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RESEARCH NOTE

National capital city location and subsidiary portfolio expansion: The negative effect of geographic distance to the capital city at inception on the speed of subsequent investments

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Abstract
A multinational enterprise develops its subsidiary portfolio by investing in new foreign markets and subsequently pursuing further investments within these host countries. We find that firms which locate their first equity investment closer to the national capital city can subsequently expand their subsidiary portfolio within the host country at a higher speed. This effect is particularly strong in emerging economies. Further analyses of various contingencies support the robustness of our findings. We discuss different theoretical mechanisms which could cause these effects, in particular face-to-face interactions with governmental actors and opportunities to develop political connections. Our research contributes to the literature on internationalization processes by analyzing how the initial location choice affects the development of the subsidiary portfolio.

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INTRODUCTION

National capital cities are popular locations for multinational enterprises (MNEs) to set-up a first subsidiary in a new host country (Ma & Delios, 2007; Ma, Delios, & Lau, 2013; Teng, Huang, & Pan, 2017). Hosting the seat of the national government, the capital city uniquely differs from other locations by the proximity to political actors (Campbell, 2003; McDonald, Buckley, Voss, Cross, & Chen, 2018). The promotion agencies of Bern and Canberra, for instance, emphasize the contact to politicians, government agencies, and advisors as a locational advantage (ACT Government, 2018; Bern Economic Development Agency, 2018). Furthermore, London's promotion agency asserts that firms which first invest in London on average invest at another UK location within three years

(London & Partners, 2017), suggesting that there is a relationship between the location of the first subsidiary and the further expansion of the subsidiary portfolio. In this paper, we shed light on this phenomenon and analyze whether firms that initially locate closer to the capital city can indeed expand faster within a new host country.

International business scholars have increasingly recognized the role of sub-national geography when explaining firm strategies and outcomes (Beugelsdijk & Mudambi, 2013; Mudambi, Li, Ma, Makino, Qian, & Boschma, 2018). Recent works highlight that the proximity to a core location can be a source of competitive advantage for a MNE expanding into a new host country. In particular, global cities (Asmussen, Nielsen, Goerzen, & Tegtmeier, 2018; Beaverstock, Smith, & Taylor, 1999; Chakravarty & Beamish, 2019; Goerzen, Asmussen, & Nielsen, 2013; McDonald et al., 2018; Nielsen, Asmussen, & Weatherall, 2017; Sassen, 1991), economic and political hubs (McDonald et al., 2018; Teng et al., 2017), or co-ethnic and co-industry clusters (Chakravarty & Beamish, 2019; Li, Zhang, & Sun, 2018; Stallkamp, Pinkham, Schotter, & Buchel, 2018) grant access to knowledge and information, business networks, and critical resources. This can enable the MNE to better assess business risks, be more efficient as well as effective, and ultimately reduce its liabilities of foreignness. In that respect, researchers have begun to analyze how the sub-national spatial configuration affects subsidiary-level outcomes, especially profitability (e.g., Chakravarty & Beamish, 2019; Teng et al., 2017; Xu, Huang, & Pan, 2019) and survival (e.g., Dai, Eden, & Beamish, 2013; Ma & Delios, 2007).

In addition, the sub-national location of a MNE can also influence the expansion of its local subsidiary portfolio. The location of the first subsidiary in a new host country, which we refer to as the *inception*, may play an important role in this regard (Stallkamp et al., 2018). Foreign subsidiaries take particular roles within the global MNE network (see an overview of studies compiled by Birkinshaw & Morrison, 1995), for instance by carrying global and competence creating mandates (e.g., Birkinshaw, 1996; Cantwell & Mudambi, 2005) or coordinating sub-national host country activities in a hub-and-spoke or bridgehead structure (Asmussen et al., 2018; Buckley, 2009). The inception subsidiary is also likely to take a unique position within the MNE, since it is predestined to collect direct experience in the host country through interaction with the local environment (Yuan, Qian, & Pangarkar, 2016). As MNEs use their inception as a platform for *subsequent investments* into additional subsidiaries within the host country (e.g., Kogut, 1983; Kogut & Chang, 1996), the benefits from knowledge and information exchange as well as connections with actors at the particular inception location are likely to be shared with other units of the MNE and may thus influence its further expansion. A recent study by Stallkamp et al. (2018) provides first support for this relationship as they show that firms which locate their inception within a co-ethnic agglomeration can pursue subsequent investments into further subsidiaries at a higher speed.

These findings give rise to the question whether this effect only applies to such economic core locations or also to political core locations, especially national capital cities[1]. When a firm undertakes an inception, it enters the political market of the host country and engages with host government actors[2] as suppliers of public policies (Boddewyn, 1988; Bonardi, Hillman, & Keim, 2005; Bonardi, Holburn, & Vanden Bergh, 2006; Hillman & Keim, 1995). Interactions between MNEs and host government actors are shaped by spatial proximity (Meyer, Mudambi, & Narula, 2011) and capital cities constitute a unique environment in which these interactions can occur (Mayer, Sager, Kaufmann, & Warland, 2016). Consequently, MNEs that set up their inception subsidiary closer to the capital city may have more opportunities to exchange knowledge and information on a personal level and to develop trust-based relationships with host government actors, which can facilitate subsequent investments of the firm within the host country (McDonald et al., 2018).

In this study, we empirically test whether the geographic distance between the inception location and the capital city is negatively related to the speed of subsequent investments within the host country. Our analysis also differentiates between emerging and advanced economies,[3] since interactions between the MNE and host government actors are particularly important in the context of emerging markets (e.g., Dieleman & Boddewyn, 2012; Li, Zhou, & Shao, 2009; Meyer & Nguyen, 2005; Peng, 2000; Sun, Mellahi, & Thun, 2010). To show the robustness of our results and to gain more insights into the boundary conditions and particular mechanisms driving the effect, we also test whether the impact of geographic distance between the inception location and the capital city is moderated by the types of capital cities, industries,

and subsequent investments. In this way, we contribute to the literature on internationalization processes which discusses antecedents of expanding the host country subsidiary portfolio (e.g., Arregle, Beamish, & Hébert, 2009; Delios & Henisz, 2003a, 2003b; Gao & Pan, 2010; Guillén, 2002, 2003; Henisz & Macher, 2004; Kogut & Chang, 1996).

METHODOLOGY

Sample and Data

To construct the base population of our sample for the empirical analysis, we included all 291 German public firms which were once listed in the HDAX index between April 11, 1994 and June 30, 2016. We excluded 73 firms operating in retailing, banking, insurance, and real estate, since international expansion is not primarily undertaken via the subsidiary portfolio but via offices and branches in these industries. Furthermore, we dropped 13 companies which were listed in the HDAX index but did not have their headquarters in Germany. Another 21 firms did not qualify for being the ultimate corporate parent. As our analysis requires longitudinal data on the subsidiary portfolio, we had to exclude another 37 companies whose data did not cover at least five consecutive years.

Based on the annual reports, we collected data on all greenfield investments, acquisitions, and divestments which the firms made during our observation time. Missing additional information on these portfolio changes were retrieved from Amadeus, Lexis-Nexis, or Thomson One Banker Deals databases. For our analysis, we only consider majority-owned subsidiaries since managerial control of the parent firm is an important requirement for our research question. Nevertheless, we control for pre-inception minority investments.

Our final sample was formed by an unbalanced panel of 139 companies, which pursued 1,896 inceptions in 87 different countries between 1985 and 2015. The MNEs most frequently invested in China (72 inceptions, 3.8%), Poland (70 inceptions, 3.7%) India (61 inceptions, 3.2%), Czech Republic (59 inceptions, 3.1%), and Russia (52 inceptions, 2.7%). We observed the activities of the firms in each new host country across 10.0 years on average, until the general stop of our panel window or a major event in corporate history (bankruptcy, merger, acquisition). Overall, our dataset included 18,871 inception/year observations. Firms pursued at least one subsequent investment in 43% of the new host countries (820 of 1896). Concerning these cases, the average number of investment events per foreign country was 2.6 (medium 2, maximum 15). Altogether, investments occurred in 2150 inception/year observations.

We ran all our analyses for three sets of host country samples. First, we included the full sample with all host countries. Then, we performed a sample-split using the IMF (2018) categorization of economies[4] and re-estimated all models separately for emerging economies and advanced economies. The sample is evenly distributed in both categories (51% of inceptions in advanced economies). Table 1 shows in detail the categorization as well as the distribution of our sample across the different host countries.

Model and Dependent Variable

In line with previous studies related to timing (e.g., Chang, 1995; Chang & Rosenzweig, 1998; Guillén, 2002, 2003; Yu & Canella, 2007), we used a semi-parametric Cox (1972) proportional hazard model[5] to examine the impact on the speed of subsequent investments. Our event history model takes the form of Eq. (1):

$$h_j(t) = h_0(t)\exp(X_j\beta_X) \quad (1)$$

The dependent variable $h_j(t)$ reflects the hazard rate that an investment is made subsequent to the firm's inception in host country j at a given time t. Therefore, a higher hazard ratio is equivalent to a lower time until the event occurs, and thus indicates a higher speed (e.g., Casillas & Moreno-Menéndez, 2014; Fuentelsaz, Gomez, & Polo, 2002). The hazard rate is explained by a baseline hazard rate $h_0(t)$ and a vector of explanatory variables X_j and coefficient estimates β_X. Furthermore, given that a firm could undertake multiple investments in a particular foreign country, the time was reset after each investment in order to estimate the time between different investments (e.g., Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010). Thus, we also clustered standard errors on each inception subject j in order to account for possible correlations (Cleves, Gould, & Marchenko, 2016).

