Original

Attraction Factors for Business Investment in Latin American countries: A Systematic Literature Review

Factores de Atracción para la Inversión Empresarial en Países Latinoamericanos: Una Revisión Sistemática de Literatura

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María Eugenia Solis-Ruilova, https://orcid.org/0000-0002-2454-9351 marusr1999@es.uazuay.edu.ec
Facultad de Ciencias de la Administración, Universidad de Cuenca, Cuenca, Ecuador.

Luis Tonon-Ordóñez, https://orcid.org/0000-0003-2360-9911 ltonon@uazuay.edu.ec
Facultad de Ciencias de la Administración, Universidad de Cuenca, Cuenca, Ecuador.

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Abstract

Foreign direct investment is an option considered by companies with clear expansion plans, whether in search of new markets or aiming to improve their results through lower costs and, often, with enhanced product or service quality. For this reason, these companies view Latin America as a viable option. The objective of this study was to identify the factors of foreign direct investment in Latin American countries from a business perspective, thorugh of the PRISMA 2020 method. This study is divided into five criteria: economic, political, social, environmental, and geographical factors. The factors studied proved to be important depending on each company's specific goals.

Resumen

La inversión extranjera directa es una opción que consideran las empresas con planes de expansión definidos, ya sea para acceder a nuevos mercados o para mejorar sus resultados mediante la reducción de costos y, a menudo, con una mayor calidad de productos o servicios. Por ello, estas empresas ven a Latinoamérica como una opción viable. El objetivo de este estudio fue identificar los factores de la inversión extranjera directa en países latinoamericanos desde una perspectiva empresarial, utilizando la metodología PRISMA 2020. Este estudio se divide en cinco criterios: factores económicos, políticos, sociales, ambientales y geográficos. La importancia de los factores estudiados dependió de los objetivos específicos de cada empresa.

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Keywords

International Economic Relations, Transnational Corporation, Globalization, Foreign Investment, Markets.

Palabras clave

Relaciones económicas internacionales, Corporaciones transnacionales, Globalización, Inversión extranjera, Mercados.

1 Introduction

The factors attracting foreign direct investment (FDI) in Latin American countries are a topic that is dispersed in the literature. Even among authors, some reach common ground while others encounter conflicting results. The PRISMA method, as outlined by Page et al. (2021), was employed to create a record of articles related to the topic, which were then screened to develop of the stated objectives.

In the early studies of FDI, Stephen Hymer is identified as a key figure, according to Vélez (2017). In his theories, Hymer (1960) examined companies and their relationships with both domestic and foreign markets. His work aimed to explain why firms seek to expand beyond their domestic markets. In subsequent research, Hymer (1976) expanded his ideas on multinationals and FDI. Hymer's work laid the foundation for Dunning's studies (1988, 1994) on the OLI paradigm and the four motivations that theoretically seek to explain companies' investment decisions.

For their part, Galaso et al. (2018) divided the Latin American countries into two groups: Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Peru, and Uruguay, which are considered open economies with locational advantages for companies seeking natural resources, market access, and efficiency. On the other hand, countries such as Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, and Venezuela are considered smaller economies, with greater instability and more closed markets, and they also need to build relationships with other countries to foster trust.

In this regard, the majority of FDI is concentrated in Brazil, Mexico, Colombia, Peru, and Argentina (Jančovič & Gresš, 2021). Nevertheless, according to Castellanos et al. (2021), Chile is not far behind in attracting FDI in Latin America. Before investing in Latin America, companies evaluate several factors, as Luque (2019) mentioned citing an example from an interview with a businessman from the Chinese company ICBC. This businessman decided to invest in Argentina for the following reasons: Brazil is more regulated, Mexico has significant competition, and the other countries represent smaller markets that are less attractive for investment.

Companies' decisions to invest abroad are made with a long-term perspective. According to Contractor et al. (2020), these decisions are approached from a holistic viewpoint, involving planning for the initial entry, subsequent operations, and the profits generated from that investment. Based on the analyzed research, there are no specific factors that companies uniformly seek when investing in Latin America, as this varies depending on each company's sector and objectives, as well as its country of origin.

2 Theoretical Framework

Foreign investment, according to Daniels et al. (2018), refers to the ownership of foreign property in exchange for a financial return. The latter is the focus of this article. In this regard, Hill (2021) states that it involves a company's investment in facilities to produce or sell a good or service in a foreign country. Additionally, García et al. (2020) define it as an operation that entails a long-term relationship between a natural or legal person and a company abroad.

