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## MULTINATIONALITY AND FIRM VALUE: THE ROLE OF REAL OPTIONS

## AWARENESS

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*We contribute to multinationality and real options theories by considering the role of firm heterogeneity in real options awareness for MNCs. We test the joint impact of real options awareness (RO-AWN) and multinationality on firm value using an extensive sample of U.S-listed international firms over the ten-year period 1996-2005. We show that when a firm's growth options and degree of RO-AWN are considered, multinationality has a significant positive impact on firm value and performance as measured by Tobin's Q, return-on-assets and the 3-year average stock returns. We find that the benefits of multinationality accrue asymmetrically to firms differing in RO-AWN. Managers who are more aware of their corporate real options are able to significantly enhance firm value. Our findings are robust to a range of dataset and measurement specifications, endogeneity issues and controlling for alternative theories of the firm.*

Keywords: Real options, multinationality, growth options, management quality, firm value

JEL classification: G30, F23, L25

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