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The role of Investment Promotion Agencies (IPAs) in overcoming managerial Liabilities of Foreignness (LOF) in Greenfield FDI-projects

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Abstract

IPAs, formed at national, regional and municipal levels, have become pervasive (numbering around 10,000 globally). Governments, via such agencies, spend approximately \$100 billion a year on investment promotion. Large-scale empirical studies (i.e. using nationally aggregated data), moreover, show IPAs do positively attract FDI – yet we know relatively little, at a qualitative managerial level, about the particular functions and roles that IPAs play. How do IPAs influence managerial decision making and facilitate greenfield-FDI? Do they help managers overcome the difficulties they encounter in entering foreign markets – namely ‘Liabilities of Foreignness (LOF) and ‘Liabilities of Outsidership (LOO)’? And if so, how?

To date, relatively little research has investigated the operational practices of IPAs, and how these reduce the practical problems managers face in FDI greenfield-projects. While most extant literature in this field is conducted at a firm- or country-level, I propose to analyse this question at a manager-level, looking at the problems and difficulties through the eyes of managers. I draw from (a) an initial set of 137 first round, semi-structured interviews, followed by (b) a second round of in-depth case-studies, involving managers and IPA representatives active in one specific project to highlight potentially opposing perspectives.

I found IPAs help address a category of Liabilities hitherto under-theorised and largely under-identified – namely LOP (Liability of Practice) – characterising the practical problems of implementation (i.e. the aspect of the ‘doing’, for which there are no heuristics or short-cuts). The interesting insights gained in this context are the layered nature and operational depth of managerial liabilities. The key issues that emerged and ones which IPAs help address included: operational legal and regulatory barriers; the information needed to start a company in a foreign jurisdiction; very specific questions for project implementation; registrations, permits and approvals; transparency and ‘speed-money’; finding qualified people; overcoming specific cross-border hurdles; and the overcoming of the otherness of host-countries. By assessing how IPAs help managers deal with specific managerial-liabilities, I firstly deepen our practical understanding of FDI processes, but also expand our understanding of the Uppsala Internationalization Model, while also widen our conception of what such the liabilities might be.

Importantly, it was found that while information barriers exist, they fall into several categories of information needs (knowing ‘what’ and knowing ‘how’): information is thus not an aim in its own right, but – in managers eyes – merely an initial step to the more important aspect of ‘getting things done’, which should be classified as a separate liability (i.e. LOP). Moreover, the combination of local know-how and out-of-the-box thinking or advice might result in unorthodox solutions, illustrating that the operational reality of IPAs in mitigating managerial liabilities is difficult to capture in categories of information or networks. Beyond theory-building, this PhD also seeks to address some of the inefficiencies observed by developing specific policy recommendations for governments on how to improve IPA performance.

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List of Abbreviations

CD	Cultural Distance
EDB	Economic Development Board
EDO	Economic Development Organization
EOU	Export Oriented Unit
EPZ	Export Processing Zones
FDI	Foreign Direct Investment
FSA	Firm Specific Advantage
FTZ	Free Trade Zone
GTAI	Germany Trade and Invest
LOF	Liability of Foreignness
LOO	Liability of Outsidership
LOP	Liability of Practice
IIA	Inward Investment Agencies
IMF	International Monetary Fund
IO	International Organization
IPA	Investment Promotion Agency
IPI	Investment Promotion Intermediaries
IPM	Internationalization Process Model
JETRO	Japan External Trade Organization
KOTRA	Korea Trade-Investment Promotion Agency
MIDA	Malaysian Investment Development Authority
MIGA	Multilateral Investment Guarantee Agency
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
OSS	One Stop Shop
PD	Psychic Distance
RBV	Resource-Based View
SEZ	Special Economic Zone
TIPO	Trade and Investment Promotion Organization
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
WAIPA	World Association of Investment Promotion Agencies

Declaration

Material contained in this thesis has not been previously been submitted for a degree in this or any other institution;

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DEDICATION

To Dylan & Nick.

A long time ago, I came across a dedication which read. "Those who haven't written a PhD will always be slightly baffled about the expressions of deep gratitude about a somewhat mysterious sounding process". And a mysterious process it is. One in which we learn more about ourselves than about LOF and FDI; where we enter uncharted territory and are forced to look at the world in new ways. And hence, only with hind-sight, I understand the words of a good friend who once said – when you write a PhD, the point is not the product but the process. A process which, especially when you do it next to a full-time job, is daunting, draining, at times soul-destroying, but at whose centre the most exciting and joyful activity to me resides: learning.

Writing a PhD is a process that isn't only growing you academically, but personally; it is a humbling exercise that is curbing your arrogance towards different perspectives. One that was teaching me that the ivory-towers of academia contained far more knowledge and insight than I was initially willing to admit. It was an intellectual journey that occasionally felt like an adventure-trip through a dangerous hinterland.

And thus, it is hardly surprising that every PhD starts with a dedication to one's supervisors – and quite rightly so; without our supervisors, the fewest of us would have ever found our way through this tiring, frustrating and rewarding process. Like hundreds who have gone before me, and hundreds who will follow me on this path, I wish to express my deep gratitude to my supervisors for their tireless efforts to help me along this journey. Starting enthusiastically with an idea for a PhD, getting lost along the way in the thicket of theories and extant literature, and of finding oneself and one's topic again, only with a greater degree of clarity. For that, and so much more, I have to thank Dylan and Nick. For believing in me right from the start; for taking the not insignificant risk of a highly atypical PhD candidate; (a too-old angry young man, in full-time employment, far from academic thinking and rather full of himself). For being patient with me while I was lost. For reading through my hundreds and hundreds of pages of drafts (many of which shooting off in all sorts of unproductive directions); and, for ever so patiently reigning in my trenchant criticisms – some still valid - but many born out of a lack of understanding. This surely must have been a testing experience. Nick, Dylan, thank you for hanging in. Thank you, for the inspiring and insightful discussions, for your wise council and for teaching me so much, about so many things that lay so far outside my vision.

To my parents and friends

The other heart-felt thank you will have to go to my parents and the circle of close friends. Despite most of you thinking this to be an entirely mad and pointless project, to stick it out with me (or more often than not, without me). For putting up with me not being there at family-reunions, parties or birthdays, trips that have become traditions or dinner-parties. Love is to accept things in others despite one disagrees with them – and I genuinely do appreciate your patience in this. But from now on, I'll be back - promised !

Chapter 1

Introduction

1.1. Characterization of the problem

One of the core-themes of IB is the question how firms internationalize. Based on early research by Kindleberger (1969) and Hymer (1976), scholars in the IB field developed the concept of 'Liability of Foreignness' or 'LOF' [Zaheer (1995) and Zaheer & Mosakowski (1997)]. Another seminal piece of IB-theory, the Uppsala model, "is based on the assumption that lack of knowledge about *foreign markets* is the most important hurdle to international operations" (Hutzschenreuter & Matt, 2017 – p. 1,134). Thinking about internationalization processes, scholars often used the institutional lens to understand what LOF means for firms and how they engage with it. Kostova (1999) and Kostova & Zaheer (1999) pioneered this approach, conceptualizing LOF as the difficulties and costs arising out of the differences (and distances) of regulatory frameworks and institutional structures.

Johanson & Vahlne, (1977) predicted "that firms will first locate in countries that are culturally close and may move to more distant countries later" (Beugelsdijk, et al., 2018 – p. 96). This is part of their theory of a gradualist commitment towards foreign markets, in terms of engagement in the market, (rising from export, foreign sales subsidiary, foreign production) and increasing geographic diversification, (ever more geographically and psychically distant markets). Especially in the latter case, the theories of psychic distance or LOF in internationalization (Boermans & Roelfsema, 2013) played an increasingly important role. This is a key area that this PhD seeks to unpack. While the liabilities felt by managers play as big a role as described, many of existing predictions in the literature fail to materialize. Instead of the predicted gradualist approach towards increasing their presence in ever more foreign markets, we observe Mittelstands-companies which are often highly internationalized in far-flung countries (Audretsch, Lehmann & Schenkenhofer, 2018). These are companies whose managers, "may not have relevant experience or useful networks, and rely on sources rarely recognised" (Fletcher & Harris, 2012 – p. 631). One might therefore conclude that our extant understanding of LOF and the way how managers deal with all the practical problems and aspects of the unknown, managers face in foreign-market FDI-projects (hence-forth called managerial-liabilities), might be incorrect, or at the very least incomplete. This is a view supported by recent findings of Hennart et al., (unpublished). The only alternative in terms of theoretical models – namely 'Born-Globals' – also fails to adequately address this question, as it also largely focusses on "unique firm-specific resources which allow them to compete in international markets"

(Hennart, 2014 – p. 118) or, their primary “use of nonequity modes of entry” (Ibid – p. 119), failing to address the area I have defined for this PhD.

Based on the literature review I conducted on LOF (see chapter 2) a number of problems emerged, which might explain the contradictory research outcomes and our difficulties of predicting and explaining managerial behaviour.

As I will outline in detail in chapter 2, our current conceptualisations of liabilities are too abstract and high-level to provide real insights. Typically, FDI-projects consist of hundreds of process steps – making greenfield-projects highly complex undertakings. However, given the highly heterogenous contexts within which these projects take place (the industry in question, the experience and attitudes of the involved managers, firm size, etc.), generalist theories that have sufficient relevance to guide and predict behaviour, appear difficult to arrive at. Second, LOF-research has been overwhelmingly conducted at a firm- or even country-level. By looking at firms or countries [as in “the underlying basic assumption of the literature on international business is that foreign country markets are distinct entities” (Johanson & Vahlne, 2003 – p. 89)], rather than looking at managers, we lose a whole level of detail, which is imperative to understanding why decisions are taken the way they are.

IB has developed location-selection theories, but managers often do not seem to follow them (Shoham, 1999 – p. 30). The IPM-model charts an internationalization process that is driven by the interplay of market knowledge and market commitment (Johanson & Vahlne, 1977, 1990) and describes a gradual acquisition and use of the knowledge of foreign markets as well as a gradual increase of the investors’ commitment to the foreign market. The problem to overcome is Psychic Distance or Liability of Foreignness. The updated-IPM (Johanson & Vahlne, 2009, 2013), while also still emphasizing the need to deal with uncertainty, changed the source of this uncertainty to a lack of network position or a lack of relevant contacts, which makes the issue overcoming ‘Liability of Outsidership’. Johanson & Vahlne, (2009 – p. 1,415) describe Liability of Outsidership (LOO) as a “firm that does not have a position in a relevant network”.

We can observe that theory suggests that internationalization operates along the establishment chain, while in practise we see some companies internationalizing in highly geographically and psychically distant countries, and O’Grady & Lane (1996) describe internationalization projects in close proximity that failed. So, neither the deliberate choice of a step-wise internationalization, based on firm-capabilities (rather than pressure by the market or customers), nor the relative ease of succeeding in

proximate locations, seems to materialize as theory would suggest. But if a lack of understanding external regulatory frameworks and market characteristics, as well as lack of prior know-how, do not keep managers from entering such distant markets, they need to find this knowledge and know-how from somewhere outside the organization. Generally speaking, research in this field “does not appear to have been very helpful so far, characterized as it is by contradictions, lack of consensus and many important issues that have not yet been addressed” (Papadopoulos, Hamzaoui-Essoussi & El Banna, 2016 – p. 620). This view is echoed by Benito & Gripsrud, (1992); Andersen, (1993); Forsgren, (2002) and Johanson & Vahlne (2003 – p. 84) who observe that “the old models of the internationalization process of the firm have also been criticized”. Essentially, we know relatively little about *managerial* perspectives, reasoning and decision-making in this key area of IB at the operational level, namely how do managers overcome LOF.

To date, most extant research is taking the perspective that managers “assess their firms’ capabilities” (Shoham, 1999 – p. 30) and somehow take their decisions based on these. An opposite view has however been introduced by Petersen & Pedersen (2002 – p. 339) with their observation that “much has been written about how international firms create and sustain firm-specific advantages [...] less attention has been devoted to the question of how international firms reduce their liability of foreignness”. Pedersen & Shaver (2000 – p.4) assert that: “firms expand internationally once they believe that they have accumulated sufficient knowledge to successfully operate in that host country”. Arguably owing to the strong FSA-emphasis in extant literature, we have largely overlooked one possibility of firms to accumulate knowledge: to bring it in from advisors or third-party players from outside the firm. This oversight has been commented upon by Stoian, Dimitratos & Plakoyiannaki, (2018 – p. 768) who wrote in an SME-context that: “internationalization literature largely focuses on internal actors, such as knowledge generated by a firm’s managers and key employees, whereas to date, the voice of the advisers remains almost silent”. I will therefore look at the role IPAs (Investment Promotion Agencies), arguably a major force in advising and helping managers overcome LOF (Crescenzi et al., 2019), play in overcoming the liabilities experienced by managers considering FDI.

With so little being known about what managers consider to be ‘managerial-liabilities’, and consequently even less being known, about how managers and firms seek to lower the liabilities their experience, this PhD addresses a whole range of practical as well as theoretical issues. By introducing a new category of liability (namely ‘Liabilities of Practice’

or ‘LOP’) I operationalize managerial-liabilities, thereby laying the foundations for a better understanding of managerial decision-making in FDI-contexts. It also extends the current discussion of the updated IPM (Johanson & Vahlne, 2009), filling the gap between the conceptual Uppsala-model and practical observations, such as Schotter & Beamish’s (2013) hassle-factor. And lastly it develops a number of concrete policy suggestions to improve IPA-performance in the context of mitigating managerial-liabilities.

1.2. Major areas of research of this PhD

Investment Promotion Agencies (IPAs)

Despite the fact that IPAs have become ubiquitous (see for example Volpe-Martincus & Sztajerowska (2019) who point out that nearly every country in the world has an IPA established), we still know very little about how and why they work, and how they “affect multinational firms’ location decisions” (Volpe-Martincus, Carballo & Blyde, 2018 – p. 12). With IPAs existing on a national, regional and often municipal level, there are said to be “approximately 10,000 economic development organizations (EDOs) including investment promotion agencies in the world, with a remit for investment promotion” (Loewendahl, 2016 [online]) with government expenditure for investment promotion running into the billions. Loewendahl (2016 [online]) estimates “US \$ 50 billion a year”. Thomas, (2011a – p.1) estimates that alone “US state and local governments spend approximately US\$ 46.8 billion per year on location subsidies”; and Bauerle-Danzmann & Slaski (2018 – p.3) calculate that such “programs cost governments over \$100 billion a year.” While these figures include incentive payments, investment promotion is clearly an important aspect of national policy. Furthermore, extant empirically based (i.e. large dataset-) research overwhelmingly comes to the conclusion that IPAs have a positive effect on FDI-inflows (i.e. Morisset, 2003b; Harding & Javorcik, 2007; Lim, 2008; Harding & Javorcik, 2011; Guimon & Filippov, 2012; Anderson & Sutherland, 2015).

It is therefore all the more surprising that we know relatively little about IPAs and how they operate beyond their function as administrators of FDI-incentives, viz “The main function of an IPA was traditionally seen as providing information to potential investors” (Papadopoulos, Hamzaoui-Essoussi, El Banna, 2016 – p. 617). While IPAs can reduce the cost of information and help managers find out what they need to know, this view arguably falls short of the services IPAs can, and in many cases do, provide.

So, while extant research focuses on investment promotion activities of IPAs as reducing “transactions costs facing foreign investors by providing information on the host country” (Harding & Javorcik, 2013 – p. 338), I seek to expand our picture of IPAs beyond this. Going beyond the “wider activity portfolio (Wells and Wint, 2000) that may incorporate advertising, seminars, missions and trade shows” (Papadopoulos et al., 2016 – p. 617) currently discussed in academic literature, and instead focus on the more practical-operational aspects of “facilitation of local visits, matching investors with local partners [...] obtaining permits and approvals” (Ibid). I seek to find out if IPAs are seen to succeed in helping managers mitigate their managerial-liabilities (i.e. LOPs), and if so – how those IPAs that succeed in doing so – achieve this.

I will therefore approach the topic by first looking at the structures, organizational context and tasks of IPAs. Based on this knowledge of their current form, I will review extant literature and determine how research has treated IPAs, what we know about them from existing studies, and where I see the gaps in our current knowledge. Within this context, emphasis will also be given to the work of Wells & Wint whose categorization of IPAs’-functions has influenced our current perspective on IPAs significantly.

Liability of Foreignness (LOF)

LOF, which is considered to be one of the key concepts of IB, goes back to the path-breaking work by Hymer and has subsequently been influenced by Zaheer, being initially mostly conceived as: “all additional costs a firm operating in a market overseas incurs that a local firm would not incur” (Zaheer, 1995 – p. 343). Despite being widely criticized (Shenkar, 2001; Kronborg & Thomsen, 2009; Sasaki & Yoshikawa, 2014) as being overly simplistic (Beugelsdijk, et al., 2018), it is still used extensively in FDI-research. As Shenkar (2012) observed, this may be “due to the attractiveness of distance as a metaphor for the collective differences between countries” and it providing “an extremely user-friendly measure that scholars who are not primarily interested in institutions or cultures can throw into a regression equation to deal with what they have an uncomfortable feeling is an important unobserved feature of interaction between societies” (Zaheer, Schomaker & Nachum, 2012 – p. 20). Especially after Johanson & Vahlne (1977, 1990, 2003, 2006, 2009) and Petersen et al. (2003) had pointed out, that successful internationalization is primarily about overcoming LOF,

rather than merely looking at “the costs of doing business abroad” (Zaheer, 2002 – p. 351), it gained an ever more prominent position in IB discussions.

Looking through the summary table of the literature in ‘Annexe A’, however, it becomes apparent that extant research almost always views LOF through the prism of firm-/country-level research. There are very few discussions about managerial-LOF and the practical problems they face (Buckley, et al 2018; Schotter & Beamish, 2013) and even less, in terms of how they can be mitigated. This is despite managers being discussed extensively in literature, (Hambrick & Mason, 1984), in terms of their role in internationalization (Sambharya, 1996; Reuben & Fischer, 1997), their experience (Herrmann & Datta, 2005) or their educational levels (Barkema & Shvyrkov, 2007) as well as Top-Management-Teams’ diversity (Athanassiou & Nigh, 2002; Greve, Nielsen & Ruigrok, 2009; Nielsen & Nielsen, 2013). Nevertheless, we still lack a manager-level understanding of what LOF looks like. Prior to the current PhD, only a handful of studies, (i.e. O’Grady & Lane, 1996; Sethi & Guisinger, 2002; Petersen & Pedersen, 2002; Sousa & Bradly, 2006; Johanson & Vahlne, 2010; Hakanson & Ambos, 2010) have contemplated managers in an FDI-context when looking at LOF. Only with Denk et al., (2012), do we start to look at managers and LOF in a more operational way. Increasingly, LOF is seen as the difficulty’s companies face as a consequence of operating abroad (Sethi & Guisinger, 2002), which includes lack of knowledge and uncertainty, lack of contacts or support-structures. The notion of information asymmetry became an especially important element of LOF, with overcoming LOF being equated to the provision of information. Only very recently, Anderson & Sutherland (2015) moved the thinking on Liability of Foreignness forward as presenting all sorts of practical barriers to market-entry for foreign firms. This wider conception, I have described as managerial-liabilities and which covers all practical problems and aspects of ‘the unknown’ managers face in foreign-market FDI-projects.

With extant LOF-research being riddled by conflicting research outcomes and ongoing criticisms [see Shenkar (2001 – p. 519): “problems in conceptualization and measurement, from unsupported hidden assumptions to questionable methodological properties, undermining the validity of the construct”], I seek to deepen our understanding in this field. By interviewing managers directly, I seek to address the criticism of a perceptual, subjective, manager-centric phenomenon being too often operationalized as an objective, measurable and quantifiable effect (Hakanson & Ambos, 2010). By looking at LOF through the more holistic lens of Anderson &

Sutherland (2015), I should understand what managers conceive as the problem, enabling me to put forward some potential solutions from the perspective of the services IPAs might provide.

1.3. Approach taken

To address these gaps, methodologically, given that I have opted for an exploratory approach (see Chapter 4), I employed semi- or even un-structured interviews, to collect the views and perceptions of the managers concerned. This allows me to genuinely drive a behavioural manager-based approach were I inductively build the argument up from an in-depth understanding of managerial perspectives. This micro-foundationally inspired approach looked in particular at the thinking of corporate managers, their cognitive limitations, risk-aversion (Contractor, Foss, Kundu & Lahin, 2019 – p. 5) and perspective, shaped by the function they hold within the firm.

In order to operationalize LOF, i.e. break down this monolithic idea into the constituent elements managers perceive as concrete problems, and gather their ideas of what they see as workable solutions in overcoming these problems, I divided my data collection in two phases. Initially, I undertook a series of first-round interviews (137 interviews with corporate managers, IPA staff, and other actors involved in FDI decision-making - described in detail in Chapter 5 - Empirics I) whose aim was to collect as broad a collection of views as possible. The underlying idea was not to fall too quickly into pre-set models of thinking, and by collecting as many practical problems as possible, manage to distil a framework in the end by which to evaluate IPAs and IPA manager' inter-actions (i.e. how managers use / employ IPAs), and which should form the basis for future theorizing. In the second-round (see Chapter 6 - Empirics II) I went for depth, by looking at two case studies where the objective was to look at FDI situations from all sides, and hearing out all participants with their perspectives on that specific case, thereby illustrating the many interconnections and interdependencies but also the often highly different perspectives people take. One interesting aspect, emerging during the course of one of these case studies, was the discovery that IPAs not only deal with investment attraction, but also mitigating the impact of planned exit strategies of companies in their jurisdiction, something not discussed in extant IPA-literature and thus illustrating that the remit of IPAs is a far broader than and hitherto assumed.