Foreign direct investment (FDI) is classified into horizontal and vertical types. According to Krugman et al. (2016), horizontal FDI occurs when a company invests in a foreign subsidiary that engages in the same production activities as its parent company in the home country. On the other hand, vertical FDI occurs when a company invests in a foreign subsidiary that engages in different but complementary activities to those of the parent company, transferring part of the production from the home country to these subsidiaries. Cherif and Dreger (2018) state that both forms of FDI are used to describe the behavior of multinationals. Conversely, vertical FDI, according to Bengoa et al. (2020), is more prevalent in Latin American countries when it is possible to minimize costs in a part of the production process or in inputs.

Theoretically, Dunning (1994) developed the models that companies rely on when deciding to invest abroad. He identified four motivations or reasons: market-seeking, resource-seeking, effciency-seeking, and strategic asset-seeking. According to Bezuidenhout et al. (2021), market-seeking focuses on the pursuit of market size and growth; the GDP per capita of the target country, to assess the purchasing power of the population; consumer preferences; and access to regional and global markets. This is the strategy most commonly employed by multinationals.

According to Jančovič and Gresš (2021), traditionally, the determining factor in this regard is market size. On the other hand, Bezuidenhout et al. (2021) stated that resource-seeking is not only focused on the pursuit of natural resources but also on seeking cheaper or better-qualified labor and resources that can be obtained at a lower cost than in the home country. The same authors noted that efficiency-seeking is centered on operational efficiency; it aims for minimal costs during production and optimizes manufacturing, supply, and promotional efforts.

Lastly, strategic asset-seeking is understood as companies that utilize FDI to promote their strategic objectives and maintain or enhance their overall effectiveness. For instance, if a company is a new multinational engaging in FDI activities, its motivation will likely focus on market or resource-seeking. In contrast, the motivation behind strategic asset-seeking is associated with companies that already have experience abroad.

Additionally, to understand companies' decisions when investing, Dunning's Eclectic Paradigm (1988) is relevant, in which companies use three types of advantages to determine where it is most beneficial to invest. It is also known as OLI: Ownership advantages, Location advantages, and Internalization advantages. According to Teixeira (2021), ownership advantages refer to the possession of intangible assets, such as technology. Location advantages are related to labor or input costs, as well as the political, economic, and social conditions of the destination country. Finally, internalization advantages are based on reducing transaction costs.

3 State of the Art

The location of a multinational depends on the sector to which the company belongs. In the study by Danes et al. (2023) on the automotive sector, investment is motivated by market-seeking and strategic asset-seeking. Kicsi and Burciu (2019) highlight competition as a determining factor in investment decisions; thus, the concentration of multinationals in this sector occurs in countries with barriers that impede the entry of competitors, such as the technical advantages that manufacturers and distributors have over smaller industries.

According to Moreno and Espinosa (2018), companies in the automotive sector are more attracted to Mexico, Argentina, and Brazil for their operational plants. Kang (2018) studied that the factors influencing FDI in this sector depend on what the company seeks. Nevertheless, one issue that poses a problem for the company, which can be considered a negative factor for attracting FDI, is cultural distance.

In the wind and solar energy sector, Keeley and Matsumoto (2018) indicate that factors such as political risk and legislation are important determinants for this sector. According to Herrera and Montesdeoca (2019), Latin American countries have become an attractive niche for this sector. Other important factors in this sector mentioned by Keeley and Matsumoto (2018) include labor costs and the availability of natural resources.

In the healthcare sector, Machado and Jardim (2019) studied that the legal factor is very important when deciding to invest in the hospital sector in Brazil. Some interviewees mentioned that a law could be enacted requiring the private sector to vaccinate; thus, it becomes diffcult to calculate the return on investment, which may result in failure for the investor. Other factors, such as corruption, are not considered relevant by investors.

In the telecommunications sector, Carrillo and Michelli (2017) studied the example of Foxconn, a manufacturer of electronic components and the main supplier for Apple. The factors attracting Foxconn to invest in Mexico and Brazil include favorable labor and immigration policies, the need for a semi-skilled and low-cost workforce, and location, as it allows them to expand their sales to the rest of the continent. Another company mentioned by the authors is Huawei, a network and telecommunications company, whose attraction factor for investing in a location in Mexico was to capture a larger local market; additionally, the location of this country was ideal. This allows the company to continue its goal of providing its customers with a cheaper product than others. Additionally, a factor that interested both companies was Mexico's proximity to the United States.