Independent and Instrumental Variable

We measured *geographic distance to the capital city at inception* by the great circle formula for the distance (in 100-km units) between the inception city

Table 1 Categorization and distribution of host countries in the sample

Advanced economies			Emerging economies		
Country	Inceptions	Investment events	Country	Inceptions	Investment events
Australia	33 (1.7%)	47 (2.2%)	Albania	6 (0.3%)	0 (0.0%)
Austria	38 (2.0%)	63 (2.9%)	Angola	7 (0.4%)	3 (0.1%)
Belgium	27 (1.4%)	42 (2.0%)	Argentina	25 (1.3%)	20 (0.9%)
Canada	23 (1.2%)	16 (0.7%)	Armenia	1 (0.1%)	0 (0.0%)
Cyprus	14 (0.7%)	3 (0.1%)	Azerbaijan	1 (0.1%)	0 (0.0%)
Czech Republic	59 (3.1%)	102 (4.7%)	Benin	1 (0.1%)	0 (0.0%)
Denmark	39 (2.1%)	33 (1.5%)	Brazil	36 (1.9%)	39 (1.8%)
Estonia	14 (0.7%)	9 (0.4%)	Bulgaria	33 (1.7%)	20 (0.9%)
Finland	33 (1.7%)	25 (1.2%)	Burkina Faso	1 (0.1%)	1 (0.0%)
France	33 (1.7%)	59 (2.7%)	Cambodia	3 (0.2%)	6 (0.3%)
Greece	28 (1.5%)	20 (0.9%)	Chad	1 (0.1%)	1 (0.0%)
Iceland	2 (0.1%)	1 (0.0%)	Chile	24 (1.3%)	19 (0.9%)
Ireland	35 (1.8%)	33 (1.5%)	China	72 (3.8%)	162 (7.5%)
Israel	16 (0.8%)	19 (0.9%)	Columbia	13 (0.7%)	10 (0.5%)
Italy	45 (2.4%)	48 (2.2%)	Costa Rica	7 (0.4%)	9 (0.4%)
Japan	33 (1.7%)	39 (1.8%)	Côte d'Ivoire	3 (0.2%)	0 (0.0%)
Korea	47 (2.5%)	51 (2.4%)	Croatia	24 (1.3%)	12 (0.6%)
Latvia	17 (0.9%)	8 (0.4%)	Dominican Republic	6 (0.3%)	2 (0.1%)
Lithuania	16 (0.8%)	8 (0.4%)	Ecuador	7 (0.4%)	8 (0.4%)
Luxembourg	33 (1.7%)	24 (1.1%)	El Salvador	3 (0.2%)	6 (0.3%)
Netherlands	32 (1.7%)	43 (2.0%)	Georgia	2 (0.1%)	0 (0.0%)
New Zealand	19 (1.0%)	19 (0.9%)	Ghana	5 (0.3%)	1 (0.0%)
Norway	30 (1.6%)	29 (1.3%)	Guatemala	2 (0.1%)	8 (0.4%)
Portugal	32 (1.7%)	22 (1.0%)	Guinea	1 (0.1%)	0 (0.0%)
Slovakia	40 (2.1%)	43 (2.0%)	Honduras	4 (0.2%)	7 (0.3%)
Slovenia	26 (1.4%)	17 (0.8%)	Hungary	51 (2.7%)	50 (2.3%)
Spain	43 (2.3%)	63 (2.9%)	India	61 (3.2%)	66 (3.1%)
Sweden	39 (2.1%)	48 (2.2%)	Indonesia	19 (1.0%)	17 (0.8%)
Switzerland	36 (1.9%)	53 (2.5%)	Jamaica	1 (0.1%)	0 (0.0%)
United Kingdom	42 (2.2%)	100 (4.7%)	Jordan	7 (0.4%)	0 (0.0%)
United States	36 (1.9%)	90 (4.2%)	Kazakhstan	19 (1.0%)	6 (0.3%)
			Kenya	11 (0.6%)	2 (0.1%)
			Malawi	3 (0.2%)	3 (0.1%)
			Malaysia	30 (1.6%)	27 (1.3%)
			Mali	1 (0.1%)	1 (0.0%)
			Mauritius	10 (0.5%)	4 (0.2%)
			Mexico	35 (1.8%)	50 (2.3%)
			Moldova	1 (0.1%)	0 (0.0%)
			Morocco	15 (0.8%)	8 (0.4%)
			Nigeria	13 (0.7%)	9 (0.4%)
			Paraguay	2 (0.1%)	1 (0.0%)
			Peru	18 (0.9%)	12 (0.6%)
			Philippines	18 (0.9%)	18 (0.8%)
			Poland	70 (3.7%)	96 (4.5%)
			Romania	41 (2.2%)	46 (2.1%)
			Russia	52 (2.7%)	78 (3.6%)
			Senegal	3 (0.2%)	3 (0.1%)
			Serbia	23 (1.2%)	12 (0.6%)
			South Africa	33 (1.7%)	47 (2.2%)
			Tanzania	4 (0.2%)	4 (0.2%)
			Thailand	37 (2.0%)	35 (1.6%)
			Tunisia	7 (0.4%)	7 (0.3%)
			Uganda	3 (0.2%)	2 (0.1%)
			Ukraine	34 (1.8%)	20 (0.9%)

Table 1 (*Continued*)

Advanced economies			Emerging economies		
Country	Inceptions	Investment events	Country	Inceptions	Investment events
			Vietnam	20 (1.1%)	12 (0.6%)
			Zimbabwe	6 (0.3%)	3 (0.1%)
Total	960	1177	Total	936	973

Percentages refer to the full sample with 1896 inceptions and 2150 investment events, i.e., including both emerging and advanced economies.

location and the city of the national government seat, i.e., the capital city in most cases. The latitudinal and longitudinal coordinates of the city centers were taken from Google Maps via the website geoplaner.com. Consequently, the distance is not calculated based on the street address, instead all companies located within the same city at inception have the same distance to the capital city.

We applied an instrumental variable approach to cope with potential endogeneity concerns that firms planning to expand quickly within a new host country may intentionally locate closer to the capital city at inception. As world cities are favored locations for foreign direct investments (Goerzen et al., 2013; Nielsen et al., 2017), the attractiveness of the capital city location in terms of its world city status can be regarded as a feasible instrument. Following the work by Beaverstock et al. (1999), we used an ordinal measure (0 = no world city, 1 = gamma world city, 2 = beta world city, 3 = alpha world city). An F-test further confirmed that our instrument is strong and correlated with the endogenous variable ($p = 0.00$). As applied in previous studies (e.g., Patel, Criaco, & Naldi, 2018; Peng & Beamish, 2014; Song, 2014, 2015), we integrated the instrumental variable into a Cox event history regression by using a two-stage residual inclusion model (Terza, Basu, & Rathouz, 2008).

Moderating Variables

To test whether the proposed effect is driven by the characteristic of the political function of the capital city and not its economic size and importance, we differentiated between *primary and secondary capital cities* (Campbell, 2003; Hall, 2006; Kaufmann & Sager, 2019; Kaufmann, Warland, Mayer, & Sager, 2016; Mayer et al., 2016). Primary capital cities (coded as 1) are also the largest city of the host country, while this is not the case for secondary capital cities (coded as 0). We identified the largest city of the host country based on the cities' gross domestic product, as reported in the Passport city database. In addition, we differentiated between *artificial and historical capital cities* (e.g., Hall, 2006; Zimmermann, 2010). In contrast to historical capitals (coded as 0), we understand artificial capitals (coded as 1) as cities that were built or significantly upgraded for this purpose (c.f., Hall, 2006).

Furthermore, we tested whether the effect of geographic distance between the inception location and the capital city differs if the MNE is primarily active in a *weakly or highly regulated industry*. Following Hillman (2005), Holburn and Vanden Bergh (2008), and Shaffer (1995), we considered the automotive, energy, health care, pharmaceuticals, infrastructure, food processing, military, raw materials, telecommunication, and transportation industries as highly regulated (coded as 1), while all other industries were regarded as weakly regulated (coded as 0).

Moreover, we tested whether the effect depends on the type of the subsequent investment.

To verify whether the conditions of the inception have a long-lasting effect across multiple subsidiary portfolio expansions, we differentiated between the *first subsequent investment* (coded as 0) and the *second and following subsequent investments* (coded as 1). In addition, intra-firm communication and knowledge exchanges with units which are not located at the same location generally tend to be weaker (e.g., Alcácer & Chung, 2007; Ambos & Ambos, 2009; Buckley & Carter, 2004; Hansen & Løvås, 2004; Narula, 2014). Therefore, we built on Zhu, Eden, Miller, Thomas, and Fields (2012) and analyzed whether the effect varies between *local depth investments* (at existing city locations, where at least one of the MNE's subsidiaries had already been active before, coded as 0) and *national breadth investments* (at new city locations, where none of the MNE's subsidiaries had been active before, coded as 1). As this is technically a differentiation into two different event types, we further used the approach suggested by Lunn and McNeil (1995)[6] to estimate our model.

Control Variables

We controlled for various factors which characterize the political landscape and institutional environment of the host country. This includes *political stability* (Oh & Oetzel, 2011) and *control of corruption* (e.g., Méon & Sekkat, 2005), which we measured based on the values provided by the World Bank database for worldwide governance indicators. In addition, we controlled for *market openness* using the sub-index of economic freedom provided by the Heritage foundation. Furthermore, our model includes *political risk* (Delios & Henisz, 2003b), with the values taken from the political constraints index III by Henisz (2000). Moreover, we controlled for *political decentralization*, which was operationalized by the share of sub-national government spending as a percent of total spending, using the data from OECD/UCLG (2016). In addition to the political characteristics of the host country, we also included economic characteristics as control variables. We retrieved values for the *market size* in terms of gross domestic product (e.g., Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Delios & Henisz, 2003a, b), as well as the *land area* (Oh & Oetzel, 2011), from the World Bank database. Furthermore, we measured the *transportation system quality* by an average score for the quality of roads, railroads, and air transport infrastructure based on the global competitiveness report by the WEF (2018).

Our model also contains various firm-specific characteristics as control variables. First, we included a count measure for the *geographic and product scope*, i.e., the number of countries and 4-digit product areas in which the MNE is operating. Second, *firm age* was quantified by the number of years since the foundation of the firm (Casillas & Moreno-Menéndez, 2014; Guillén, 2002). In addition, our model included various firm financial indicators, which we downloaded from the OSIRIS database. We used net sales as a measure for *firm size*, return on assets (EBT/total assets) for *firm profitability*, and the current ratio (current assets/current liabilities) for *firm slack*. We also added dynamic indicators (percentage change relative to the previous year) of all time-varying firm control variables to our model. Furthermore, we incorporated binary variables for firm fixed-effects.

To capture industry effects, we further added the firm's *manufacturing to service mix* as a control variable. We used the product area codes of the subsidiaries to calculate the share of subsidiaries operating within the secondary sector. Moreover, our model included the *industry growth rate within the host country as well as within the home country* (Germany). We measured these variables by the change in value added of the firm's main economic sector with values from the World Bank database. Additionally, we controlled whether the MNE was primarily active in a *highly regulated industry* using a binary variable (1 = highly regulated industry, 0 = all other cases). We used the same industry classification as for the moderating variable.

Furthermore, we controlled for inception-related characteristics. This includes *pre-inception host country experience*, operationalized by the highest equity share held in any potential minority-owned subsidiaries in the year before to the inception. Additionally, we included a binary indicator for the *inception establishment mode* to specify whether the inception was undertaken by at least one acquisition (coded as 1) or solely by greenfield investments (coded as 0). In order to rule out the influence of proximity to an economic core location, we also controlled for the *geographic distance to the largest city at inception*, i.e., the city with the highest gross domestic product.

In summary, our model thus includes control variables from four different levels (host country, firm, industry, and inception). Moreover, we stratified the baseline of the hazard rate on calendar years in order to control for time-specific effects. All time-varying control variables were lagged by one year in order to avoid reverse causalities (Allison, 2014; Blossfeld, Golsch, & Rohwer, 2007).

RESULTS

Table 2 presents descriptive statistics of the explanatory variables. We ran the Cox event history regressions for all host countries (Table 3), as well as for emerging economies only (Table 4) and advanced economies only (Table 5). In each sample, we first estimated the model using control variables only (Model 1) and then added our independent variable (Model 2). Afterwards, we separately included the different interaction terms to test for moderating effects (Models 3–7). Finally, we estimated a full model including all interaction terms (Model 8).

