Business in troubled waters: Does adverse attitude affect firm value?

Jung Chul Park
Department of Finance
College of Business
303 Lowder Hall
Auburn University
36849, AL, USA
Phone: 1-334-844-3003
Fax: 1-334-844-4960
E-mail: jzp0023@auburn.edu

Dipanwita Sarkar
School of Economics and Finance
QUT Business School
Queensland University of Technology
Brisbane, QLD 4000
Phone: 61-73138-5391
Fax: 61-73138-1500
Email: dipanwita.sarkar@qut.edu.au

Jayanta Sarkar
School of Economics and Finance
QUT Business School
Queensland University of Technology
Brisbane, QLD 4000
Phone: 61-73138-4252
Fax: 61-73138-1500
Email: jayanta.sarkar@qut.edu.au

Keven Yost
Department of Finance
College of Business
303 Lowder Hall
Auburn University
36849, AL, USA
Phone: 1-334-844-5303
Fax: 1-334-844-4960
E-mail: yostkev@auburn.edu

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Jung Chul Park, Dipanwita Sarkar, Jayanta Sarkar, and Keven Yost

Abstract: This paper investigates the relationship between US MNCs' valuations and anti-Americanism in countries where MNCs' foreign subsidiaries are located. We find that MNCs suffer value-destruction when they enter markets where people express severe anti-Americanism. However, we uncover that geographic diversification into these high anti-Americanism countries significantly increases firm value if the MNC has high levels of intangibles such as technological know-how and marketing expertise. Our findings are consistent with the notion that the advantages from internalizing the cross-border transfer of intangibles are greater when barriers to competition are higher.

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1. Introduction

It is widely recognized that multinational firms face considerable adjustment costs arising from information asymmetry, differential treatment from the host country, country risk, etc., when setting up operations in foreign markets (Eden and Miller, 2004). In a leading theory of foreign direct investment (FDI), Hymer (1976) finds that multinational corporations (MNCs) invest only if the benefits of firm-specific advantages outweigh the relative costs of operating abroad. Dunning (1988) developed an eclectic theory of FDI in which such firm-specific advantages can arise from (i) privileged access to resources, technology, economies of scale and scope, etc. (ownership advantage), and/or (ii) intra-firm transfers of firms' tangible and intangible assets, including product and process technology, network coordination, work and managerial expertise, advertising, marketing and distribution skills, brand names and parent reputation advantages (internalization). This latter advantage, internalization, suggests that multinational firms can create value through the internal transfer of assets when transactions costs of doing so within the firm are smaller than transferring these assets through external markets.

For a multinational corporation (MNC), many of the benefits of internalization are location specific, thus depending on the political climate, government policies, trade policies, national attitude, language, and culture of the host country (Dicken, 1992). Internalization may not provide value to an MNC whose operations are entirely in countries similar to the MNC's country of origin. In fact, the greater the market imperfection and uncertainty, the greater is the incentive and advantage for a firm to perform the function of the market

itself by internalizing market transactions. This process mostly involves intra-firm transfers of intangibles because of their public-good characteristics that are easily transmitted across national borders. For example, given the huge cost of R&D, a firm has incentives to retain technology and exploit it directly on a world-wide basis, rather than sell or lease it to foreign firms. Empirical research shows internalization raises firm value by alleviating the agency costs associated with operating in multiple countries (Williamson, 1975, Morck and Yeung, 1991). However, not explored in the extant finance literature is how internalization affects firm value of US MNCs when market imperfections and uncertainties arise due to animosity toward the US and its policies.

To this end, we employ a new way of measuring multinationality in terms of geographic diversification into non-US-friendly countries, i.e. the level of Anti-Americanism in the countries in which a firm operates. A US firm expanding into only US-friendly countries may not have the same value from internalization as firms operating in countries with greater anti-Americanism. We show that the value arising from intangible assets increases with the degree of market imperfection from variation in the host country's attitude toward the foreign firm's country of origin (the US). Specifically, we find that the US MNCs that operate in countries with less favorable views of America benefit the most from internalizing markets for the transfer of intangible assets. Therefore, this paper is the first to measure multinationality and geographic diversification in the context of internalization theory and provides a better understanding of internalization and the value effects of multinationality.

The recent Pew Global Attitudes Survey indicates that there has been a substantial decline in the image of the US in many parts of the world in recent years, in part due to unpopular wars in Iraq and Afghanistan. The same survey also reveals that people's attitudes toward the US in countries such as India and South Korea have registered steady

increases over the last decade. Anti-American attitudes may have serious repercussions on the value of US MNCs through risk and cash flows. For example, such attitudes may dampen the location-specific advantages of an MNC both by raising transaction costs and by altering product demand. Anti-American sentiments may raise a firm's transaction costs by requiring extra security arrangements to protect capital assets and personnel, impacting hiring and productivity, or providing additional challenges to a firm in hiring local residents who may be averse to working for a US-based company. Additionally, there would likely be a higher cost of moving US managers to a country that may be less friendly to Americans. Changes in attitudes also increase the unpredictability of foreign markets, raising uncertainty around critical investment decisions.

Similarly, perceptions of the US abroad may impact product demand as consumers in a host country may choose not to support a US-based firm by boycotting its products.[1] International marketing literature suggests that consumers not only hold stereotype images of different countries and products made therein, but these images affect their product choices and evaluations (Nagashima, 1970, 1977; Han and Terpstra, 1988; Han, 1989; Roth and Romeo, 1992). This country image effect is shaped by a consumer's perception of economic, technological, and political development of a particular country (Martin and Eroglu, 1993) and is intricately linked with consumer attitude.[2] Therefore,

[1] For example, the failure of McDonald's to run a profitable business in Bolivia and its subsequent exit in the early 2000s is widely attributed to a cultural boycott originating in a basic failure to adjust to local market conditions.

[2] Studies on country image unanimously conclude that consumers hold different perceptions about various countries (Nagashima, 1970, 1977; Narayana, 1981; Cattin *et al.*, 1982; Papadopoulos *et al.*, 1990). Whether these perceptions impact consumers' product selection is a much debated issue and the evidence is mixed, at best. Johansson, Douglas, and Nonaka (1985) and Johansson and Nebenzahl (1986) find the impact to be minor, while others, such as Han and Terpstra (1988), conclude country image to be very influential. While actual product choices could be influenced by a combination of country image and product image (i.e., consumers' overall perception of the products from a particular country), the former remains a useful predictor of a product's demand in the foreign market.

anti-US sentiment has the potential to substantially alter demand conditions through an adverse country image effect, thereby affecting the cash-flows of US-based MNCs.[3]

A casual inspection of the Pew data for the last decade reveals that global opinion about the US has changed in response to occurrences of global geo-political importance such as the global economic downturn, heightened cultural sensitivity, corporate scandals, a deterioration of trust in capital markets, and government policy decisions such as the War on Terror. To the extent that 'anti' attitudes spill-over to market demand for American brands (through protests, boycotts, or even quiet avoidance), changes in attitudes raise additional costs to US MNCs by raising the unpredictability of the host market. Faced with this uncertainty, MNCs are likely to undertake risk-reduction strategies to immunize themselves against such unfavorable conditions. Feinberg and Gupta (2006) convincingly argue that tighter integration of the subsidiary with the local market through the use of intangible assets is likely to be the strategy of choice.