1.4. Structure of this PhD

This PhD is organized as follows. In Chapter 2 and 3 I describe the extant state of research on the two main theoretical topics – namely LOF and IPAs. Apart from providing an overview of existing literature, I critically discuss the current body of research, and work out the gaps in our knowledge. As noted, one issue is the lack of a microfoundationally inspired approach to understanding IPA and corporate -manager inter-actions (Contractor, Foss, Kundu & Lahin, 2019). Chapter 4 (Methodology) is devoted to the discussion of why I consider the research approach used in current research as part of the problem of our deficient understanding, and make the case for an exploratory rather than an explanatory approach. Focussing heavily on interviews, I have divided my findings into two chapters. The broad-based first-round interviews, in which I seek to establish a broad picture of the context and collect all factors influencing managerial-decisions, are presented in Chapter 5 (Empirics I). For this I have interviewed managers from a variety of industries, home countries and different sized firms, as well as aiming for a similar spread of IPA-managers of national and regional IPAs, private-sector location consultants, ministerial staff and managers of International Organizations. The population of corporate managers interviewed, mostly consisted of senior-level managers responsible for undertaking, or having undertaken, greenfield FDI projects at various stages of completion. An early insight of these first-round interviews was that CFOs (and to an extent CEOs), with whom I conducted initial interviews, tend to be very numbers driven in their approach. Speaking to project managers responsible for the implementation of the FDI-project, a deeper more operational story emerged, as well as examples of managerial liabilities and practical problems. Distilling these findings into clusters of operationalized managerial-liabilities, a general picture of ‘liabilities of practice’ started to emerge as well as insights into how IPAs (contingent upon stage of investment, type of firm and industry) could address the various ‘liabilities’ foreign managers encountered during the pre-establishment, establishment and post-establishment phase of greenfield FDI projects. In Chapter 6 (Empirics II) I seek to paint a holistic and more interconnected picture of all the actors involved – their respective liabilities – and how IPAs deal with these. The detailed case studies of two greenfield FDI projects that are based on a high-performing OECD host-nation IPA and one emerging market IPA, shows the complex, messy and often iterative nature of greenfield projects and how IPAs can be instrumental in dealing with these (or fail to offer any meaningful help, as in the second case study). This rich empirical data I condense further and, in Discussions (Chapter 7) & Conclusions (Chapter 8),

theorize about the uncertainties / the unknown felt by managers and how these might be addressed by IPAs. But also –in terms of theoretical contribution – suggest a new layer of Liabilities, one which extends from the high-level, abstract notion of LOF, via the relationship-based LOO developed in the updated-IPM by Johanson & Vahlne, (2009), to a manager-level, operational notion of ‘LOP’, looking at the practical managerial problems of foreign investment projects.

1.5. Conclusions and Contributions

IB has been slow to employ manager-level research in FDI decision-making research, in particular however in seeking to operationalize key-concepts such as LOF. While the role of individual managers in international expansion processes (i.e. in areas such as using personal contacts to discover more about markets), is increasingly acknowledged within mainstream marketing textbooks, (e.g. see Lee & Carter, 2009), there is still a tendency to refer to ‘the firm’ when it comes to discussions of decision-making in international marketing and management. This limited engagement with the micro foundations of IB further supports the need for the current study to explore an only gradually emerging field. Only recently Buckley, Chen, Clegg & Voss (2016) pointed out that micro-foundations, i.e. looking at individual managers and their training and experience, is an important influence on decision-making processes. They further point out that “FDI theories have been criticized for the lack of microfoundations (Ibid - p. 139) and that our understanding of the Uppsala model “may benefit them in meaningful ways” (Ibid – p. 139) from employing microfoundational perspective. This sense of unease and omission of extant research is illustrated by the publication of a special edition of Global Strategy Journal (Vol. 9, No. 1 – 2019), focussing on microfoundations and manager characteristics, aiming to address this lacuna. With my research – being exploratory in nature and on as low a level of granularity as possible - I follow in this tradition and focus on manager-level driven insights and concerns.

My findings suggest that our understanding of the role and importance of IPAs is highly deficient, owing to a lack of dedicated, broad-based IPA-research. But also, on account of our understanding (or the lack thereof), what managers perceive to be problems they encounter in greenfield projects. But by not being able to grasp these problems, we lack a central dimension of understanding what IPAs are for, and why they are potentially so important for our comprehension of the wider field of FDI-decision making. To date LOF and LOO attempt to capture some of the problem’s managers face in greenfield

situations. However, they only cover in very limited detail, the the issue's managers are confronted with, and do so, in a highly stylized and abstract form. Interviewing managers from different industries, produced a surprisingly constant list of managerial-liabilities. The difficulties of obtaining information being the most obvious, and in extant literature already discussed as LOF. But beyond that, the interviews often revolved around operational, legal and regulatory barriers, permits & approvals, cross-border hurdles, finding qualified staff, how to deal with demands for speed-money, and questions of locational details. Staying in extant academic terminology, managers seeking help in gathering information, would be suffering from LOF. Those seeking support in accessing relevant networks, are suffering from LOO. But which academic concept of 'liabilities' relates to the calls of managers for facilitation and practical support, or for trouble-shooting if things have gone wrong? I would therefore argue that there is the need for a new category of managerial liabilities – namely that of 'Liabilities of (Foreign Investment) Practice' (or LOP) dealing with the practical, operational problems managers encounter during greenfield projects; derived from the microfoundationally inspired research approach (manager- instead of firm-level), and the more operational perspective on the subject, a new set of liabilities emerged that are not sufficiently well covered or explained by the extant categories of LOF and LOO. These extant models of liability are highly abstract, strive for generalizability but fail to predict managerial behaviour; see for instance Papadopoulos et al., (2016 – p. 617): "relative lack of guidance from theory and research" regarding "the factors affecting investors' location decisions". While this phenomenon is a known one, we consistently lack practical guidance. Johanson & Vahlne, (2003 – p. 90) wrote nearly two decades ago: "only by doing business in a specific country it is possible to learn how customers, intermediaries, competitors and public authorities act and react in different situations. This subtle understanding of the market can never be replaced by general market information and surveys". Nevertheless, academic researchers mostly attempt to capture these qualitative differences and aspects with the help of positivist-quantitative means; and even descriptive research often tends to reduce the challenges to a problem of information provision. This of course brings us back to the role of IPAs.

In terms of IPAs, the key issues that emerged and ones which IPAs did help address (in different ways) included: *Operational legal and regulatory barriers* (see 5.2.1); *the information needed to start a company in a foreign jurisdiction* (see 5.2.2 and 5.2.5) and *very specific questions for project implementation; registrations, permits and approvals* (5.2.3); *transparency and Speed-Money* (see 5.2.4); *finding qualified people* (5.2.6);

overcoming specific cross-border hurdles (5.2.7) and the overcoming of the otherness of host-countries (5.2.8). Arguably some of the hitherto overlooked drivers, why Morrisset & Andrews-Johnson (2004); Charlton & Davis (2007), Lim (2008) and Anderson & Sutherland (2015) find a positive impact of IPAs on FDI inflows and investor decisions. These categories of managerial liabilities derived from first-round interviews, being the yardstick to evaluate managerial expectations and IPA performance to operationalize the so far abstract discussions in this field.

The theoretical contributions of this PhD are therefore three-fold. First, an applied analysis of managerial-liabilities that goes beyond the currently employed, abstract conceptualizations of liabilities, introducing a new, more granular category of managerial-liabilities named LOP. Second, adding to our body of knowledge about the under-researched field of Investment Promotion Agencies (IPAs). And third, a setting of these research findings in the wider context of the initial and updated-IPM of Johanson & Vahlne, and thereby deepening our understanding of internationalization processes, discussing some of the short-comings of J&V (e.g. failing to acknowledge outside sources of knowledge, lack of specificity) and – through the insights gained from this IPA-research - extending this seminal part of IB-literature.

As practical contributions, this PhD offers a set-of policy recommendations for investment promotion and facilitation. This latter point is seeking to generate a more “nuanced understanding” (Kano & Verbeke, 2019 – p. 117) of FDI processes, aiming to arrive at actionable policies that live up to Kano & Verbeke’s (2019) as well as Papadopoulos et al.’s (2016) exhortations of what IB research should provide.

As for the over-arching question, whether – and in particular ‘how’ - IPAs manage to lower managerial-LOF in FDI-projects, the answer will unfortunately be ‘only some IPAs’ and only to ‘an extent’. In the Discussion & Conclusions chapter I will demonstrate how on the basis of the cluster of common operational problems (i.e. the LOPs) some IPAs manage to help managers deal with the uncertainties inherent in greenfield-projects. But while I am able to show a number of successful examples of IPA support activities, as well as listing criticism of IPA performance, it is impossible to give a generalisable answer, owing to the enormous heterogeneity of the field. What emerges, is however also a picture, which point to the fact that many IPAs still have yet to fulfil their potential.

Chapter 2

Literature Review Liability of Foreignness (LOF)

2.1. LOF-Introduction

The informal and subtle nature of relationships makes it almost impossible for anyone who is not personally involved to judge the scope of the investment that has gone into building it, or its value. The larger the psychic distance, other things being equal, the more difficult it is to build new relationships. This is the effect of the liability of foreignness.

Johanson & Vahlne, 2009 – p. 1,414

Being interested in the operational difficulties of managers, and having decided to use liabilities of foreignness and outsidership as the academic lens to research this topic, I will first of all provide an overview over the extant literature on the uncertainties and the unknowns in FDI-greenfield projects. Academic theory primarily describes these in terms of Liability of Foreignness (LOF) or Psychic Distance (PD), which is why I will start with critically assessing the state of knowledge of this topic.

The notion that companies who enter foreign markets through Foreign Direct Investment (FDI), face greater operational risks and challenges than local firms is – among others - based on the ideas of Johanson & Vahlne (1977). Their ideas eventually formed the concept of LOF – driven in particular by Zaheer (1995). Ever since, literature on LOF and PD has proliferated. Especially since 2012 the number of articles on the topic has increased dramatically. At the same time more and more strident criticism of LOF/PD is heard on account of it being “overly simplistic” (Beugelsdijk, et al., 2018 – p. 93) it being “invalid or, at the very least, seriously flawed” (Shenkar, 2012 – p. 12). Conducting a review of the existing body of literature, it became apparent that research-outcomes are contradictory and arguably not addressing many of the key problems on an operational level.

One of the prime obstacles related to internationalization is the managerial lack of understanding of the host-country. Extant research on this subject is highly aggregated and somewhat abstract, with the majority of studies being conducted at firm-level or, as in the case of PD (or its closely related version Cultural Distance) at a national-level (Contractor, Foss, Kundu & Lahin, 2019). But despite a vast amount of research, our practical understanding of how firms lower LOF is limited (Petersen & Pedersen, 2002). One of the driving ideas behind this PhD is therefore to try and understand what

managerial uncertainty in internationalization projects actually is and how managers are trying to deal with it. By doing so we may be in a position to answer the question how actors unrelated to the firm (i.e. IPAs), can help managers in facilitating internationalization projects. To do so, it seemed profitable to look at these problems at the level at which they emerge: i.e. at the manager-level. Very much following the idea to “unpack or decompose aggregate firm-level concepts in terms of individual action and [...] understand how individual-level factors impact organizations” (Contractor et al., 2019 – p. 6).

I therefore first of all needed to understand what managers perceive as their problems or uncertainties. Only with such a nuanced, operationalized understanding of the issue could I proceed to the question of how this managerial-LOF might be overcome. Aiming to link these findings to the extant body of knowledge, I first of all look at the definitions of LOF and PD, briefly discuss ancillary concepts such as Entry Mode and FSA, to then conduct a critical literature review of LOF/PD literature, outlining contentions and limitations (see 2.3.1- 2.3.7) of the subject. Based on this review of the extant literature and my research interests, I developed my Research Questions (presented at the end of the IPA Literature-Review in Chapter 3). In Discussions (Chapter 7) & Conclusions (Chapter 8) I then juxtapose extant concepts with my findings and seek to develop the field by adding a further category of liabilities.

Given the centrality of LOF/PD to the field of IB in general, and to our understanding of internationalization in particular, it is surprising that we still have such sizeable gaps in our understanding. Contrary to what the establishment chain (Johanson & Vahlne, 1990) suggests, firms often simply do not have the luxury to only enter “foreign markets that are similar to their own domestic market (i.e. psychic distance is small)” (Pedersen & Shaver, 2000 – p. 4). Therefore, a deeper understanding how these uncertainties, which invariably arise in FDI-projects, might be overcome is crucially important. This is a question which should be of great interest to developing the scholarly discussion as well as our practical understanding of the existing hurdles to internationalization.

2.2. Definition of the academic concepts LOF and PD

“Much has been written about how international firms create and sustain firm-specific advantages [...] less attention has been devoted to the question of how international firms reduce their liability of foreignness”

Petersen & Pedersen, 2002 – p. 339

Given that conceptually there is very little agreement in literature what LOF is, what impact it has, let alone how it might be overcome or mitigated (Luo, Shenkar & Nyaw, 2002; Petersen & Pedersen, 2002), I will start this chapter by seeking to define the concepts. Arguably, this inability to adequately describe LOF (Calhoun, 2002) or understand its root-causes (Cuervo-Cazurra et al. 2007), is one of the reasons for the many conflicting results. After all, how is one to research a concept that can't be adequately described or defined?

To further our understanding and to lay the foundations for this discussion, I went back to first principles and began with a detailed discussion of uncertainty and the unknown in an internationalization context via the twin-concepts of LOF/PD. To round-off the wider context within which this debate takes place, I will also briefly discuss the thematically related firm-level concepts of FSAs and Entry Mode.

2.2.1. Definition of 'Liability of Foreignness' (LOF)

Defining LOF is difficult. The most commonly encountered way by which LOF is discussed in literature, revolves around the notion of additional cost incurred by firms entering foreign host-markets. According to this school of thought, LOF is characterized as 'the costs of doing business abroad' or costs which a local firm would not incur (Hymer, 1976; Zaheer, 1995; Moeller et al, 2013). Zaheer (2002 – p. 351) reflecting about her earlier work states “When I first began to puzzle over the liabilities of foreignness (Zaheer, 1995), I started with the idea that LOF was closely related to if not completely synonymous with the costs of doing business abroad”. This base-notion of LOF is also mirrored by Mezias (2002b – p. 266) as “phenomena that cause foreign firms to incur costs

domestic firms do not incur” as well as subsequent authors. The problem arising out of this was best captured by Calhoun (2002) when he pointed out that costs often cannot be easily identified and hence much of the work on LOF simply focusses on the more easily explainable and measurable costs.

Other conceptions of LOF are the theme of ‘need for information’, as in Zaheer & Mosakowski (1997) or Miller & Richards (2002 – p. 326) who suggest that LOF arises “mainly from the foreign firm not being sufficiently embedded in the information networks in the country of location”. A rare exception can be found in Anderson & Sutherland (2015) who describe LOF as practical barriers to entry for foreign firms, while nearly all other researchers discuss this subject at a more aggregated level. For instance, Zaheer & Mosakowski (1997 - p. 444) does so as “a function of the social and cultural barriers”. Barriers which are claimed to be less insurmountable between two developed economies, but considerably more problematic between developed and developing economies, without specifying why. Something, which effectively had just been contradicted the year before by the ‘Psychic Distance Paradox’ by O’Grady & Lane, (1996). And while Luo, Shenkar & Nyaw (2002) convincingly argue heightened levels of LOF for investors in emerging markets such as China, Brazil, India, Russia, and Mexico, these discussions mostly remain at a highly abstract and conceptual level.

Some authors try to move away from such abstract statements and break LOF down into more real-life elements, such as Denk et al. (2012) who categorized LOF into three groups: (1) unfamiliarity hazards – such as the hazards of incorrect market assessment, insufficient information or inadequate knowledge of the host country's norms and business practices, (see also Eden & Miller, 2004 and Petersen & Pedersen, 2002); (2) relational hazards, i.e. higher organizational costs due to increased spatial and cultural distance; and (3) discrimination hazards (Denk et al. 2012 – p. 323). Sethi & Guisinger (2002) categorized the sources of LOF slightly differently as: (1) spatial distance (travel, transportation and coordination costs); (2) unfamiliarity with local environment; (3) discrimination faced by foreign firms; and (4) restrictions from the home country (Sethi & Guisinger, 2002 – p. 226), while Gaur, Kumar & Sarathy (2011 – p. 211) offered an entirely different perspective by arguing that there “are two sources of LOF”: environmentally derived LOF which is based on

home/host country aspects and firm-based LOF based on firm-specific characteristics (i.e. FSA's or network-based linkages).

Despite the underlying idea being introduced half a century ago by Hymer (1976), further developed by Johanson & Vahlne, and popularized by Zaheer (1995), LOF and PD still elude precise theoretical delineation (Sethi & Guisinger, 2002). Zaheer & Mosakowski (1997) and Calhoun (2002) certainly have a point when they contend that LOF as a concept, has been largely unquestioned among IB researchers. Rickley & Karim (2018) described LOF as a concept used by scholars to represent a whole bundle of disadvantages firms face when investing abroad, and Sethi & Guisinger, (2002 – p. 225), wrote that in the widest sense, LOF is “the aggregated effect of the firm’s interaction with all elements of the IBE [international business environment]” which companies face as a consequence of operating abroad. This is however an incredibly broad-based and imprecise characterization, which allows research to go off in all sorts of directions while still undertaking “LOF-research”.

Given that historically LOF-research has largely been based on firm-level research, one of the tasks of this PhD will be to attempt to arrive at a more manager-specific and operational characterization of LOF. However, owing to the varying investment objectives, level of prior experience and individual characteristics, a single, universal definition of managerial-LOF is always going to be difficult. To reflect the specifics of the FDI type, we will need to establish sub-categories in order to deepen our understanding of liabilities.

2.2.2. Definition of ‘Psychic Distance’ (PD)

“Psychic Distance” (PD) and “Cultural Distance” (CD), which are often seen as close relatives and which are often used interchangeably, occupy central roles in IB-theory (Hakanson & Ambos, 2010; Shenkar, 2001) and are widely used to explain aspects of FDI. Given that PD and CD have also been used to characterize managerial-unknowns / uncertainties, I will briefly also address this concept.

PD was initially introduced by Beckerman (1956) as “an afterthought to a study on the impact of relative ‘economic distance’ on trade patterns” (Hakanson &

Ambos, 2010 – p. 196) – who by then, was only talking about factors like geographical distance, freight costs and tariffs. This initial idea, forgotten for about two decades, was then popularized by Johanson, Vahlne and Wiedersheim-Paul, and shaped into the notion of “psychic distance” as we know it today, becoming one of the cornerstones of the idea that the greater the cultural distance, the lower the likelihood of firms investing in these markets - i.e. the managerial preference of “going to those markets they can most easily understand” (Johanson & Vahlne, 1990 – p. 13).

The notion of ‘Psychic Distance’ went through several re-interpretations over the years, which leaves us with a number of different definitions. Evans et al. (2000 – p. 165), cite the 1973 article of Vahlne & Wiedersheim-Paul defining psychic distance as the “factors preventing or disturbing the flow of information between potential and actual suppliers and customers”. Some twenty years later Nordstrom and Vahlne (1994 - p. 42) re-defined PD as “factors preventing or disturbing firm's learning about and understanding a foreign environment”, putting a greater emphasis on learning and understanding, rather than the mere flow of information. Shortly thereafter O'Grady and Lane (1996 – p. 330) changed the definition again slightly by stating that PD is “a firm's degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operating there” – emphasising the factors in the way of that learning process (Evans et al., 2000).

Due to these consecutive changes, an element of ambiguity with regards to the exact meaning of PD was introduced (Evans et al., 2000b; Hakanson & Ambos, 2010), an ambiguity which has only been exacerbated by subsequent authors writing about the subject. Hakanson & Ambos (2010 – p. 197) argue that “Beckerman's intention must surely have been to point out the importance of perceptions in the formation of foreign trade relationships”. With the Uppsala School the meaning however changed to “factors preventing or disturbing the flow of information between potential and actual suppliers and customers” (Vahlne & Wiedersheim-Paul, 1973), and a theory which was based on the perception of managers, turned into a concept that could be measured and determined along statistical lines. Factors preventing the flow of information (Dow & Ferencikova, 2010; Stöttinger & Schlegelmilch,

1998) superseded the perceived difference between countries or, as it was put, a “cognitive category capturing the knowledge and amount of information individuals have (or believe they have) of other countries” Hakanson & Ambos (2010 – p. 198)

Parallel to PD, Kogut & Singh (1988) developed in the late 80s their concept of “Cultural Distance”, which relies on Hofstede’s work a decade earlier (Dow & Ferencikova, 2010). Over the years the distinction between PD and CD increasingly blurred (Hakanson & Ambos, 2010), and it became widely accepted that “cultural distance is, in most respects, similar to the ‘psychic distance’ used by the Uppsala school” (Kogut & Singh, 1988 – p. 439). Both were seen to deal with problems of operating in foreign markets and the complexity added to a firm's operations on account of a different language, different consumer behaviour, cultural standards or legal frameworks (Stöttinger & Schlegelmilch, 1998).