Before interpreting our results, we ensured that multicollinearity did not distort our effects (referring to Model 2). The mean variance inflation factor (VIF) was 1.76, which is below the generally accepted critical value of 10 (e.g., Baum, 2006). All

Table 2 Descriptive statistics and correlations

		Mean	SD	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)	Inception geographic distance to capital	1.55	3.36	0.00	36.79	1								
(2)	Host country political stability	0.35	0.84	− 2.40	1.76	− 0.25	1							
(3)	Host country corruption	0.60	1.03	− 1.52	2.47	− 0.20	0.77	1						
(4)	Host country market openness	66.56	14.05	18.27	89.27	− 0.36	0.65	0.74	1					
(5)	Host country political risk	0.42	0.16	0.00	0.73	− 0.25	0.36	0.41	0.42	1				
(6)	Host country political decentralization	0.34	0.17	0.01	0.74	0.36	− 0.15	0.05	− 0.17	− 0.05	1			
(7)	Host country market size	107.25	222.34	0.40	1617.75	0.24	− 0.05	0.09	− 0.03	− 0.14	0.34	1		
(8)	Host country land area	169.99	351.27	0.20	1637.69	0.35	− 0.34	− 0.27	− 0.38	− 0.34	0.50	0.47	1	
(9)	Host country transportation system quality	4.44	1.12	1.66	6.64	− 0.12	0.53	0.76	0.47	0.29	0.19	0.24	− 0.15	1
(10)	Firm geographic scope	41.98	31.82	1.00	147.00	− 0.08	− 0.19	− 0.25	− 0.15	− 0.11	− 0.21	− 0.16	− 0.06	− 0.26
(11)	Δ Firm geographic scope	0.07	0.31	− 0.67	7.00	− 0.01	0.04	0.05	0.00	0.02	0.00	0.02	− 0.01	0.04
(12)	Firm product scope	27.47	25.08	1.00	139.00	− 0.08	− 0.10	− 0.14	− 0.08	− 0.08	− 0.14	− 0.13	− 0.06	− 0.16
(13)	Δ Firm product scope	0.05	0.16	− 0.58	5.00	0.01	0.02	0.03	0.00	0.01	0.01	0.02	0.00	0.03
(14)	Firm age	98.58	79.32	2.00	445.00	0.01	− 0.02	− 0.07	− 0.04	− 0.01	− 0.01	− 0.08	− 0.01	− 0.08
(15)	Firm size	13.36	22.47	0.00	162.38	− 0.08	− 0.07	− 0.10	− 0.06	− 0.04	− 0.11	− 0.10	− 0.03	− 0.12
(16)	Δ Firm size	0.08	0.39	− 0.90	28.40	0.01	0.03	0.03	0.01	0.01	0.01	0.02	0.00	0.02
(17)	Firm profitability	0.06	0.09	− 0.95	0.69	0.00	0.01	0.00	− 0.01	0.00	0.02	− 0.01	0.02	− 0.02
(18)	Δ Firm profitability	0.38	32.08	− 341.75	1223.75	− 0.01	0.01	0.02	0.02	0.00	0.00	0.00	− 0.01	0.02
(19)	Firm slack	0.02	0.01	0.00	0.18	0.05	0.06	0.06	− 0.01	0.02	0.08	0.05	0.04	0.07
(20)	Δ Firm slack	0.02	0.34	− 0.91	8.73	0.01	0.02	0.03	0.02	0.01	0.01	0.03	0.00	0.03
(21)	Industry mix	0.49	0.35	0.00	1.00	0.06	0.02	− 0.04	− 0.05	− 0.02	0.00	− 0.05	− 0.01	− 0.05
(22)	Industry growth host country	0.03	0.06	− 0.74	0.79	0.17	− 0.15	− 0.19	− 0.27	− 0.16	0.05	0.02	0.14	− 0.15
(23)	Industry growth home country	0.01	0.05	− 0.14	0.14	0.01	− 0.01	− 0.01	0.01	0.00	0.00	0.01	0.00	0.00
(24)	Industry regulations	0.50	0.50	0.00	1.00	− 0.07	− 0.03	− 0.04	− 0.02	− 0.03	− 0.04	− 0.04	− 0.03	− 0.04
(25)	Pre-inception host country experience	0.05	0.14	0.00	0.50	0.08	− 0.07	− 0.03	− 0.06	− 0.03	0.06	0.06	0.04	0.05
(26)	Inception establishment mode	0.46	0.50	0.00	1.00	− 0.07	0.09	0.14	0.14	0.10	− 0.04	− 0.06	− 0.10	0.08
(27)	Inception geographic distance to largest city	1.01	2.83	0.00	39.84	0.67	− 0.22	− 0.12	− 0.27	− 0.07	0.32	0.18	0.22	− 0.02

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
(10)	1																	
(11)	− 0.03	1																
(12)	0.56	− 0.03	1															
(13)	− 0.04	0.36	− 0.04	1														
(14)	− 0.02	− 0.09	0.07	− 0.05	1													
(15)	0.54	− 0.02	0.53	− 0.07	− 0.12	1												
(16)	− 0.06	0.18	− 0.06	0.13	− 0.03	− 0.04	1											
(17)	− 0.03	0.02	− 0.15	0.03	− 0.05	− 0.11	0.15	1										
(18)	− 0.01	− 0.01	0.00	− 0.01	− 0.01	− 0.01	− 0.01	− 0.12	1									
(19)	− 0.29	0.01	− 0.33	0.04	− 0.02	− 0.25	0.09	0.27	− 0.02	1								

Table 2 (*Continued*)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
(20)	− 0.05	− 0.07	− 0.06	− 0.05	− 0.05	− 0.04	0.00	0.03	− 0.02	0.25	1							
(21)	− 0.20	− 0.07	− 0.07	0.00	0.35	− 0.24	− 0.01	− 0.01	− 0.04	0.13	− 0.02	1						
(22)	0.07	0.01	0.01	0.02	− 0.01	0.02	0.05	0.06	0.00	0.02	− 0.03	− 0.02	1					
(23)	0.01	0.03	0.00	0.02	− 0.02	− 0.02	0.13	0.09	0.00	− 0.02	− 0.03	− 0.02	0.37	1				
(24)	0.20	0.03	0.38	− 0.06	0.15	0.42	0.01	− 0.18	− 0.02	− 0.12	− 0.02	− 0.05	− 0.02	− 0.02	1			
(25)	− 0.01	− 0.04	0.04	− 0.03	− 0.04	0.07	− 0.02	− 0.03	0.01	− 0.02	0.00	0.06	0.02	− 0.01	0.01	1		
(26)	0.16	0.05	0.07	0.01	− 0.04	0.09	− 0.01	− 0.11	− 0.01	− 0.10	0.00	− 0.09	− 0.05	− 0.01	0.06	0.13	1	
(27)	− 0.09	0.00	− 0.05	0.01	− 0.01	− 0.05	0.01	− 0.02	− 0.01	0.05	0.01	0.03	0.14	0.01	− 0.01	0.05	− 0.04	1

N = 18,871 inception/year observations. Correlations larger than 0.014 are significant at $p < 0.05$.

individual VIF values were also below this threshold (highest value 5.95 for control of corruption). In addition, we performed the multicollinearity test by Belsley, Kuh, and Welsch (1980). The highest condition number was 22.10, which is below the suggested critical threshold of 30. We therefore conclude that multicollinearity did not affect our results.

Using the full sample of host economies (Table 3), we first tested whether geographic distance between the inception location and the host country's capital city has an impact on the speed of subsequent investments (Model 2). In line with our initial proposition, the results indeed show a significant negative coefficient ($\beta = -0.30$, $p = 0.00$). In particular, an increase in geographic distance by 100 km leads to a decline in the hazard ratio by 26% (= $1-e^{-0.30}$). Second, we examined moderating effects for this relationship (Model 8). We see no difference in the effect for primary and secondary capital cities ($\beta = 0.01$, $p = 0.74$). In addition, the interaction with the artificial capital city indicator shows that the significant negative effect is even slightly stronger for artificial than for historical capitals ($\beta = -0.03$, $p = 0.03$). Overall, this confirms that the effect which we found is indeed driven by the capital city characteristic and not the economic importance of the city within the host country. The other interactions suggest that the negative effect of geographic distance to the capital city at inception is stronger in highly regulated industries ($\beta = -0.03$, $p = 0.00$) but weaker after the first subsequent investment ($\beta = 0.03$, $p = 0.00$) and for national breadth investments ($\beta = 0.07$, $p = 0.00$). However, the effect sizes of all moderating effects are relatively small compared to the main effect, which is significant in all models.

By differentiating between emerging (Table 4) and advanced (Table 5) economies, we can further obtain a more fine-grained picture of the effects. In general (Model 2), we see that the negative effect of geographic distance between the inception location and the capital city is stronger in emerging ($\beta = -0.35$, $p = 0.00$) than in advanced ($\beta = -0.08$, $p = 0.32$) economies both in terms of effect size and significance. The difference between these two coefficients is significant ($\chi^2 = 5.14$, $p = 0.02$). Additionally, it is noteworthy that not all moderating effects, which were revealed in the full sample, apply to emerging and advanced economies alike (Model 8). While the decelerating impact of geographic distance to the capital at

Table 3 Results of the Cox event history analysis for all host economies

	Model 1					Model 2				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)						− 0.30	0.05	0.00	− 0.41	− 0.19
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	0.00	0.04	0.93	− 0.08	0.09	0.01	0.04	0.88	− 0.08	0.09
Control of corruption	0.05	0.05	0.32	− 0.05	0.15	0.29	0.07	0.00	0.15	0.43
Market openness	0.00	0.00	0.32	− 0.00	0.01	− 0.02	0.01	0.00	− 0.03	− 0.01
Political risk	− 0.17	0.15	0.26	− 0.47	0.13	− 0.74	0.19	0.00	− 1.11	− 0.37
Political decentralization	0.94	0.16	0.00	0.63	1.24	2.47	0.33	0.00	1.83	3.12
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	0.07	0.03	0.03	0.01	0.14	− 0.10	0.05	0.03	− 0.20	− 0.01
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.01	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.06	0.05	0.24	− 0.17	0.04	− 0.07	0.05	0.23	− 0.17	0.04
Product scope	− 0.00	0.00	0.46	− 0.01	0.00	− 0.00	0.00	0.71	− 0.01	0.00
Δ Product scope	0.58	0.15	0.00	0.29	0.86	0.55	0.15	0.00	0.27	0.84
Age	− 0.00	0.00	0.83	− 0.00	0.00	− 0.00	0.00	0.82	− 0.00	0.00
Size	0.00	0.00	0.32	− 0.00	0.01	0.00	0.00	0.30	− 0.00	0.01
Δ Size	− 0.09	0.09	0.31	− 0.26	0.08	− 0.09	0.09	0.29	− 0.27	0.08
Profitability	0.92	0.40	0.02	0.14	1.70	0.82	0.40	0.04	0.05	1.60
Δ Profitability	− 0.00	0.00	0.47	− 0.00	0.00	− 0.00	0.00	0.45	− 0.00	0.00
Slack	− 3.95	4.21	0.35	− 12.21	4.31	− 1.62	4.27	0.70	− 9.98	6.74
Δ Slack	0.16	0.07	0.02	0.03	0.30	0.16	0.07	0.02	0.02	0.30
Industry controls										
Manufacturing to service mix	− 0.65	0.59	0.27	− 1.80	0.50	− 0.72	0.59	0.22	− 1.87	0.44
Host country growth	0.78	0.46	0.09	− 0.12	1.68	2.50	0.56	0.00	1.40	3.60
Home country growth	0.27	0.85	0.75	− 1.39	1.94	− 0.46	0.86	0.59	− 2.14	1.22
Regulations	− 0.72	0.59	0.22	− 1.88	0.43	− 0.44	0.58	0.45	− 1.59	0.70
Inception controls										
Pre-inception host country experience	0.65	0.18	0.00	0.30	0.99	1.06	0.19	0.00	0.70	1.42
Establishment mode	0.08	0.06	0.16	− 0.03	0.19	0.04	0.06	0.48	− 0.07	0.15
Geographic distance to the largest city	− 0.01	0.01	0.13	− 0.03	0.00	− 0.02	0.01	0.08	− 0.03	0.00
Residual	0.03	0.01	0.00	0.01	0.05	0.33	0.06	0.00	0.22	0.44
N inceptions/year					18,871					18,871
N inceptions					1896					1896
N events					2150					2150
Pseudo log-likelihood					− 9639.4					− 9624.6
R-squared (Nagelkerke modification)					0.270					0.277
Wald model χ^2					89,968.4					137,631.0