Since value maximization is the objective of multinational corporations, it is important to understand how MNCs utilize these intangible assets, such as technological know-how, patents, marketing expertise, managerial skills, and consumer goodwill, in a host country to improve value in their global operation. In this paper, we assert that firms that are able to internalize markets for the transfer of these assets are better equipped than others to adapt to and capitalize on adverse global attitudes. First, our results suggest that anti-American attitudes in host countries reduce firm value (measured by the log of the ratio of firm's total value to imputed value) of US MNCs. More importantly, we find that the advantages from internalizing the cross-border transfer of intangibles are location-

[3] The Edelman Trust Barometer (2006) reports that the nationalities of MNCs do matter, and that the trust discount for iconic US brands operating in Europe is sizable. For example, while Procter & Gamble (P&G) boasts a 70% trustworthiness rating in the US, it only gets 38% in Germany and 29% in Spain. This discount seems particularly pronounced for consumer-facing brands: McDonald's is trusted by 51% of US opinion leaders, but only by 24% in France and 28% in Britain. Similarly, Heinz's 70% ranking in the US plunges to 31% in France and 22% in Italy.

specific. These advantages are greater when an MNC's subsidiary network is more concentrated in countries with relatively unfavorable attitudes rather than in countries with relatively favorable attitudes toward America. By internalizing the transfer of intangible assets, US MNCs are estimated to improve their excess value by 0.400 when they are concentrated in areas with lower anti-Americanism. This value improvement expands to 0.591 (73% of one standard deviation) when their subsidiaries are concentrated in areas with higher anti-Americanism.

This paper contributes to the literature by providing evidence on how country-level attitudes toward the US affect MNC value. Our results reveal an important facet of internalization theory by pointing to the role of country risk in the link between the valuation of intangibles and multinationality. The rest of this paper is organized as follows. In the next section, we review the related literature and develop testable hypotheses. A description of the data and construction of key variables is provided in Section 3. Section 4 reports the empirical findings. Section 5 examines the robustness of our anti-Americanism index and valuation measure. The last section provides a summary and concluding remarks.

2. Related literature and hypothesis development

2.1. Multinationality

There has been an active debate regarding corporate multinationality and its effect on firm value over the past decades. The takeover literature provides evidence in line with the value enhancing effects of multinationality (i.e., global expansion). First, it may be profitable to explore new sources of demand and to exploit advantages in foreign markets where the resources or skills brought in by US MNCs are not available to local competing firms. Geographic diversification is usually associated with synergy effects (Arrow, 1975; Klein, Crawford, and Alchian, 1978; Williamson, 1975) and financial synergies resulting

from lower costs of internal funds (Nielsen and Melicher, 1973) or increased debt capacity of the combined firm. In addition, there are widely accepted views that many firms globalize to avoid high tax rates and to enjoy relatively low cost inputs from abroad, especially from less developed areas. Thus, global expansion offers multinational firms more possibilities for economies of scale. Second, international mergers and acquisitions (M&As) generate positive returns to firms when involving undervalued targets. The M&A market is an important external mechanism that has a powerful disciplinary effect on corporate management (Marris, 1964; Manne, 1965; Jensen, 1993). If a firm has been undervalued due to management's suboptimal strategies for a prolonged period, the firm may become a takeover target. The acquirer believes that the target firm can create value by improving management or generating opportunities which are not currently available to the target. In a recent study, Edmans, Goldstein, and Jiang (2012) show that a non-fundamental decrease in the stock price creates a profit opportunity for acquirers, and thus significantly increases the probability that the firm will be taken over.

On the other hand, however, multinationality may be a manifestation of agency problems. Global diversification may benefit managers in a variety of ways. For example, managers favor a diversified business structure because it reduces the risk of their personal wealth portfolio, given their large investment in the firm (Amihud and Lev, 1981). They may embark on value destroying expansion to simply increase firm size (Mueller, 1969; Jensen, 1986) because compensation is highly correlated with firm size (Jensen and Murphy, 1990; Gibbons and Murphy, 1992). Managers also have an incentive to increase firm size through M&As to entrench their position within the firm (Morck, Shleifer, and Vishny, 1988; Masulis, Wang, and Xie, 2007) or to improve their power and prestige (Jensen, 1986; Stulz, 1990). Managerial hubris may also lead the acquiring manager to overpay for the target firm (Roll, 1986). If these private benefits are greater than the

manager's private costs, the firm may choose multinational expansion, even if it is value-reducing for the firm.

Information asymmetry problems are likely to be more severe for multinational firms due to their complex structures of business operations. The relatively elevated level of informational asymmetry provides more room for managers to absorb firm-specific information to pursue their own benefits, making it more difficult for shareholders to monitor management's decisions (Jensen and Meckling, 1976; Demsetz and Lehn, 1985; Bodnar, Tang, and Weintrop, 1997). Denis, Denis, and Sarin (1997) suggest that agency problems can be fixed only when managers are pressed by internal and external monitoring mechanisms. However, the managers of globally diversified firms may be more able to derive private benefits that exceed their private costs under a less effective and less efficient monitoring mechanism due to high degrees of information asymmetry.

Denis, Denis, and Yost (2002) focus on the causes and consequences of both global and industrial diversification. They document that global diversification has increased over the period from 1984 to 1997 and find that global diversification results in valuation discounts, on average, as does industrial diversification. In addition, firms that are globally or industrially diversified experience a downward revision in their excess value, while firms that cease being either globally or industrially diversified experience increases in excess value. Providing cross-country evidence for more than 3,000 firms, Fauver, Houston, and Naranjo (2004) support the findings of Denis *et al.* (2002). Christophe (1997) also provides evidence that multinational firms suffer greater reductions in firm value – measured by Tobin's Q – than domestic firms.

2.2. Global attitudes and firm value

There is no dearth of tangible evidence on the varying degrees of estrangement between host country consumers and foreign MNCs. In general, globalization is seen as a foreign invasion against local culture, tastes and traditions (Moller, 1999). Such adverse consumer attitudes are often fixated on the country of origin of a product, even in the highly globalized world (Gerth, 2003). A decent body of marketing literature analyzes how individual consumers invoke "collective national identities in the process of consumption to favor or reject products from other countries" (Wang, 2005).

A negative association between US policies and consumer behavior in host countries emerged from a 2004 survey conducted by Global Market Incite (GMI). The survey asked the respondents, "Has your willingness to purchase American products changed as a result of recent US foreign policy and military action?" (Roberts, 2004). Nearly 20% of foreign consumers said they would avoid selecting US products due to America's position on foreign affairs.[4] The Edelman Annual Trust Barometer (2004) indicated that 64% of the French and 66% of the Germans were "less likely to purchase" US products. However, a New York Times (2004) front-page article reported that little harm was done to the profits of McDonalds and Coke abroad.

Surprisingly, empirical studies systematically investigating the potential effect of global attitudes on international firm value have so far been missing. There is, however, a related literature on country-risk that unanimously suggests that higher country-risk reduces foreign direct investment and, thus, leads to lower MNC ownership stake in foreign subsidiaries (Doh, Teegen, and Mudambi, 2004; Rodriguez, Uhlenbruck, and Eden 2005;

[4] Out of 1,000 individuals from each of the G8 countries sampled in GMI's world poll, more than half of the non-US respondents had an increasingly negative perception of the US (report available at: www.worldpoll.com). According to the survey results, 33% of international consumers said they would definitely avoid Barbie dolls, and more than 10% claimed they definitely would not buy Kleenex tissues and other Kleenex products in the future. 55% of Japanese and 36% of Germans said they were less likely to visit the US on business or leisure after America's global war on terrorism; 43% of all G8 countries (excluding the US) would avoid purchasing Marlboro cigarettes. The increasing popularity of 'Mecca Cola' in the Arab world as a political protest brand against Coca Cola is another case in point.

Wei, 2000). Various aspects of country-risk pervade foreign firms' operations affecting their profitability. For example, country-specific risk arising from the socio-political-economic environment, such as the threat of a terrorist attack, looming political crisis, bureaucratic inefficiency, corruption, and the imposition of unnecessary trade restrictions, can have a potentially adverse impact on an MNC's operation.

We conjecture that global attitudes toward Americans and the US are highly related to several types of aforementioned country-level risk. Therefore, it follows that global attitudes may have an important role in the link between the valuation of intangibles and multinationality.

Hypothesis 1: All else being equal, anti-Americanism in foreign countries where US MNCs' subsidiaries are located has a negative effect on MNCs' value.

