenfield establishment projects, (c) NFDI for greenfield expansion projects, and (d) all industry sales in the United States. Constraints to this ex post facto study included geographical scope, time, financial resources, and the Walden University IRB Approval Number 04-01-22-1008123, which included principles for addressing ethical issues in this secondary research. Other limitations of this quantitative study may impact replication and generalizability to the wider population.

One limitation of the study was the protocols employed by the primary researchers related to the access and use of the secondary data set. Typically, secondary researchers confirmed primary researchers' member checking protocols of the data set, population sampling, and study results reported. By law, BEA kept certain information confidential. To overcome the limitation, I recommend future researchers apply under oath to use BEA's as a sworn researcher consultant. Although BEA is committed to

protecting confidential information, the federal agency grants access to outside researchers for analytical and statistical projects that would promote scientific knowledge and BEA's mission. Sworn researchers must travel to the federal BEA headquarters. Sworn researchers require special security clearance and swear to maintain the confidentiality of the data.

A second limiting threat to internal validity included historical events. Historical events happen in a geographical location that alter the environment of a study, disturbing the outcome. Historical events like legislative changes, the global pandemic, or a regional war confound the subsequent results of replicate studies (Matthay & Glymour, 2020). Such historical events that occurred anytime during or between test timelines that may have created uncertainty in the relationship between the independent and dependent variables limits the analysis process (Hariri et al., 2019). Researchers can overcome uncertainty by increasing the statistical power and sample size or limiting the data points to a moment in time (Fabrigar et al., 2020).

A third limitation was this quantitative study focused on the ex post facto design to answer the research question by studying the variables after the fact. The retrospective examination did not allow me to disaggregate the data points because it was not feasible. Although the ex post facto design was appropriate for the objective of this empirical study, the limitation was the findings reflect the relationship between the variables instead of causation. To address the limitation of the ex post facto design, future researchers could investigate market entry modes and business production outcomes through qualitative inquiries or mixed-methodology studies. Qualitative and mixed

methodologies may explain economic development strategies and the impacts through in-depth exploration, interviews, observations, and statistical inquiries.

Fourth, another noteworthy limitation of this ex post facto study related to the cross-sectional aspect of the research design. There was a predefined pool of data points limited to a point in time. I lacked the ability to manipulate the data, and the transformation of the perturbed data points may make the study difficult to replicate and limit the generalizability of the study results. Although more time-consuming, future researchers in economics and the other social sciences may conduct longitudinal studies to expand the pool of data points. A larger pool of data points may improve the reliability of future research results.

Fifth, although not a limitation of this quantitative study, extreme data points above or below the margin of other data points exist in the study results. Sometimes researchers remove all extreme data points from the data set. All data points in this ex post facto study arose truly from the population sampled. Omitting the outliers could produce a sample size that was insufficient to power the study. Instead of changing the value of the outlying data points to less extreme values, I suggest future researchers compare the outlying data points to understand the impact of each on the study results and the model. Future analysis with or without the outlying data points to compare the output of all industry sales or another dependent variable may extend current research.

Finally, BEA produces statistics about how industries are growing, shrinking, and contributing to the transnational flow of goods and services (U.S. Bureau of Economic Analysis, 2022). The full effects of market entry modes on business production lie in the

statistics. To tally the full effects of business production, researchers may disaggregate the numbers and properly identify the factors (quantitative and qualitative) to completely understand the variable relationships of FDI at the national, state, local, or industry levels. Future time-series studies would expand the pool of data points. Themes for further research involve the fields of FDI and sustainable economic development (Clark et al., 2018; Schramade, 2017; Suehrer, 2019). An examination of FDI, sustainable development goals, and business production outcome statistics produced by BEA could extend the finding of this secondary study and add to current knowledge and conversation about market entry modes and sustainability in the United States.

