

## **Home Country Institutions and Risk Appetite in International Expansions**

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## **Introdução**

Institutional dysfunctions affect firms' international strategies but are often treated as static and monolithic (Peng et al., 2009). This study disaggregates dysfunction into structural, processual, and agency dimensions, introducing institutional volatility as a dynamic factor influencing firms' risk appetite during cross-border acquisitions, thus addressing gaps identified by other institutionalists.

## **Problema de Pesquisa e Objetivo**

Research often oversimplifies formal institutions, ignoring distinct dysfunction types and their volatility (Wang, 2022b). We aim to examine how structural, processual, and agency dysfunctions, alongside institutional volatility, shape firms' risk appetite in international acquisitions.

## **Fundamentação Teórica**

We theorize that institutional dysfunctions are not monolithic. Structural dysfunctions reflect weak legal and constitutional foundations (North, 1990; Acemoglu & Robinson, 2013). Processual dysfunctions concern inefficient procedures (Harrison et al., 2002; Doh et al., 2019), and agency dysfunctions stem from corrupt or incompetent actors (Wang, 2022b; Orudzheva & Sluhan, 2022). Institutional volatility (Landau et al., 2016) amplifies these effects, altering firms' international risk calculus.

## **Metodologia**

Analyzing 71,374 cross-border acquisitions (2000-2023, Refinitiv), matched with World Bank institutional indicators, we measured structural, processual, agency dysfunctions, and volatility. Firms' risk appetite is proxied by acquired equity stakes. Linear regression included country/year fixed effects and controls.

## **Análise dos Resultados**

Agency dysfunctions significantly reduce risk appetite; surprisingly, processual dysfunctions positively affect risk-taking, suggesting adaptive routines. Structural dysfunctions show no effect. Processual and agency volatility strongly suppress risk appetite; structural volatility lacks significance.

## **Conclusão**

Findings confirm agency dysfunction reduces firms' international risk-taking due to institutional distrust. Processual dysfunctions unexpectedly boost risk appetite, indicating learned adaptation. Volatility's negative effect underscores unpredictability's critical role in firms' strategies.

## **Contribuição / Impacto**

We advance the institution-based view by disaggregating institutional dysfunction and integrating volatility as a dynamic moderator. This nuanced approach enhances understanding of how institutional quality and predictability shape international risk-taking, with implications for strategic decision-making.

## **Referências Bibliográficas**

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