2.2. Global attitudes and internalization theory

Internalization theory suggests that firms increase value by internalizing markets for the transfer of intangibles across country borders. Intangible assets include technological know-how, patents, marketing expertise, managerial skills, and consumer goodwill. The value of intangible assets is, in general, positively related to the scale of the firm's markets.

A firm possessing high levels of intangible assets can reap the benefit of reduction in transactions costs by creating intra-firm (i.e., internalizing) markets for such assets. Williamson (1975) extensively analyzes the nature of transactions costs involved in using the market mechanism for transferring intangibles. In particular, he distinguishes four types of transactions costs associated with organizing economic activity via the external market: 1) the cost of bringing the parties together, 2) the cost of negotiating the terms of

the contract, 3) the cost of writing up a contract, and 4) the cost of overseeing contractual terms.

Due to the magnitude of transaction costs associated with the transfer of proprietary knowledge-based advantages across borders, foreign direct investment in wholly-owned (or majority-owned) subsidiaries can be less expensive than organizing the transfer by way of contracting in the external market. Therefore, the greater the MNC's reliance on intangible assets, the greater is the possibility that it will attempt to expand geographically through a network of majority-owned subsidiaries in foreign countries. In line with internalization theory, Morck and Yeung (1991) find that foreign investment increases firm value in the presence of intangible assets.

In this paper, we argue that transaction costs (that is, the rent foregone by a subsidiary to protect itself from the uncertain and adverse economic and political conditions in the host country) are higher in areas with unfavorable attitudes toward Americans compared to those with favorable attitudes.[5] Consequently, we argue that the efficiency benefits (in terms of lower transactions costs) from creating internal markets for the transfer of intangibles should be greater in areas with unfavorable attitudes.

Hypothesis 2: The negative effect of anti-Americanism on US MNC value is significantly smaller (larger) for firms with a higher (lower) level of intangible assets.

We proceed to the empirical design and testing of the above hypotheses in the sections following the description of our sample and measures.

3. Data and measures

[5] More specifically, transaction costs in the present context would arise due to expenses relating to maintaining market share and/or customer loyalty, ensuring security of staff and property, attracting the best local talent, countering negative propaganda by competitors, etc.

3.1. Data sources and sample selection

We extract global attitudes data for 2001 – 2008 from the Pew Research Center's Global Attitudes Project (http://pewglobal.org). The Pew Research Center is an organization that provides information on issues, attitudes, and trends shaping the US and the world. The Global Attitudes Project (GAP) is one of its seven large projects. Through the GAP, the Center conducts public-opinion surveys around the world on a broad array of important issues of the day. Since its inception, the GAP has surveyed more than 270,000 people in 57 countries. The GAP provides numerous reports, analyses, and other releases on topics including attitudes toward the US and American foreign policy, globalization, terrorism, and democracy.

We hand-collect information on US multinational corporations' foreign subsidiaries from Dun and Bradstreet's Who Owns Whom, which provides foreign affiliate information. We require that firms have information on foreign sales in Compustat and have at least one foreign affiliate recorded in Dun and Bradstreet's Who Owns Whom. We initially identify 2,496 MNCs that satisfy these requirements.

Financial data are collected from Compustat and information related to stock price is extracted from the Center for Research in Securities Prices (CRSP) database. We require that financial data be available for each MNC in every year. This requirement reduces the number of firms in the sample to 2,114 for the period 2001 – 2008.

3.2. Measures

3.2.1. Anti-Americanism

The GAP conducted cross-country public-opinion surveys on various topics including "US Image." There are six questions in the surveys on US image abroad: (i) Opinion of the US, (ii) Opinion of the American people, (iii) Opinion of US's consideration of other

countries' interests, (iv) Confidence in the US President, (v) US-led anti-terrorism efforts, and (vi) Support for the war in Afghanistan.[6] We use questions (i) – (iii) for two reasons. First, we believe opinions expressed in these questions capture the essence of 'attitude' that we are trying to measure, while the rest are not relevant for this purpose. Second, the other questions tend to have smaller sample sizes either due to a smaller time period or the cross-section of countries surveyed. For example, question (vi) begins in 2007, while the observations for question (v) are sparse except for years 2002 and 2007.

Another feature of the attitude survey data is the presence of 'non-response'. Even though 'favorable' and 'unfavorable' are mutually exclusive categories, for most country-years, the proportion of these responses do not sum to 100%. This is due mainly to "refusal to answer" to the survey questions by the respondents, the magnitude of which may not be randomly distributed across countries and over time.[7] In fact, people with a hostile attitude towards America may very well be over-represented among this non-responding group, instilling a downward bias in the reported 'unfavorable' proportions.[8] To avoid the 'non-response bias,' we refrain from directly using unfavorable views as a measure of negative attitude. Instead, we redefine negative attitude (*ANTI*) by subtracting the proportion of

[6] Survey questions (i) and (ii) ask if the respondent has a 'very favorable', 'somewhat favorable', 'somewhat unfavorable or 'very unfavorable' opinion. The reported 'favorable' measure combines 'very favorable' and 'somewhat favorable' responses, while 'unfavorable' combines 'very unfavorable', 'somewhat unfavorable' in the Pew database. For question (iii), the respondents are asked about the extent to which they think the US takes into account the interests of other countries around the world in making international policy decisions, and the response categories are – 'a great deal', a 'fair amount', 'not too much', or 'not at all'. The first two categories are combined in 'great deal/fair amount,' while the last two categories are combined in 'not too much/not at all'.

[7] The other form of response is "don't know" or "don't have an opinion." But the proportion of this category of response is much lower across all surveys.

[8] There is evidence in the survey literature that participants with extreme opinions about an issue are less likely to respond to survey items that ask about that topic (e.g. Raaijmaken, 1999). Furthermore, the literature on behavioral economics indicates people with adverse attitudes (e.g. low trust) are likely to be more non-responsive to surveys than those who have favorable attitudes (e.g. high trust) (see Rostila, 2007). This indicates that non-respondents are more likely to have adverse attitudes towards the U.S. in the present context.

favorable views from 1. We observe that answers from the three survey questions (i) to (iii) are positively correlated in each sample year.

We construct a firm-level index to measure the overall exposure of an MNC to anti-Americanism, $ANTI_{i,t}$, which is computed as the weighted sum of country-level *ANTI* values:

$$ANTI_{i,t} = \sum_{j} \left(SUB_{i,j,t}^{foreign} \Big/ \sum_{j} SUB_{i,j,t}^{foreign} \right) \times ANTI_{j,t} \quad (1)$$

where i, j and t represent firm, country, and year, respectively and *SUB* is the number of foreign subsidiaries. Therefore, $ANTI_{j,t}$ is country j's anti-Americanism score in year t and high values of $ANTI_{j,t}$ indicate the seriousness of negative perception in country j in year t. Note that this $ANTI_{i,t}$ measure captures exposure of firm i in year t to three dimensions: $ANTI_{i,t}^{Americans}$ (based on views about Americans), $ANTI_{i,t}^{US}$ (based on views about the US), or $ANTI_{i,t}^{consideration}$ (based on views about US consideration of other countries' interests). The weight for country j for MNC i is computed as the of the number of the firm's foreign subsidiaries located in country j divided by the total number of foreign subsidiaries of MNC i. Thus, MNCs with a large number of subsidiaries in high anti-Americanism countries and only a few subsidiaries in low-anti-Americanism countries will have a high index, indicating high exposure to anti-Americanism in its foreign operations. Dun and Bradstreet's Who Owns Whom provides foreign affiliate information but does not include accounting or financial data. Recent papers (e.g., Pantzalis, Park, and Sutton, 2008) have used the number of foreign subsidiaries in studying firms' global expansion. [9]

[9] While the extent of anti-Americanism may vary across countries for other reasons, we limit the exposure of an MNC to the number of subsidiaries in each country of location. Another way of calculating the weight of country j is using the proportion of foreign sales in a country relative to the firm's total sales. Unfortunately, we do not have country-level sales data for our sample. Using an alternate measure of exposure, we address this issue in our robustness tests in Section 5.3.