Despite the many similarities, there is however one aspect which we ought to take note of; PD is derived from the attitudes and perceptions of individuals, whereas CD is a measure that was designed to assess differences at a cultural level, and is hence based on countries rather than individuals and their perceptions (Sousa & Bradley, 2006 – p. 52). Which is why, particularly for the purpose of this PhD, I use PD & LOF rather than CD.

Furthermore, the cultural distance concept is not uncontroversial; Shenkar (2001) critiqued CD fiercely, arguing that it oversimplifies the relationship between countries and especially overlooks the subjective and context-specific nature of the relationship (Zaheer, 2012). While the notion of distance as an indicative value is useful, we need to guard against a too simplified approach. There is therefore increasing doubt whether the cultural distance index of Kogut & Singh can really be used as a direct proxy for PD (Shenkar, 2001; Harzing, 2003; Hakanson & Ambos, 2010).

Others take the criticism of such concepts even further (Tihany, Griffith & Russell, 2005; Popli, Akbar, Kumar & Gaur, 2016). Stöttinger & Schlegelmilch (2000) called PD a concept “past its due date”. Shenkar (2001) points to several theoretical problems– such as the “Illusion of Symmetry” (i.e. the difficulty of a Chinese firm investing in the Netherlands, not necessarily being the same than

the difficulties of a Dutch firm investing in China), the “Illusion of Stability” (i.e. culture changing over time and distance between markets increase or decrease), as well as the problem of a “lack of homogeneity” within one country (and the consequent drop of predictive value) (Shenkar, 2001 – p. 522–524).

One key aspect of extant LOF and PD/CD research however is the research-level. Contractor et al. (2019 – p. 5) emphasises this in: “So far though, the overwhelming bulk of studies on international expansion or location has used country- or firm-level variables to measure psychic distance (e.g. Johanson & Vahlne, 1977), or [...] ‘cultural distance’ (e.g. Beugelsdijk, Kostova, Kunst, Spadafora & van Essen, 2018), usually conceptualized and measured at an aggregate national level”. My interest however is in identifying the effects of LOF/PD on managers, an effect described as being a “stranger in a strange land” (Eden & Miller, 2001 – p. c4). This picture succinctly captures the unfamiliarity, lack of contacts and lack of understanding managerial experience in an internationalization context, and which Hymer and most researchers following him have largely ignored, given that they were “concerned primarily with hazards facing foreign MNEs” (Kano & Verbeke, 2019 – p. 129). Recognizing the extant conceptual and definitorial focus of LOF, PD and CD in extant literature, I seek to re-conceptualize them to look at the underlying problems at the managerial-level, which will help us in understanding how IPAs manage (or fail) to address these managerial-liabilities.

2.2.3. Delineation from, and integration in, other related concepts

In this PhD I focus on the sense of the unknown/uncertainty felt by managers tasked with internationalizing. As already observed, extant literature looks at the topic largely on a firm-level basis. In the following section I will therefore first look at the theoretical background within which this discussion is situated, in order to provide the reader with a broader contextual canvas, and then briefly discuss two concepts which have strongly guided our thinking in internationalization-theory: namely Entry Mode and FSAs.

2.2.3.1. General IB-theory background

The conceptual lens through which internationalization is traditionally

discussed in IB, is the question of why companies choose to go abroad. Prominent theories are:

- Vernon's "Product Cycle Theory" which claims that firms with mature products internationalize in order to protect their home markets (Vernon, 1966)
- Buckley & Casson's (1976) "Internationalization Theory" which is based on the notion of market imperfections and companies seeking to reduce their cost by producing goods/services where it is cheapest to do so, thereby increasing their economic rents
- Johanson & Vahlne's (1977, 2009) "UIP model", which focuses more on the 'how' rather than the 'why', and claims that companies only move abroad gradually (in terms of geography as well as the intensity of their international engagement).
- The "Monopolistic Advantage Theory" which explained internationalization by suggesting that firms seek to grow by using their existing, unique and well-established sources of superiority/skills in other countries (Hymer, 1976; Caves, 1982).
- Dunning then integrated the internationalization theory and the idea of location-specific advantages into the Eclectic Paradigm (Dunning, 1988, 1997b, 2000, 2001).

With the exception of research-pieces such as Johanson & Vahlne, (1977) or Welch & Paavilainen-Mäntymäki, (2014) who looked at managerial involvement in internationalization processes, or Nielsen & Nielsen, (2013) discussing top-management teams, the academic literature summarised above discusses internationalization largely on a firm-level basis. This has led to the very recent calls for more scholarly attention in IB to be paid to the role and understanding of *managers* in MNCs and a debate of internationalization through a micro-foundationally inspired lens (Contractor et al., 2019; Kano & Verbeke, 2019). The failure to address the operational complexities and perception-based differences managers face in foreign markets (Eriksson, Majkgard & Sharma 2000; Evans & Mavondo, 2002; Sousa &

Bradley, 2006), let alone, this to be incorporated in internationalization theorizing, constitutes the gap in which I locate my research. I follow Benito, Petersen & Welch's (2009 – p. 1,462) argument that research “needs to be broadened and deepened if IB research is to be brought into line with how companies actually expand and operate internationally” and especially Hutzschenreuter et al.'s (2016 – p. 171) suggestion of “the reintegration of managers – the persons ultimately responsible for IB decisions – into distance research”.

In order to establish a full picture of the wider theoretical context, I will now highlight two firm-level concepts that have influenced thinking in this field, i.e. Entry Mode and FSAs. In order to locate the former in the wider theoretical field, I have started this section with a more in-depth discussion of the theories pertinent to this field.

2.2.3.2. Entry Mode

I decided to briefly discuss ‘entry mode’, given the tendency of IPAs to focus on greenfield projects (owing to their potential for the creation of new jobs, as opposed to the mere change of ownership as in M&A). To provide the contextual backdrop for this, I added this brief section outlining how firms can enter foreign markets. This seemed particularly important, given that there is a significant body of literature discussing how LOF/PD affects a firms’ entry-mode choice. Lopez-Duarte, Vidal-Suarez & Gonzalez-Diaz (2010 - p. 575) are typical proponents of this, arguing that, “external uncertainty associated to the FDI constitutes a main factor conditioning the entry mode choice”. But while a lot has been written about the fact that “market selection and entry mode decision have strong theoretical and empirical links with psychic distance” [Tihany et al. (2005) in Dow & Karunaratna, 2006 - p. 9]), the literature is inconclusive as to how it actually affects entry-mode and why.

Much as with Investment Promotion Agencies, the interest in entry mode research has significantly increased over the past 30 years.

Canabal & White (2008 – p. 269) argue that this is on account of the “continued globalization and internationalization of MNEs”, but also point out that many questions still remain unexplained. While I have highlighted a few theories of why firms go abroad, the exact boundaries between theories on internationalization in general, and entry mode in particular, are often blurred.

Canabal & White (2008) conducted a review of entry mode research and created a ranking of the most commonly used theories, constructs and themes in entry mode research. The most widely used theories according to them are Transaction cost analysis (48 articles), OLI (19 articles), Culture / cultural distance (15), Institutional theory (10 articles) and Resource-based view (10 articles). They furthermore also clustered research under categories such as Internationalization and Foreign direct investment, or terms such as ‘Control’, ‘Risk’, ‘Knowledge’, ‘Organizational capabilities’ or ‘Uncertainty’.

Similarly, Reddy (2015) collected an overview of 17 theories covering business organization and management of which the most pertinent for our discussion appeared to be theory of foreign direct investment, market imperfections theory, theory of transaction cost economics, internalization theory, eclectic paradigm, Uppsala theory of internationalization, resource-based-view and institutional theory. Whitelock (2002) also highlights the interactive network approach of the International Marketing and Purchasing Group.

In assessing the field of whether, and if so how, IPAs lower managerial liabilities, I have looked at this extant body of theoretical knowledge, in order to determine the theoretical underpinning / lens I wanted to employ. Of the broad field of theories, models and constructs, the following emerged as the most relevant. In the following table I will provide a brief overview of their core ideas and explain by why I selected / deselected them

Table 1 - Entry mode theories

Theory	Brief description of theory	Reason for selecting / de-selecting as theoretical lens
Theor(ies) of foreign direct investment	Vernon’s (1966) Product Cycle Theory stated that firms with mature products internationalize in order to protect their	All of these theories explain why firms decide to invest abroad, rather than seeking to

	home markets / extend their product life cycle. The Monopolistic Advantage Theory (Hymer, 1976; Caves, 1982) stated that firms seek to grow using their existing, unique & well-established sources of superiority. Similar to Kindleberger, 1969 & Hymer, 1976 who described in the market imperfections theory, “the firm's decision to invest overseas as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries” (Reddy, 2014 – p. 262). Hymer’s (1970) writings focus heavily on the motives and reasons (i.e. market imperfections) that are leading to firm's opting for FDI (Canabal & White, 2008)	understand how they do it. So, while useful in understanding the bigger picture, these theories are not ideally suited to help us understand how IPAs support managers in overcoming managerial liabilities.
Eclectic paradigm / O.L.I. framework	The OLI-framework, or also referred to as the eclectic paradigm, consists of three factors: <u>O</u>wnership, <u>L</u>ocation and <u>I</u>nternalization (Dunning, 1993). Ownership advantages refer to “control, costs, and benefits of inter-firm relationships” (Canabal et al, 2008 – P. 271); location advantages are about availability and the cost of resources, while “internalization advantages refer to [...] reducing transaction and coordination costs” (Ibid).	According to the eclectic paradigm international market entry decisions are made in a rational manner. “It is based on a combination of economic theories of monopolistic competition, location and transaction costs” (Whitelock, 2002 – p. 345) and assumes complete rationality and perfect information. Given initial feedback from interview partners and following Schotter & Beamish’s ‘hassle factor’, the OLI framework, despite being widely used in IB, didn’t appear to be ideal either as lens for this research.

Theory of transaction cost economics (TCE)	Transaction cost theory is, according to Canabal & White (2008 – p. 269), “the most commonly used theory in entry mode studies”. “The basic rationale behind transaction cost theory is that firms need to create governance structures that will minimize costs and inefficiencies associated with entering and operating in a foreign market” (Ibid). The focus of TCE is “to minimize transaction costs through the design of efficient contracts or governance mechanisms for supporting economic transactions.” (He et al, 2016 – p. 919)	Transaction cost analysis would be interesting as lens for purely looking at IPAs, in looking at efficient governance mechanisms. Despite being highly relevant in our field, I opted against TCE - given that behavioural theories seemed to be more suitable for my research, and TCE leaning towards firm-related or host country-related research, rather than the more micro-perspective of managers.
Cultural Distance	Cultural distance is, according to Canabal & White (2008) are the third most commonly applied construct in entry mode studies. Interestingly they do not mention Psychic Distance research in their CD listing. Definition and discussion of the theory – see chapter 2 He et al, (2016 – p. 920) also state that cultural distance studies suggest “that firms target culturally close markets first because the smaller cultural distance between home and target markets”, which is said to imply “lower level of uncertainties and costs of doing business between the two countries”; they thereby link it closed to the establishment chain.	Cultural Distance, and the closely related concept of Psychic Distance, dealing with the sense of the unknown, I felt I had a useful theoretical lens for my research. Even if especially CD is strongly nation-based (as opposed to PD), it provided one of the theoretical underpinnings for looking into managerial liabilities.
Resource-based-view (RBV) theory	RBV is another theory seeking to explain foreign market entry strategies.	RBV is a purely “outward looking theory” that fails to account for the inside / outside interplay of

	“This theory refers to the idea that in order to be sustainable, competitive advantages must be valuable, rare, and inimitable” (Canabal & White, 2008 – p. 272)	managers and IPAs and was therefore de-selected.
Institutional theory	North defined “institutional theory as referring to the impact of laws, regulations, the judicial system and socio-cultural values on a firm's decisions and behaviour” (Reddy, 2014 – p. 266). There are two types of Institutions: formal (e.g. rules, laws and rights) and informal (e.g., code of conduct, ethical norms, traditions) (Ibid) Research examining how firms enter foreign markets through the lens of institutional theory looks at rules, norms, and values, suggests that “firms entering a new market will mimic local host country firm actions or competitor actions” (Canabal & White, 2008 – p. 271)	While Institutional theory would also be a useful tool to research IPAs in their own right, I felt it wasn't ideal to understand managerial issues in the context of foreign market entry. Having said this, institutional theory's acknowledgment of social-cultural values and norms was still taken into account throughout this PhD.
The industrial network approach	With collaboration amongst firms becoming common practice the industrial network approach emerged. This network approach “views markets as systems of long-term relationships” (Blankenburg Holm & Johanson, 2015 – p. 340) While the eclectic paradigm focusses on the firm, the network approach takes a wider, more system-level perspective. Business networks are “the relationships a firm has with its customers, distributors, suppliers, competitors and government” (Chetty & Blankenburg Holm, 2000 – p. 80) and explains that “as the firm internationalises, the number and strength	While highly pertinent in terms of its insights, and its emphasis of networks (resonating with LOO), I opted for the Upsalla model. The reason being that the industrial network approach does “not discuss the importance of decision-maker” (Chetty & Blankenburg Holm, 2000 – p. 89) nor does it discuss “how the firms overcome the problems experienced in internationalisation” (Ibid – p. 90). Overall, however this seems a

	of the relationships between different parts of the business network increases” (Ibid)	highly useful model for looking at IB related questions.
Uppsala theory of internationalization	Key ideas of the Uppsala model are that “firms develop their activities abroad over time and in an incremental fashion, based on their knowledge development” (Whitelock, 2002 – 342). This is explained by psychic distance and the knowledge needing to be developed (Johanson & Vahlne, 1977) Another key feature is its behavioural approach, looking at the incremental decisions and knowledge accumulation.	The Uppsala model’s focus on seeking information about a market and experiential knowledge of actors made it the ideal lens to research how IPAs help manager overcome their liabilities. Its behavioural nature, as well as the proximity of ideas of LOF and Psychic Distance, both of which highly relevant, resulted in it being chosen as the main theoretical lens.

Unequivocal statements such as, Chen’s (2006) prediction that firms seeking to exploit firm specific-advantages need to set up wholly owned subsidiaries, tend to draw criticism. Zhao et al. (2004 - p. 525) stated that: “our cumulative understanding of these determinants in relation to entry-mode choice is mixed and inconclusive”. Very much along the same lines, Ahsan & Musteen (2011 – p. 378) argued that: “Despite a great deal of research, investigating the relationship between uncertainty and entry mode still represents an area that is to some extent confusing both theoretically and empirically”.

Shaver (2012 – p. 26) states that entry-mode choices are inter-dependent decisions and that the “factors that affect this choice are manifestations of internal capabilities and the external environment”. Shenkar (2012), in pointing out that in entry mode choice there is always a trade-off between losing a degree of control and immediate access to local knowledge (working with a local partner) versus maintaining complete control and having to access local knowledge yourself (Greenfield), makes this interdependence much clearer. It emerges

however that LOF/PD and entry-mode display a number of commonalities. In order to be able to understand the trade-offs, one needs to have a nuanced understanding of the aspects that are to be traded off against each other. However, neither in entry-mode choice nor in LOF we have a sufficiently granular understanding of these aspects.

While a lot of entry-mode studies discuss the link with LOF, they remain very unspecific in which way entry-mode choice is in fact addressing the problem of LOF, or which issues in particular will be solved in what way. Simply postulating that the choice of a Joint Venture will lower LOF compared to entering the market via a greenfield-project, appears too general a statement and fails to address the problem of how managers deal with their perceived LOF. One of the reasons for this might be that often in literature establishment mode and ownership mode are conflated, or only the one being discussed while the other being omitted. As illustrated in Figure 1, it is the combination of both which define what is often discussed in Entry Mode discussions, and both contribute in different ways to the liabilities and uncertainties felt by managers in such market entry situations.

		Establishment Mode	
		Greenfield	Acquisition
Ownership Mode	shared	1. Greenfield (Joint Venture)	3. Partial Acquisition
	full	2. Greenfield (Wholly-owned Subsidiary)	4. Full Acquisition

Figure 1 – Establishment / Ownership mode (adapted from Brouthers & Hennart (2007 - p. 399))

As Harzing (2002 – p. 211) observed, the “choice of entry mode into foreign markets has received a lot of attention from international business researchers”. We distinguish between non-equity modes (export or licencing) and equity-modes of entry (acquisitions or greenfield). Given that we look at the role of Investment Promotion Agencies in mitigating managerial liabilities, the two relevant modes of establishment, as shown above in Figure 1, are ‘greenfield’ and ‘acquisition’.

These in turn can be distinguished in one additional aspect which is highly significant for this research. “Greenfield project entail building a subsidiary from bottom up to enable foreign sale and/or production” (Meyer & Estrin, 1999 – p. 2), while acquisitions on the other hand are characterised by merely being an ownership of control change, of an existing company. Reddy (2015 – p. 251) for instance points out, that scholars make the distinction between “internal growth strategies [...] and external growth strategies” when discussing internationalization projects; these are also often described as ‘organic growth strategies’ – whereby companies introduce new products or diversify into new markets, e.g. greenfield projects – and ‘inorganic growth strategies’ – referring to “value creation for firm owners through external linkages” (Ibid), such as alliances mergers, acquisitions or joint ventures.

Following the primary focus of IPA interest (namely greenfield-projects – as they result in newly created jobs in their jurisdiction), as well as the wider set of observable managerial liabilities, I decided to focus my research on greenfield projects. Especially the aspect of a wider range of FDI-relevant managerial liabilities, (project-specific as well as location-specific unknowns – especially however the reaction of managers to these), compared to acquisition related unknowns (where unknowns are more based on finding a suitable target and the subsequent integration into the acquiring firm) drove the decision to focus exclusively on greenfield projects.

2.2.3.3. FSA's (Firm Specific Advantages)

Another line of argument addressing the question of how firms overcome LOF/PD focuses on the firms' capabilities. Stemming from a Resource-Based-View tradition, and referring back to Dunning's OLI (Ownership, Location and Internalization) paradigm (1997b, 2000, 2001), it is often argued that it is Firm-Specific Advantages (FSAs) that help MNCs overcome the LOF encountered in foreign countries (Zaheer, 1995; Nachum, 2003; Barnard, 2010; Marinova et al., 2011).

The argument why MNCs are said to be able to rely on "their competitive advantages to compensate for LOF" (Chen et al., 2010 – p. 73) is based on ownership assets and internalization, which is said to form Firm-Specific Advantages (Dunning, 1980; Rugman, 2010; Gerke & Benson-Rea, 2012). According to the literature, such FSAs could be technology-based or knowledge-based (Marinova et al., 2011), based on managerial skills (Rugman & Verbeke, 2003), firm size (Gerke & Benson-Rea, 2012) or brand awareness (Qian et al., 2013). However, their predictive value in terms of guiding management actions appears to be limited.

There is a stream of research on emerging-market MNCs' FSAs, as they are said to have "honed unique capabilities and expertise in dealing with poor institutional governance in the home country" (Buckley et al., 2016 – p. 137) and are therefore particularly well placed to deal with risk and uncertainty (Cuervo-Cazurra & Genc, 2008). While FSAs are "a set of firm-level factors that confer competitive advantage" due to the "firm's unique, proprietary capabilities" (Rugman et al., 2012 – p. 221), the concept arguably is not particularly good at explaining how such capabilities help firms in entering foreign markets. It is therefore also debatable whether one can really "generalize their experience to another context" (Buckley et al., 2016 – p. 137). While various steps of setting up greenfield projects might be repeated again and again (and could therefore be seen as generalizable experience), country-specific insights, access to networks and the location-specific know-how are simply not transferable and need to be generated anew each time. Given that FSAs also completely ignore managerial risk preferences, I

would contend that this supports my argument for the need of manager-level research, as FSAs are “closely linked to the MNE as the unit of analysis” (Gerke & Benson-Rea, 2012 – p. 155). ‘The firm’ however neither faces LOF/PD nor is it the one ‘who decides’. Instead it is a manager or a group of managers that work on the greenfield-project. Decisions taken therefore depend to a large degree on the personality of the manager, their levels of risk-aversion and experience/know-how. The latter could to an extent be acquired on a case-by-case basis via consultants or, as in our case, IPAs.

As with entry-mode, FSAs are arguably closely tied into the whole process of overcoming LOF/PD, but are equally too high-level, too abstract and too firm-level based, to further our understanding with regards to how exactly managerial-liabilities are mitigated or overcome.

2.3. Critical Literature Review

In the following section I will critically review the existing literature on LOF and PD.