Regarding the natural resources sector, Herrera and Montesdeoca (2019) assert that Latin America is a destination for the extraction of resources such as oil and minerals; nonetheless, over the years, this sector has been declining. According to Roncal (2018), since 2016, Latin America has experienced a decline in investments related to the natural resources sector. Additionally, Spillan and Rahman (2019) consider Peru to be key for the mining industry.

On the other hand, several companies have directed a significant portion of their investments to Mexico, having identified various attractive factors for FDI, according to the study by Sandler et al. (2019). Important factors include low costs, market size, efficiency, regulations, and abundant natural resources in the country. In the same context, Ruppert and Bertella (2018) argue that the main attraction factors in developing countries, such as those in Latin America, are low production costs and access to natural resources.

According to Urata and Baek (2023), they do not view geographical distance as a problem, as it is more cost-effective for them to invest rather than export to reduce expenses. For Guzmán and Lugo (2023), market size, lower production and transportation costs, and special tax regimes are factors that companies consider when investing in Mexico. Furthermore, cross-border countries are also an important factor for FDI from Latin American companies, as they reduce transportation costs and facilitate greater commercial communication, according to Valenzuela and Fuenzalida (2020).

4 Methodology

In the development of this study, the PRISMA 2020 method was applied, in accordance with Page et al. (2021), to conduct the literature review, ensuring a systematic and transparent selection of the sources analyzed. The databases consulted included Scopus, Web of Science, Scielo, and Dialnet. The search was conducted in all languages to ensure a broader perspective. The keywords used were: "foreign direct investment," "Latin America," "companies," "multinational", based on the objectives of the investigation. Subsequently, an inclusion and exclusion analysis was conducted based on the context of the article; titles, abstracts, and introductions were reviewed. It is shown in figure 1.