To fully utilize all the information available from these three measures and, at the same time, alleviate the impact of outliers, we calculate an anti-Americanism index value ($ANTI_{i,t}^{index}$) for each firm by computing the average of all three $ANTI_{i,t}$ measures discussed above.

3.2.2. Valuation

We utilize the excess value measure introduced by Berger and Ofek (1995).[10] We define $EXVALUE_{i,t}$ as the natural log of the ratio of the firm's total value to imputed value.

$$EXVALUE_{i,t} = ln\left[CAPITAL_{i,t} \Big/ CAPITAL_{i,t}^{imputed} \right] \tag{2}$$

where $CAPITAL_{i,t}$ is the sum of common equity, preferred stock, plus the book value of debt for firm i in year t, and $CAPITAL_{i,t}^{imputed}$ is the product of the firm's *SALES* and the firm's primary industry-median ratio of *CAPITAL* to *SALES*. We assign firms into industries based on two-digit SIC codes.

A positive (negative) value of *EXVALUE* indicates that the market assigns a value for the firm that is higher (lower) than what would be the industry benchmark-based value. Alternatively the *EXVALUE* expression in (2) can be written as:

$$EXVALUE_{i,t} = ln\left[\left(CAPITAL \Big/ SALES \right)_{i,t} \Big/ \left(CAPITAL \Big/ SALES \right)_{m,t} \right] \tag{3}$$

Therefore, the excess value of the firm i is the natural log of the ratio of firm's sales-adjusted total capital to the primary industry's median (m) sales-adjusted total capital.

[10] An alternative measure of firm value is Tobin's Q. However, this measure has a number of drawbacks, one of which is that it is likely to be strongly correlated with growth opportunities of firms (see Demsetz and Villalonga, 2001). These growth opportunities, in turn, are likely influence MNCs' industrial diversification strategies, potentially instilling an 'endogeneity' bias in our estimation. Therefore, the excess value measure is superior for our purpose. We use Tobin's Q as an alternative measure to test the robustness of our results in section 5.2.

4. Empirical results

In this section, we design the test methods and provide empirical evidence on the effects of anti-Americanism on the valuation of US multinational corporations.

4.1. Descriptive statistics

Panel A of Table 1 reports descriptive statistics for the variables used in the paper. The average values of $ANTI^{Americans}$ and $ANTI^{US}$ are 0.320 and 0.446, respectively. This evidence shows that global attitudes toward America are less favorable than attitudes toward Americans. The average score for $ANTI^{consideration}$ is notably higher at 0.688. From our data, we observe that this pattern is particularly evident in Western countries and Middle Eastern countries. People from these parts of the world seem quite critical of the United States' consideration of other countries' interests. In particular, respondents from European countries more strongly believe that the US gives little consideration to the interests of other countries when making foreign policy decisions, while displaying relatively more tolerance in their ratings of Americans and the US itself.

We define intangibles intensity (*INTS*) as the sum of R&D expense and advertising expense scaled by sales. Generally, MNCs in our sample spend 9.8% of their total revenues on R&D and advertising. The mean book value of total assets is $2.3 billion. We find that they have an average of 11.759 foreign subsidiaries and 53% are industrially diversified.

The next variables are the instrumental variables used in the first-stage of a model that estimates a firm's *ANTI* index. We find that 33% of firms in the same SIC two-digit industry are conglomerates and their sales account for 67% of industry sales. There are 3,360 mergers and acquisitions per year and their total value is around $1.1 trillion

dollars.[11] Over the sample period, the average growth rate of real GDP is about 2.1% and, on average, there are 2.2 recession months per year.

[Insert Table 1 about here.]

Panel B of Table 1 reports pairwise correlation coefficients between the main variables, which provide preliminary evidence on the relations we explore in the following sections. First, we find that anti-Americanism is negatively and statistically significantly associated with MNC valuation, strongly supporting Hypothesis 1. Furthermore, the degree of intangible intensity is positively associated with firm value. The correlation coefficient between *EXVALUE* and *INTS* is 0.367 with the 1% significance level. This evidence is in line with the findings of other studies (e.g. Chauvin and Hirschey, 1993; Denis *et al.*, 2002). We also find a value discount related to industrial diversification and geographical expansion. Both the industrial diversification (*DIVERS*) and the total number of foreign subsidiaries (*FS*) are negatively associated with firm value, which support prior evidence (Lang and Stulz, 1994; Comment and Jarrell, 1995; Berger and Ofek, 1995; Denis *et al.*, 2002).

4.2. Anti-Americanism and valuation of multinational corporations

We now examine the effect of anti-Americanism in regression models. One important issue in regression analysis is that the choice to expand into hostile countries might not be exogenous because firms carefully choose the location of their operation. . Furthermore, it may be the case that only firms with high growth opportunities feel confident enough to subject themselves to the potential hostility of operating in an anti-American environment. Thus, the estimation of coefficients using OLS may be biased

[11] Because both *MNUM* and *MVOL* are log-transformed variables, we use exponential functions of the median values to compute 3,360 mergers and acquisitions per year (i.e., exp(8.120) – 1) and their total value is around $1.1 trillion dollars (i.e., exp(27.740) – 1), respectively.

because it is possible that some variables are highly correlated with a firm's selection of countries (e.g. Demsetz and Villalonga, 2001). In fact, Campa and Kedia (2002), Graham, Lemmon and Wolf (2002), and Villalonga (2004) find a value premium from diversification after controlling for endogeneity and selection bias in managers' decision to diversify into other lines of business, while many early studies find a value discount (e.g. Denis *et al*., 2002). We therefore utilize a two-stage least-squares (2SLS) regression to account for the endogenous relation when we estimate the effect of anti-Americanism on firm value.

In the first stage of the model, we select the variables following Campa and Kedia (2002) and use them to estimate firm-level anti-Americanism ($ANTI^{index}$). We use a Tobit regression instead of OLS because the dependent variable, $ANTI^{index}$, is bounded by 0 and 1. The first set of instruments, which are 'included' in the second stage as well, relate to firm characteristics such as size, leverage, capital expenditure, and diversification. The second set of 'excluded' instruments consists of business environment variables: the fraction of all firms in the industry that are conglomerates (*PNDIV*); the fraction of industry sales accounted for by conglomerates (*PSDIV*); the log-transformed number of announced mergers and acquisitions in the year (*MNUM*); the log-transformed US dollar value of announced mergers and acquisitions in the year (*MVOL*); the growth rate in real GDP (*GDPG*); and the number of recession months in the year (*CONTR*).

$$\begin{aligned} ANTI_{i,t}^{index} = {} & \gamma_0 + \gamma_1 SIZE_{i,t} + \gamma_2 LEV_{i,t} + \gamma_3 CAPXS_{i,t} + \gamma_4 DIVERS_{i,t} + \gamma_5 PNDIV_{i,t} \\ & + \gamma_6 PSDIV_{i,t} + \gamma_7 MVOL_t + \gamma_8 MNUM_t + \gamma_9 GDPG_t + \gamma_{10} CONTR_t \\ & + e_{i,t}, \end{aligned} \tag{4}$$

where *SIZE* denotes log of one plus total assets, *LEV* indicates leverage, measured as a fraction of long-term debt in total assets, *CAPXS* represents the ratio of capital expenditures to sales, *DIVERS* is an indicator of industrial diversification that takes a

value of 1 if the firm has more than one industry segment and 0 otherwise. Next, we use the estimated $ANTI^{index}$ and the set of included instruments in the second-stage model to explain firm value.

$$EXVALUE_{i,t} = b_0 + b_1\ ANTI_{i,t}^{index} + b_2 SIZE_{i,t} + b_3 LEV_{i,t} + b_4 CAPXS_{i,t} + b_5 DIVERS_{i,t} + e_{i,t}, \quad (5)$$

where *EXVALUE* = excess value, defined as the log of the ratio of total market value to imputed value.