Table 3 (*Continued*)

	Model 3					Model 4				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.31	0.06	0.00	− 0.42	− 0.20	− 0.25	0.06	0.00	− 0.37	− 0.14
IGD to capital * Primary capital city	− 0.01	0.02	0.42	− 0.04	0.02					
IGD to capital * Artificial capital city						− 0.03	0.01	0.01	− 0.06	− 0.01
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	− 0.00	0.04	0.98	− 0.09	0.09	− 0.00	0.04	0.92	− 0.09	0.08
Control of corruption	0.30	0.07	0.00	0.16	0.44	0.28	0.07	0.00	0.14	0.41
Market openness	− 0.02	0.01	0.00	− 0.03	− 0.01	− 0.02	0.01	0.00	− 0.03	− 0.01
Political risk	− 0.71	0.19	0.00	− 1.09	− 0.33	− 0.55	0.21	0.01	− 0.96	− 0.14
Political decentralization	2.53	0.33	0.00	1.87	3.18	2.33	0.33	0.00	1.68	2.99
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.11	0.05	0.03	− 0.21	− 0.01	− 0.10	0.05	0.05	− 0.19	− 0.00
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.01	− 0.01
Δ Geographic scope	− 0.07	0.05	0.22	− 0.17	0.04	− 0.06	0.05	0.25	− 0.17	0.04
Product scope	− 0.00	0.00	0.73	− 0.01	0.00	− 0.00	0.00	0.72	− 0.01	0.00
Δ Product scope	0.55	0.15	0.00	0.27	0.84	0.56	0.14	0.00	0.28	0.84
Age	− 0.00	0.00	0.82	− 0.00	0.00	− 0.00	0.00	0.79	− 0.00	0.00
Size	0.00	0.00	0.30	− 0.00	0.01	0.00	0.00	0.29	− 0.00	0.01
Δ Size	− 0.09	0.09	0.30	− 0.27	0.08	− 0.09	0.09	0.29	− 0.27	0.08
Profitability	0.82	0.40	0.04	0.04	1.60	0.83	0.40	0.04	0.06	1.61
Δ Profitability	− 0.00	0.00	0.45	− 0.00	0.00	− 0.00	0.00	0.45	− 0.00	0.00
Slack	− 1.54	4.27	0.72	− 9.91	6.84	− 1.88	4.28	0.66	− 10.26	6.50
Δ Slack	0.16	0.07	0.02	0.02	0.30	0.16	0.07	0.02	0.02	0.30
Industry controls										
Manufacturing to service mix	− 0.71	0.59	0.23	− 1.87	0.44	− 0.71	0.59	0.23	− 1.86	0.44
Host country growth	2.55	0.56	0.00	1.45	3.66	2.28	0.58	0.00	1.15	3.41
Home country growth	− 0.48	0.86	0.57	− 2.17	1.20	− 0.37	0.86	0.67	− 2.06	1.32
Regulations	− 0.43	0.58	0.46	− 1.58	0.71	− 0.44	0.59	0.45	− 1.59	0.71
Inception controls										
Pre-inception host country experience	1.06	0.19	0.00	0.70	1.43	1.01	0.19	0.00	0.64	1.37
Establishment mode	0.04	0.06	0.47	− 0.07	0.15	0.05	0.06	0.35	− 0.06	0.17
Geographic distance to the largest city	− 0.01	0.01	0.30	− 0.03	0.01	− 0.01	0.01	0.26	− 0.03	0.01
Residual	0.34	0.06	0.00	0.23	0.46	0.30	0.06	0.00	0.18	0.41
N inceptions/year					18,871					18,871
N inceptions					1896					1896
N events					2150					2150
Pseudo log-likelihood					− 9624.4					− 9621.8
R-squared (Nagelkerke modification)					0.277					0.278
Wald model χ^2					95,347.8					101,477.0

Table 3 (*Continued*)

	Model 5					Model 6				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.27	0.06	0.00	− 0.38	− 0.16	− 0.31	0.05	0.00	− 0.42	− 0.21
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry	− 0.04	0.01	0.00	− 0.06	− 0.02					
IGD to capital * Non-first subsequent investment						0.03	0.01	0.00	0.01	0.05
IGD to capital * National breadth investment										
Host country controls										
Political stability	0.01	0.04	0.87	− 0.08	0.09	0.01	0.04	0.83	− 0.08	0.10
Control of corruption	0.28	0.07	0.00	0.14	0.42	0.28	0.07	0.00	0.14	0.42
Market openness	− 0.02	0.01	0.00	− 0.03	− 0.01	− 0.02	0.01	0.00	− 0.03	− 0.01
Political risk	− 0.70	0.19	0.00	− 1.07	− 0.32	− 0.74	0.19	0.00	− 1.11	− 0.37
Political decentralization	2.42	0.33	0.00	1.78	3.07	2.45	0.33	0.00	1.80	3.09
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.10	0.05	0.05	− 0.20	− 0.00	− 0.10	0.05	0.04	− 0.20	− 0.01
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.07	0.05	0.23	− 0.17	0.04	− 0.06	0.05	0.26	− 0.17	0.05
Product scope	− 0.00	0.00	0.77	− 0.01	0.00	− 0.00	0.00	0.80	− 0.01	0.00
Δ Product scope	0.56	0.14	0.00	0.28	0.84	0.56	0.15	0.00	0.27	0.84
Age	− 0.00	0.00	0.82	− 0.00	0.00	− 0.00	0.00	0.72	− 0.00	0.00
Size	0.00	0.00	0.31	− 0.00	0.01	0.00	0.00	0.30	− 0.00	0.01
Δ Size	− 0.09	0.09	0.30	− 0.27	0.08	− 0.10	0.09	0.28	− 0.27	0.08
Profitability	0.83	0.40	0.04	0.05	1.61	0.85	0.40	0.03	0.07	1.63
Δ Profitability	− 0.00	0.00	0.45	− 0.00	0.00	− 0.00	0.00	0.47	− 0.00	0.00
Slack	− 1.73	4.27	0.68	− 10.11	6.64	− 1.45	4.24	0.73	− 9.75	6.86
Δ Slack	0.16	0.07	0.02	0.02	0.30	0.16	0.07	0.02	0.03	0.30
Industry controls										
Manufacturing to service mix	− 0.71	0.59	0.23	− 1.87	0.44	− 0.71	0.59	0.23	− 1.85	0.44
Host country growth	2.40	0.56	0.00	1.30	3.50	2.43	0.56	0.00	1.34	3.52
Home country growth	− 0.42	0.86	0.63	− 2.10	1.27	− 0.43	0.86	0.62	− 2.11	1.25
Regulations	− 0.30	0.58	0.60	− 1.43	0.82	− 0.36	0.57	0.53	− 1.48	0.76
Inception controls										
Pre-inception host country experience	1.06	0.18	0.00	0.70	1.42	1.04	0.18	0.00	0.68	1.40
Establishment mode	0.05	0.06	0.38	− 0.06	0.16	0.05	0.06	0.42	− 0.06	0.16
Geographic distance to the largest city	− 0.02	0.01	0.07	− 0.03	0.00	− 0.02	0.01	0.08	− 0.03	0.00
Residual	0.32	0.06	0.00	0.21	0.43	0.32	0.06	0.00	0.22	0.43
N inceptions/year					18,871					18,871
N inceptions					1896					1896
N events					2150					2150
Pseudo log-likelihood					− 9620.5					− 9621.0
R-squared (Nagelkerke modification)					0.279					0.279
Wald model χ^2					142,041.1					114,333.7

Table 3 (*Continued*)

	Model 7					Model 8				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.34	0.06	0.00	− 0.44	− 0.23	− 0.28	0.06	0.00	− 0.40	− 0.16
IGD to capital * Primary capital city						0.01	0.02	0.74	− 0.03	0.04
IGD to capital * Artificial capital city						− 0.03	0.01	0.03	− 0.05	− 0.00
IGD to capital * Highly regulated industry						− 0.03	0.01	0.00	− 0.05	− 0.01
IGD to capital * Non-first subsequent investment						0.03	0.01	0.00	0.01	0.05
IGD to capital * National breadth investment	0.07	0.01	0.00	0.05	0.10	0.07	0.01	0.00	0.05	0.10
Host country controls										
Political stability	0.01	0.04	0.86	− 0.08	0.09	0.00	0.04	0.93	− 0.08	0.09
Control of corruption	0.28	0.07	0.00	0.14	0.42	0.25	0.07	0.00	0.11	0.40
Market openness	− 0.02	0.01	0.00	− 0.03	− 0.01	− 0.02	0.01	0.00	− 0.03	− 0.01
Political risk	− 0.72	0.19	0.00	− 1.10	− 0.35	− 0.53	0.21	0.01	− 0.94	− 0.12
Political decentralization	2.44	0.33	0.00	1.80	3.08	2.23	0.34	0.00	1.56	2.91
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.10	0.05	0.04	− 0.20	− 0.00	− 0.09	0.05	0.07	− 0.18	0.01
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.01	− 0.01
Δ Geographic scope	− 0.07	0.05	0.23	− 0.17	0.04	− 0.06	0.05	0.29	− 0.17	0.05
Product scope	− 0.00	0.00	0.72	− 0.01	0.00	− 0.00	0.00	0.85	− 0.01	0.00
Δ Product scope	0.56	0.14	0.00	0.27	0.84	0.57	0.14	0.00	0.29	0.85
Age	− 0.00	0.00	0.84	− 0.00	0.00	− 0.00	0.00	0.71	− 0.00	0.00
Size	0.00	0.00	0.33	− 0.00	0.01	0.00	0.00	0.32	− 0.00	0.01
Δ Size	− 0.10	0.09	0.28	− 0.27	0.08	− 0.10	0.09	0.28	− 0.27	0.08
Profitability	0.84	0.40	0.04	0.06	1.61	0.87	0.40	0.03	0.09	1.65
Δ Profitability	− 0.00	0.00	0.46	− 0.00	0.00	− 0.00	0.00	0.48	− 0.00	0.00
Slack	− 1.76	4.27	0.68	− 10.14	6.61	− 1.89	4.28	0.66	− 10.27	6.49
Δ Slack	0.16	0.07	0.02	0.02	0.30	0.17	0.07	0.02	0.03	0.30
Industry controls										
Manufacturing to service mix	− 0.73	0.59	0.21	− 1.88	0.42	− 0.71	0.58	0.22	− 1.86	0.44
Host country growth	2.48	0.56	0.00	1.38	3.58	2.11	0.58	0.00	0.97	3.25
Home country growth	− 0.46	0.86	0.59	− 2.14	1.21	− 0.31	0.86	0.72	− 2.00	1.38
Regulations	− 0.44	0.58	0.44	− 1.58	0.69	− 0.25	0.56	0.66	− 1.35	0.86
Inception controls										
Pre-inception host country experience	1.06	0.19	0.00	0.70	1.42	0.99	0.18	0.00	0.63	1.35
Establishment mode	0.04	0.06	0.48	− 0.07	0.15	0.07	0.06	0.24	− 0.04	0.18
Geographic distance to the largest city	− 0.02	0.01	0.06	− 0.04	0.00	− 0.01	0.01	0.24	− 0.03	0.01
Residual	0.33	0.06	0.00	0.22	0.44	0.27	0.06	0.00	0.15	0.39
N inceptions/year					18,871					18,871
N inceptions					1896					1896
N events					2150					2150
Pseudo log-likelihood					− 9607.4					− 9598.0
R-squared (Nagelkerke modification)					0.285					0.289
Wald model χ^2					1355.6					120,627.4