LOF & PD are undoubtedly highly important concepts for our field. This is not least owing to Johanson & Vahlne (1977) through whose research, the idea of difficulties arising from elements of the unknown significantly gained in importance in the academic debate, and are increasingly seen to be the concepts that explain internationalization of MNCs. But despite their apparent dominance, a significant amount of inconsistencies emerges when looking at the extant literature in some detail. Doubts in the universal applicability and explanatory power of these models rose with the publishing of the 'Psychic Distance Paradox' (O'Grady & Lane, 1996). This was followed by Shenkar (2001) and Shenkar et al., (2008 – p. 905) who criticized distance research as "promoting a sterile, detached view where static antecedents in the form of artificially constructed differences serve as the dominant lens".

In terms of predicting managerial behaviour or their use in applied sciences, we find that despite there being a vast body of literature on LOF and PD, we hardly see any attempt to operationalise them (Evans et al., 2000a; Stöttinger & Schlegelmilch, 1998) or empirically explore their constituent elements and determinants (Miller & Richards, 2002; Calhoun, 2002; Mezias, 2002b, 1998; Zaheer & Mosakowski, 1997). Given that I am aiming for an applied analysis of such managerial-liabilities which go beyond the abstract, high-level perspective often found in literature. I will start to establish a baseline by conducting a comprehensive literature search on the subject, describe the aspects I consider problematic in extant literature and highlight why I consider them to be responsible for the contradictory research outcomes of LOF/PD studies. I am clearly not alone in considering the theoretical body of knowledge to be lacking, as it has already been observed by Hennart, Roehl & Zeng, (2002 – p. 242), stating: "that the way scholars have tested for its existence, i.e., by looking at exit rates, has clear limitations". Based on my findings, I emphasise the gaps I see in literature and outline how I seek to address these.

2.3.1. Overview of LOF/PD-research accessed for this study

A quick check via Durham's Online Library search function 'Discover' produced 1,616 articles (of which 1,099 were peer reviewed) for 'Liability-of-Foreignness'

and 3,358 articles (1,512 peer-reviewed) for ‘Psychic-distance’. Even for the relatively narrow segment of ‘Psychic-Distance-Paradox’ I got 123 hits (79 peer-reviewed). While there is obviously no claim to completeness to the literature overview outlined in Annexe A, it includes the most regularly cited/mentioned research pieces and should therefore illustrate the direction of the overall thinking on the subject.

In this overview I only included studies that looked at LOF/PD in the context of FDI. I did not include articles on LOF/PD with regards to trade [(e.g. Hakanson, (2014); Evans et al. (2000a); Stöttinger & Schlegelmilch, (1998)]. All articles outlined in Annexe A were fully read, analysed and classified. I was in particular looking at whether the study is qualitative or quantitative in nature, the article discusses LOF/PD at a firm-level or manager-level, and what theoretical frameworks or theories the article makes reference to.

In order to determine the relative importance of LOF/PD research over time, I charted the number of articles published, as well as the number of citations, over the past 20 years. To do so, I conducted a World of Science citation search which returned 220 articles for the keyword "Liability of Foreignness". Together, these 220 articles have been cited 8,519 times; Key authors (in terms of citations) are Zaheer (1995) and Johanson & Vahlne (2009) (see Fig. 2).

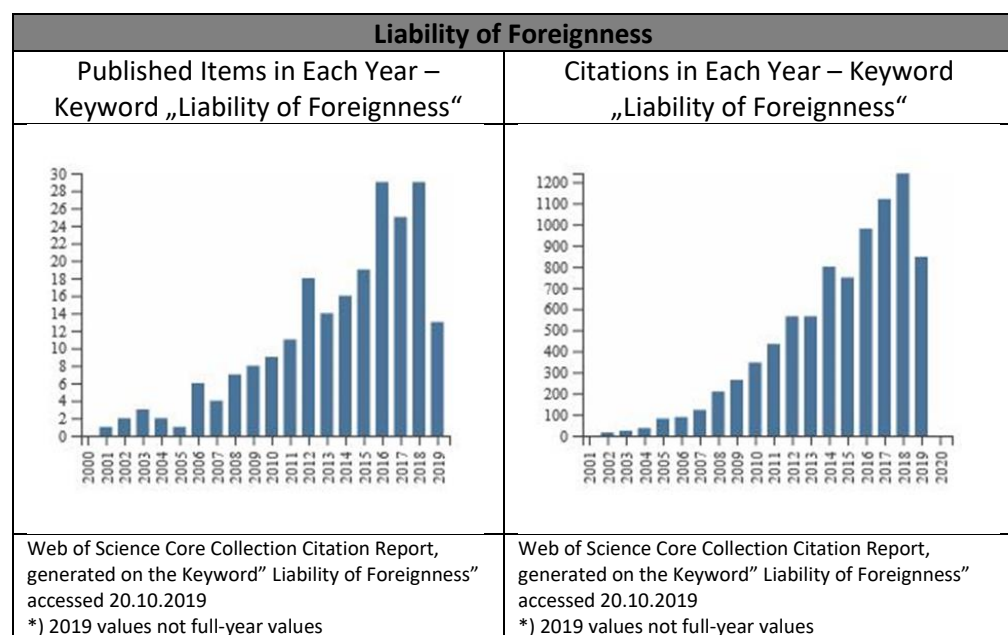


Figure 2 - Publications/citations of LOF in academic literature

The same procedure for "Psychic Distance" (see Figure 3) returned 369 articles, which had been cited 8.856 times. Key contributors here (in terms of citations) are Johanson & Vahlne (2009) and O'Grady & Lane (1996).

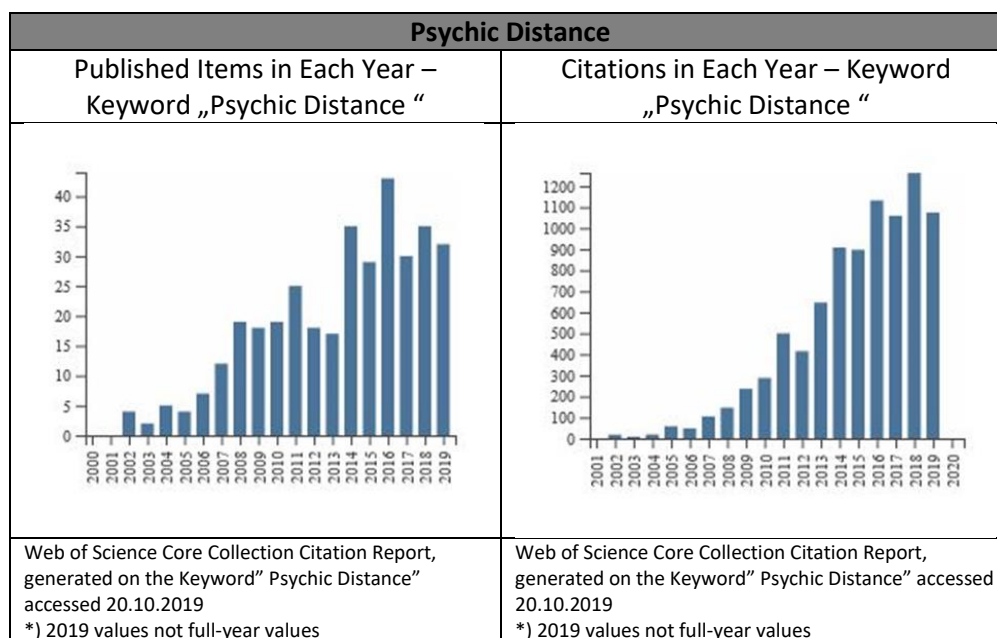


Figure 3 - Publications/citations of PD in academic literature

The increase in publications/citations in recent years illustrates the rapidly rising interest in the subject, a phenomenon which coincides with a growing importance of emerging/ transition markets as investment destinations. These are markets that by definition entail higher levels of uncertainty as well as different political and legal systems (Ahsan & Musteen, 2011), and which only strengthens my point about the topics’ timeliness and importance. A point mirrored by Ahsan & Musteen’s (2011 - p. 377) statement that there is “a growing need to better explain how MNEs deal with various uncertainties”. To do so, I will discuss the omissions of extant research of how managers can practically overcome LOF when entering foreign markets. The discussion will be based on the articles stated in the table ‘Overview of extant Literature on LOF/PD’ in Annexe A.

That the current academic debate on LOF is considered insufficiently operational by practitioners can be seen by the fact that the concept is not

taken up in either International Organizations (I.O.s) publications (such as World Bank, IMF, UNCTAD), nor practitioners' magazines. This is an aspect particularly striking when compared to the IPA-literature (see Annexe B) where half of research-output stems from I.O.- and practitioner-oriented sources.

A second issue which can also be observed, looking at the table on page 373, is that a substantial share of these studies is conducted on the basis of quantitative methods (for example, Qian et al., 2013; Elango, 2009; Sousa & Bradley, 2006; Mezas, 2002a). This has also already been observed by Gorostidi-Martinez & Zhao (2017) and raises the question, whether a concept that is largely based on managerial perceptions and the sense of unfamiliarity, can be analysed almost solely via quantitative methods.

2.3.2. Issue I - LOF/PD research results appear to be highly contradictory

One of the most obvious problems immediately apparent, is a complete lack of agreement in academic literature about the consequences of LOF / managerial liabilities on firms and managers active in internationalization projects. Maybe even more remarkable is the difficulty of delivering any evidence or validation of the concepts as such.

According to Hennart (1982) and Hennart et al. (2002)' LOF plays a central role in the theory of the MNE as it helps to explain why international business only partially results in FDI. It posits that the additional cost of doing business abroad determines whether companies chose to enter a foreign market via FDI, through trade or not at all (Hennart, 1982). Given this centrality of LOF/PD to IB, one would expect that LOF and its implications are an undisputed cornerstone of the field. Instead we are far from this, as there is dispute over the existence of LOF/PD, its precise meaning, and its implications. This dispute started with Bell (1995 – p. 62), stating that “psychic distance has become much less relevant as global communication and transportation infrastructures improve and as markets become increasingly homogeneous”. This is a line of argument also taken by Zhou & Guillen (2015) observing that in an increasingly globalized and ‘borderless world’, national boundaries are becoming meaningless. On the other hand, there is a large body of research (as shown in

Table 2) that finds that LOF/PD constitutes a clear disadvantage for the firm (e.g. Miller & Eden, 2006; Mezas, 2002a; Miller & Parkhe, 2002; Zaheer & Mosakowski, 1997; Zaheer, 1995). There is even an opposing view, namely that LOF/PD has a positive impact on performance of foreign investors (e.g. Sousa et al., 2010; Hang & Godley, 2009; Kronborg & Thomsen, 2009; Nachum, 2003; Li & Guisinger, 1991). These views are juxtaposed in Table 2, showing research-pieces which argue that LOF exists & has a negative impact, those arguing that it does not exist or that it exists and has a positive impact, and research that describes it as having no effect either way (e.g. Mata & Portugal, 2002; Evans, Treadgold & Mavondo, 2000b).

Table 2 - Overview on research-outcomes on LOF/PD

LOF/PD - does exist / has a negative impact		LOF/PD - does not exist / has a positive impact	
Author	Main points put forth	Author	Main points put forth
Hennart (1982)	operation in a foreign country will usually entail higher costs [...]	Li & Guisinger (1991)	results show that foreign- firms fail less often than domestic firms
Zaheer (1995)	lower profitability and higher failure rate by foreign-owned trading rooms	O'Grady & Lane (1996)	lower PD = not necessarily better performance (PD paradox)
De Young & Nolle (1996)	foreign- banks operating in the US being less profitable than local banks	Stöttinger & Schlegelmilch (1998)	PD "past it's due date" – PD diminished due to globalization
Zaheer & Mosakowski (1997)	lower profitability and higher failure rate by foreign-owned trading rooms	Morosini, Shane & Singh, (1998)	positive relationship in CD & cross-border acquisition performance
Miller & Richards (2002a)	evidence that foreign-owned firms underperform host country firms	Nachum (2003)	foreign financial firms in City of London don't suffer as much LOF
Mezas (2002)	foreign firms in the US face higher labour lawsuit judgments than U.S.-f.	Kronborg & Thomsen (2009)	find evidence of a significant survival premium for foreign firms
Zaheer (2002)	LOF = Cost of doing business abroad and/or structural – relational costs	Nachum, (2010)	In the context of London LOF can be an asset; foreign firms=stronger
Calhoun, (2002)	LOF = some costs can be determined while others are hard to ascertain	Sousa et al., (2010)	greater PD between home / foreign market = better performance
Miller & Parkhe (2002)	foreign banks were less efficient than their local counterparts	Siegel, Pyun & Cheon, (2011)	LOF advantage=willingness to break social taboos (women manager)
Petersen & Pedersen, (2002)	There is LOF, it is just a question how to off-set that / deal with it	Shi & Hoskinsson (2012)	foreignness serves as advantage by encouraging creativity & innovation
Luo, Shenkar & Nyaw, (2002)	When MNEs venture abroad, they suffer from LOF (extra costs)		
Hennart, Roehl & Zeng, (2002)	we argue that foreign firms do face a liability of foreignness		
Kwon & Hu, (2004)	LOF exists – only looked at how this affects market entry strategies		
Chen (2006)	PD increases information costs & transportation costs		
Dow & Karunaratna, (2006)	PD exists – study just seeks ways to better measure it		
Hosseini (2008)	MNCs face a much more complex environment than domestic firms		

Johanson & Vahlne (2009)	LOF exists but should better be conceived as Liability of Outsidership		
Elango, (2009)	LOF exists; question is how posture do firms adapt to overcome LOF.		
Slangen and Beugelsdijk (2010)	negative effect of cultural distance in a firm's cross-border vertical activities		
Barnard, (2010)	Study focuses on how firms from emerging markets overcome LOF		
Hakanson & Ambos, (2010)	PD important when investigating international business decisions		
Denk et al. (2012)	LOF exists and is changing due to new environmental and technical factors		
Hakanson, (2014)	PD=costs & difficulties of transferring & interpreting information		
Zhou & Guillen, (2015)	dynamic LOF; might not be quite as strong due to previous projects		
Neither / Nor has no effect – or positive & negative effects at the same time			
Evans, Treadgold & Mavondo, (2000b)	research does not conclusively support either a positive or negative relationship between PD and performance		
Lu & Beamish (2001)	firms face a LOF, but SMEs who internationalized are better off than firms who don't (U-shaped effect)		
Sethi & Guisinger, (2002)	accounts of blunders in international business – are they LOF or managerial / strategic mistakes?		
Evans & Mavondo, (2002)	PD might explain variance in financial performance; also supports PD paradox (distance = positive on performance)		
Mata & Portugal (2002)	survival of new firms in Portugal - no significant survival differential between foreign and local firms		
Hutzschenreuter, Kleindienst & Lange, (2016)	Distance is far nuanced / multifaceted (cultural, psychic, geographic) can have positive & negative consequences		

The fact that the impact of LOF on firms remains so inconclusive (Laufs & Schwens, 2016) has plagued the field for decades. It touches on the very foundations of IB. A question raised in a slightly different way by Sethi & Guisinger (2002 – p. 225): “if multinational operations incur such liabilities, then why should MNEs still be investing abroad in droves?”, essentially also queries the concept.

Moreover, while, as Hennart, Sheng, Bortoluzzo & Lee point out in a still unpublished article, there are several strategies scholars have used to test for and attempted to prove the existence of LOF, none have been able to conclusively validate the concept. Hennart et al's argument goes back to Zaheer's (1995) study, which compared the profits of foreign-owned currency trading rooms with those domestically owned and found that domestic trading rooms generated higher profits. For Zaheer, this pointed to the existence of LOF

for foreigners; Nachum (2010) running a similar study (comparing the profitability of foreign and domestic financial service firms) argued that especially in a globalized location such as London, LOF would not apply. However, while profitability of foreign firms might be affected by LOF, they tend to have greater firm-specific advantages than local firms and tend therefore to be more profitable. Hennart et al (unpublished) concluded therefore that there is a systemic “difficulty of inferring the presence or absence of a LOF from profitability differences” (Ibid – p. 6).

Another approach to evidence LOF is by comparing survival-rates of foreign and domestic firms. Again, we find contradicting studies – such as Zaheer & Mosakowski’s (1997) finding a shorter life-span of foreign currency trading rooms as opposed to domestic ones. Mata & Portugal (2002), looking at foreign-owned / domestic firms in Portugal, find no difference in survival-rates and Kronberg & Thomsen (2009), looking at foreign-owned / domestic firms in Denmark, even come to the conclusion that foreign firms have a higher survival-rate.

On a conceptual basis, Hennart et al. (unpublished – p. 7) assume that “the more dissimilar the host-country is from the home-country of the investor, the less knowledgeable the foreign investor with host-country conditions. The greater therefore should be the LOF faced by foreign investors”. However, as they also point out, there is little empirical evidence supporting this assumption. On a practical point, Eichengreen (2017, [online]) observed that we “can’t measure uncertainty directly”; a point also made by Sousa & Bradley (2006 – p. 51) who stated: “psychic distance cannot be measured with factual indicators such as publicly available statistics”. Nevertheless, positivist research tries to do so - mostly via proxies, which “do a poor job in capturing its effects. Indeed, we economists have had little success at reliably predicting when and why uncertainty spikes” (Eichengreen, 2017, [online]). This is a notion I will take up again at the end of this chapter, in order to design my research to deal with this problem.

Either way, it can be held that we are faced with highly divergent research outcomes; and, that the level of research we are engaging vis-à-vis this topic

might be one of the reasons for this heterogeneity of findings (Buckley, et al., 2016)

To further this debate, we therefore need to understand what we mean by LOF, which should be the key step to settling the questions how it could be addressed. This is not only in terms of answering the operational concerns of practitioners, but also in terms of strengthening the intellectual and theoretical underpinnings. It should also aid in answering the disagreement between Johanson & Vahlne's (1977) Uppsala-theory and its antithesis, the Born Global theory according to which young firms engage in FDI right from their inception (Klein & Roth, 1990).

2.3.3. Issue II - Problem of nation/nationality in LOF research

Hutzschenreuter et al., (2016 – p. 164) describe the 'reference-point problem' whereby all concepts of distance require at least two points from which to measure distances. While this might sound trivial, it creates the problem of what to choose as reference point. The pervasive practise in extant LOF/PD research is to assign a nationality (and hence a 'coherent' national character) to home- and host-countries and measure 'the distance' between these two points. This creates multiple problems, but three stand out:

1. First, as Tung (2008 – p. 42) states, using “‘country’ as the unit of analysis [...] assume[s] cultural homogeneity within a given nation state”. A similar point is being made by Sasaki & Yoshikawa, (2014 – p. 457). If we think of the Silicon Valley vs. Idaho, London vs. the Highlands or Shanghai vs. Urumqi it becomes immediately apparent that such homogeneity does not exist in reality. This is especially true in an economics sense, as Phelps & Wood (2018 – p. 1,032) pointed out when stating that “location costs can vary more within a country than between countries”. Such differences are largely ignored by extant research (see Shenkar, 2001; McSweeney, 2009 and Tung & Verbeke, 2010). Apart from the regional economic differences within countries, we also have the phenomenon that “cultures are not necessarily bound by borders” (Lopez-Duarte et al., 2015 – p. 409); for instance, Bavarian and Austrian habits are much more alike than Bavarian

cultural norms and those of Hamburg or Berlin. Such alleged national uniformity often produces “illogical arguments and to suppositions which are theoretically and empirically untenable”. (McSweeney, (2009 – p. 933). Nevertheless, current research extensively applies Kogut & Singh’s (1988) index to compare “cultures on the national level under the assumption that it is a monolithic phenomenon that exists within boundaries” (Sasaki & Yoshikawa, 2014 – p. 455).

2. Measuring home nations’ characteristics is essentially beside the point as this would assign a national character to a firm – but is there really such a thing as a ‘nationality of a firm’? This practise ignores industry specifics, cluster or network structures and also the make-up of companies. Zhou & Guillen (2015) suggest that many companies do not have home countries anymore. Given the often-global footprint of firms and, given “the role of the management team's international experience” (Reuber & Fischer, 1997 – p. 807) it is increasingly difficult to conceive of firms in terms of national categories.

Such an approach invariably produces oversimplifications. This notion is elaborated by Hutzenreuther et al. (2016) arguing that company structures would call for not using single distance measurements but for multiple distances to all the countries in which the company is located.

3. Last – having pointed out that decisions are not taken by firms, but by managers – it is, if anything the nationality of the manager rather than that of the firm that should be considered. In a globalized era where managers are recruited from different countries and have different degrees of prior international experience, the idea of firm-/nation-level distance measure becomes increasingly untenable. What insight could a firm-level approach predicated on national distance measures produce, with one German company planning to enter the Chinese market and only having German managers who lived in Germany all their lives, while another has a Chinese national from this region, well networked into government circles? The degree of LOF is bound to be a different one, even if both firms are “German” and seek to enter China. An aspect which further supports the manager-level research approach I will employ for this PhD.