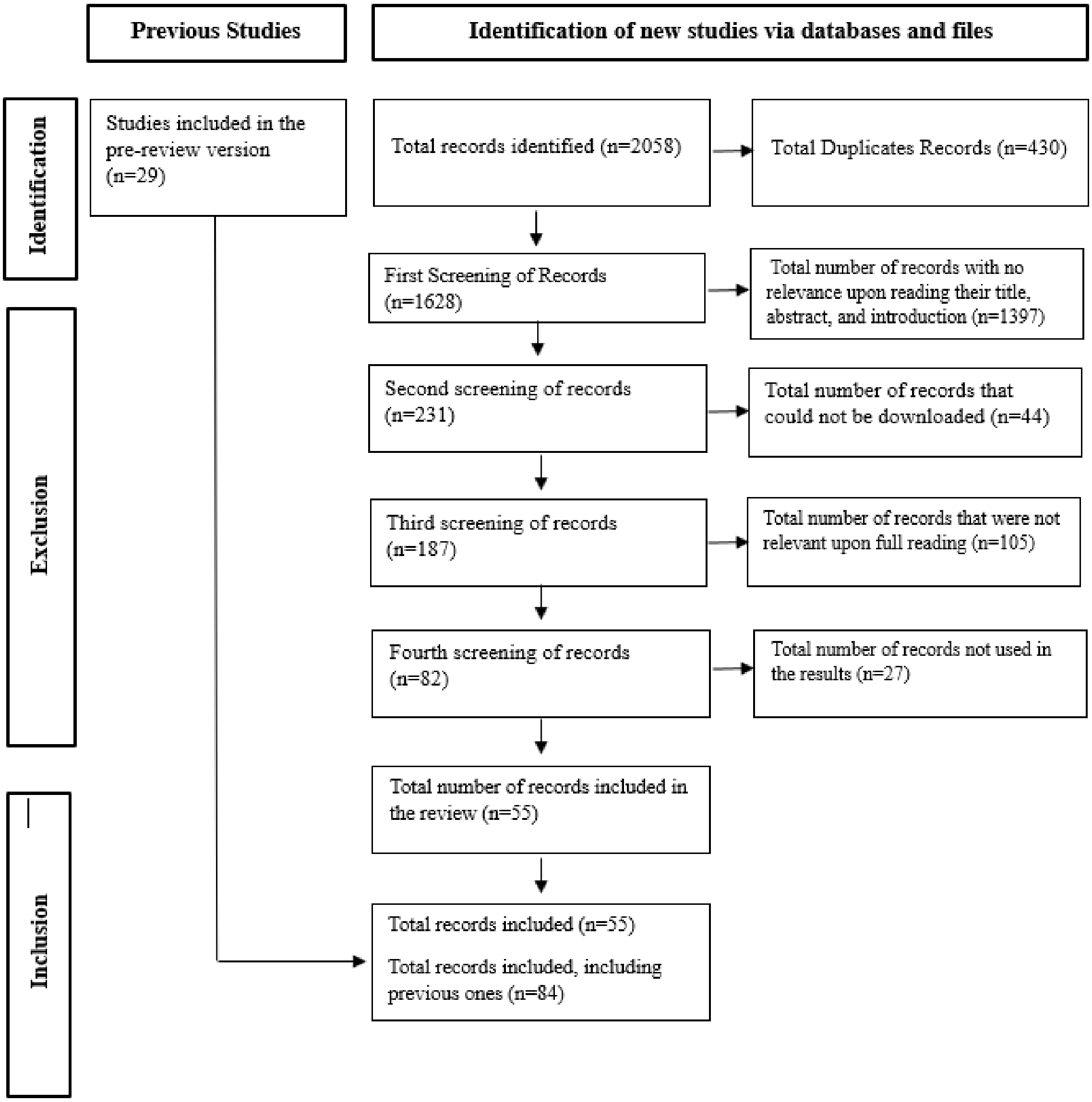

Image 01
Results of the PRISMA Method

5 Results of Review

According to the study by Amorim and Menezes (2022), it was not until 1980 that Latin American countries signed their first agreements for foreign investments. In Latin American countries, according to Bruhn et al. (2020), the intensity of participation by multinational companies depends on the absorption capacity of these developing economies. This work identifies the factors that companies consider when deciding to invest in Latin America, which will be grouped into five categories: economic, political, social, environmental, and geographical.

5.1. Economic Factors

In terms of economic factors, according to Teixeira (2021), the market size of Latin American countries is an important variable influencing foreign direct investment (FDI). Saavedra and Flores (2017) and Frick and Rodríguez (2023) also emphasize its significance for various companies looking to expand their markets in Latin America. Martí et al. (2017) suggest that in developing economies, such as those in Latin America, FDI is primarily driven by market-seeking behavior.

Infrastructure in terms of transportation, communication, education, health, basic services, housing, security, and industry is another important factor when deciding to invest. Bhattacharya et al. (2023) argue that good infrastructure is an attractive factor for countries in Latin America. Nonetheless, Teixeira (2021) noted mixed results regarding this factor, as a good transportation and communication infrastructure often incurs higher costs for the investor; therefore, this factor depends on the investor's objectives.

In monetary terms, monetary freedom is, according to Singh & Gal (2020), an essential component of attracting FDI to Latin America. On the other hand, Saavedra and Flores (2017) point out that currency instability is an element affecting FDI, as frequent fluctuations in the value of the currency against others can pose a greater risk for the investor. Furthermore, according to Jančovič & Gresš (2021), inflation rates, which are often linked to currency instability, are also a determinant of investment; nevertheless, this depends on what the company seeks when investing. Research by Cacay et al. (2024) indicates that the inflation variable lacks significance for companies, while for Saavedra and Flores (2017), it was found to be a relevant variable for FDI inflows in Latin America.

Another relevant factor is the openness of the countries' economies, as suggested by Singh & Gal (2020), since this leads to trade liberalization. Notwithstanding, Dal & Loan (2017) state that a country's trade openness attracts more multinationals for export due to incentives in terms of taxes for them. Minerva (2023) viewed trade openness as synonymous with export rather than FDI. Nonetheless, it depends on the type of investment, as according to Bengoa et al. (2020), multinationals that invest vertically benefit from this trade liberalization.

In this same context, trade agreements, which are part of the country's trade openness, are also important for attracting FDI to Latin American countries, as mentioned by Cherif & Dreger (2018), who cite the example of the South-South agreement. Notwithstanding, Bengoa et al. (2020) indicate that this factor varies according to the specific type of agreement for it to serve as an attraction element. Therefore, trade agreements lead to investments in unstable countries in Latin America due to the trust generated by these connections (Galaso et al., 2018).

Interest rates and unemployment rates are also factors that influence FDI inflows; however, despite the fact that several countries, such as Colombia, do not have good results in these indices, their international dynamics and their relationships and interactions with other countries make companies want to invest in them and not consider these factors too relevant (Nieto, 2019).