We present the results of the two-stage model in Table 2. In the first-stage, we find that most of the variables we control for are highly correlated with the firm-level anti-Americanism index. The results in model 1 of Table 2 show that larger, more leveraged, and industrially diversified firms are more likely to expand their businesses into more anti-American countries. The significant and positive coefficients of *PSDIV*, *MVOL*, and *MNUM* indicate that firms tend to diversify into more anti-Americanism areas when they belong to industries dominated by conglomerates and other firms engage in more mergers and acquisitions. We use the predicted value of *ANTI* index from model 1 for our multivariate analyses.

[Insert Table 2 about here.]

In model 2, the coefficient of $ANTI^{index}$ is negative and statistically significant, consistent with Hypothesis 1. It indicates that MNCs destroy value when they enter markets where people present severe anti-Americanism. The coefficients of other control variables show the expected signs. Market valuation is positively related to size and negatively related to leverage. Capital expenditure adjusted by sales is positively associated with firm value. The coefficient of industry diversification (*DIVERS*) is negative and significant, consistent with the pairwise correlation result of Table 1.

4.3. Anti-Americanism, intangibles, and valuation of multinational corporations

The cost that anti-Americanism imposes can vary across firms. Individual firms that have a foothold in high anti-Americanism markets may benefit from the difficulty other competitors may find in operating in or even entering such markets, thus giving them a captive market. A firm's assets, especially intangible assets, which are helpful in dealing with such difficulty, are crucial in this paradigm.

Therefore, we test Hypothesis 2 by examining the joint effects of anti-Americanism and intangible asset intensity (*INTS*) on firm value. Based on the literature (e.g., Morck and Yeung, 1991), we use research and development spending as a proxy for technical expertise (i.e., technological know-how and patents) and advertising expenditures as a proxy for marketing expertise and consumer goodwill. In Table 3, we compare firms' excess values based on intangibles intensity and exposure to anti-Americanism in their foreign operations. In each year, firms with values higher (lower) than the median are assigned to the high (low) group.

The averages of the valuation measures show that intangibles intensity is positively associated with firm value. We find that firm values are highest when firms have high intangibles intensity and a high anti-Americanism index. The value effect of multinationality is a function of the firm's level of intangible assets. We find that global expansion from low *ANTI* areas to high *ANTI* areas can destroy firm value when firms do not have the ability to exploit internal markets for the transfer of intangible assets (i.e., have low levels of intangibles and enter high anti-Americanism areas). The difference in *EXVALUE*, -0.124, is significant at the 1% level (t = -2.70). However, this significant and negative effect of expanding into high anti-Americanism areas is not evident in firms with

high levels of intangibles. For these firms, excess value actually increases by 0.068 (t = 1.38).

Importantly, the results show that the internalization effect is stronger in the case of high anti-Americanism. The value difference is 0.400 (t = 8.46) for low anti-Americanism index firms. However, the value improvement expands to 0.591 (t = 12.41) for high anti-Americanism index firms, which is equivalent to 73% of one standard deviation. We find the same patterns, but more evident results, when we use the estimated $ANTI^{index}$ to classify the sample firms in Panel B. Therefore, the univariate findings from Table 3 provide evidence to support the prediction that internalizing the transfer of intangibles generates greater value in high anti-Americanism areas.

[Insert Table 3 about here.]

We continue to test these relations in multivariate regressions in Table 4. In model 1, we find that *INTS* is positively related to firm value, consistent with the findings in the previous tests. We show in Table 1 that the correlation coefficient between *EXVALUE* and *INTS* is positive and significant at the 1% significance level. In addition, the univariate test in Table 3 documents that average excess value is positive when firms possess greater intangibles intensity compared to others, while average excess value is negative for the low *INTS* group. The positive association of intangible assets to firm value has been widely reported in prior research as well (e.g., Chauvin and Hirschey, 1993; Denis *et al.*, 2002). Although it remains similar when $ANTI^{index}$ is included in model 2, the coefficient turns negative when it is interacted with $ANTI^{index}$ in model 3. This evidence is interesting because it suggests that the effect of intangible assets on firm value is not universally the same for all MNCs. Consistent with other test findings, it seems clear that intangible assets are much more valuable when MNCs have more business in anti-American environments.

In contrast, intangible assets are negatively associated with value when firms have a very low anti-Americanism index, indicating that expenditures on intangible assets, which are not as valuable in a US-friendly market network, can even destroy an MNC's value.

Model 3 includes estimated $ANTI^{index}$, *INTS,* and their interaction. We expect that the internalization of intangibles generates greater value enhancement when US multinational corporations operate primarily in high anti-Americanism areas than when they operate primarily in low anti-Americanism areas. Therefore, the coefficient on the interaction term between estimated anti-Americanism and intangibles intensity ($ANTI^{index}$ * *INTS*) is predicted to be positive. Consistent with our expectation, we find that the coefficient of the interaction is positive and significant, which is also in line with Hypothesis 2 related to internalization theory. This evidence provides strong support for the complementarity between the two – the notion that the value of anti-Americanism stems, at least in part, from the possession of intangible assets and the value of intangible assets increases with the degree of anti-Americanism. The internalization benefits are such that MNCs are able to add value through diversification once they have a sufficient amount of intangibles. For example, model 3 suggests that when a firm has an intangibles-to-sales ratio of 20.5% or higher, exposure to anti-Americanism adds value to the firm (i.e., the effect in the regression = $-3.872 + 18.889*INTS > 0$).

We additionally use Heckman's selection correction to estimate the effect of an endogenously chosen binary anti-Americanism treatment by defining high anti-Americanism to be firms belonging to the top tercile of the $ANTI^{Index}$. From the treatment effect model, we find results similar to the ones reported in Tables 2 and 4. Anti-

Americanism is generally found to have a negative value impact on MNCs. However, the negative effect is mainly explained by firms with low levels of intangible assets.[12]

5. Robustness

5.1. Individual anti-Americanism measures and rank-based index

We conduct robustness checks to determine whether or not the previous findings are driven by the construction of $ANTI^{index}$ or by the particular method in which we measure firm value. First, we retest the main models using the three individual estimated anti-Americanism measures that are used in the construction of $ANTI^{index}$. Second, we create a rank-based index. In the original index, we compute the average of the three individual measures to aggregate their informativeness. In this new index, we rank each firm in the sample by the magnitude of each of the anti-Americanism variables. Then, we compute a new anti-Americanism index as the average of all the ranks of the three different measures. This composite measure, therefore, is defined as follows:

$$ANTI\_Rank_{i,t}^{index} = \frac{1}{K_{i,t}} \sum_{k=1}^{K_{i,t}} \frac{Rank_t^k(ANTI_{i,t}^k)}{N_t^k}, \tag{6}$$

where $Rank_t^k(ANTI_{i,t}^k)$ is the rank function that assigns the rank for each observation from the least anti-value to the most anti-value. $ANTI_{i,t}^k$ is the k^{th} measure of anti-Americanism for firm i in year t, and $K_{i,t}$ denotes the dimension of measures. For each variable, the firm with the most anti-value is ranked as N_t^k while the firm with the least anti-value is ranked as one. The denominator, $K_{i,t}$, averages the ranks in the sample. In our sample, 2,114 firms have three anti-Americanism measures and therefore N_t^k = 2,114 and $K_{i,t}$ = 3 for all i in year t.

[12] These results are left out of the paper for the sake of brevity, but are available upon request.

[Insert Table 5 about here.]

We replicate the last columns in Tables 2 and 4. As reported in Table 5, we obtain similar results when we repeat the tests using the individual anti-Americanism measures and the rank-based index. The coefficient of $ANTI^{index}$ is negative, while that of interaction term $ANTI^{index} * INTS$ is positive. All coefficients on the key variables are significant at the 1% level.