2.3.4. Issue III - LOF/PD being equated to 'information deficit'

There is a stream of research in the internationalization literature discussing information asymmetry, and arguing for a need of governmental intervention due to this 'market failure'. Filippov & Hofheinz (2016 – p. 24) define 'information asymmetry' as one party having more or better information than the other, which creates an imbalance of power in transactions. Information asymmetry is therefore, according to them, the theoretical counter-point to perfect information, which is a key assumption in neo-classical economics.

While I would agree with the idea that 'lack of information' is one of the problems leading to what we term LOF/PD, and that managers respond to unfamiliar environments by seeking more information (Kachwamba & Saebo, 2012), I argue that merely focusing on the availability of information as explanation is too reductionist on its own. Phelps & Wood (2018 – p. 1,034), citing an interview with a location consultancy insider, wrote: location consultants "really developed because there was a black box. Information at that time was what we really traded on. Then, since the internet, information is available to anybody. So really we are just trading on knowledge on how to do these projects and how to do them without making a mistake." This quote nicely illustrates that it is not just the 'absolute' availability of information (i.e. information asymmetry), that constitutes the problem but also having (a) useable & relevant information, (b) not only about knowing 'what' but also knowing 'who' (i.e. an understanding of necessary networks) and (c) and knowing 'how', (i.e. procedural know-how to run such projects). Extant research however mostly stops with the mentioning of information asymmetry and declaring this to be LOF. Tacit information and aspects such as internationalization knowledge do not feature much in extant IB research (Calhoun, 2002). But it is especially these different types of knowledge that are highly relevant in this context. Internationalization-knowledge might be applicable to every project (and constitute a competitive advantage of the firm), but managers will need to collect market-specific knowledge for every project anew. They might be more skilled in looking for the types of information they need, but certain factual aspects need to be collected every time. Extant literature is largely reduced to the factual type of information, which is however

by no means sufficient for a market-entry project. I would argue that it is especially the implicit and ephemeral know-how which is needed to succeed in greenfield projects. While information asymmetry is already difficult to quantify, 'tacit knowledge' and 'understanding' defy quantitative measures even more.

I would argue that the managerial-liability, experienced by practitioners is more than merely a 'lack of information'. This is partly reflected in literature. For instance, Cahloun, (2002 – p. 307) paraphrasing Johanson & Vahlne (1977) writes: "liability of foreignness may be more directly linked to implicit or tacit differences between cultures than to explicit and identifiable differences". Practitioners are said to place great importance on the "look, feel and fit of a community [...] the welcome from, and relationships with, local governments" (Phelps & Wood 2018 – p. 1,027), over and above what can be communicated in simple quantitative information. It therefore isn't exclusively the amount of factual information that matters, but its usefulness and applicability. Sethi & Guisinger, (2002 – p. 227) maybe describe it best when they write that business environments are "an amorphous aggregate of several elements that differ along geographical, social, political and economic dimensions. Complex intertwined and often transcending political boundaries, these elements are not static either".

Rather than mere information, it is this sense of uncertainty felt by managers (Williams & Gregoire, 2015) which characterizes the liabilities currently called LOF. Consequently, LOF-literature which is only predicated on factual information, falls short of grasping the real character of the problem and explaining the issue. Part of the answer is found in Nielsen, Asmussen & Weatherall, (2017 – p. 68) who emphasise the importance of "previous internationalization efforts of the firm [...], which enables the firm to accumulate knowledge and routines related to the overall process of internationalization", indicating that theoretical knowledge alone might not necessarily mean that people know what to do and how to do it. This has been expressed even clearer by the observation that despite the increase in the availability of information, which even leads to companies being "swamped with information" (Phelps & Wood, 2018 – p. 1,032), "the growth of a specialist site-selection consulting industry is testimony to the costs involved" (Phelps &

Woods, 2018 – p. 1,024) and a need felt by managers that goes beyond mere information.

2.3.5. Issue IV - LOF is too aggregated to be useful

LOF as a concept has been widely criticized (Shenkar, 2001; Kronborg & Thomsen, 2009; Sasaki & Yoshikawa, 2014; Beugelsdijk, et al., 2018), for being overly simplistic. If we are looking at the topic from an applied science perspective, as Gaur et al. (2011 – p. 217) did, when asking which factors actually help to reduce LOF, we recognize that the current over-aggregation makes it nearly impossible to determine specific measures. It is therefore hardly surprising that Gorostidi-Martinez & Zhao (2017 – p. 46) come to the conclusion that “a summary of issues on LOF and suggestions for overcoming these problems to help companies enter new markets have not been available”.

IB has been slow to employ manager-level or micro-foundationally inspired research approaches (see ‘Annexe A’). The reason why FDI-research is largely conducted on a firm-level basis, is primarily a question of the underlying research approach. Beugelsdijk et al. (2018 – p. 95) point out that there are two principal research approaches. “The first is rooted in the economic tradition (Kindleberger, 1969; Vernon, 1966)”, and therefore approaching it in terms of that discipline’s methodological tools. The other approach is based on the behavioural tradition and emphasizes learning and understanding. The main proponent of this school is the so-called Uppsala model (Johanson & Vahlne, 1977, 1990, 2009).

If we are guided by the idea that successful internationalization is about overcoming ‘Liability of Foreignness’ (Petersen et al., 2003), high levels of abstraction and averaging issues out to arrive at a generalizable theory (i.e. the monolith concept of LOF) arguably make it difficult to understand the problem (i.e. the problem being, that we are lacking the necessary operational level of detail). The abstract treatment of LOF results in us lacking a sufficiently deep understanding of its mechanics and consequently how we can mitigate those different instances of managerial-liabilities. While some authors tangentially mention this issue (Petersen & Pedersen, 2002; Luo, Shenkar & Nyaw, 2002;

Hakanson & Ambos, 2010; Barnard, 2010; Zhou & Guillen, 2015) few have specifically addressed it.

Mezias (2002a), for instance, is highly unspecific as to which practical measures he suggests to be taken, while Luo, Shenkar & Nyaw (2002) at least are proposing “defensive” and “offensive” options. The suggested defensive mechanisms (parental control or parental service) however appear unconvincing in helping to overcome LOF, given that a distant HQ might arguably be even less knowledgeable about issues arising from not knowing local rules, customs and procedures than the entity on the ground. Their proposed offensive mechanisms (networking or input localization) sound realistic in principle; none-the-less it remains unclear how managers, who lack local know-how or contacts, are supposed to establish these networks or how they should realize the suggested localization process. Looked at through an operational prism, it all remains a collection of rather empty statements without the necessary detail.

At around 2012, following Denk et al. (2012) managers started to emerge more consistently in LOF literature and by 2018 with Bodlaj & Vida, concepts such as psychic or cultural distance were viewed in the context of managerial experiences. However, even looking ‘at’ managers still largely fails to understand LOF ‘from’ their perspective. This is of key importance, given that research directions, or levels of aggregation often seem to arrive at different results. O’Grady & Lane (1996), pointed out that success in internationalization projects is more based on the awareness of managers of local requirements and business practices, rather than proximity of psychic distance; a point indirectly also made by Sethi & Guisinger (2002), when they observed that it might be managerial ignorance or incompetence rather than distance that causes problems in FDI-projects.

This lack of understanding the far more nuanced managerial-LOF (as opposed to the current abstract, monolith LOF-concept) arguably still persists. This is especially interesting, given that there is a large body of literature looking at the role of managers within firms. Much of this research being based on Hambrick & Mason’s (1984) ‘upper echelons theory’. Hermann & Datta (2005), referring to this theory, argued that the capacity of the firm to internationalize

is contingent on the composition of its top management team. Lopez-Duarte et al., (2015 – p. 411) stated that “Upper-Echelon Theory is another framework scarcely used within the IB field that may help to address some existing gaps in the IB literature”. This notion that strategic choices are conditioned by managerial background characteristics (Hambrick & Mason, 1984), i.e. managers make decisions consistent with their cognitive orientations, values and experiences, would however also mean that LOF is contingent on these individual managers. But while we have a body of research recognizing the role of managers in internationalization (i.e. Sambharya (1996) and Reuben & Fischer (1997) looking at the role of international experience of managers in internationalization, Herrmann & Datta, (2005) looking at educational levels of managers, Barkema & Shvyrkov, (2007) management teams’ diversity or Greve, Nielsen & Ruigrok (2009) and Nielsen & Nielsen (2013) looking at the importance of Top Management Teams in internationalization), we are still lacking a manager-level understanding of what managerial-LOF/PD actually is. Building on very recent research that discusses LOF/PD in this context (Hertenstein et al., 2017; Vaccarini, et al., 2019) this PhD seeks to extend this line of thinking further. In particular I will expand our understanding of LOF by researching the impact managerial-liabilities have on managerial decisions in greenfield-situations

One final issue with extant literature in terms of over-abstraction, is that it tends to look at managers as one coherent and uniform group (very much like nations are considered as one coherent entity, ignoring differences of regions as outlined in 2.3.3). One could argue that different managerial functions such as CEO, CFO or operational project managers, will have different interests, and experience different aspects of FDI as unknowns/uncertainties, i.e. as their individual managerial-liabilities. By only looking at the ‘the managers’ as an aggregated group, without understanding the specificities of what they have to deal with, or without a detailed understanding of the internal politics within the firm, and the role and relative power of individual actors, we lack a genuine understanding of what their LOF is, or how it could be mitigated.

So, while Dimitratos et. al (2011 – p. 194) stated: “management stands out as a key driver behind the success of the internationalized firm” and Aharoni observed that “the success of multinational enterprises (MNEs) is at least as

much a function of management ability and behaviour as it is of industry characteristics or environmental factors” (Aharoni, 2010 – p. 73), we still know little about managerial-LOF. This might also explain the status quo of the “relative lack of guidance from theory and research” regarding “the factors affecting investors’ location decisions” (Papadopoulos et al. 2016 – p. 617).

2.3.6. Issue V - LOF/PD does not remain static

There is some recognition in literature that LOF changes over time. This learning effect is described by Denk et al. (2012 – p. 323), who themselves base their research on Zaheer & Mosakowski, (1997) as foreign firms are becoming increasingly embedded in local information networks, the consequences of LOFs decline over time. Similarly, Sethi & Guisinger, (2002 – p. 226) observe that LOF does “not remain constant after the initial entry” and “longer experience in that environment and development of suitable internal skills to cope with it might also help reduce that liability”. Acquiring knowledge and becoming ‘an insider’ might lead to a decline of LOF over time (Zaheer & Mosakowski, 1997), even if, as Qian et al. (2013 – p. 639) point out, it might not “disappear completely, owing to the factors of spatial distance and the diversities between countries”.

I therefore seek to expand Beugelsdijk et al, (2018 – p. 92) observation: “The picture that emerges from our study is that cultural distance has a differential effect on the various stages of the internationalization process”. Thus managerial-liabilities will likely change over time – i.e. different questions and uncertainties will have higher or lower priorities over the course of the different stages of the project – therefore pointing to not ‘one LOF’ but a fluid mix of different elements. While this effect has – in principle - been recognized by extant literature, there appears to be little research into the different aspects of managerial-liabilities, as well as how LOF lowers over time, which are two aspects this PhD seeks to address.

2.3.7. Conclusion of the problems with extant Literature

Having critically assessed the extant body of LOF/PD-literature, we found it is arriving at contradictory research-outcomes and lacks sufficient depth to explain managerial uncertainties. Some authors therefore call LOF and/or PD into doubt [see “I have gradually come to realize that what we have been doing was not only superficial, lacking in substance and rigor, but was perhaps invalid or, at the very least, seriously flawed” (Shenkar, 2012 – p. 12)]. While I would not go quite so far, it appears obvious that despite an impressively large body of literature addressing LOF/PD, “we still lack clear and consistent evidence for the effect of distance on a variety of organizational outcomes” (Hutzschenreuter et. al, 2014 – p. 39) and hence any notion of what we can realistically do to overcome LOF/PD. This is not only a gap in our understanding of the concepts of LOF and PD themselves, but poses a gap at the very core of our understanding of IB itself, as “despite the decades of research it appears that there is still no entirely adequate explanation of how companies operate in foreign markets” (Benito, Petersen & Welch, 2009 – p. 1,456)

But if we cannot solve the issue by looking at it from a home-/host-country perspective [i.e. “differences between the home and the host country [are] a highly subjective interpretation of reality” (Sousa & Bradley, 2006 – p. 61)] and it is arguably not merely a question of information deficit, we need to change our research approach. By looking at those who suffer from the problem [i.e. “the individuals comprising the MNC” (Contractor et al., 2019 – p. 4); and “some managers may have extensive experience” while others “may be lacking deep-level country-specific knowledge of certain foreign markets” (Greve et al., 2009 – p. 215)], in order to understand what the challenges are perceived to be.

2.4. How might managerial-liabilities be overcome?

“Viewing the antecedents and consequences of this liability holistically, we argue that accurate reading of the complex and volatile IBE, formulation of a compatible strategy and its effective implementation together contributes to good performance.”

Sethi & Guisinger, (2002 – p. 223)

Having critically assessed extant LOF/PD literature, and worked out its weaknesses and omissions, I am now charting the way how –based within the extant body of knowledge - I seek to address these. In 2.4.1 I will briefly outline the conceptual ideas that drive my research-directions, and which culminate in the research questions posed at the end of the next chapter (see: 3.5 Research questions). In the second part of this section I will revisit the aspects I have identified in the critical literature review (2.3), and illustrate how my research will help answering these and thereby offer some theoretical contributions (see 2.4.2) as well as practical contributions (see 2.4.3) in the form of policy advice.

2.4.1. Conceptual approach

Conceptually, I therefore aim for a more granular, ‘lower’-level of inquiry (i.e. manager-level research), while at the same time seeking to paint a more holistic picture (looking at the whole process and through the eyes of all concerned, not only the corporate managers). Even if the over-arching ideas have already been high-lighted, I want to briefly sketch in greater detail the conceptual ideas relating to the existing body of literature, which are driving this approach and what I seek to achieve by this. (The ‘technical details’ and methodological approaches will be discussed in Chapter 4)

2.4.1.1. Put Managers into the centre of research

When we look at extant internationalization research, it becomes apparent that it is either conducted at country-level (Kogut & Singh, 1988) or firm-level (Li & Guisinger, 1991; Hennart, Roehl & Zeng, 2002;

Mata & Portugal, 2002). Managers have been looked at in IB-research, for instance in the context of how managers operate in foreign entities / subsidiaries [e.g. “the subsidiary manager is attempting to exert or extend the subsidiary’s sphere of influence within the MNC” (Williams, 2010 - p. 284) i.e. manager-level actions and the rationale behind these, as well as how these are shaped by national culture]. What we are lacking however, is specific internationalization research at a manager-level, looking at greenfield decision-making processes and in particular the process steps of the FDI setting-up phase. It was only with the emergence of the Uppsala school, that their role in internationalization processes received more attention. But while managers start to feature now either in the form of top-management teams (Nielsen & Nielsen, 2013) or as people being responsible for decisions (Sousa & Bradley, 2008), we are still lacking an operational understanding of how managers arrive at FDI-decisions, nor do we have an insight into the interplay of actions/ reactions of other managers involved in the process (i.e. IPA-managers)

Cuervo-Cazurra et al. (2007) identified the lack of experience of managers at HQ, as one of the main reasons for failure of foreign engagements and Aharoni (2010 – p. 73) observed that: “the success of multinational enterprises (MNEs) is at least as much a function of management ability and behaviour as it is of industry characteristics or environmental factors”. But while looking at managers in greater depth, both research-pieces are still taking the perspective of a researcher looking ‘at’ the manager, rather than taking the perspective ‘of’ the manager and looking at the problem through their eyes. Some of the rare examples we have of such an approach are Bodlaj & Vida (2018) - looking at export managers’ perceptions, and Schotter & Beamish (2013 - p. 521) – looking at the “hassle factor” of foreign ventures. But in a field driven by FSAs and country-level Psychic / Cultural Distance measures these are the exceptions rather than the rule.

The findings of Buckley, Devinney, & Louviere, (2007), that different managers will arrive at different decisions / conclusions, as well as the observation of Aharoni et al., (2011 – p. 135) that the interests of

managers acting in FDI-projects are not necessarily always “aligned with that of the MNE’s owners”, point to the importance of such a fresh perspective on the field. In particular given that we know, that it is often very different types of managers driving these projects. According to World Bank (2018), 44,6% were CFO/Finance Directors and 19,4% CEOs – while only 16,7% were Head of a Business Unit and merely 2,4% Directors of manufacturing. We can only assume that such skewed samples will have coloured research outcomes, given that operational managers will focus on different aims and interests than CFOs. Or as Buckley, Chen, Clegg & Voss, (2017) remarked, FDI risk-taking is presumably more based on managerial cognition than firm-level capabilities. We therefore not only need to know in greater depth what the functions of managers are we are interviewing, but also get a much more acute understanding of the different thought processes of these types of managers in FDI-situations.

2.4.1.2. What sort of LOF do managers encounter

As outlined in the previous section, the literature largely deals with the question of how to succeed in internationalization projects, following either the FSA line of argument (Barnard, 2010; Chen et al., 2010; Nachum, 2003; Zaheer, 1995) or Petersen & Pedersen (2002) notion of reducing their LOF. I have also already outlined Denk et al’s. (2012) and Gorostidi-Martinez & Zhao’s, (2017) initial steps to get a more nuanced understanding of what LOF consists of. I seek to deepen this approach and, much like the Global Investment Competitiveness Report 2017/2018, and get down to real operational issues such as “the speed of obtaining approvals and permits ranks even higher than investors’ ability to own all equity in a project” (World Bank, 2018 – p. 30).

Hence, once of the first tasks for this PhD will be to develop a clustering of operational problems which constitute LOF in the eyes of managers (i.e. managerial-LOF), which should then be used to canvass as broad as possible the views of managers whether IPAs actually succeed in helping them in overcoming these problems.

2.4.1.3. The importance of context

One aspect one needs to consider conceptually, when thinking about researching managerial-LOF, is the importance of context. Some of these points have already been discussed by extant literature, such as:

- (a) Investment type – [see Zaheer, (1995 – p. 343) “the liability of foreignness is likely to be particularly acute in a simple, market-seeking, horizontal MNE”].
- (b) The degree of distance – especially in terms of the often counter-intuitive aspects [O’Grady & Lane’s (1996)].

But also issues that are less widely discussed such as

- (c) Company size - SME’s are said to face heightened information needs, but simultaneously display a tendency to “reduce information collection in foreign markets if they lack the necessary resources, which is often the case” (Swoboda & Olejnik, 2016 – p. 140)
- (d) Company type and the implication this has on managerial-LOF – see Pukall & Calabrò (2014 – p. 109), summarizing the current state of research on family-owned businesses, showing that different schools of thought either claim that families are trying to preserve the wealth for future generations and are therefore “less prone to internationalize”, while another one claims that family-owned businesses “are more prone to risk [...] related to the decision to internationalize the business”.
- (e) Experienced / inexperienced managers - Ahsan & Musteen (2011) pointed out that prior international experience has a significant positive influence on market entry successes (see also Barkema & Droogendijk, 2008).

Combined with additional aspects such as industry-specific influences, host-nation characteristics as well as company internal political constellations, we get a highly complex and interdependent set of contextual factors influencing FDI-decisions. So, rather than there being

one LOF-effect that managers are confronted with, they usually encounter a complex and dynamically changing set of parameters which makes for a highly differentiated field of individual uncertainties. Reducing this merely to home/host-nation differences fails to take into account the rich contextual background these decisions are taken in. Zhou & Guillen (2015 – p. 915) described this most aptly when stating that even if investors came from the same home country or invested in the same host country they could – “face a very different liability of foreignness”.

2.4.1.4. ‘Know-what’ versus ‘know-how’

The “notion that knowledge is a source of competitive advantage has been advocated extensively in management literature”, (Pedersen, Soo & Devinney, 2011 – p. 390). Investing in foreign countries invariably results in managers facing different regulatory frameworks, different languages and different customs or cultural standards (Stöttinger & Schlegelmilch, 1998) and we know that such difficulties can partly be mitigated through the acquisition of knowledge (Musteen, Datta & Butts, 2014). It is therefore hardly surprising that Moeller et al. (2013 – p. 99) observed, that firms achieve a reduction of LOF “by engagement in learning prior to market entry”; hence the focus in this PhD on how managers, seeking to internationalize, actually gather the knowledge that allows them to make better decisions, reduce uncertainty and successfully internationalize their firms, Thinking about this knowledge (which arguably extends beyond mere knowledge to internationalization ‘know how’) we need to distinguish between three aspects:

- **Cost of information**
Mariotti & Piscitello pointed out that information related to entering foreign markets ought to be “divided into ‘low-cost information’ and ‘high-cost information’” (Mariotti & Piscitello, 1995, p. 816). This was then taken up by Lim (2008 – p. 41) describing that some FDI information can be collected at zero or near zero cost (such as market size, transport cost, etc.), while

the high-cost information is usually the less quantifiable bit of information – closer to the state of 'know-how'.