Cox regression with calendar year stratification, firm fixed-effects, and robust standard errors (clustering on inceptions subjects). Firm dummies omitted. As beta coefficients are reported, positive values indicate an increase in the speed of subsequent investments. CI_l and CI_u correspond to the lower and upper bound of the 95% confidence interval

Table 4 Results of the Cox event history analysis for emerging economies

	Model 1					Model 2				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)						− 0.35	0.08	0.00	− 0.50	− 0.19
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	0.02	0.06	0.72	− 0.10	0.15	0.04	0.06	0.49	− 0.08	0.16
Control of corruption	0.28	0.10	0.00	0.09	0.47	0.52	0.12	0.00	0.29	0.75
Market openness	0.01	0.00	0.14	− 0.00	0.01	− 0.02	0.01	0.01	− 0.04	− 0.01
Political risk	0.24	0.18	0.18	− 0.11	0.59	− 0.46	0.26	0.08	− 0.98	0.05
Political decentralization	1.42	0.26	0.00	0.91	1.93	3.17	0.51	0.00	2.17	4.17
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	0.05	0.05	0.32	− 0.05	0.16	− 0.12	0.07	0.10	− 0.26	0.02
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.12	0.11	0.27	− 0.33	0.09	− 0.11	0.11	0.30	− 0.33	0.10
Product scope	− 0.00	0.00	0.94	− 0.01	0.01	0.00	0.00	0.71	− 0.01	0.01
Δ Product scope	0.61	0.27	0.03	0.07	1.14	0.56	0.27	0.04	0.02	1.09
Age	− 0.00	0.00	0.27	− 0.01	0.00	0.00	0.00	0.31	− 0.00	0.01
Size	0.01	0.00	0.16	− 0.00	0.02	0.01	0.00	0.13	− 0.00	0.02
Δ Size	− 0.46	0.21	0.03	− 0.87	− 0.05	− 0.45	0.21	0.03	− 0.85	− 0.04
Profitability	1.11	0.82	0.17	− 0.49	2.71	0.96	0.82	0.24	− 0.64	2.57
Δ Profitability	0.02	0.02	0.26	− 0.01	0.05	0.02	0.02	0.25	− 0.01	0.05
Slack	− 21.97	8.58	0.01	− 38.80	− 5.14	− 19.08	8.54	0.03	− 35.82	− 2.35
Δ Slack	0.18	0.17	0.27	− 0.14	0.51	0.18	0.17	0.28	− 0.15	0.50
Industry controls										
Manufacturing to service mix	0.12	0.95	0.90	− 1.73	1.98	0.10	0.96	0.91	− 1.78	1.99
Host country growth	0.39	0.69	0.57	− 0.95	1.74	2.08	0.79	0.01	0.54	3.63
Home country growth	0.83	1.34	0.54	− 1.80	3.46	0.07	1.34	0.96	− 2.55	2.69
Regulations	0.10	0.90	0.91	− 1.66	1.86	1.24	0.90	0.17	− 0.53	3.01
Inception controls										
Pre-inception host country experience	0.75	0.24	0.00	0.27	1.22	1.19	0.27	0.00	0.66	1.71
Establishment mode	0.07	0.08	0.39	− 0.09	0.24	0.03	0.08	0.74	− 0.14	0.19
Geographic distance to the largest city	− 0.00	0.01	0.75	− 0.02	0.02	− 0.01	0.01	0.26	− 0.03	0.01
Residual	0.01	0.01	0.15	− 0.01	0.04	0.37	0.08	0.00	0.21	0.53
N inceptions/year					8961					8961
N inceptions					936					936
N events					973					973
Pseudo log-likelihood					− 3576.2					− 3568.1
R-squared (Nagelkerke modification)					0.317					0.325
Wald model χ^2					9945.9					86,079.6

Table 4 (*Continued*)

	Model 3					Model 4				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.33	0.08	0.00	− 0.50	− 0.17	− 0.30	0.09	0.00	− 0.47	− 0.13
IGD to capital * Primary capital city	0.01	0.02	0.62	− 0.03	0.05					
IGD to capital * Artificial capital city						− 0.02	0.01	0.12	− 0.05	0.01
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	0.05	0.06	0.43	− 0.07	0.17	0.03	0.06	0.62	− 0.09	0.15
Control of corruption	0.51	0.12	0.00	0.27	0.74	0.51	0.12	0.00	0.29	0.74
Market openness	− 0.02	0.01	0.01	− 0.04	− 0.00	− 0.02	0.01	0.01	− 0.04	− 0.00
Political risk	− 0.47	0.26	0.07	− 0.99	0.04	− 0.31	0.28	0.27	− 0.86	0.24
Political decentralization	3.10	0.53	0.00	2.07	4.13	3.06	0.51	0.00	2.05	4.06
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.11	0.07	0.12	− 0.26	0.03	− 0.11	0.07	0.13	− 0.25	0.03
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.11	0.11	0.31	− 0.33	0.10	− 0.11	0.11	0.30	− 0.33	0.10
Product scope	0.00	0.00	0.73	− 0.01	0.01	0.00	0.00	0.69	− 0.01	0.01
Δ Product scope	0.56	0.27	0.04	0.02	1.09	0.56	0.27	0.04	0.03	1.09
Age	− 0.00	0.00	0.27	− 0.01	0.00	− 0.00	0.00	0.25	− 0.01	0.00
Size	0.01	0.00	0.13	− 0.00	0.02	0.01	0.00	0.13	− 0.00	0.02
Δ Size	− 0.45	0.21	0.03	− 0.86	− 0.05	− 0.45	0.21	0.03	− 0.85	− 0.04
Profitability	0.97	0.82	0.24	− 0.64	2.58	0.98	0.82	0.23	− 0.63	2.58
Δ Profitability	0.02	0.02	0.25	− 0.01	0.05	0.02	0.02	0.25	− 0.01	0.06
Slack	− 19.23	8.55	0.02	− 35.98	− 2.48	− 19.39	8.56	0.02	− 36.16	− 2.62
Δ Slack	0.18	0.16	0.28	− 0.15	0.50	0.18	0.17	0.28	− 0.15	0.50
Industry controls										
Manufacturing to service mix	0.11	0.96	0.91	− 1.77	1.99	0.12	0.96	0.90	− 1.77	2.01
Host country growth	2.00	0.79	0.01	0.44	3.56	1.87	0.81	0.02	0.28	3.46
Home country growth	0.11	1.34	0.94	− 2.52	2.73	0.15	1.34	0.91	− 2.47	2.78
Regulations	0.46	0.90	0.61	− 1.31	2.23	0.47	0.90	0.60	− 1.30	2.24
Inception controls										
Pre-inception host country experience	1.18	0.27	0.00	0.65	1.70	1.15	0.27	0.00	0.62	1.68
Establishment mode	0.03	0.08	0.75	− 0.14	0.19	0.04	0.09	0.62	− 0.12	0.21
Geographic distance to the largest city	− 0.02	0.01	0.24	− 0.04	0.01	− 0.01	0.01	0.50	− 0.03	0.01
Residual	0.35	0.09	0.00	0.18	0.53	0.33	0.09	0.00	0.16	0.50
N inceptions/year					8961					8961
N inceptions					936					936
N events					973					973
Pseudo log-likelihood					− 3568.0					− 3567.2
R-squared (Nagelkerke modification)					0.324					0.325
Wald model χ^2					938.2					104,727.5

Table 4 (*Continued*)

	Model 5					Model 6				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.29	0.08	0.00	− 0.45	− 0.13	− 0.35	0.08	0.00	− 0.51	− 0.19
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry	− 0.05	0.01	0.00	− 0.07	− 0.02					
IGD to capital * Non-first subsequent investment						0.01	0.01	0.26	− 0.01	0.04
IGD to capital * National breadth investment										
Host country controls										
Political stability	0.04	0.06	0.49	-0.08	0.16	0.04	0.06	0.47	− 0.08	0.16
Control of corruption	0.50	0.12	0.00	0.27	0.72	0.51	0.12	0.00	0.28	0.74
Market openness	− 0.02	0.01	0.02	− 0.04	− 0.00	− 0.02	0.01	0.01	− 0.04	− 0.01
Political risk	− 0.38	0.26	0.14	− 0.89	0.13	− 0.47	0.26	0.07	− 0.99	0.04
Political decentralization	3.12	0.50	0.00	2.13	4.10	3.16	0.51	0.00	2.16	4.16
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.10	0.07	0.15	− 0.24	0.04	− 0.12	0.07	0.11	− 0.26	0.02
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.11	0.11	0.34	− 0.32	0.11	− 0.11	0.11	0.32	− 0.32	0.10
Product scope	0.00	0.00	0.62	− 0.01	0.01	0.00	0.00	0.66	− 0.01	0.01
Δ Product scope	0.57	0.27	0.04	0.04	1.10	0.56	0.27	0.04	0.02	1.09
Age	− 0.00	0.00	0.26	− 0.01	0.00	0.00	0.00	0.21	− 0.00	0.01
Size	0.01	0.00	0.14	− 0.00	0.02	0.01	0.00	0.13	− 0.00	0.02
Δ Size	− 0.46	0.21	0.03	− 0.88	− 0.05	− 0.46	0.21	0.03	− 0.86	− 0.05
Profitability	0.97	0.82	0.24	− 0.64	2.59	1.00	0.82	0.22	− 0.61	2.61
Δ Profitability	0.02	0.02	0.25	− 0.01	0.06	0.02	0.02	0.25	− 0.01	0.06
Slack	− 19.74	8.55	0.02	− 36.49	− 2.98	− 18.81	8.51	0.03	− 35.49	− 2.14
Δ Slack	0.18	0.16	0.26	− 0.14	0.51	0.18	0.16	0.27	− 0.14	0.50
Industry controls										
Manufacturing to service mix	0.16	0.96	0.87	− 1.72	2.04	0.11	0.95	0.91	− 1.76	1.97
Host country growth	1.85	0.79	0.02	0.31	3.39	2.06	0.78	0.01	0.52	3.60
Home country growth	0.10	1.34	0.94	− 2.53	2.73	0.11	1.34	0.94	− 2.52	2.73
Regulations	0.73	0.90	0.41	− 1.03	2.50	1.37	0.90	0.12	− 0.38	3.13
Inception controls										
Pre-inception host country experience	1.18	0.26	0.00	0.66	1.69	1.17	0.27	0.00	0.65	1.70
Establishment mode	0.04	0.08	0.67	− 0.13	0.20	0.03	0.08	0.71	− 0.13	0.20
Geographic distance to the largest city	− 0.01	0.01	0.26	− 0.03	0.01	− 0.01	0.01	0.28	− 0.03	0.01
Residual	0.33	0.08	0.00	0.17	0.49	0.36	0.08	0.00	0.20	0.53
N Inceptions/Year					8961					8961
N Inceptions					936					936
N Events					973					973
Pseudo log-likelihood					− 3563.3					− 3567.6
R-squared (Nagelkerke modification)					0.329					0.325
Wald model χ^2					9596.1					96,260.3