5.2. Alternative measures of valuation

Next, we retest the models measuring firm value in different ways. First, we use Tobin's Q following the Chung and Pruitt (1994) measure, which is computed as [market value of common equity + preferred stock liquidating value + long-term debt – (short-term assets – short-term liabilities)] / total assets. However, it is possible that firms with high *ANTI* indices are more likely to have a higher degree of intangibles, which may lead to higher Tobin's Q and an upward bias. Second, we address this potential bias by adjusting Tobin's Q by adding intangibles to total assets in the denominator. Third, we use the Fama-French 49 industry classification instead of two-digit SIC when we compute industry median sales-adjusted total capital. Though not shown in a table, we find that the additional results have similar consistent patterns of coefficients, and thus the previous results are confirmed by alternative measures of firm value.[13]

5.3. Sales-based multinationality and the value impact of anti-Americanism

In our current anti-Americanism index, we measure how exposed a particular firm is to anti-Americanism as the weighted average of anti-Americanism in countries in which the firms has foreign subsidiaries [see equation (1)]. It could be argued, however, that the mere

[13] These results are available upon request.

presence of a subsidiary in an anti-American market may not accurately capture a firm's true exposure to anti-Americanism. For example, suppose that there are some firms with high business exposure (e.g., sales) in areas with high levels of anti-Americanism that also tend to have more subsidiaries in countries with low levels of anti-Americanism. In that case, the measure we use will systematically underestimate the anti-Americanism of these firms. Thus, it is preferred to measure anti-Americanism by estimating how much a firm's business is actually done in each of its overseas subsidiaries.

[Insert Table 6 about here.]

To account for this issue, we create a new sample by collecting foreign sales data from Compustat's geographic segment file. To match with the Pew Research Center's global attitude data, we require firms have segment information for single countries, not for broad geographic regions. As computed with the main anti-Americanism measures, we compute the sum over the weighted anti-Americanism scores. To assign a weight to a particular foreign country, we use the proportion of firm sales in the country instead of the number of foreign subsidiaries: $ANTI_{i,t} = \sum_j \left(SALES_{i,j,t}^{foreign} / SALES_{i,t} \right) \times ANTI_{j,t}$, where $ANTI_{j,t}$ is country *j*'s anti-Americanism score in year *t*. The weight for country *j* is computed as the amount of a firm's foreign sales in country *j* divided by the total sales of MNC *i*. $ANTI_{i,t}$ represents one of three measures: $ANTI_{i,t}^{Americans}$ (based on views about Americans), $ANTI_{i,t}^{US}$ (based on views about the US), or $ANTI_{i,t}^{consideration}$ (based on views about US consideration of other countries' interests). To fully capture all the information available from these three dimensions, we calculate the index value ($ANTI_{i,t}^{index}$) for each firm by obtaining the average of all three measures.

Table 6 reports the regression results with the anti-Americanism index based on foreign sales. We find that our previous results are not altered. Estimated anti-

Americanism is negatively associated with excess value, while the effect interacted with intangibles intensity is positive. Overall, the results are consistent with the ones obtained in other tables where we use foreign subsidiaries in the construction of *ANTI* measures. Therefore, we conclude that, although our proxy for anti-Americanism does not perfectly capture true exposure, our results are not very sensitive to the way we measure our index of firm-level anti-Americanism.

5.4. Number of foreign subsidiaries and the value impact of anti-Americanism

Finally, we test anti-Americanism on MNC value utilizing a measure of global expansion based on the number of foreign subsidiaries as done in other studies (e.g., Morck and Yeung, 1991). In this framework, we include a log-transformation of total number of foreign subsidiaries (*Log(1+FS)*), intangible intensity (*INTS*), and their interaction (*Log(1+FS) * INTS*) as key independent variables, but split the sample by the estimated $ANTI^{index}$ obtained from Table 2. In each year, we classify the sample firms as high $ANTI^{index}$ if they are ranked in the top 50% of $ANTI^{index}$ rankings, while the remaining firms are classified as the low $ANTI^{index}$ group. We conduct separate regressions for all MNCs, high $ANTI^{index}$ MNCs, and low $ANTI^{index}$ MNCs. Consistent with our previous findings, we expect that the internalization of intangibles generates greater value-enhancement when US multinational corporations operate primarily in high anti-Americanism areas than when they operate primarily in low anti-Americanism areas. Therefore, the coefficient on *Log(1+FS) * INTS* is predicted to be greater for high $ANTI^{index}$ firms.

[Insert Table 7 about here.]

Table 7 documents that the estimated coefficient of the interaction term between intangibles intensity and multinationality is positive and significant when we include all

MNCs in the regression, supporting the internalization theory. We also find that the magnitude is larger for high $ANTI^{index}$ firms, while it becomes insignificant for low $ANTI^{index}$ firms. The coefficient on the interaction term increases substantially from 0.036 (MNCs with low $ANTI^{index}$) to 0.825 (MNCs with high $ANTI^{index}$). Our findings from Table 7 further suggest that the advantages from internalizing the cross-border transfer of intangibles are greater in the presence of unfavorable attitudes.

6. Summary and conclusion

There has been an active debate regarding corporate multinationality and its effect on firm value over the past few decades. Internalization theory suggests that multinational corporations gain value from their ability to arrange intra-firm cross-border transfers of knowledge-based intangible assets such as technological know-how and marketing expertise, rather than relying exclusively on external markets that constitute a more expensive mode of transaction. This paper, for the first time in the literature, provides solid evidence in support of internalization theory by examining the effect of global attitudes on the benefits MNCs derive from internalizing the advantages of intangible assets.

We collect global attitudes data from the Pew Research Center's Global Attitudes Project, which provides data on topics including attitudes toward the US, Americans, and American foreign policy. Using hand-collected data on US MNCs' foreign subsidiaries from Dun and Bradstreet's issue of Who Owns Whom, we examine the relationship between US MNCs' valuation and anti-Americanism in the countries where MNCs' foreign subsidiaries are located.

Controlling for the endogenous decision to expand into anti-American areas, we find that MNCs destroy value when they enter markets where people show severe anti-Americanism. Investigating the connection between internalization and anti-Americanism,

we find that geographic diversification into severe anti-American countries significantly increases firm value for MNCs with high levels of intangibles, measured by research and development and advertising expenditures. However, we do not find these beneficial effects of internalization when MNCs operate in US-friendly countries. This is attributed to the fact that the benefits to MNCs from creating internal markets for intangibles are lower when market conditions are more favorable. Based on our findings, we conclude that the advantages from internalizing the cross-border transfer of intangibles are greater in the presence of unfavorable attitudes. This paper provides a first step in unraveling the impact of global attitudes on the valuation of multinational firms, the value effects of becoming geographically diversified, and enriches our understanding of the role of intangible assets in this context.

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Table 1
Summary Statistics and Correlation Coefficients. Panel A reports the descriptive statistics for the sample of 2,114 firm-year observations over the period 2001-2008. The anti-Americanism score is computed as the sum over the weighted anti-Americanism scores.

$$ANTI_{i,t} = \sum_{j} \left(SUB_{i,j,t}^{foreign} \Big/ \sum_{j} SUB_{i,j,t}^{foreign} \right) \times ANTI_{j,t}$$

where $ANTI_{j,t}$ is country j's anti-Americanism score in year t. The weight for country j is computed as the ratio of a firm's foreign subsidiaries located in country j divided by the total number of foreign subsidiaries of MNC i. We use three scores ($ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$) and compute the average of three scores to get the anti-Americanism index ($ANTI^{index}$), where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the US) and $ANTI^{consideration}$ is a view of US consideration of other countries' interests. *FS* = the total number of foreign subsidiaries ($\sum_j SUB_{i,j,t}^{foreign}$). *INTS* = intangibles intensity and computed as a sum of R&D expense and advertising expense scaled by sales. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. *TA* = total assets ($ millions). *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *PNDIV* = the fraction of conglomerates in the SIC two-digit industry. *PSDIV* = the fraction of sales by diversified firms in the SIC two-digit industry. *MVOL* = the log of one plus the value of announced mergers and acquisitions. *MNUM* = the log of one plus the number of merger and acquisition announcements. *GDPG* = the growth rate in real GDP. *CONTR* = the number of recession months in the year. Panel B reports pairwise correlation coefficients [*p*-values]. *** and ** denote significance at the 1% and 5% level, respectively.