### **Reflections**

The objective of this ex post facto study was to use a secondary data set to examine a problem that concerned economic developers. I researched government data sets that addressed international business topics relevant to the field of economic development. Because BEA's focus aligned with my professional interest in global commerce, I studied the organization and data set to become familiar with their mission to promote understanding of the U.S. economy and scientific knowledge about economic accounts.

Before conducting this doctoral study, I had the predetermined idea that all economic development was sustainable. I thought the financial calculation of net present value was sufficient due diligence to justify economic development projects. Surprisingly, I learned that FDI was often the catalytic agent for economic growth and development. The financial implication was that FDI may be a mechanism to develop a

sustainable business environment. Because the United States is the largest beneficiary of FDI globally, U.S. economic developers can try to ensure that shortfalls from future development do not exceed the benefits. Due diligence to customize FDI to achieve the desired return and create a social impact helps make communities and businesses sustainable.

This doctoral study summarized the significance of market entry modes for FDI projects and the impact on business outcomes. Now, I possess a clearer understanding of the factors involved in fruitful economic development. To build new knowledge I reviewed GPN, MNCs, and economic development. I will integrate new knowledge during negotiations with colleagues to implement new ideas that promote sustainable businesses, and provide jobs that allow individuals to prosper economically, enjoy a higher quality of life, and have a longer life expectancy.

### **Skills and Competencies**

Economic developers require specialized knowledge and information to coordinate the behavior of MNCs and governments. The literature revealed that economic developers impact location decisions globally, at regional, national, state, and local levels. One characteristic of economic developers is the advice they provide about the competitiveness of the sites and the localities they market. During the internationalization process, economic developers acknowledge opportunities or obstacles, solve problems, and offer customized support and solutions to foreign investors. Because entering an international target market is a complex endeavor, economic developers must be skillful at directing FDI.

This quantitative ex post facto study was an examination of the relationship between market entry modes and all industry sales in the United States in 2019. I used SPSS to analyze a secondary data set produced by BEA. After IRB approval in 2022, I extracted the data set from BEA's public website by exporting an Excel file, preparing the data, and conducting analysis in SPSS. Then, I examined the relationship between the independent and dependent variables using nominal variables grouped together, and ratios scales to measure sales. Through the doctoral process, I gained considerable skills in international finance, research, writing, quantitative data preparation and analysis, SPSS, and communication. Such skills are vital to leaders for real-world application in global commerce. Please view my optimal resume at <https://skillsfirst.com/people/sherron-alexander-jackson/galleries/portfolios/800>

### **Conclusion**

Although every economy is diverse, FDI stimulates economic growth and sustainable economic development. In 2019, MNCs in the United States facilitated the global trade of goods and services through the channels of FDI and economic development totaling \$194.7 billion (BEA, 2019). The channels of market entry modes strengthened economic opportunities and contributed to social change because of the transnational flow of FDI and boosts to the GDP. This ex post facto study reviewed a secondary data set produced by BEA about the components of NFDI inward to the United States to examine business production within the context of the GPN, MNCs, and economic development. The findings showed the significant influence on business production in the United States by the market entry modes of MNCs. The literature and

theoretical assessment for the OLI framework supported these findings (Burakovsky & Voloshyn, 2021; Davies et al. 2021). The key recommendation may lead to industry expansions, and diversification of industries within respective U.S. regions. The potential positive social implications include a boost to the U.S. GDP, residual tax revenues, and sustainable employment in the United States. Revenues and jobs sustain communities and allow citizens to prosper economically, enjoy a higher quality of life, and have a longer life expectancy.