- Information ≠ Knowledge

Sethi & Guisinger (2002) and Kogut & Zander (1992) pointed to the distinction of 'information' and 'know-how'. Håkanson & Ambos (2010 – p. 198) wrote: "The value and usefulness of information about a foreign country depends not only on its quantity and content, but also on the recipient's ability to correctly interpret it". Mere information provision therefore is too narrow an approach (or explanation) in most cases. Inexperienced managers need an 'interpreter' for this information and require specialists who can bridge cultural differences. In this respect, we would support Anderson & Sutherland (2015 – p. 816), wondering "whether IPAs are now becoming more important facilitators of FDI flows, given the potentially greater psychic distances encountered in attracting investment flows from emerging to developed markets", which would tie-in with the observation that many Mittelstands companies are not necessarily investing in neighbouring countries.

- The 'unobservable/unmeasurable' type of knowledge

Baaij & Slagen (2013 – p. 944) made an important point when they wrote: "knowledge may be either tacit [...or...] function-specific experiential know-how". The importance of tacit knowledge is illustrated by O'Grady & Lane (1996) and their discussion of Canadian retailers in the US, where implicit/tacit differences between psychically close cultures have significant impact upon the success of foreign ventures. As Pedersen, Soo & Devinney (2011) observed, this type of knowledge is largely unobservable, which reinforces our methodological hesitations towards extant research. Asmussen & Goerzen (2013) and Athanassiou & Nigh (2002) discussed this issue and pointed out, that transferring tacit knowledge is usually only possible by face-to-face in-depth conversations, in order to "reach a shared

understanding of the meaning” (Athanassiou & Nigh, 2002 - p. 161), given that each member has a different level of prior knowledge.

Aspects such as tacit knowledge and ‘understanding’ have not featured much in IB research (Cahloun, 2002), not least because it appears highly likely that, in order to overcome managerial-liabilities, we need to look at more than mere information-provision by IPAs. While there are hints to that effect in literature [see Cahloun, (2002 – p. 307) who was paraphrasing Johanson & Vahlne (1977): “liability of foreignness may be more directly linked to implicit or tacit differences between cultures than to explicit and identifiable differences”], research has largely skirted around this topic so far.

But if it is not pure information ‘i.e. know-what’, but a more expansive concept of ‘know-how’ that is needed, we might need to expand the models and concepts within which we think about liability. Shirodkar & Konara, (2017 – p. 185), evoking Johanson & Vahlne, (1977) describe the way managers deal with this as experiential learning; the process of acquiring knowledge by simply doing it. This idea is also proposed by Barkema & Drogendijk, (2007) and Johanson & Vahlne, (2009). Thinking about FDI-projects, and the usually significant sunk-costs involved, one might assume that this is not the favourite approach managers are keen to take. Also, one finds little or no report in literature about managers running FDI-projects on a trial-and-error basis, but seemingly take a more structured approach. One could potentially also recognize this dichotomy in the different types of knowledge as described by Eriksson, Johanson, Majkgard & Sharma (1997), who categorized knowledge into market-knowledge and internationalization-knowledge. Market-knowledge essentially deals with knowledge acquisition about the host-country [i.e. knowledge about the market (Johanson & Vahlne, 1977, 2003, 2009), or ‘institutional knowledge’ about the host-country government, laws and rules (Eriksson, Johanson, Majkgard, & Sharma, 1997)]. Internationalization-knowledge, on the other hand, describes internationalization experience and strategies firms have developed. This includes knowing how to find information, screen markets and

manage such a complex project (Fletcher & Harris, 2012). While market-knowledge seems to be much discussed in literature, there is considerably less on internationalization-knowledge [which could also be conceived as 'know-how']. This distinction is important as illustrated by Johanson & Vahlne's (2009 – p. 1,416) remark that "lack of institutional market knowledge and lack of business knowledge require different amounts of time to overcome".

Managers unwilling to resort to trial-and-error can reduce their knowledge-gaps, project-times or general internationalization risks, if they are willing to pay consultants (Petersen, Pedersen & Sharma, 2003). From a managers' perspective this results in a trade-off: either a slow and risky internationalization (due to lack of knowledge / man-power), or a fast, professional but expensive one. The possibility that internationalization knowledge could come from advisers or third-parties outside the firm was already discussed by Casillas et al. (2009), Friesl (2012), Fletcher & Harris (2012) or Fletcher, Harris & Richey (2013) and indicates that external knowledge is a very real possibility to deal with internationalization-liabilities. This is a little discussed field, as Stoian, Dimitratos & Plakoyiannaki, (2018 – p. 768) observed: "SME internationalization literature largely focuses on internal actors, such as knowledge generated by a firm's managers and key employees, whereas to date, the voice of the advisers remains almost silent"; with IPAs featuring hardly at all in such considerations

2.4.1.5. The importance of 'Access to Networks'

The updated-IPM declares network access to be of key importance: "insidership in relevant network(s) is necessary for successful internationalization" (Johanson & Vahlne, 2009 – p. 1,411). This thread is followed by many more writers [see Stoian et al. (2017 – p. 130) "an essential role for the international expansion of SMEs [...to...] overcome the liabilities of smallness and foreignness"], declaring network-outsidership rather than distance-metrics to be the root-cause of uncertainty. But even if Stoian et al. (2017); Musteen, Datta & Butts, (2014) or Johanson & Vahlne, (2009) are right about this being a

problem, the key question remains unanswered - how do managers, setting-up Greenfield-projects in a foreign country, actually get access to these networks of knowledge? If we look at this question from the perspective of the manager, it certainly is not immediately clear how they should establish these contacts or where they should find all those sources of information they need.

2.4.2. The theoretical dimension

As I have outlined at the beginning of this chapter, LOF was initially conceived as the additional cost foreign firms incur when operating abroad, as compared to local firms (Zaheer, 1995, 2002). Increasingly the emphasis moved to LOF being a lack of information or information asymmetry (Zaheer & Mosakowski, 1997). This observation was also made by Harding & Javorcik stating that lack of information “constitutes a barrier for inflows of FDI” (Harding & Javorcik, 2013 – p. 338).

As highlighted in the literature review section of this chapter, LOF-research findings are highly contradictory and difficult to support empirically (see Hennart et al., unpublished). They found that none of the employed approaches (i.e. comparing the profitability of foreign-owned and local firms, comparing survival rates of foreign vs. local firms or try to ascertain specific costs incurred owing to LOF) proved to be a reliable measure evidencing the existence of LOF (Ibid).

2.4.2.1. Liability of Outsidership (LOO)

Given the severe criticism of the initial IPM-model, Johanson & Vahlne had updated the IPM, stating that “now the business environment is viewed as a web of relationships, a network, rather than as a neoclassical market [...]”. The updated internationalization process model (Johanson & Vahlne, 2009), extend the initial LOF idea, and “provides a starting point for understanding the ways in which relationships and networks impact firm internationalization” (Chandra & Wilkinson, 2017 – p. 692). They observe that outsidership, in relation to the relevant network, more than psychic distance, is the root of uncertainty” (Johanson & Vahlne, 2009 – p. 1,411).

By extending the initial LOF-based model, they started to more fully reflect the problems managers encountered in the internationalization process. They did so by stating that not being networked into the host-nation constitutes a more important liability as “a firm that does not have a position in a relevant network is an ‘outsider’”. If a firm attempts to enter a foreign market where it has no relevant network position, it will suffer from the liability of outsidership and foreignness.” (Ibid, 1,415). That is to say, they added to the theoretical concept of LOF, one of Liability of Outsidership (LOO). While focussing on relationships/networks as opposed to knowledge, LOO is based on the same conceptual thinking as LOF. The notion of such managerial liabilities – focussing on different areas of uncertainty encountered by managers in FDI projects - is the point of departure for the main argument for this PhD, namely that managerial-liabilities are more complex and granular than the initial-IPM suggested. While the broadening of the perspective undoubtedly through the updated-IPM helps to reflect managerial realities much better than merely considering increased costs / lack of information, it arguably still falls short of operational realities of managers of greenfield projects.

This wider conception of the updated-IPM (i.e. through the addition of Liabilities of Outsidership or LOO) appears to be as popular and influential as its predecessor LOF. Checking the number of publications (23) and citations (1,601) in the Durham library system, revealed an equally wide-spread uptake in academic debate (detailed development see Figure 4 - Publications / citations of LOO in academic literature). Apart from its own popularity, it also sparked related theories, dealing with the collaboration amongst firms, from which the industrial network approach emerged. This network approach “views markets as systems of long-term relationships” (Blankenburg Holm & Johanson, 2015 – p. 340). This emphasis on “the relationships a firm has with its customers, distributors, suppliers, competitors and government” (Chetty & Blankenburg Holm, 2000 – p. 80) explains that “as the firm internationalises, the number and strength of the relationships between different parts of the business network increases” (Ibid), it does however largely fail to explain how new market entrants can form such relationships.

The gradual realization that there are several liabilities, might also account for the observation that there are “two contradictory arguments regarding how the liability of foreignness could be overcome” (Chen, 2006 – p. 288). Such differences are currently explained by Rickley & Karim (2018) taking a so-called competitive advantage perspective, which is based on Hymer (1960 / 1976) and Kindleberger (1969), and which argues that LOF/PD can be off-set through strong FSAs, giving the foreign-firm a competitive advantage over domestic competitors. The other, institutional, perspective (Rickley & Karim, 2018) argues that investors should imitate local business practices. Such explanations seem unconvincing however, given that – if looked at from a managerial perspective - there is little choice for managers to comply with laws and regulations, and that – in order to be successful – managers necessarily will have to have a thorough understanding of local norms, values and business practices. Neither of these two arguments explain how managers should find out about them or establish the necessary contacts.

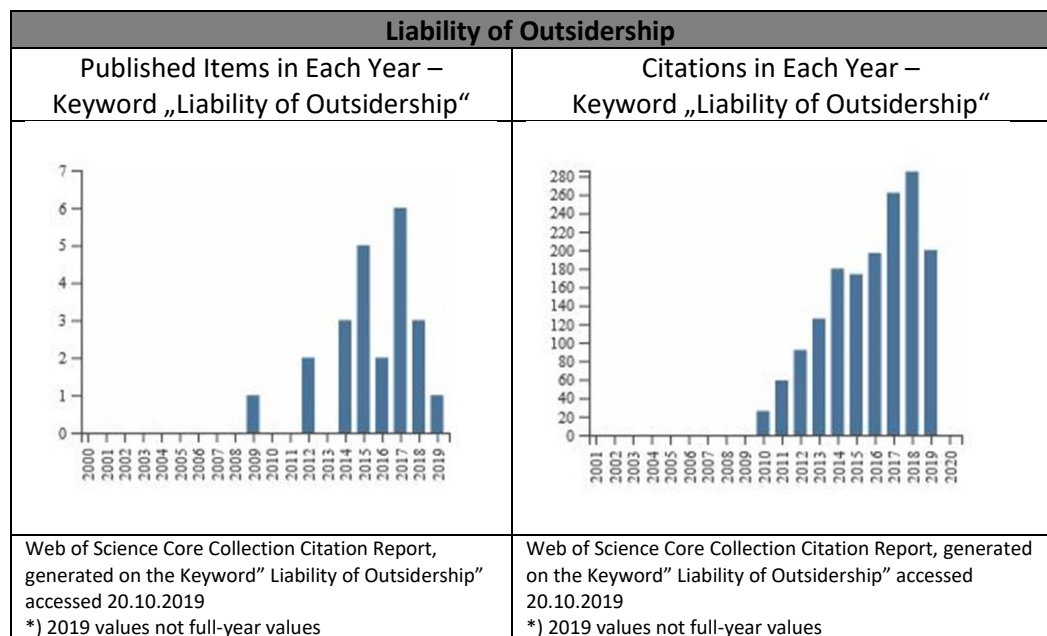


Figure 4 - Publications / citations of LOO in academic literature

I would therefore follow the line of argument that there are several liabilities, and emphasize the need for strengthening our understanding of these specific managerial-liabilities. While recent literature has come up with a number of new concepts of liabilities [i.e. Asmussen & Goerzen (2013 – p. 132) introduced Intercultural-LOF, Inter-Institutional-LOF and Interregional-LOF. Or “Liability of closeness” (Tang & Rowe, 2012), “liabilities of complexity” (Gorostidi-Martinez & Zhao, 2017) and “liabilities of smallness” (Stoian, Dimitratos & Plakoyiannaki, 2018)], we are still lacking an in-depth understanding of what managers themselves would define as ‘their’ liabilities. The theoretical contribution is therefore intended to be two-fold. One, arriving at an operationalized categorization of managerial-liabilities, at a far finer level of granularity than any of the extant concepts. And secondly, thereby driving the IPM-theory and our understanding of managerial FDI-decision-making forward.

2.4.3. The practical dimension

In the opening passages of this chapter I stated that there have been very few attempts to operationalise LOF/PD in literature, and that consequently there is seen to be a “relative lack of guidance from theory and research” (Papadopoulos, Hamzaoui-Essoussi & El Banna, 2016 – p. 617). Of the few attempts that exist in seeking to operationalise, most did so on the basis of macro-economic proxy values – e.g. Calhoun (2002 – p. 310) who used “corruption measures to operationalize the concept of liability of foreignness in the environment external to the firm”.

With the Empirical part of this research being strongly driven by first-hand accounts of the key actors in greenfield-projects (i.e. corporate and IPA managers), this research should be well placed to develop specific and concrete proposals flowing from the findings gathered in two interview-rounds. Thereby making this research not only novel, but also highly practically relevant.

In this sense, and following the notion of Petersen & Pedersen's (2002 – p. 339) "the question of how international firms reduce their liability of foreignness" as well as Pedersen & Shaver (2000 – p.4) "firms expand internationally once they believe that they have accumulated sufficient knowledge to successfully operate in that host country", this PhD also aims to bridge theoretical and practical spheres in the field of greenfield projects, while adding novel insights on an exciting new field in IB - the role of Investment Promotion Agencies (IPAs) in FDI decision-making. Why I only focus on IPAs, and who else could be in this universe of public and semi-public entities, will be discussed in the next chapter.

Chapter 3

Investment Promotion Agencies (IPAs)

3.1. Investment Promotion Agencies (IPAs) - Introduction

Investment promotion is ubiquitous, and we can observe an ever-increasing number of IPAs around the world. At the same time, researchers observed that there is “scant literature that has looked into Investment Promotion Agencies” (Crescenzi et al., 2019 – p. 2). Estimates about the number of IPAs range from “more than 160” (Charlton & Davis, 2007 – p. 1) national IPAs to “10,000 economic development organizations (EDOs) including investment promotion agencies” (Loewendahl, 2016 [online]), which includes national, regional and municipal structures. Merely this one example illustrates the large gaps in our knowledge about IPAs, as well as the need to exactly define what sort of investment promotion/economic-development structures we are looking at. How important the topic of IPAs is, can also be seen by the money being spent on investment promotion. Estimates range from US \$ 50 billion a year (Loewendahl, 2016 [online]) to \$100 billion (Bauerle-Danzman & Slaski, 2018).

It is therefore all the more striking that this topic is only tangentially discussed by academia. And within the little research we have on the subject, research interests narrowly focus on demonstrating that the existence of an IPA increases the amount of FDI-inflows (Wells & Wint, 1990, 2000; Morisset & Andrews-Johnson, 2004), rather than the question of what makes IPAs successful. Despite Gomez-Mera et al's. (2015 – p. 6) observation that “Investment promotion agencies (IPAs) both in the home and host countries are fundamental [... and...] may alleviate market failures, reduce informational costs, and compensate for deficiencies in the institutional framework and bureaucracies”, we know surprisingly little about how IPAs function. And this despite the fact that it is clear for decades that there are significant differences in IPA practices (UNCTAD, 1997 – p. 22). Theory on location-determinants suggests that countries which offer large market size / market growth, easy access to natural resources or endless supply of low-cost labour, would be seen as attractive and hence attract a great deal FDI-inflows; neither Singapore, nor Ireland or Costa Rica conform to these parameters, but none-the-less succeeded surprisingly well in attracting a significant share of global FDI into their countries. Which either means that our theory on location-determinants is wrong, or that there are additional factors – such as IPAs – that change the equation for managers. While literature seems to concur that IPAs such as Singapore, Ireland or Costa Rica are seen as great success stories (Sauvant, 2015; Phelps, 2009; Phelps & Wood, 2006; Mortimore & Vergara, 2004) we have never followed up researching the specific reasons for their success. The point made in 2.4.3.

by Papadopoulos, Hamzaoui-Essoussi & El Banna, (2016 – p. 617) of a “relative lack of guidance from theory and research” is therefore unsurprising, especially in terms of our lack of understanding of “the factors affecting investors’ location decisions” and how to “direct their efforts towards those factors”. But despite this absence of academically verified concepts, agencies such as EDB of Singapore, IDA of Ireland (O’Flanagan, 2000), MIDA of Malaysia, CzechInvest, Invest in Sweden (MIGA, 2006), and Costa Rica (Mortimer & Vergara, 2004) seem to have mastered this skill well. We might therefore learn as much from closely observing practitioners, as we might find out in extant literature; which is what I seek to do in Chapters 5 and 6 (Empirics I and II) of this PhD.

In the previous chapter, I looked at the body of knowledge on LOF and the shortcomings of our understanding of managerial-liabilities. In seeking to understand how IPAs might help to overcome these, we also need to have a clear understanding about IPAs. I will therefore start my analysis with a characterization of IPAs, descriptions of their organizational remit and structure, and a clear definition of what I consider to be IPAs in the sense of this PhD. Following on from this, I will critically review the extant literature on IPAs, discuss key concepts used to describe their functions, and critically assess what extant literature tells us about how IPAs work. While extant literature is very much driven by the framework of Wells & Wint (1990, 2000), it somehow fails to explain the role of IPAs in overcoming information deficits, lack of know-how or contacts and the problems of complexity – in short – the whole set of managerial-liabilities and operational problems managers encounter in Greenfield-projects, which I have termed LOP (Liabilities of Practice), and which will be explained in great detail in the Theory building section of Chapter 7. I will therefore devote some space to working out in detail, and isolating, what we do not know about IPAs and their working-functions.

In the last part of this chapter, building heavily on the findings of the previous chapter of managerial-liabilities, I will then develop the Research Questions in terms of how IPAs help managers overcome these. Research, which is arguably not only filling a gap in our understanding of managerial-liabilities, but which is also adding to our body of knowledge of a hitherto largely overlooked feature of FDI-processes: namely, IPAs. Research in IPAs is important to further our understanding of these mostly semi-public entities, as it might be the key to solving some of the inconsistencies of extant theory which, as I have shown in the previous chapter, fails to explain location-decision

phenomena [i.e. the arguably not universally correct prediction that small companies find it difficult to internationalize and would therefore focus on culturally proximate countries]. IPAs might be the answer to the question why certain Mittelstand companies and Hidden Champions (i.e. small- and medium-sized family-businesses) are world-market leaders with a disproportionately high share of export sales and/or internationalization via fully-owned subsidiaries (Audretsch, Lehmann & Schenkenhofer, 2018) in far-flung countries of the world, despite the prediction of the initial-IPM to the contrary. Similarly, why countries such as Singapore or Ireland managed to attract large FDI-inflows, while location-decision theories would decree these countries to be relatively unattractive. In addressing this state of theoretical under-development (Laufs & Schwens, 2014; Stoian, Dimitratos & Plakoyiannaki, 2018), as well as our lack of understanding of managerial actions or perceptions (Buckley, Devinney & Louviere, 2007; Arteaga-Ortiz & Fernandez-Ortiz, 2010), IPAs appear to be an intersection that might explain a number of currently unsolved issues.

3.2. Investment Promotion Agencies (IPAs) – ‘What’ are they?

“Lee Kuan Yew accelerated efforts to attract US multinationals to Singapore and, through the country’s Economic Development Board, initiated, over the next several decades, an aggressive campaign of investment promotion. This successful campaign has, quite possibly, been the most important element of a carefully orchestrated development strategy that has led to Singapore experiencing what is probably the most dramatic single-generation improvement in comparative living standards in the history of mankind”.

Wint & Williams, (2002 – p. 361)

In this first section, I delineate the area I am looking at, define Investment Promotion in general and Investment Promotion Agencies (IPAs) in particular and describe the organizational structures of IPAs. This latter point is important given that over the years, IPAs have developed into a highly heterogeneous group of entities. Some countries gave additional tasks to IPAs – such as Trade Promotion, Outward Investment or Location/Tourism Promotion in addition to Inward Investment Promotion. Some structure them as independent private or semi-public entities while others run IPAs as part of ministerial or embassy-structures. To discuss IPAs in greater depth it is therefore important to have a clear understanding of their different forms and remits.

3.2.1. Definitions

IPAs, and in fact the wider field of Investment Promotion, are not a well-defined area. According to Szent-Ivany (2017 – p. 171) investment promotion is said to “include policies aimed at attracting FDI, as well as policies aimed at increasing its benefits”. (Along similar lines see Wells & Wint, 1990; Pietersen & Bezuidenhout, 2015).

Investment Promotion Agencies (IPAs) themselves are consequently defined as agencies which “strive to promote investment through ‘activities that disseminate information about or attempt to create an image of the investment site and provide investment services for prospective investors’” (Sirr et al., 2012

- p 620). Their *raison d'être* is to influence investors' location choices. (Papadopoulos et al., 2016; Miskinis & Byrka, 2014). On an abstract level Lim observed this as: "an IPA can function as a catalyst between the FDI environment and FDI attraction performance of the host country" (Lim 2008 – p. 40). Looked at from an operational perspective, Lozada & Kritz, (2007 – p. 18) describe the mission of an IPA as "successfully promote a country to outside investors in order to stimulate foreign investment flows". Discussions of IPAs in academic literature are conducted mostly within the terms of the framework of Wells & Wint (1990, 2000) to which we shall return later in this chapter.