Table 4 (*Continued*)

	Model 7					Model 8				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.37	0.08	0.00	− 0.53	− 0.22	− 0.24	0.10	0.01	− 0.43	− 0.05
IGD to capital * Primary capital city						0.03	0.02	0.16	− 0.01	0.08
IGD to capital * Artificial capital city						− 0.03	0.02	0.07	− 0.06	0.00
IGD to capital * Highly regulated industry						− 0.04	0.01	0.00	− 0.06	− 0.02
IGD to capital * Non-first subsequent investment						0.01	0.01	0.40	− 0.01	0.03
IGD to capital * National breadth investment	0.08	0.01	0.00	0.06	0.11	0.08	0.01	0.00	0.05	0.11
Host country controls										
Political stability	0.04	0.06	0.49	− 0.08	0.16	0.05	0.06	0.43	− 0.07	0.18
Control of corruption	0.50	0.12	0.00	0.28	0.73	0.44	0.12	0.00	0.21	0.68
Market openness	− 0.02	0.01	0.01	− 0.04	− 0.01	− 0.01	0.01	0.15	− 0.03	0.00
Political risk	− 0.41	0.26	0.12	− 0.93	0.10	− 0.19	0.29	0.51	− 0.75	0.37
Political decentralization	3.12	0.51	0.00	2.13	4.12	2.72	0.54	0.00	1.66	3.78
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transportation system quality	− 0.11	0.07	0.13	− 0.25	0.03	− 0.07	0.07	0.31	− 0.22	0.07
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.02	− 0.01	− 0.01	0.00	0.00	− 0.02	− 0.01
Δ Geographic scope	− 0.12	0.11	0.28	− 0.34	0.10	− 0.10	0.11	0.36	− 0.32	0.12
Product scope	0.00	0.00	0.71	− 0.01	0.01	0.00	0.00	0.67	− 0.01	0.01
Δ Product scope	0.58	0.27	0.03	0.05	1.10	0.59	0.27	0.03	0.06	1.11
Age	− 0.00	0.00	0.25	− 0.01	0.00	− 0.00	0.00	0.20	− 0.01	0.00
Size	0.01	0.00	0.19	− 0.00	0.01	0.01	0.00	0.17	− 0.00	0.02
Δ Size	− 0.46	0.21	0.02	− 0.87	− 0.06	− 0.48	0.21	0.02	− 0.89	− 0.07
Profitability	0.98	0.82	0.23	− 0.63	2.58	1.05	0.82	0.20	− 0.56	2.66
Δ Profitability	0.02	0.02	0.27	− 0.01	0.05	0.02	0.02	0.26	− 0.01	0.05
Slack	− 19.36	8.59	0.02	− 36.20	− 2.53	− 20.42	8.61	0.02	− 37.31	− 3.54
Δ Slack	0.19	0.16	0.24	− 0.13	0.51	0.21	0.16	0.21	− 0.11	0.53
Industry controls										
Manufacturing to service mix	0.13	0.95	0.89	− 1.74	2.01	0.21	0.95	0.82	− 1.65	2.08
Host country growth	1.93	0.79	0.01	0.38	3.48	1.24	0.84	0.14	− 0.41	2.88
Home country growth	0.06	1.33	0.96	− 2.54	2.67	0.29	1.34	0.83	− 2.34	2.92
Regulations	0.50	0.89	0.57	− 1.25	2.26	0.75	0.89	0.40	− 0.99	2.49
Inception controls										
Pre-inception host country experience	1.16	0.27	0.00	0.64	1.69	1.07	0.27	0.00	0.53	1.60
Establishment mode	0.03	0.08	0.73	− 0.14	0.19	0.05	0.08	0.54	− 0.11	0.22
Geographic distance to the largest city	− 0.01	0.01	0.22	− 0.03	0.01	− 0.02	0.01	0.16	− 0.04	0.01
Residual	0.35	0.08	0.00	0.19	0.51	0.24	0.10	0.01	0.05	0.43
N Inceptions/Year					8961					8961
N Inceptions					936					936
N Events					973					973
Pseudo log-likelihood					− 3550.3					− 3544.8
R-squared (Nagelkerke modification)					0.342					0.346
Wald model χ^2					978.0					1102.2

Cox regression with calendar year stratification, firm fixed-effects, and robust standard errors (clustering on inceptions subjects). Firm dummies omitted. As beta coefficients are reported, positive values indicate an increase in the speed of subsequent investments. CI_l and CI_u correspond to the lower and upper bound of the 95% confidence interval

Table 5 Results of the Cox event history analysis for advanced economies

	Model 1					Model 2				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital (IGD to capital)						− 0.08	0.08	0.32	− 0.25	0.08
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	− 0.06	0.06	0.30	− 0.18	0.06	− 0.07	0.06	0.27	− 0.19	0.05
Control of corruption	0.03	0.07	0.69	− 0.11	0.16	0.09	0.10	0.35	− 0.10	0.28
Market openness	0.01	0.00	0.14	− 0.00	0.02	0.00	0.01	0.93	− 0.02	0.02
Political risk	− 0.77	0.36	0.03	− 1.47	− 0.07	− 0.89	0.38	0.02	− 1.63	− 0.15
Political decentralization	0.77	0.29	0.01	0.20	1.33	1.18	0.52	0.02	0.17	2.20
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	− 0.00	0.00	0.18	− 0.00	0.00	− 0.00	0.00	0.42	− 0.00	0.00
Transportation system quality	0.11	0.06	0.07	− 0.01	0.22	0.06	0.08	0.48	− 0.10	0.21
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.01	− 0.00	− 0.01	0.00	0.00	− 0.01	− 0.00
Δ Geographic scope	− 0.01	0.06	0.93	− 0.13	0.12	− 0.01	0.06	0.91	− 0.13	0.11
Product scope	− 0.00	0.00	0.59	− 0.01	0.01	− 0.00	0.00	0.62	− 0.01	0.01
Δ Product scope	0.71	0.20	0.00	0.31	1.11	0.70	0.20	0.00	0.30	1.10
Age	− 0.00	0.00	0.68	− 0.00	0.00	− 0.00	0.00	0.68	− 0.00	0.00
Size	− 0.00	0.00	0.78	− 0.01	0.01	− 0.00	0.00	0.78	− 0.01	0.01
Δ Size	− 0.00	0.06	0.97	− 0.11	0.11	− 0.00	0.06	0.96	− 0.11	0.11
Profitability	0.75	0.44	0.09	− 0.12	1.62	0.73	0.44	0.10	− 0.14	1.60
Δ Profitability	− 0.00	0.00	0.13	− 0.01	0.00	− 0.00	0.00	0.13	− 0.01	0.00
Slack	3.31	4.45	0.46	− 5.40	12.03	3.86	4.49	0.39	− 4.93	12.66
Δ Slack	0.21	0.08	0.01	0.06	0.37	0.21	0.08	0.01	0.05	0.37
Industry controls										
Manufacturing to service mix	− 1.09	0.75	0.15	− 2.56	0.38	− 1.11	0.75	0.14	− 2.58	0.36
Host country growth	0.98	0.84	0.24	− 0.67	2.64	1.39	0.94	0.14	− 0.45	3.23
Home country growth	− 0.67	1.20	0.58	− 3.01	1.68	− 0.85	1.21	0.48	− 3.23	1.52
Regulations	− 0.16	0.56	0.78	− 1.26	0.95	− 0.11	0.56	0.84	− 1.21	0.98
Inception controls										
Pre-inception host country experience	0.53	0.26	0.04	0.02	1.04	0.65	0.27	0.02	0.11	1.19
Establishment mode	0.05	0.08	0.55	− 0.10	0.20	0.04	0.08	0.64	− 0.12	0.19
Geographic distance to the largest city	− 0.05	0.03	0.13	− 0.11	0.01	− 0.04	0.03	0.18	− 0.11	0.02
Residual	0.07	0.03	0.03	0.01	0.12	0.14	0.08	0.09	− 0.02	0.31
N inceptions/year					9910					9910
N inceptions					960					960
N events					1177					1177
Pseudo log-likelihood					− 4496.1					− 4495.7
R-squared (Nagelkerke modification)					0.260					0.260
Wald model χ^2					124,340.0					123,647.6

Table 5 (*Continued*)