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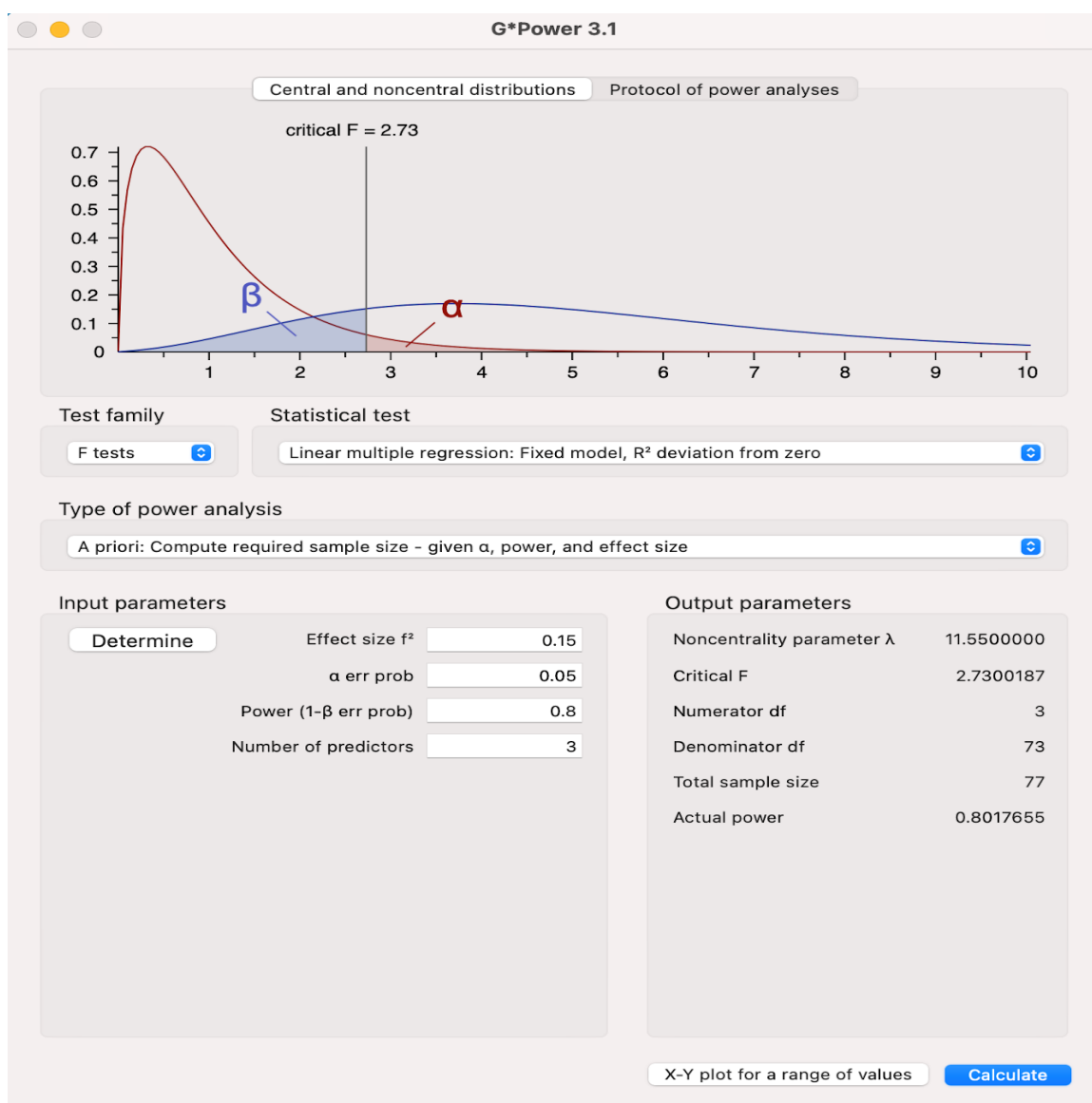
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## Appendix A: Central and Noncentral Distribution



## Appendix B: ANOVA for All Industry Sales

Model	Sum of squares	Df	Mean square	F	Sig.
Regression	35.86	3	11.95	41.61	<.001
Residual	33.61	117	.287		
Total	69.47	120			

*Note.* *Df* = Degree of freedom; *F* = *f*-value; *Sig.* = Significance