Panel A: Summary statistics

	Mean	Standard deviation	Minimum	25th percentile	Median	75th percentile	Maximum
$ANTI^{index}$	0.485	0.064	0.312	0.445	0.495	0.525	0.790
$ANTI^{Americans}$	0.320	0.070	0.180	0.282	0.320	0.352	0.740
$ANTI^{US}$	0.446	0.092	0.230	0.382	0.456	0.510	0.840
$ANTI^{consideration}$	0.688	0.073	0.465	0.646	0.688	0.735	0.890
FS	11.759	14.642	1.000	3.000	6.000	14.000	96.000
INTS	0.098	0.135	0.000	0.013	0.054	0.153	1.996
EXVALUE	-0.041	0.809	-3.107	-0.524	0.000	0.438	2.836
TA	2287	4995	6.802	258	796	2187	65458
LEV	0.127	0.140	0.000	0.000	0.084	0.223	0.951
CAPXS	0.047	0.065	0.001	0.018	0.030	0.049	0.730
DIVERS	0.527	0.499	0.000	0.000	1.000	1.000	1.000
PNDIV	0.331	0.090	0.041	0.269	0.318	0.371	0.833
PSDIV	0.671	0.145	0.036	0.635	0.706	0.768	0.979
MVOL	27.787	0.489	26.983	27.245	27.740	28.038	28.435
MNUM	8.132	0.155	7.927	8.014	8.120	8.159	8.478
GDPG	0.021	0.013	-0.014	0.019	0.024	0.031	0.037
CONTR	2.195	4.082	0.000	0.000	0.000	1.000	12.000

Panel B: Pairwise correlation coefficients

	EXVALUE	$ANTI^{index}$	*INTS*	*TA*	*LEV*	*CAPXS*	*DIVERS*
$ANTI^{index}$	-0.053**	1					
	[0.015]						
INTS	0.367***	-0.072***	1				
	[0.000]	[0.001]					
TA	0.045**	0.161***	-0.087***	1			
	[0.039]	[0.000]	[0.000]				
LEV	-0.045**	0.053**	-0.168***	0.087***	1		
	[0.038]	[0.015]	[0.000]	[0.000]			
CAPXS	0.185***	-0.059***	0.139***	0.001	0.056**	1	
	[0.000]	[0.007]	[0.000]	[0.977]	[0.011]		
DIVERS	-0.136***	0.124***	-0.288***	0.188***	0.231***	-0.082***	1
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	
FS	-0.082***	0.017	-0.176***	0.373***	0.219***	-0.108***	0.306***
	[0.000]	[0.447]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]

Table 2
Anti-Americanism and Valuation of Multinational Corporations. This table reports the results of the two-stage least-squares (2SLS) regressions. $ANTI^{index}$ = the average of $ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$, where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the US) and $ANTI^{consideration}$ is a rate on the US' consideration of other countries' interests. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. *SIZE* = the log of one plus total assets. *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *PNDIV* = the fraction of conglomerates in the SIC two-digit industry. *PSDIV* = the fraction of sales by diversified firms in the SIC two-digit industry. *MVOL* = the log of one plus the value of announced mergers and acquisitions. *MNUM* = the log of one plus the number of merger and acquisition announcements. *GDPG* = the growth rate in real GDP. *CONTR* = the number of recession months in the year. *T*-statistics in parentheses are computed based on standard errors controlling for heteroskedasticity. ***, **, and * denote significance at the 1%, 5% and 10% level, respectively.

	Dependent variable: $ANTI^{index}$	Dependent variable: *EXVALUE*
	Model 1 First-stage	Model 2 Second-stage
$ANTI^{index}$		-2.424***
		(-5.44)
SIZE	0.003***	0.143***
	(3.78)	(11.17)
LEV	0.021**	-0.497***
	(2.02)	(-3.91)
CAPXS	-0.020	1.804***
	(-0.86)	(5.12)
DIVERS	0.007***	-0.255***
	(3.00)	(-7.21)
PNDIV	0.008	
	(0.70)	
PSDIV	0.030***	
	(4.17)	
MVOL	0.037***	
	(7.60)	
MNUM	0.192***	
	(8.92)	
GDPG	2.374***	
	(5.42)	
CONTR	0.002*	
	(1.95)	
Constant	-2.257***	-1.686***
	(-25.46)	(-5.89)
N	2,114	2,114
F-statistic	140.28***	42.13***
R-squared		0.1093

Table 3
Comparisons of Multinational Corporations' Values. This table reports the mean values of *EXVALUE* for the sub-groups of firms formed after sorting independently on anti-Americanism ($ANTI^{index}$) and intangibles intensity (*INTS*). *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. $ANTI^{index}$ = the average of $ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$, where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the US) and $ANTI^{consideration}$ is a rate on the US' consideration of other countries' interests. The estimated $ANTI^{index}$ is obtained from the first-stage model in Table 2. *INTS* = intangibles intensity computed as a sum of R&D expense and advertising expense scaled by sales. The high group includes firms ranked in the highest 1/2 in each year, while the remaining firms are classified in the low group. Also reported are mean differences between sub-groups and corresponding *t*-statistic values in parentheses. *** denotes significance at the 1% level.

Panel A: Classified by $ANTI^{index}$ and intangible intensity

	Low $ANTI^{index}$	High $ANTI^{index}$	High – Low
Low intangibles intensity	-0.230	-0.354	-0.124***
			(-2.70)
High intangibles intensity	0.169	0.237	0.068
			(1.38)
High – Low	0.400***	0.591***	
	(8.46)	(12.41)	

Panel B: Classified by estimated $ANTI^{index}$ and intangible intensity

	Low estimated $ANTI^{index}$	High estimated $ANTI^{index}$	High – Low
Low intangibles intensity	-0.210	-0.341	-0.131***
			(-2.81)
High intangibles intensity	0.149	0.289	0.139***
			(2.80)
High – Low	0.359***	0.629***	
	(7.21)	(13.55)	

Table 4
Anti-Americanism, Intangibles, and Valuation of Multinational Corporations. This table reports the second-stage results of the two-stage least-squares (2SLS) regressions. The first-stage result is reported in Table 2. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. $ANTI^{index}$ = the average of $ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$, where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the US) and $ANTI^{consideration}$ is a rate on the US' consideration of other countries' interests. *INTS* = intangibles intensity computed as a sum of R&D expense and advertising expense scaled by sales. *SIZE* = the log of one plus total assets. *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *T*-statistics in parentheses are computed based on standard errors controlling for heteroskedasticity. *** and ** denote significance at the 1% and 5% level, respectively.

	Dependent variable: *EXVALUE*		
	Model 1	Model 2	Model 3
$ANTI^{index}$		-2.075***	-3.872***
		(-4.89)	(-7.24)
$ANTI^{index}$ * *INTS*			18.899***
			(5.68)
INTS	2.074***	2.044***	-6.679***
	(11.30)	(10.88)	(-4.32)
SIZE	0.132***	0.145***	0.148***
	(11.38)	(12.25)	(12.70)
LEV	-0.267**	-0.276**	-0.290**
	(-2.26)	(-2.35)	(-2.49)
CAPXS	1.409***	1.285***	1.351***
	(5.05)	(4.65)	(4.77)
DIVERS	-0.140***	-0.122***	-0.093***
	(-4.04)	(-3.49)	(-2.70)
Constant	-2.898***	-2.170***	-1.406***
	(-12.52)	(-7.94)	(-4.61)
N	2,114	2,114	2,114
R-squared	0.2041	0.2132	0.2268

Table 5

Individual Anti-Americanism Measures and Rank-based Index. This table reports the second-stage results of the two-stage least-squares (2SLS) regressions where the first-stage control for the same variables reported in Table 2. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. $ANTI^{Americans}$ = a view of Americans. $ANTI^{US}$ = a view of the US $ANTI^{consideration}$ is a rate on the US' consideration of other countries' interests. $ANTI\_RANK^{index}$ = the rank-based *ANTI* index. *INTS* = intangibles intensity computed as a sum of R&D expense and advertising expense scaled by sales. *SIZE* = the log of one plus total assets. *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *T*-statistics in parentheses are computed based on standard errors controlling for heteroskedasticity. *** and ** denote significance at the 1% and 5% level, respectively.