	Model 3					Model 4				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.08	0.08	0.36	− 0.24	0.09	− 0.01	0.09	0.92	− 0.18	0.17
IGD to capital * Primary capital city	0.02	0.05	0.64	− 0.07	0.12					
IGD to capital * Artificial capital city						− 0.10	0.05	0.03	− 0.20	− 0.01
IGD to capital * Highly regulated industry										
IGD to capital * Non-first subsequent investment										
IGD to capital * National breadth investment										
Host country controls										
Political stability	− 0.06	0.06	0.30	− 0.19	0.06	− 0.05	0.06	0.38	− 0.17	0.07
Control of corruption	0.08	0.10	0.39	− 0.11	0.28	0.09	0.10	0.35	− 0.10	0.28
Market openness	0.00	0.01	0.84	− 0.02	0.02	0.00	0.01	0.63	− 0.01	0.02
Political risk	− 0.87	0.38	0.02	− 1.62	− 0.13	− 0.88	0.37	0.02	− 1.61	− 0.14
Political decentralization	1.14	0.53	0.03	0.10	2.19	0.97	0.53	0.07	− 0.07	2.02
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	− 0.00	0.00	0.47	− 0.00	0.00	0.00	0.00	0.97	− 0.00	0.00
Transportation system quality	0.06	0.08	0.48	− 0.10	0.21	0.07	0.08	0.35	− 0.08	0.23
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.01	− 0.00	− 0.01	0.00	0.00	− 0.01	− 0.00
Δ Geographic scope	− 0.01	0.06	0.93	− 0.13	0.12	− 0.00	0.06	0.98	− 0.12	0.12
Product scope	− 0.00	0.00	0.62	− 0.01	0.01	− 0.00	0.00	0.60	− 0.01	0.01
Δ Product scope	0.70	0.20	0.00	0.31	1.10	0.71	0.20	0.00	0.31	1.11
Age	− 0.00	0.00	0.68	− 0.00	0.00	− 0.00	0.00	0.75	− 0.00	0.00
Size	− 0.00	0.00	0.79	− 0.01	0.01	− 0.00	0.00	0.79	− 0.01	0.01
Δ Size	− 0.00	0.06	0.95	− 0.11	0.11	− 0.00	0.06	0.94	− 0.12	0.11
Profitability	0.73	0.44	0.10	− 0.14	1.60	0.73	0.44	0.10	− 0.13	1.59
Δ Profitability	− 0.00	0.00	0.13	− 0.01	0.00	− 0.00	0.00	0.12	− 0.01	0.00
Slack	3.81	4.50	0.40	− 5.02	12.63	3.68	4.51	0.41	− 5.16	12.53
Δ Slack	0.21	0.08	0.01	0.06	0.37	0.21	0.08	0.01	0.06	0.37
Industry controls										
Manufacturing to service mix	− 1.11	0.75	0.14	− 2.58	0.36	− 1.14	0.75	0.13	− 2.61	0.32
Host country growth	1.32	0.95	0.17	− 0.55	3.19	1.30	0.94	0.17	− 0.55	3.14
Home country growth	− 0.82	1.22	0.50	− 3.21	1.57	− 0.80	1.22	0.51	− 3.18	1.59
Regulations	− 0.12	0.56	0.83	− 1.22	0.98	− 0.18	0.56	0.75	− 1.28	0.93
Inception controls										
Pre-inception host country experience	0.65	0.28	0.02	0.10	1.19	0.61	0.28	0.03	0.07	1.16
Establishment mode	0.04	0.08	0.64	− 0.12	0.19	0.04	0.08	0.65	− 0.12	0.19
Geographic distance to the largest city	− 0.05	0.04	0.17	− 0.12	0.02	− 0.05	0.03	0.14	− 0.12	0.02
Residual	0.13	0.09	0.13	− 0.04	0.30	0.11	0.08	0.20	− 0.06	0.28
N inceptions/year					9910					9910
N inceptions					960					960
N events					1177					1177
Pseudo log-likelihood					− 4495.6					− 4493.4
R-squared (Nagelkerke modification)					0.259					0.261
Wald model χ^2					118,171.2					118,306.3

Table 5 (*Continued*)

	Model 5					Model 6				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.11	0.09	0.19	− 0.28	0.06	− 0.14	0.09	0.10	− 0.31	0.03
IGD to capital * Primary capital city										
IGD to capital * Artificial capital city										
IGD to capital * Highly regulated industry	0.05	0.04	0.28	− 0.04	0.14					
IGD to capital * Non-first subsequent investment						0.09	0.04	0.01	0.02	0.17
IGD to capital * National breadth investment										
Host country controls										
Political stability	− 0.07	0.06	0.28	− 0.19	0.05	− 0.06	0.06	0.29	− 0.19	0.06
Control of corruption	0.09	0.10	0.35	− 0.10	0.28	0.10	0.10	0.31	− 0.09	0.29
Market openness	0.00	0.01	0.89	− 0.02	0.02	0.00	0.01	0.93	− 0.02	0.02
Political risk	− 0.90	0.38	0.02	− 1.64	− 0.16	− 0.89	0.37	0.02	− 1.62	− 0.15
Political decentralization	1.19	0.52	0.02	0.17	2.21	1.23	0.52	0.02	0.21	2.25
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	− 0.00	0.00	0.39	− 0.00	0.00	− 0.00	0.00	0.36	− 0.00	0.00
Transportation system quality	0.05	0.08	0.51	− 0.10	0.21	0.04	0.08	0.60	− 0.12	0.20
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.01	− 0.00	− 0.01	0.00	0.00	− 0.01	− 0.00
Δ Geographic scope	− 0.01	0.06	0.92	− 0.13	0.12	0.00	0.06	1.00	− 0.12	0.12
Product scope	− 0.00	0.00	0.60	− 0.01	0.01	− 0.00	0.00	0.67	− 0.01	0.01
Δ Product scope	0.70	0.20	0.00	0.31	1.10	0.73	0.20	0.00	0.33	1.12
Age	− 0.00	0.00	0.65	− 0.00	0.00	− 0.00	0.00	0.56	− 0.00	0.00
Size	− 0.00	0.00	0.79	− 0.01	0.01	− 0.00	0.00	0.82	− 0.01	0.01
Δ Size	− 0.00	0.06	0.96	− 0.12	0.11	− 0.00	0.06	0.98	− 0.11	0.11
Profitability	0.73	0.44	0.10	− 0.13	1.60	0.75	0.44	0.09	− 0.12	1.62
Δ Profitability	− 0.00	0.00	0.13	− 0.01	0.00	− 0.00	0.00	0.12	− 0.01	0.00
Slack	3.77	4.49	0.40	− 5.03	12.57	3.70	4.45	0.41	− 5.01	12.42
Δ Slack	0.21	0.08	0.01	0.05	0.37	0.21	0.08	0.01	0.06	0.37
Industry controls										
Manufacturing to service mix	− 1.10	0.75	0.14	− 2.57	0.37	− 1.05	0.76	0.16	− 2.53	0.43
Host country growth	1.38	0.94	0.14	− 0.47	3.22	1.38	0.94	0.14	− 0.45	3.22
Home country growth	− 0.85	1.21	0.48	− 3.23	1.52	− 0.86	1.21	0.48	− 3.23	1.51
Regulations	− 0.15	0.57	0.79	− 1.26	0.96	− 0.01	0.57	0.98	− 1.13	1.10
Inception controls										
Pre-inception host country experience	0.65	0.27	0.02	0.12	1.19	0.66	0.27	0.01	0.13	1.19
Establishment mode	0.04	0.08	0.62	− 0.12	0.19	0.04	0.08	0.61	− 0.11	0.19
Geographic distance to the largest city	− 0.05	0.03	0.15	− 0.11	0.02	− 0.05	0.03	0.13	− 0.11	0.01
Residual	0.14	0.08	0.09	− 0.02	0.31	0.15	0.08	0.08	− 0.02	0.31
N inceptions/year					9910					9910
N Inceptions					960					960
N Events					1177					1177
Pseudo log-likelihood					− 4495.2					− 4493.1
R-squared (Nagelkerke modification)					0.260					0.262
Wald model χ^2					879.2					124,750.9

Table 5 (*Continued*)

	Model 7					Model 8				
	Coef.	SE	$p > \|z\|$	CI_l	CI_u	Coef.	SE	$p > \|z\|$	CI_l	CI_u
Inception geographic distance to capital city (IGD to capital)	− 0.18	0.09	0.04	− 0.35	− 0.01	− 0.17	0.10	0.09	− 0.37	0.03
IGD to capital * Primary capital city						− 0.10	0.06	0.08	− 0.21	0.01
IGD to capital * Artificial capital city						− 0.17	0.05	0.00	− 0.28	− 0.06
IGD to capital * Highly regulated industry						0.02	0.04	0.57	− 0.06	0.11
IGD to capital * Non-first subsequent investment						0.10	0.04	0.01	0.02	0.17
IGD to capital * National breadth investment	0.17	0.04	0.00	0.09	0.26	0.18	0.04	0.00	0.09	0.27
Host country controls										
Political stability	− 0.07	0.06	0.26	− 0.19	0.05	− 0.05	0.06	0.36	− 0.17	0.06
Control of corruption	0.09	0.10	0.37	− 0.10	0.28	0.12	0.10	0.21	− 0.07	0.32
Market openness	0.00	0.01	0.88	− 0.02	0.02	0.00	0.01	0.79	− 0.01	0.02
Political risk	− 0.88	0.38	0.02	− 1.62	− 0.14	− 0.94	0.38	0.01	− 1.67	− 0.20
Political decentralization	1.15	0.52	0.03	0.13	2.17	1.06	0.53	0.04	0.03	2.09
Market size	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land area	− 0.00	0.00	0.47	− 0.00	0.00	0.00	0.00	0.82	− 0.00	0.00
Transportation system quality	0.06	0.08	0.46	− 0.10	0.22	0.07	0.08	0.37	− 0.08	0.23
Firm controls										
Geographic scope	− 0.01	0.00	0.00	− 0.01	− 0.00	− 0.01	0.00	0.00	− 0.01	− 0.00
Δ Geographic scope	− 0.01	0.06	0.88	− 0.13	0.11	0.00	0.06	0.97	− 0.12	0.13
Product scope	− 0.00	0.00	0.58	− 0.01	0.01	− 0.00	0.00	0.60	− 0.01	0.01
Δ Product scope	0.71	0.20	0.00	0.31	1.10	0.74	0.20	0.00	0.34	1.14
Age	− 0.00	0.00	0.75	− 0.00	0.00	− 0.00	0.00	0.71	− 0.00	0.00
Size	− 0.00	0.00	0.79	− 0.01	0.01	− 0.00	0.00	0.82	− 0.01	0.01
Δ Size	− 0.01	0.06	0.90	− 0.12	0.11	− 0.01	0.06	0.93	− 0.12	0.11
Profitability	0.74	0.44	0.09	− 0.12	1.61	0.76	0.43	0.08	− 0.09	1.61
Δ Profitability	− 0.00	0.00	0.13	− 0.01	0.00	− 0.00	0.00	0.11	− 0.01	0.00
Slack	3.77	4.52	0.40	− 5.09	12.62	3.44	4.48	0.44	− 5.34	12.21
Δ Slack	0.21	0.08	0.01	0.05	0.37	0.21	0.08	0.01	0.06	0.37
Industry controls										
Manufacturing to service mix	− 1.15	0.75	0.13	− 2.62	0.33	− 1.11	0.75	0.14	− 2.59	0.37
Host country growth	1.39	0.94	0.14	− 0.45	3.22	1.57	0.97	0.11	− 0.33	3.47
Home country growth	− 0.85	1.21	0.48	− 3.21	1.51	− 0.94	1.22	0.44	− 3.34	1.45
Regulations	− 0.16	0.56	0.78	− 1.25	0.94	− 0.15	0.58	0.79	− 1.28	0.98
Inception controls										
Pre-inception host country experience	0.64	0.28	0.02	0.10	1.18	0.62	0.27	0.02	0.09	1.15
Establishment mode	0.04	0.08	0.61	− 0.11	0.19	0.04	0.08	0.62	− 0.11	0.19
Geographic distance to the largest city	− 0.05	0.03	0.15	− 0.11	0.02	− 0.03	0.04	0.48	− 0.10	0.05
Residual	0.14	0.08	0.10	− 0.03	0.30	0.13	0.09	0.12	− 0.04	0.30
N inceptions/year					9910					9910
N Inceptions					960					960
N Events					1177					1177
Pseudo log-likelihood					− 4487.2					− 4480.6
R-squared (Nagelkerke modification)					0.267					0.271
Wald model χ^2					160,915.0					168,449.3

Cox regression with calendar year stratification, firm fixed-effects, and robust standard errors (clustering on inceptions subjects). Firm dummies omitted. As beta coefficients are reported, positive values indicate an increase in the speed of subsequent investments. CI_l and CI_u correspond to the lower and upper bound of the 95% confidence interval

inception is stronger in highly regulated industries only in emerging markets ($\beta = -0.04$, $p = 0.00$), the effect is weaker for host countries with historical capitals ($\beta = -0.17$, $p = 0.00$) and expansions after the first subsequent investment ($\beta = 0.10$, $p = 0.01$) only in advanced economies. Still, we consistently see that the negative relationship is stronger for local depth than for national breadth investments in both types of host markets (emerging economies: $\beta = 0.08$, $p = 0.00$, advanced economies: $\beta = 0.18$, $p = 0.00$).