On the other hand, competitiveness within Latin American countries, according to Kuznetsov (2022), is another component that companies consider before investing, as high levels of competition can make the investment risky. Nonetheless, for Mas et al. (2018), companies' decisions to invest are influenced by other multinationals engaged in the same activity, which they use as a reference. Moreover, Jaworek et al. (2019) note that companies tend to look at how saturated the market is and the level of competitiveness before investing in a country.

5.2. Political Factors

In this area, the political factors that attract FDI to Latin American countries, according to Chowdhury et al. (2023), include legal systems, transparency of government policies, and the size and type of government. According to Nasirov et al. (2022), intellectual property laws attract more research and development projects. However, when these laws are weak, as is the case in most Latin American countries, projects focused on exploiting natural resources are attracted instead.

According to Fraga (2022), the policies of Latin American countries that minimize financial obstacles and customs delays are the factors that most attract FDI. Similarly, Bretos & Errasti (2018) argue that even legislation similar to that of the company's home country can lead to disinterest when it comes to investing.

Spillan & Rahman (2019) studied the example of Chile, which has a legal system that protects investors and an excellent business climate, making it an attractive destination for several companies to invest in. According to Tuman & Shirali (2017), a strong rule of law ensures security for companies' investments. Gómez et al. (2020) also found that the costs of enforcing a contract and the costs of registering property are factors that deter investments. Another example proposed by Sánchez (2020) is Argentina, which has laws ensuring equal treatment for local and international companies, as well as laws protecting intellectual property, serving as an attraction for FDI; nevertheless, political instability poses a negative factor. Even Ghirelli et al. (2021) mentioned that political uncertainty in Latin America ffects companies' decisions.

It is worth mentioning that, not in all cases, political instability is a factor that influences investment decisions, as is the case with Chinese companies (Castañeda, 2017). This is affirmed by Quer et al. (2019), who studied the existence of these friendly bilateral diplomatic relations with these "risky" countries. According to Blanchard (2019), some Latin American countries, such as Argentina, have even modified their policies to accommodate Chinese investment.

In the same context, there is the ideology of the government, which, according to Santos (2023), is an essential part of investment within Latin American countries. According to Coba and Vásconez (2024), the government must strike a balance before proposing fiscal incentives, ensuring they do not compromise its capacity to finance necessary public works. Moreover, they mention that these incentives to attract direct foreign investment, as issues related to taxes and fiscal regulations, can be confusing for foreign multinationals.

Saavedra and Flores (2017) point out the factor of governance, which encompasses the control of violence and the rule of law. According to Blanco et al. (2019), violence, crime, and delinquency affect foreign direct investment inflows in Latin America depending on the sector. Moreover, Biro et al. (2019) studied that companies look at the World Bank's governance quality indicator before investing in a Latin American country.

Corruption is also a factor that companies consider. Fernand and Pastás (2022) indicate that this phenomenon in Latin America is a negative factor for FDI, as corruption increases the costs and duration of private projects, which is detrimental to investments. In this regard, Cacay et al. (2024) argue that corruption levels generate distrust among investors toward the host country. Nevertheless, Mazouz et al. (2021) argue that Latin American companies tend to seek corruption levels similar to those of their home countries and are less concerned about the risky environments of neighboring countries.

According to Frick and Rodríguez (2023), special zones—geographical areas where governments incentivize development—have also played an important role as a factor attracting FDI. Notwithstanding, one should not rely solely on them, as they are not always the primary focus for companies. According to Alvarado et al. (2023), country risk indices are a crucial factor that directly influences FDI in Latin America. These indices reflect the reliability a country offers, as well as its political, economic, and social situation—aspects that foreign investors consider before mobilizing their capital.

5.3. Social Factors

In social factors, human capital is identified as important for many multinationals. According to Dal & Loan (2017), the more educated the population is, the easier knowledge transfer will be, which minimizes costs, such as training expenses. Nonetheless, this depends on what the company seeks. To complete this picture, Camarero et al. (2020) indicate that for various companies, education is a very relevant factor for multinationals; nevertheless, since the level of education is not very high, companies locate part of their production in these countries due to low production costs, which may be linked to the level of education.