Given that many terms are used synonymously, the key task at the start of this section is to define the terminology to be used in this PhD. Depending on the type of literature (academic / non-academic), IPAs are known under a range of different names: IPAs (Investment Promotion Agencies), EDOs (Economic Development Organizations), IIA (Inward Investment Agencies), IPI (Investment Promotion Intermediaries) or TIPOs (Trade and investment promotion organizations). In this PhD, I will consistently use the term IPA to denominate these structures.

3.2.1.1. Promotion versus Facilitation

Maybe more problematic for our understanding of the subject, is that the terms 'investment promotion' and 'investment facilitation' are often used "interchangeably disregarding any differences between the two" (Ghouri, 2018 – p. 196). The World Bank "considers investment facilitation as a sub-function of investment promotion" (OECD, 2018b – p. 4). Daniel & Forneris, (2010 – p. XX) define it in the same manner, stating that: "Promotion is the marketing of the country as an FDI destination to a business audience. This includes the facilitation of foreign investors". UNCTAD (2016c) on the other hand, makes a clear distinction between investment facilitation and investment promotion. Similarly, OECD sees them as "two very different types of activities" (OECD, 2015b – p. 39); the former being about marketing a country as an investment destination, "while the latter aims to make it easy for investors to establish, operate and expand their existing investments" (OECD 2018b – p. 3).

Another highly useful definitional delineation I found in UNESCAP (2017 – p. 259) divides investment promotion into ‘pre-establishment’, ‘establishment’ and ‘post-establishment’ phases and thereby laying the ground-work for a clearer differentiation of the terminology. Based on the language used by practitioners and in order to categorize the widely used terms more clearly, I assign the UNESCAP-stages (chronology) to the academic terms of investment promotion (activity), to arrive at a clear and unique definition (see Table 3 below).

Table 3 - Stages of an FDI-project

Stage of the project as experienced by the corporate manager	Definition of term and main tasks performed during this phase
Pre-establishment	Investment Promotion • Create awareness of the location • Provision of information and support to investor to win the project • Prepare and conduct the site visit with investor
Establishment (setting-up firm, construction)	Investment Facilitation • help with obtaining permits, licenses • help with legal and physical establishment of subsidiary • “One-Stop Shop” function
Post-establishment	Investment After-Care • Trouble-shoot problems encountered by investor during operation • Understand plans for future development in subsidiary and entire group

Adapted from UNESCAP, (2017 – p. 259)

‘Pre-establishment’ is primarily investment promotion and focusses on providing information, conducting site visits and establishing contacts with related parties. It is more marketing-related in its nature and describes activities that take place before a decision has been taken by corporate managers about the location. After that decision has been

made, we enter into the establishment phase which, in terms of IPA-activities, revolves around facilitation. This includes hands-on support, getting permits, licenses and guiding the investor through the process of a Greenfield-establishment-process, with all the necessary tasks the investor might or might not be aware of. Some IPAs organize this as so-called One-Stop-Shops (see: 3.2.3.3 One-Stop-Shop (OSS), i.e. a single-point point of contact for all administrative processes an investor has to go through). Finally, we see the ‘post-establishment-phase’, which usually starts after the company has been set up and has entered into continuous operation. In terms of IPA-processes, this corresponds to After-Care and entails the continuous maintaining of contact and ensuring that the investor can operate as trouble-free as possible in the country to ideally encourage further investments in the future.

As we will see in the literature review, extant research mostly focusses on the ‘pre-establishment’ (or promotion) aspects of IPAs, but rarely discusses ‘establishment’ (facilitation) or ‘post-establishment’ (After-Care) aspects. I argue that it is these latter two aspects – i.e. the practical support for investors during and after ramp-up, that constitutes one of the key determinants why some IPAs are seen as “better” / “more professional” than others. This is a perception which arguably contributes to the success of an IPA and its ability to attract FDI.

3.2.1.2. Excluding incentives

Although fiscal and financial incentives are widely used in FDI attraction (Bartels & de Crombrugghe, 2009), I will exclude them from my deliberations when looking at investment promotion and facilitation activities. This is partly because Papadopoulos et al. (2016 – p. 623) stated that “several studies have suggested that high incentives and low business costs do not necessarily work as effectively as is commonly thought” [A similar observation was made by Bauerle-Danzmann & Slaski, (2018 – p. 4): “There is growing evidence that incentives very rarely work as intended”], i.e. both reflecting the increasing doubts in literature about the efficiency of incentives. Secondly, and for the purpose of this PhD more importantly, because I am more interested in

the actions that deal with managerial-liabilities and how these could be overcome, than the with monetary and fiscal attempts to influence location-decisions. I follow Wells & Wint (1990, 2000) who, while including branding, facilitation and other support activities, excluded the granting of incentives (see also Phelps, 2009, or UNESCAP, 2017 – p. 201).

This, however, is in stark contrast to most extant investment-promotion research, which focusses heavily on fiscal- and financial-incentives, and discusses them extensively in the context of FDI location choice literature (e.g. Wentworth, 2012; van Parys, 2010; Kransdorff, 2010; James, 2009; Cass, 2007; Cleeve, 2004; Rajan, 2004; Gergely, 2003; Bitzenis, 2003a; Blomstrom & Kokko, 2003; Fletcher, 2002; Zee, Stotsky & Ley, 2002; Telford & Ures, 2001). I would argue, that this strong emphasis on incentives is one of the reasons why research has neglected looking at IPAs and their other activities. This has also been observed by Lim (2008 – p. 40) who wrote “the role of IPA in attracting FDI has been the subject of only a few studies (Morisset & Andrews-Johnson, 2003; Wells & Wint, 1990), and the literature has never been clearly argued as to how IPA actively effects FDI inflows”. It appears therefore to be profitable to explore how IPAs help managers mitigate LOF (or rather, the whole range of uncertainties) they are experiencing and to see whether IPAs do in fact play a role in corporate decision-making (see also Riddle, Brinkerhoff & Nielsen, 2008). At any rate, irrespective of whether FDI-incentives should be considered as investment promotion (Hanson, 2001; Head et al. 1999; Charlton & Davis, 2004), or whether they should be seen as something separate (Wells & Wint, 2000; Loewendahl, 2001; Morisset & Andrews-Johnson, 2004; Cass 2007), I will exclude them from this PhD and purely focus on IPA services.

3.2.1.3. Number of IPAs and their development over time

Andersen & Sutherland (2015) and Lim (2008) clearly have a point, when they observe that IPA’s are an under-researched field. This becomes apparent when looking at a seemingly simple question such as: ‘how

many IPAs are there?’ Charlton & Davis (2007 – p. 1) estimated that there “might be more than 160 national level investment promotion agencies (IPAs) and more than 250 sub-national ones”, which is presumably taken from UNCTAD (2001 – p. VII), publishing these numbers 5 years earlier. Equally, Phelps (2009) and Morisset (2003b) as well as OECD (2005) are referring to UNCTAD (2001). Not far off these estimates are Zanatta, Costa & Filippov (2006) who put their number at around 500. In terms of academic literature Harding & Javorcik (2013 – p. 340) offered the highest estimate with: “there are more than 189 IPAs [= IPAs – *comment by the author*] at the national level and over a thousand at the sub-national level”.

Based on personal observation and discussion with industry insiders, I would tend to follow Loewendahl’s (2016 [online]) estimate that: “there are approximately 10.000 economic development organizations (EDOs) including investment promotion agencies in the world, with a remit for investment promotion”. The difference in numbers arguably partly stems from a definitorial question of what should be classed as IPA [hence my extended discussion of IPA organizational features – see 3.2.3], but mostly from a significant under-estimation of the regional and municipal structures by academic literature. Taking for instance the example of Germany: there is one national IPA (GTAI – Germany Trade and Invest), 16 State-level IPAs (e.g. Invest in Bavaria, NRW.Invest, etc.) and an unclear number of shire-based and municipal investment-, innovation- and trade promotion entities (see also Figure 6 and Table 5). These are either organized as private entities – and thus more clearly observable - (e.g. IFG Ingolstadt GmbH, Invest Region Leipzig GmbH) or dedicated offices in the bureaucratic structures of the local district offices (Landratsämter). Here the above-mentioned pattern repeats itself whereby practitioners regularly place the number of regional- & municipal-IPA structures significantly higher than literature. In the case of Germany, the president of the Association of German municipal Economic Development Agencies, admitting that they have no overview or members register, estimated the number of German municipal

Wirtschaftsförderung-Gesellschaften (any IPA-structures below the level of the nation or the federal states) at more than 1,000.

Researchers often also refer to the Members Register of WAIPA (World Association of Investment Promotion Agencies), according to which there are around 170 IPAs (from Afghanistan, Albania, Algeria through to Zimbabwe). This list however is highly problematic for determining the number of extant IPAs as there are for instance 7 entries for Brazil (national and some regional-IPAs) or 8 for South Africa (ditto), while the national IPAs of Sweden, Hungary, Latvia or Lithuania are missing.

Which brings us back to the definitorial problem stated at the beginning of this chapter and the need for a clear delineation of the terms, in particular, what should count as IPA? Only the high-level structures (national or State-level) or also include regional structures? Considering the support-function of IPAs and thinking back to the debate of LOF in the previous chapter, I would include all IPA structures that are directly involved in the attraction, support and retention of foreign investors. Including municipal structures, but excluding domestically oriented development offices (as for instance US-style EDOs).

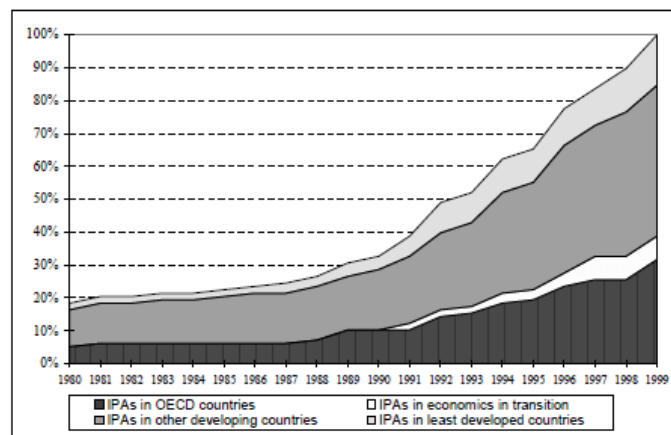


Figure 5 - Year of establishment of IPAs

With these caveats in mind, Figure 5 is a nice illustration of the relatively recent phenomenon IPAs constitute on a broader basis. While there

have been a few countries who ran IPAs relatively early on, the broad-based use of IPAs started from the 1990s onward. A further illustration of this fact can be found in McMenamin & Hill (the former, the then WAIPA president; the latter a World Bank specialist on FDI): “IPAs are only now becoming established” (McMenamin & Hill, 2000 – p. 25). Apart from their numerical increase, we can also observe a qualitative change. McMenamin & Hill suggested that “68 per cent of the agencies employ less than 20 individuals and one third employ less than 10” (McMenamin & Hill, 2000 – p. 25). Also, “few agencies have established a regional network in their own countries and fewer still have international offices” (Ibid). Twenty years later the OECD (2018a) survey shows a vastly different picture. While the number of IPAs who employ less than 10 people dropped to below 15%, those employing around 100 staff or more rose to 25%, (with some having as many as 420 staff (UK) or 307 staff (Ireland)). Even more importantly – two-thirds of the surveyed national-IPAs have more than 10 foreign offices. Countries like Japan (with 74 offices) or UK (60) far exceeding the mean (OECD, 2018a – p. 35). What is not even mentioned in this report is the vast number of regional-IPAs (many of on par with national-IPAs in terms of staff numbers and foreign offices – for example Catalonia, Bavaria or Flanders).

Last, we can observe a significant change in remit and tasks of IPAs over time. “While in the 1980s and 1990s, IPAs were primarily engaged with disseminating information on their country’s investment opportunities” (OECD, 2018a – p. 16), the expectation today is for more sophisticated support. Also, in terms of activities assigned to IPAs, we see changes from Investment Promotion agencies to combined ‘Trade & Invest’, agencies with responsibilities for ‘start-up, innovation and investment’ and various other combinations.

In conclusion, we can observe that IPAs have become an important tool of nation-states to attract FDI. One of the contributions of this PhD will be, to show whether, and if so how, these recently growing IPA structures lower managerial-liabilities. In the following two sections, I

will therefore characterize in detail the various types of IPAs and organizational forms to get a clear understanding of IPAs.

3.2.2. Types of IPAs & delineation from other entities in this field

In literature we find the observation that IPAs are a type of “promotion agency” (Hayakawa, Lee & Park, 2014 – p. 112), of which there are a number of different types:

- (i) the promotion of imports
- (ii) the promotion of exports
- (iii) the promotion of inward-FDI
- (iv) the promotion of outward-FDI

or a combination of these. As examples we can observe ‘pure’ Invest agencies, such as CzechInvest or the Irish IDA, versus ‘combined’ Trade & Invest agencies, such as in GTAI or UKTI (now dti). Literature on these promotion agencies is unevenly distributed. While there is a vast amount of literature on Trade Promotion or Export Promotion (Van Biesebroeck, Yu & Chen, 2015; Lederman, Olarreaga & Payton, 2010; Volpe-Martincus & Carballo, 2008; Rose, 2007; Lederman et al., 2006; Ahmed et al., 2002), there is considerably less on investment promotion.

Following the limited literature on IPAs, we can observe a typological shift in their make-up. While UNCTAD, reviewing 173 national-IPAs in 2009 (see Table 4), found that more than half of them were focused exclusively on investment promotion, [rather than a being combined Trade and Investment Promotion agency (UNCTAD, 2009)], the picture had changed a decade later.

Table 4 - Share of Investment Promotion Agencies versus Trade & Invest Agencies

Region	Investment Promotion only		Trade & Investment Promotion		Total
Developed economies	21	55%	17	45%	38
Developing economies	72	60%	48	40%	120
Transition economies	7	47%	8	53%	15
World	100	58%	73	42%	173

adapted from UNCTAD, (2009), “Promoting Investment and Trade: Practices and Issues”, p. 12

A decade later OECD found that “merging export and inward investment promotion has become an increasingly adopted strategic choice by governments. While countries like Japan, Korea and the United Kingdom have been pioneers in merging their investment and export promotion functions into a single agency in the 1990s, a number of other agencies have followed a similar path in the past ten years. This includes Australia (2008), Switzerland (2008), Germany (2009) Spain (2012), Sweden (2013), Greece (2014), France (2015), and Poland (2016-17)” (OECD, 2018 – p. 25)

The main argument for merging Trade Promotion Organizations (TPO) and Investment Promotion Agencies (IPA) to Trade & Investment Promotion Agencies are efficiency gains said to be generated via shared activities (marketing the country), shared functions (e.g. human resources, accounting) and shared office infrastructure (e.g. computer and telephone networks) (UNCTAD, 2009 – p. 44). This argument is however not uncontested. While some argue that knowledge sharing might be possible (see the example of the Serbian Investment and Export Promotion Agency (SIEPA) in UNCTAD, 2009 – p. 38), others argue that the tasks are too dissimilar. Investment promotion deals with highly complex, capital-intensive projects, which mostly involve the top-management of the company, while trade promotion is largely operational and hence deals with sales and purchase staff (Ibid). Looking at such IPA-structures issues through the lens of the IPM-model, a combined Trade & Invest Agency does, based on the establishment-chain theory, appear to make conceptual sense.

Other entities:

As mentioned above, Investment Promotion is a crowded field of public, semi-public and private entities; the most important of which are:

- On the private/for-profit end of the spectrum are **location consultants** who advise managers on where to locate their future plants, while at the same time advising IPAs on how to best serve corporate clients (and act as lead generators).
- Another set of ‘private’ actors are **industry clusters**. These industry- or

sector-specific entities traditionally do not focus on FDI support but are often instrumental in networking and contact-building for foreign firms, thereby covering one central aspect of IPA support activities during the facilitation phase.

- One of the most important of the public / semi-public structures in foreign investor-support are **Chambers of Commerce**, either the domestic Chambers (in the example of Germany – the IHKs, advising local as well as foreign firms in Germany), as well as the foreign Chambers (AHK or Auslands-Handels-Kammern). There are similar German structures in most countries of the world, set up in close cooperation with local Chambers (e.g. Indo-German Chamber, etc.). Their main task is to advise German businesses on how to enter the market in Trade as well Investment terms, offering a network of German contacts in the host-country. AHKs often enjoy greater levels of trust as they are not seen as marketing agency of the host-nation, but instead a support-function of the home-nation of the investor. Similar structures exist for most OECD countries (AmCham for the US, or British Chambers around the world)
- Equally important in helping companies set-up production units, especially in developing and transition countries, are **SEZs (Special Economic Zones)**, and their closely related forms EPZs (Export Processing Zones), EOU (Export Oriented Units) or FTZ (Free Trade Zones). SEZs usually also tend to be able to rent (in rare cases sell) real estate, a fully operational infrastructure (power connections, internet, gas etc.) and often even preferential tax and legal arrangements. According to the World Bank (2017) the critical characteristic of the approximately 4,300 globally active SEZs are (a) delineated areas (often fenced areas with their own security), (b) of containing multiple companies (in contrast to single-factory export zones) and having (c) a zone management, coordinating activities within the zone (World Bank, (2017 – p. 12),

While all of these structures support managers in mitigating LOF when investing in foreign markets, I limit the remit of this PhD exclusively to looking at the activities of IPAs. This is mainly for practicability reason, as I need to define a

bounded area of research. Arguably, SEZ or Chambers would prove to be equally interesting areas of research – but in an organizationally fluid and overlapping field, delineations need to be drawn to define the area of research and operationalise the current study.

3.2.3. Organizational Structure of an IPA

While, as outlined above, several other types of organizations are active in this wider field, it is particularly IPAs who are tasked with inward FDI-attraction. IPAs usually are not monolithic entities, but instead complex multi-level structures of national, regional and municipal agencies, who work closely with the other players (ministerial or governmental structures, as well as public and private sector actors).

In this section, I look at how IPAs are organized, discuss national and sub-national structures, foreign offices and One-Stop-Shops as well as their status as public, semi-public or private entities. Given the considerable variation in organizational forms of these agencies (Rota & Salone, 2012) I will also point out where key differences lie. This is important, not only in the sense of accurate description, but also given that organizational forms are variables that can affect the performance of IPAs; variables “such as the allotted budget, the legal status and governance system etc.” (Rota & Salone, 2012 – p. 192). While it seems obvious that IPA-performance is influenced by the size of the agency, parameters such as whether the IPA is part of the ministerial bureaucracy and directly reports to a ministry (Guimon & Filippov, 2012), or a public entity separate from government, or even fully private (Phelps & Wood, 2018) appear to not be insignificant. According to the OECD Report (2018 – p. 8) 31% of IPAs are part of ministries, while 60% are autonomous public agencies. Only a minority of 6% are joint public-private agencies. ECORYS (2013) found that semi-governmental IPAs with large private sector elements are performing better than IPAs, which are part of the governmental bureaucracy.

The degree of IPA-heterogeneity is illustrated by Table 5 (an excerpt from a much larger OECD survey of IPAs). Given that investment promotion activities are often part of a bigger agencies (i.e. either Trade & Investment agencies or sub-sections of large ministerial bureaucracies), care needs to be taken with

regards to comparing staff-numbers. Nevertheless, the difference in size of IPA-structures is striking. While the UK has 420 staff in Investment Promotion alone, countries of a comparable size show significantly lower numbers (e.g. Germany 65 staff or Spain 30 staff). However, it also serves as an example how problematic such comparisons can be. While Spain is said to have 30 staff in investment promotion it also claims to have 40 offices abroad (given that foreign offices are mostly attached to Embassies and therefore count as diplomatic staff). Or, while the 93 staff of the Czech Republic – a monolith agency – probably represent the total number of people engaged in investment promotion in the Czech Republic, the 65 staff in Germany only represent the GTAI (i.e. national-IPA) staff, but fail to account for the 16 State-level IPAs in Germany, some of which (Bavaria, North-Rhine Westphalia running agencies on par with most national-IPAs in Europe). So, while these OECD- figures are problematic, they are by far the best and most comprehensive survey of IPAs we have to date.