Overall, we can conclude that firms which locate closer to the capital city at inception expand their subsidiary portfolio at a higher speed, in particular in emerging economies. The effect size could vary depending on the types of capital cities, industries, and subsequent investments, especially in advanced economies, where we see more and stronger moderating effects. As a further analysis, we also re-estimated our models with non-linear specifications for the influence of geographic distance to the capital city. This included a logarithmic transformation as well as a binary differentiation based on different kilometer cut-off points for a one-hour driving distance as well as a day-trip distance (e.g., Mok, Wellman, & Basu, 2007; Mok, Wellman, & Carrasco, 2010). The results were highly similar, supporting the robustness of our findings.

DISCUSSION

A key limitation of our analysis and longitudinal dataset is that we could not show the particular micro-level processes which led to the negative association between the geographic distance to the capital city at inception and the speed of subsequent investments. From a theory perspective, there are different mechanisms which could cause this relationship.

Foremost, geographic distance mainly affects the communication style which two actors—the MNE and the host government—use to exchange knowledge and information with each other. It is generally accepted in literature on clusters and agglomerations (e.g., Aharonson, Baum, & Feldman, 2007; Audretsch & Stephan, 1996; Porter, 2000; Sternberg, 1991), economic geography (e.g., D'Este, Guy, & Iammarino, 2013; Mok et al., 2010; Morgan, 2004; Storper & Venables, 2004), and organizational behavior (e.g., Conrath, 1973; Cornish, 1997; O'Leary & Cummings, 2007) that spatial proximity primarily increases the frequency of face-to-face interactions. As a rich communication medium, face-to-face interactions allow the processing of equivocal information due to the possibility of immediate feedback and the multiple cues via body language and tone (Daft & Lengel, 1986). This is especially required when tacit knowledge should be developed and exchanged (e.g., Nonaka, Umemoto, & Senoo, 1996). In the context of our study, this would imply that firms which locate closer to the capital city might have more opportunities to exchange valuable knowledge with host government actors face-to-face, which allows the MNE to develop a richer stock of know-how. Consequently, the firm experiences lower uncertainties, which enables the expansion of the subsidiary portfolio at a higher rate (e.g., Gao & Pan, 2010; Guillén, 2002).

An alternative explanation for our finding could be that it is not geographic distance in itself that has an influence on the speed of subsequent investments but other distances that are related to geographic distance, in particular social distance (Boschma, 2005; Morgan, 2004; Zaheer & Hernandez, 2011). Geographic proximity (and face-to-face interaction) enables the initiation and maintenance of social relationships (e.g., Mok et al., 2010; Torre & Rallet, 2005). Literature on political ties argues that firms located in proximity to capital cities have more opportunities to approach political actors and to foster formal and informal relationships with them (Faccio & Parsley, 2009; Houston, Jiang, Lin, & Ma, 2014; Kim, Pantzalis, & Park, 2012). These relationships could prove valuable for future expansions of the subsidiary portfolio, since governmental actors may provide the MNE with various benefits, such as access to knowledge and information, legitimacy, or favorable business conditions in terms of quick approvals, access to land, tax breaks, or bank loans (e.g., Chen, Ding, & Kim, 2010; Sheng, Zhou, & Li, 2011; Sojli & Tham, 2017; Sun, Mellahi, & Wright, 2012; Zheng, Singh, & Mitchell, 2015). For our study, this would imply that also firms located far from the capital could be able to pursue further investments at a high speed if they possess the relevant political ties.

Despite the anecdotal evidence and theoretical arguments indicating that MNE–host government interactions vary with geographic distance to the capital city, there are further possible explanations

for the decelerating effect of geographic distance to the capital city. For instance, employees and advisors which MNEs locating closer to the capital city can hire from the local labor pool might have different qualifications and profiles, especially expertise in the host country's regulations and affairs (Campbell, 2003; Zimmermann, 2010). Similar to the previous explanations, this would also imply that knowledge on the institutional environment enables a quicker expansion of the subsidiary portfolio, but this knowledge could also stem from firm-internal and not just from firm-external stakeholders.

Going beyond the political dimension of the city, a location in proximity to the capital may also enable stronger embeddedness in the business community of the host country. Since networks are location-bound (e.g., Glückler, 2007; Porter, 2000; Rugman & Verbeke, 2003), and the capital is also a place where business leaders meet and industry associations are located (Mayer et al., 2016), MNEs could be able to develop a higher number or more intense connections to other firms within the capital city. If this is the case, capital cities would provide similar advantages as co-ethnic core locations, which have been shown to be associated with a quicker expansion of the subsidiary portfolio (Stallkamp et al., 2018).

Finally, the negative relationship between the distance to the capital city at inception and the speed of subsequent investments may also be caused by a symbolic signaling or legitimacy spillover effect (Mayer et al., 2016; Zimmermann, 2010). As the capital city location is familiar and potentially credible to local stakeholders with whom the MNE engages in business activities, firms which pursue their first investments in a new host country may be able to benefit from the positive image of the location and thereby reduce their liabilities of foreignness. Similar effects have been described for economic core locations, such as global cities (Goerzen et al., 2013; McDonald et al., 2018), and may also apply to capital cities.

Reconsidering the findings of our empirical analysis, the latter two explanations (business ties and legitimacy signaling) seem less likely, since we would then expect the effect of geographic distance to be stronger in primary and historical capital cities, which have a higher economic importance and a stronger public image than secondary and artificial capital cities (Campbell, 2003; Hall, 2006; Kaufmann et al., 2016). We do not observe such tendencies, either in the full sample or in the subsamples. Therefore, the political nature of the capital city may indeed be the driving factor behind our effects.

As we consistently see a weaker impact on national breadth compared to local depth investments, knowledge on the regulatory institutional environment may indeed play a pivotal role for the underlying mechanism, since it is more difficult to transfer to new sub-national subsidiary locations (e.g., Alcácer & Chung, 2007; Ambos & Ambos, 2009; Buckley & Carter, 2004; Hansen & Løvås, 2004; Narula, 2014). This is also plausible in light of our finding that the effect of geographic distance to the capital city becomes weaker after the first subsequent investment in advanced but not in emerging economies. As regulations change rapidly (Hoskisson, Eden, Lau, & Wright, 2000; Meyer & Nguyen, 2005; Santangelo & Meyer, 2011; White III, Hemphill, Joplin, & Marsh, 2014) and are often incomplete, ambiguous, or limitedly codified (Li et al., 2009; White III et al., 2014) in emerging economies, firms need to constantly gain knowledge on the current institutional situation (Lord & Ranft, 2000; Xu & Meyer, 2013). Therefore, firms which locate closer to the capital city and can access these sources of information have a long-lasting advantage. In advanced economies, in contrast, changes do not occur as rapidly or become apparent with enough time for the firms to prepare for them (Hoskisson et al., 2000; Meyer & Nguyen, 2005; Santangelo & Meyer, 2011; White III et al., 2014). Thus, even firms which are located further away from the capital can catch up over time and gain knowledge on the regulatory environment through other sources or experiential learning. Consequently, the advantages of a location close to the capital would taper off after the first subsequent investment.

The fact that we see a stronger effect in highly regulated industries in emerging economies and a stronger effect for artificial capitals in advanced economies (but not vice versa) could also indicate that firms acquire knowledge and information on the regulatory environment via different mechanisms in these two types of markets. As knowledge and information exchange with government actors is particularly important in highly regulated industries (e.g., Hillman, 2005), interactions with host government actors could be the determining factor in emerging economies (Marquis & Raynard, 2015; Meyer & Nguyen, 2005; Santangelo & Meyer,

2011). Since artificial capitals are characterized by a higher share of the population working in the public sector or having education or work experience in the political field, it is possible that employees as firm-internal sources of knowledge play a more important role in advanced economies.

Overall, our study looked at the subsidiary portfolio expansion from a MNE perspective and investigated under which conditions the same MNE expands into different host countries with different speeds. To analyze capital city distance as an influencing factor, we relied on a longitudinal dataset with multiple investments of a MNE into multiple host countries and chose a Cox event history model. However, our sample and model did not allow country-specific investigations. Even though our dataset is not dominated by a certain host country, it is possible that the effect size and underlying micro-level processes could vary and be subject to host-country idiosyncrasies. Our study only differentiated between the two broad categories of emerging and advanced economies. Still, these groups are heterogeneous, and especially interactions with government actors can take different forms depending on the specific political–institutional environment (Cui, Hu, Li, & Meyer, 2018). Therefore, we greatly welcome future studies to test the alternative explanations for our effects in different host country contexts. Such studies may need to adopt different research approaches, such as qualitative case study interviews or cross-sectional surveys. Analyzing how far a location close to the capital city enables a MNE to develop competitive advantages within the host country could provide valuable insights into the consequences of sub-national location choices for firm strategy and operations.

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NOTES

[1]In the following, we refer to the national capital city, where the seat of the central government is located, by the term capital city.

[2]We subsume politicians, government officials, political parties, ministries, administrative and regulatory bureaus, and national institutions under the term government actors.

[3]To improve readability, we refer to all non-advanced markets as emerging markets. This includes all kinds of developing, frontier, emerging, and transition economies.

[4]The results which we obtained with the IMF categorization are very similar to the ones based on the World Bank income group classification, as well as a split of the host countries at the mean value of the World Bank worldwide governance indicators. We applied a sample split in our analyses, since it allows the shape of the baseline and the effects of control variables to vary across emerging and advanced markets. Both aspects seem theoretically reasonable. AIC and BIC values are also lower when estimating separate models instead of a model in which control variables and the shape of the baseline are constrained to be equal in emerging and advanced markets.

[5]We chose the Cox (1972) event history model for several reasons: First, it can handle time-varying control variables and right-censored data (Allison, 2014; Mills, 2011). Second, it puts more suitable assumptions on the distribution of the residual errors compared to a linear regression (Cleves et al., 2016). Third, there is no need to assume a particular shape of the baseline hazard rate as in parametric event history models. Fourth, the model allows a variety of specifications, such as stratification and (cluster) robust standard errors, which are required for our specific research question and sample design.

[6]To implement the Lunn and McNeil (1995) approach, we duplicated the inception/year observations and stratified our model by the binary investment type variable. By interacting the geographic distance to the capital city variable with this investment type dummy, we can test whether the effect of the explanatory variable on the speed of subsequent investments differs across the two investment types (for further details on the Lunn and McNeil approach, see Cleves et al., 2016; Kleinbaum & Klein, 2012).

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