The image of a country is another social factor; according to Montanari et al. (2020), it is also important for investors, much like the country's brand, as this can attract greater flows of FDI to Latin American countries. Lourenção et al. (2019) state that a country's image, as in the case of Brazil, plays an important role in attracting investments. Spillan & López (2021) provide the example of another country, like Guatemala, where investors have an image of violence and corruption, which negatively impacts FDI attraction.

According to Spillan & Rahman (2019), culture is also a factor in attracting FDI, as understanding the local culture can make it much easier to enter the market with a service or product and to comprehend customer needs. Furthermore, Verdugo (2017) studies the historical ties that Spain shares with Latin America and confirms cultural proximity as an important factor for these companies. Velásquez and Vázquez (2022) view cultural distance as a problem, as language and work styles have been a matter of adaptation for Chinese companies in Latin America.

On the other hand, Kuznetsov (2022) argues that language barriers and a lack of knowledge about Latin American countries have limited FDI from Russian companies in the region. Cando and Cando (2021) highlight the issues that cultural distance can cause, citing the example of IKEA, which, when investing in Argentina, was unsuccessful because the population is more accustomed to finished products rather than having to assemble them at home.

5.4. Environmental Factors

Opoku et al. (2022) reveal that multinationals prefer developing countries like Latin America due to their lack of environmental policies, which reduces costs that would be higher in their home countries, where environmental regulations are stricter. Likewise, Li & Gallagher (2022) point to climate risk as another factor that companies consider; nevertheless, the countries affected by this situation are those located in the Caribbean. Finally, Kabir & Rakov (2023) argue that the reason companies want to invest in these environmentally favorable terms depends on the laws that governments in developing countries enact and enforce.

5.5. Geographical Factors

Finally, there is the geographical aspect that considers the location of the country. In this sense, Spillan and López (2021) note that this plays an important role in attracting foreign direct investment (FDI); for example, in the case of Guatemala, they often consider its proximity to Mexico and the United States, or in the case of Mexico, its closeness to the latter. Kuznetsov (2022) explains that the distance between Russia and the countries of Latin America has generated a lack of connections in terms of FDI. In the same context, according to González and Sánchez (2019), companies locate themselves depending on their sector; for example, financial and insurance activities have primarily gone to Brazil and Mexico, information and communication operations to Brazil, manufacturing industries to Brazil and Mexico, and energy to Chile and Brazil. Camarero et al. (2020) indicate that large geographical areas, such as Brazil or Uruguay, are important for opportunities in the agricultural sectors. It is worth mentioning that another type of company, according to Götz & Jankowska (2019), tends to invest first in countries with very short cultural and geographical distances, and then, when they are more mature, they invest in more distant and "exotic" countries.

6 Results of Review

The results demonstrate that the factors most frequently mentioned among the different authors are market size, infrastructure, inflation, trade openness, trade agreements, legal systems, political stability, governance, tax incentives, corruption, violence, labor, culture, and geographical location.

In all the evaluated studies, the authors Teixeira (2021), Saavedra and Flores (2017), Frick and Rodríguez (2023), González and Sánchez (2019), and Martí et al. (2017) obtain the same positive result regarding market size as a factor attracting FDI. Nevertheless, the degree of importance in their studies depends on the direction of their research topics and the companies analyzed.

Market openness is another factor mentioned by several authors; nonetheless, they do not reach a consensus. Some researchers, such as Bhattacharya et al. (2023), point to its positivity as a factor attracting FDI in Latin America. Dal & Loan (2017) indicate its negativity for investments; for them, exports are more attractive because this openness generates incentives to eliminate barriers. As a result, it was observed that in the studies where it was considered a positive factor of attraction, it depended on the type of companies analyzed in their work, since companies that wish to invest vertically, benefit from the time they carry out imports and exports.

Furthermore, if their goal is to export the assembled product to a neighboring country, the openness in terms of minimal tariffs benefits them. On the other hand, the authors who had a negative result for trade openness as a factor attracting FDI did so because their research focused on companies that invest horizontally. This is because often, with this trade openness, it is less costly for them to simply export their product than to relocate their entire production to another country. These companies prefer an environment with more barriers, as it allows them to transfer their operations more effectively to compete with market prices in those countries.

Inflation is another controversial factor among the authors. Saavedra and Flores (2017) view currency instability as an attractive factor; nonetheless, Cacay et al. (2024) indicate that this factor is of little importance to investing companies. Nonetheless, Jančovič & Grešš (2021) see it as a factor that depends on the company's objectives when investing and the current situation it is in. There are two factors: first, currency instability can be a negative factor due to the uncertainty it generates. Even inflation can lead to a reduction in the company's real profits and increase its costs. The second is that inflation may lead to a devaluation of the local currency, which could be beneficial for the company in terms of costs.