	Dependent variable: *EXVALUE*							
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
$ANTI^{Americans}$	-4.198***	-6.954***						
	(-6.11)	(-8.67)						
$ANTI^{Americans}$ * *INTS*		34.808***						
		(7.04)						
$ANTI^{US}$			-1.706***	-2.779***				
			(-5.89)	(-7.90)				
$ANTI^{US}$ * *INTS*				13.250***				
				(5.92)				
$ANTI^{consideration}$					-1.900***	-2.355***		
					(-3.76)	(-3.96)		
$ANTI^{consideration}$ * *INTS*						10.372***		
						(2.68)		
$ANTI\_RANK^{index}$							-3.286***	-6.369***
							(-3.77)	(-7.62)
$ANTI\_RANK^{index}$ * *INTS*								22.326***
								(5.78)
INTS		-8.661***		-3.469***		-4.803*		-8.915***
		(-5.63)		(-3.66)		(-1.87)		(-4.83)
SIZE	0.171***	0.170***	0.143***	0.148***	0.128***	0.135***	0.192***	0.214***
	(11.85)	(13.03)	(11.21)	(12.75)	(10.32)	(11.80)	(9.03)	(10.44)
LEV	-0.432***	-0.255**	-0.526***	-0.327***	-0.492***	-0.264**	-0.423***	-0.192
	(-3.40)	(-2.19)	(-4.14)	(-2.80)	(-3.87)	(-2.25)	(-3.29)	(-1.64)
CAPXS	1.981***	1.392***	1.833***	1.382***	1.725***	1.309***	1.927***	1.138***
	(5.58)	(5.06)	(5.21)	(4.87)	(4.83)	(4.53)	(5.26)	(4.03)
DIVERS	-0.258***	-0.091***	-0.266***	-0.102***	-0.246***	-0.103***	-0.183***	0.002
	(-7.32)	(-2.67)	(-7.54)	(-3.00)	(-6.86)	(-2.91)	(-4.20)	(0.04)
Constant	-2.088***	-1.510***	-2.080***	-2.021***	-1.247***	-1.379***	-2.263***	-1.449***
	(-8.22)	(-5.44)	(-8.15)	(-8.04)	(-3.04)	(-3.04)	(-8.82)	(-5.16)
N	2,114	2,114	2,114	2,114	2,114	2,114	2,114	2,114
R-squared	0.1122	0.2375	0.1114	0.2305	0.1030	0.2116	0.1035	0.2374

Table 6
Sales-based Multinationality and the Value Impact of Anti-Americanism. This table reports the second-stage results of the two-stage least-squares (2SLS) regressions where the first-stage control for the same variables reported in Table 2. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. $ANTI^{index}$ = the average of $ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$, where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the US) and $ANTI^{consideration}$ is a rate on the US' consideration of other countries' interests. The anti-Americanism score is computed as the sum over the weighted anti-Americanism scores. Foreign sales amounts are used instead of the number of foreign subsidiaries.

$$ANTI_{i,t} = \sum_{j} \left(SALES_{i,j,t}^{foreign} \Big/ SALES_{i,t} \right) \times ANTI_{j,t}$$

where $ANTI_{j,t}$ is country *j*'s anti-Americanism score in year *t*. The weight for country *j* is computed as the ratio of a firm's foreign sales in country *j* divided by the total sales of MNC *i*. *INTS* = intangibles intensity computed as a sum of R&D expense and advertising expense scaled by sales. *SIZE* = the log of one plus total assets. *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *T*-statistics in parentheses are computed based on standard errors controlling for heteroskedasticity. *** and ** denote significance at the 1% and 5% level, respectively.

	Dependent variable: *EXVALUE*			
	Model 1	Model 2	Model 3	Model 4
$ANTI^{index}$		-1.307**	-1.535***	-1.620***
		(-2.53)	(-3.01)	(-3.17)
$ANTI^{index}$ * *INTS*				4.795**
				(2.00)
INTS	0.708***		0.728***	-0.616
	(7.65)		(7.67)	(-0.89)
SIZE	0.068***	0.094***	0.109***	0.107***
	(7.16)	(5.71)	(6.64)	(6.48)
LEV	-0.146**	-0.471***	-0.473***	-0.472***
	(-1.65)	(-3.21)	(-3.28)	(-3.25)
CAPXS	0.522***	0.753***	0.798***	0.798***
	(7.41)	(6.20)	(6.69)	(6.71)
DIVERS	0.012	-0.046	-0.038	-0.034
	(0.31)	(-1.07)	(-0.91)	(-0.81)
Constant	-1.518***	-1.620***	-1.899***	-1.829***
	(-8.00)	(-7.19)	(-8.42)	(-8.03)
N	1,677	1,677	1,677	1,677
R-squared	0.0745	0.0535	0.0794	0.0814

Table 7
Anti-Americanism and Global Diversification Effect. This table reports the estimated coefficients of the regression of excess value of firms. $ANTI^{index}$ = the average of $ANTI^{Americans}$, $ANTI^{US}$, and $ANTI^{consideration}$, where $ANTI^{Americans}$ ($ANTI^{US}$) is a view of Americans (a view of the U.S.) and $ANTI^{consideration}$ is a rate on the U.S.' consideration of other countries' interests. The estimated $ANTI^{index}$ is obtained from the first-stage model in Table 2. The group with high estimated $ANTI^{index}$ includes firms ranked in the highest 1/2 in each year, while the remaining firms are classified in the low group. *EXVALUE* = excess value, defined as the log of the ratio of firm's total value to imputed value. *FS* = the total number of foreign subsidiaries. *INTS* = intangibles intensity computed as a sum of R&D expense and advertising expense scaled by sales. *SIZE* = the log of one plus total assets. *LEV* = leverage, measured as long-term debt / total assets. *CAPXS* = the ratio of capital expenditures to sales. *DIVERS* = a dummy variable that takes a value of 1 if the firm has more than one industry segment and 0 otherwise. *T*-statistics in parentheses are computed based on standard errors controlling for heteroskedasticity. ***, **, and * denote significance at the 1%, 5% and 10% level, respectively.

	Dependent variable: *EXVALUE*		
	All MNCs	MNCs with low estimated $ANTI^{index}$	MNCs with high estimated $ANTI^{index}$
Log (1+FS)	-0.222***	-0.149***	-0.202***
	(-9.05)	(-3.71)	(-6.46)
*Log (1+FS) * INTS*	0.644***	0.036	0.825***
	(3.94)	(0.15)	(3.31)
INTS	0.978***	1.580***	1.327**
	(3.37)	(4.24)	(2.47)
SIZE	0.200***	0.281***	0.143***
	(13.44)	(13.71)	(5.94)
LEV	-0.226*	-0.448*	-0.097
	(-1.96)	(-1.87)	(-0.66)
CAPXS	0.935***	0.666**	1.164**
	(3.38)	(2.16)	(2.15)
DIVERS	-0.110***	0.042	-0.098*
	(-3.20)	(0.78)	(-1.73)
Constant	-3.848***	-5.470***	-2.812***
	(-14.10)	(-14.44)	(-5.90)
N	2,114	1,056	1,058
R-squared	0.2370	0.2795	0.2420