In legal systems, intellectual property rights were the most mentioned component by several authors, such as Singh & Gal (2020) and Nasirov et al. (2022); some even focused their study solely on this factor. They all arrived at the same conclusion: its importance as an element attracting FDI, as it provides investors with the assurance that their ideas cannot be copied.

Political stability is also mentioned; however, not all obtained the same results. Frick and Rodríguez (2023) and Ghirelli et al. (2021) emphasize the importance of this factor for companies, as it can generate uncertainty and affect their investment decisions; nevertheless, Castañeda (2017) and Márquez (2019) point out that for some companies it is not a relevant factor. Analyzing their contributions, it was concluded that the results vary according to the country of origin of the companies analyzed and the sector they are dedicated to. The Chinese market, for example, does not find this factor relevant, just as Latin American companies, being part of that environment, are not significantly affected in their decision-making when it comes to investing. These results depend on the environment in which the company is born, the idiosyncrasies of the countries of origin of the companies, and the relationships maintained between countries.

Corruption is a widely discussed factor among many researchers. Coba and Vásconez (2024) highlight the impact of corruption on companies; likewise, Chowdhury et al. (2023) find its influence to be insignificant for some. In general, the relevance of corruption as a factor that hinders FDI depends on each company's individual perception when making investment decisions. Although all authors agree that corruption has a deterrent effect on FDI, its level of importance varies according to each investor's perspective.

Regarding the cultural aspect of a country, Spillan & Rahman (2019), Nikulin (2020), Verdugo (2017), Zhang (2019), Velásquez and Vázquez (2022), Kuznetsov (2022), and Cando and Cando (2021) agree that cultural distance is important in companies' decision-making processes when they decide to invest. For some companies, cultural distance is not a problem; nevertheless, it entails higher costs, as it is necessary to research the population and their reactions to successfully enter the market. Upon reviewing these studies, it was concluded that whether this factor poses a problem depends on the size of the company and its experience in foreign direct investments.

Geographic location is another topic analyzed; nevertheless, there is not much information available. The authors Spillan and López (2021), Kuznetsov (2022), González and Sánchez (2019), Camarero et al. (2020), Nasirov et al. (2022), and Götz & Jankowska (2019) examine this factor, although not very deeply. Nevertheless, this element proved important for companies, depending on their objectives and the industry sector they belong to, in order to decide which location is most suitable for achieving their goals.

The results determined by the different authors and their contradictions with each other are due to the types of companies they analyzed, the sector they focused on, the country of origin of these companies, and the type of investment they wish to make—whether horizontal or vertical—along with the objectives and scopes of each company.

7 Conclusions

The size of the market emerges as the most prominent factor in the reviewed studies, reaching a general consensus on its importance. Unlike this phenomenon, the relevance of other factors varies depending on the company analyzed. It was observed that the information was dispersed, as these factors and their level of importance depend on the specific company being analyzed; that is, they depend on the country of origin of the company, the industry sector it targets, and the objectives it seeks.

The importance of various factors such as market size, country infrastructure, trade openness, legal systems, political stability, corruption, human capital, and cultural distance is emphasized, as they prevail over other determinants of Foreign Direct Investment (FDI). Nevertheless, the main finding is that their relevance depends on the specific objectives of the company interested in investing. Additionally, it was found that the type of investment, whether horizontal or vertical, plays a crucial role in how companies evaluate investment decision-making.

Another significant finding is that some factors that might seem irrelevant at first glance are actually fundamental to business decisions. Elements such as a country's image, geographical location, competition, and climate risk, although often underestimated, have a considerable impact on investments.

Limitations

The study had some limitations, as some analyzed studies had few or only one company on which they based their research, resulting in insuffcient outcomes on the topic. This led to the proposal not being studied from various perspectives. Additionally, difficulties were encountered in organizing the information, as it was very dispersed.

Conflicts of Interest

The authors declare no conflicts of interest.

CRediT authorship contribution statement:

María Eugenia Solis: Formal analysis, Investigation, Methodology, Writing – original draft, Writing – review and editing.

Luis Tonon-Ordoñez: Conceptualization, Investigation, Methodology, Validation, Supervision, Writing – review and editing.

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