Table 5 - IPA size and institutional characteristics

		<i>Total agency staff</i>	<i>Investment promotion staff</i>	<i>Number of foreign IPA offices abroad</i>
AUS	Autonomous Public Agency	1056	132	36
AUT	Autonomous Public Agency	23	23	0
CAN	Governmental	66	66	35
CZE	Autonomous Public Agency	147	93	10
DEU	Autonomous Public Agency	360	65	14
ESP	Autonomous Public Agency	614	30	44
FRA	Autonomous Public Agency	1480	150	33
GBR	Governmental	2315	420	60
HUN	Autonomous Public Agency	129	84	0
IRL	Autonomous Public Agency	307	307	19
JPN	Governmental	1773	n/a	74
NOR	Autonomous Public Agency	689	3	0
POL	Autonomous Public Agency	104	43	6
SWE	Joint Public-Private Agency	474	32	13

Source: excerpt of the OECD survey of Investment Promotion Agencies (2017) in OECD, (2018 – p. 35)

Such institutional heterogeneity and imprecision in numbers should make it difficult (if not impossible) to undertake quantitative, model-based research and arrive at meaningful observations or outcomes on IPAs. Never-the-less

(and as illustrated by Annexe B), most extant IPA-research does try to do just that. I would therefore argue that the most insightful research pieces with regards to IPA are qualitative in nature (see also Guimon 2009 – p. 371).

Finally, “successful investment promotion and facilitation cannot be undertaken in isolation by one agency alone, but relies on a dynamic investment eco-system” (OECD, 2015a – p. 6). IPAs operate within networks of public and private actors (e.g. business associations, third party specialists, permitting authorities) to be able to deliver.

3.2.3.1. National / sub-national IPA structures

While smaller nations, such as Ireland or Hungary (Zanatta, Costa & Filippov, 2006) or Bulgaria and Denmark (Loewendahl, 2001), only have one central, monolithic (i.e. national) IPA, larger countries, such as the United States, Russia or Spain (Guimon, 2009), Germany, France or Brazil, operate a more layered system, where the centre (i.e. national IPA), is supplemented by IPAs of the federal states and/or regions. An exception is Belgium, which only has regional agencies and no unifying national entity (Crescenzi, Di Cataldo & Giua, 2019). In some instances, the centre (national-IPA) is a relatively weak one, while power and policy-decisions rests at the State / regional level (e.g. US or Canada), while in other countries there are both strong national and regional elements, each competing for investment out in the market (e.g. both having own foreign offices – Bavaria vs. Germany, Catalonia vs. Spain).

The different organizational forms often engender different policy aims. While country-wide IPAs enjoy a better international visibility, acting as first point of contact, they might in some cases aim to direct FDI towards specific under-developed regions of the country that need inward investment and jobs (placing national development interests above investor interests). Sub-national entities, by definition deal with smaller geographic jurisdictions, which often means better “in-depth knowledge of local conditions relevant to investors, closer ties with local governments, [...] stronger capability to address investors’ operational day-to-day bottlenecks” (Crescenzi, Di Cataldo & Giua, 2019 p. 1), in

short, often offering a more proximate and better-established local service (Monaghan, Gunnigle, & Lavelle, 2014).

The importance of regional-IPAs must not be underestimated. Brown & Raines, (2000 – p. 7) for example suggests that FDI promotion “has increasingly become a regionalized sphere of policy”; something Rota & Salone, (2012 – p. 192) echo, when stating that “Compared to other FDI strategies, regional-IPAs in fact have proved to be more flexible [..], more effective in matching the local and the global interests and [..] more aware of the needs and opportunities”. This would indicate that regional IPAs are more active in practical help and facilitation. In order to explore this idea further, we not only need to understand what these managerial-liabilities are (as discussed in Chapter 2), but also understand how IPAs work and are structured.

To illustrate the layered structure of big IPAs, I shall outline an IPA in the context of the example of Germany’s Investment Promotion structures (see

Figure 6) – starting from the national entity (GTAI), via the State-IPAs of the 16 federal States of Germany, down to regional and municipal structures.

Germany, being structured as a Federal Republic, has a strong political second-tier – i.e. ‘the Länder’ (Bavaria, Saxony, Niedersachsen, etc). All of these have their own State-level IPAs, some of which – like ‘Invest in Bavaria’, ‘NRW.Invest’ - are sizeable organizations that run large networks of own foreign offices, rivalling many national IPA-structures. These invariably compete with the GTAI foreign-offices for investor attention. Below the level of Länder-IPA’s there is an even larger number of regional- and city-IPAs, promoting the narrow geographical area they are located in.

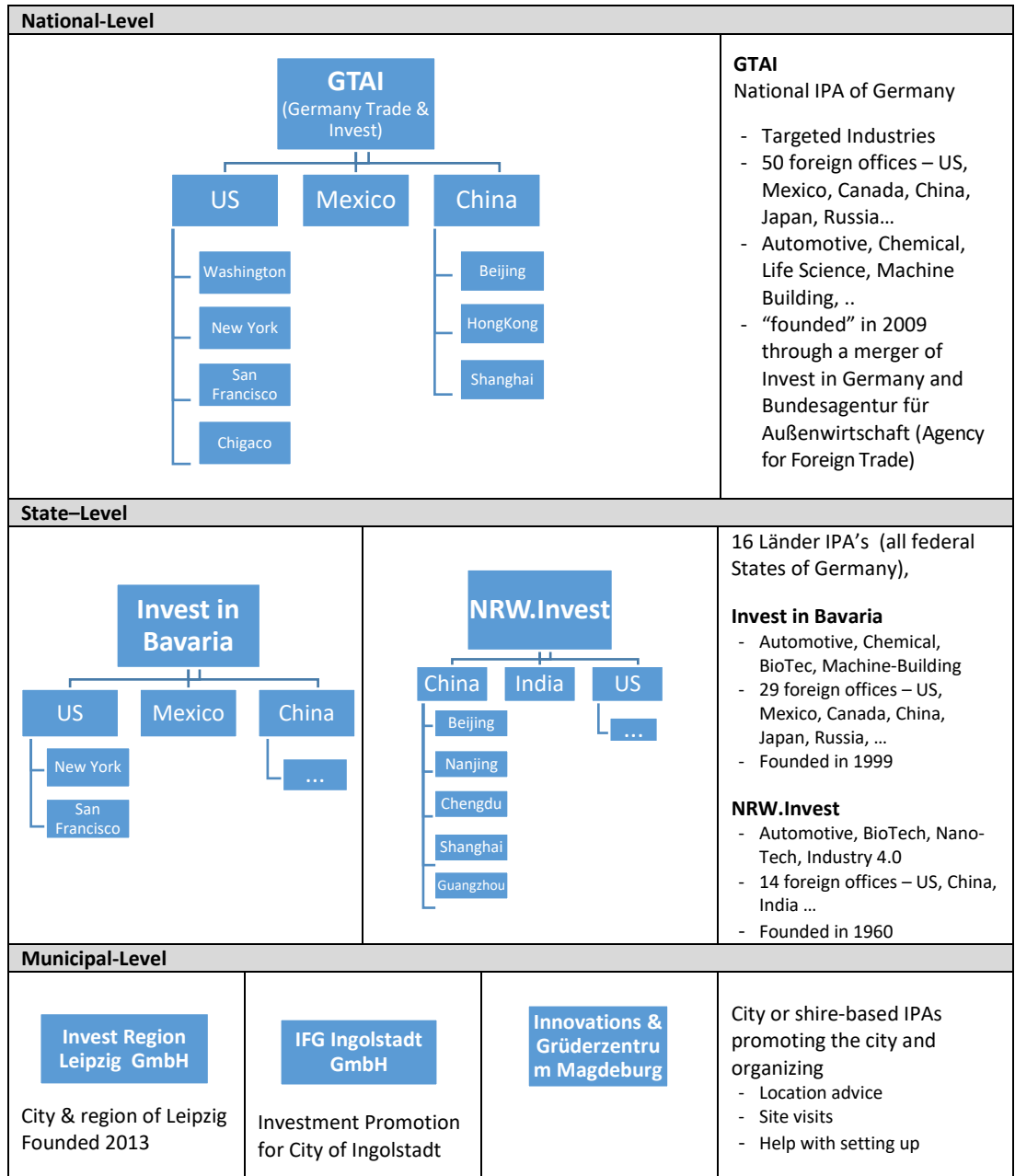


Figure 6 - Structure of German investment promotion

Another difficulty in comparing such entities arises from the fact that many of them have different objectives. This is usually reflected in the names given to these structures; “Berlin partners for the economy and technology” or “Agency for the future of Brandenburg” (see Table 6) – displaying a much broader remit than merely attracting inward FDI, extending into innovation, technology and start-ups. Rheinland-Pfalz

organized its State as a bank while Bavaria has a whole net of semi-public entities (Invest in Bavaria, Bayern International, and technology focussed bodies – all staffed 50 – 50 with civil servants and business people in order to “speak” the language of business as well as of the public administration).

Such a disparate scene obviously makes it difficult to locate State-level entities (not helped by the naming of these agencies which does not make it immediately apparent that we are dealing with an IPA).

Table 6 - „Länder“-IPAs in Germany

Federal States	
•Baden Württemberg	Baden-Württemberg International
•Bayern	Invest in Bavaria
•Berlin	Berlin Partner für Wirtschaft und Technologie GmbH
•Brandenburg	ZukunftsAgentur Brandenburg
•Bremen	WFB Wirtschaftsförderung Bremen GmbH
•Hamburg	HWF Hamburg Business Development Corporation
•Hessen	Hessen Trade & Invest
•Mecklenburg-Vorpommern	Invest in Mecklenburg-Vorpommern GmbH
•Niedersachsen	Select Niedersachsen
•Nordrhein-Westfalen	NRW.Invest
•Rheinland-Pfalz	Investitions- und Strukturbank Rheinland-Pfalz
•Saarland	gwSaar Gesellschaft für Wirtschaftsförderung Saar
•Sachsen	Wirtschaftsförderung Sachsen
•Sachsen-Anhalt	Sachsen-Anhalt Investitions- und Marketinggesellschaft
•Schleswig-Holstein	WTSH Wirtschaftsförderung & Technologietransfer Schleswig-Holstein
•Thüringen	Landesentwicklungsgesellschaft Thüringen mbH (LEG Thüringen)

These IPA-structures are then further supplemented by 220 German Embassies and Consulates as well as 130 AHKs (Auslands-Handels-Kammern = Foreign Chambers of Commerce). The latter are primarily facilitating German businesses setting up abroad, but increasingly developing into a conduit for foreign firms seeking to establish themselves in Germany. An American company from New York, seeking to invest in Germany would (as illustrated in Figure 7) therefore find itself with a multiple of potential contact points. The New York foreign office of (1) GTAI (national-IPA), the New York foreign offices of various regional-IPAs (such as Invest in Bavaria (2), as well as the New York office

of the (3) AHK (i.e. in the case of the US the German American Chamber of Commerce). Besides that, there would be the Economic Attaché of the Consulate General of Germany in New York and the industry-focussed German Cluster eco-system, which – in order to enhance the competitiveness of their Cluster – also seeks to attract foreign companies to complement the value or supply chain (i.e. the Automotive Clusters)

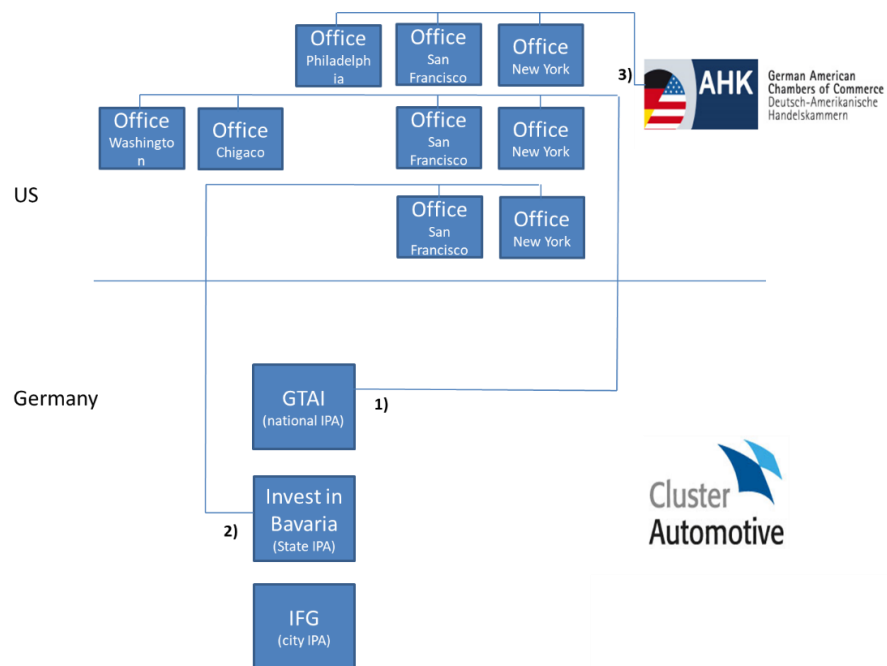


Figure 7 - Example of German foreign offices / IHK in the US

Similar, multi-layered structures exist in most large countries around the world. The US for example, has a national-IPA and 50 highly autonomous regional-IPAs, as well as a tight network of county- and city-economic development entities (with vast differences in terms of professionalism and quality). Spain's three-tier-ed system – e.g. ICEX – 'España Exportación e Inversiones' (national IPA), 'Invest in Andalusia' or 'Aragon-Exterior' (State-level IPAs) and 'Invest in Madrid' resembles very closely Germany's system. The practical problem of such multi-level structures is the complexity and confusing nature (novice investors

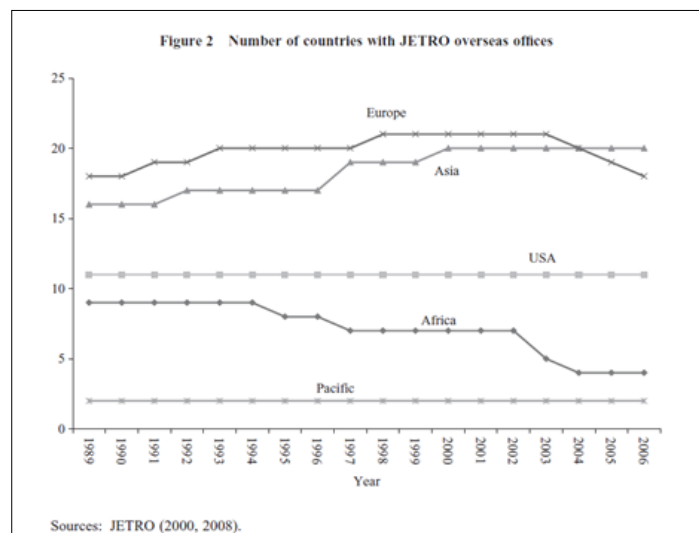
being contacted by multiple IPAs all stating there are a German IPA, trying to attract the investment), but also the inefficiencies and additional expense for tax-payers. The already mentioned mixed-structures / missions, with remits for overall economic-development, technology-transfer, innovation support and the inward investment support, often spreading activities very thin, ending up in being active in many fields, without doing anyone of them in a particularly professional way.

3.2.3.2. Foreign structures

Much like domestic IPA-organizations, there is considerable variance in their foreign structures. The principal form these can take is

- IPA-own overseas offices in key cities / regions
- Staff embedded in embassies or consulates
- Outsourced to Third-Party Service-Providers (e.g. EY, OCO, Conway).

The number of target market-offices obviously gives a good indication of how important countries/regions are considered by an IPA. Hayakawa, Lee & Park (2014 – p. 117) charted the development of JETRO's overseas offices (JETRO = Japan External Trade Organization, which deals with Trade and Investment Promotion) over the period of



1989 to 2006, high-lighting the importance JETRO places on the various regions of the world.

Figure 8 - Number of countries with foreign JETRO-offices
Source: Hayakawa et al. (2014 – p. 117)

OECD (2018a – p. 32) found, that on average OECD-IPAs has 34 offices abroad; this is however a further example for the difficulty of numerically assessing Investment Promotion structures. Most of these foreign offices focus primarily on Trade Promotion, and in many cases, only devote a very small share of their activities on Investment Promotion. Hence comparing one person attached to an Embassy or an office largely focused on Trade Promotion with a dedicated IPA overseas office is bound to result in a skewed picture.

3.2.3.3. One-Stop-Shop (OSS)

Given the complexities of greenfield-projects and the many contact points managers tended to have in host-nations, One-Stop Shops (OSS) have emerged. The ideal of an OSS would be “one government agency [that] has the authority necessary to grant all licenses, permits, approvals and clearances” (UNESCAP, 2017 – p. 267). This notion of a single contact-point “for all questions concerning investment policies” (UNCTAD, 2017b – p. 5), dealing with all the necessary paperwork on the investors behalf, has in practice however proven to be overly idealistic. Accordingly, various iterations of OSS emerged: “The ‘one-door’ (all government agencies represented in one location), ‘one-window’ (one agency having authority to accept applications for permits from all other agencies/ ministries) or ‘one-portal’ (online single window)” (UNESCAP, 2017 – p. 267)

Singapore’s EDB (Harding & Javorcik, 2013), Ireland’s IDA and MIDA - the Malaysian Investment Development Authority are successful examples of such OSS-structures (see Morisset & Andrews-Johnson, 2004; Sader 2003). While EDB and IDA have managed to obtain direct control over most approval procedures an investor typically has to deal with (Sader, 2003), MIDA acts more as a coordinator, sign-posting the investor to the relevant authorities. The most recent success-story of a successful OSS (in the more traditional sense of the word) is Kazakhstan where investors can apply for 360 different permits and licenses (UNCTAD, 2017b).

3.2.3.4. IPAs - governmental / quasi –governmental or private?

In terms of organizational categorization, IPAs can either be part of a ministry or set up as a governmental-entity that operates at arm's length with the ministries it reports to. At the other end of the spectrum are IPAs run as private-sector bodies. According to Ecorys (2013 – p. 38) IPAs mostly operate as quasi-governmental agencies; they found that 16% of IPAs are sub-units of ministries, 10% are entirely autonomous private-sector bodies – but 58% of IPAs – are semi-autonomous arm's length governmental agencies.

Especially with a view to the extant body of knowledge, it has to be observed however, that very little is known to date, how organizational structures of IPAs or strategies of investment promotion / facilitation, impact on their success rate in attracting foreign direct investment or in lowering managerial-LOF. In this PhD I will seek to shed light on the latter points – i.e. strategies of investment promotion / facilitation and the impact on managerial-LOF. With these observations as explanatory background I will now critically analyse extant IPA literature, and seek to work out what is covered in the current academic discourse, and where we might have persisting gaps in our understanding.

3.3. Investment Promotion Agencies (IPAs) – in Literature

I will start this section with an outline of the wider FDI-literature, within which IPA-research is set. For a better understanding of the context within which Investment Promotion takes place, I will also explore (a) the decision-making mechanisms in an FDI-context, and (b) look in some detail at the currently dominating Wells & Wint framework by which we have so far sought to understand IPAs. By systematically charting the current knowledge, I look at the areas (i) addressed and comprehensively explained by extant literature, (ii) those that are mentioned but insufficiently explained and finally (iii) areas that are not touched at all. Based on this, and based on the gaps I have identified in the previous LOF chapter (Chapter 2), I will then develop my Research Questions at the end of this chapter. These will then be the guiding principle for the assessment of practitioners' views on IPAs in Empirics I and II (Chapters 5 & 6).

It remains one of the key observations of this chapter that, despite the fact that most countries have established IPAs to increase FDI-inflows into their jurisdiction (OECD, 2006; Kersan-Škabić, 2015; Papadopoulos, et al. 2016), we have so far largely overlooked IPAs as a location-factor in FDI-research; this is all the more surprising, given that the little existing research we have on IPAs, points to their positive impact (Wells & Wint, 1990; Lim, 2005; Anderson & Sutherland, 2015; Volpe-Martincus, Carballo & Blyde, 2018). One might therefore assume that understanding how successful IPAs manage to attract investment, would be a prime topic of research in IB in its own right.

3.3.1. How is the IPA Literature set within the wider context?

To understand the relevance of IPAs in FDI-attraction, we need to briefly look at the wider developments in foreign direct investments over the past half century. During the 1960s & 70s most nations were very restrictive in terms of FDI. From the 1980s onwards FDI policies liberalized and opened countries up for FDI (De Beule & van den Bulcke, 2012; Phelps, 2009). Sauvart (2012 – p. 1) described this change as “national FDI screening agencies were replaced by investment promotion agencies – red carpets replaced red tape”. During the 90's and 00's we witnessed an intensifying competition for inward FDI. “Establishing an investment promotion agency (IPA) has become the most popular institutional approach in strategic FDI promotion across nations and

regions worldwide” (Guimon & Filippov, 2012 – p. 27), and by now, “virtually all governments worldwide seek to promote foreign direct investment (FDI) to support growth, welfare and prosperity” (OECD, 2018a – p. 11). Based on the premise that “host governments can motivate investment through investment promotion efforts using investment promotion agencies (IPAs) (Loewendahl 2001; Wells and Wint 1990; Young and Hood 1995 [*comment by the author – Young and Hood 1995 is mis-cited by Lim and should read 1994*])” (Lim, 2008 – p. 1.908), and based on the findings of several research pieces, we have reason to believe that the existence of IPAs seems to increase the inflow of FDI (Wilson, Baack & Baack, 2014; Andersson & Sutherland, 2015).

Looked at from an economic-theory perspective, Investment Promotion is a government intervention into the free market, which exists between the continuum of two different schools of thought. The neo-classical view is based on the premise that if governments manage to create a good investment climate, investors will be attracted to these investment opportunities (Kuncic & Svetlicic, 2011; Lim, 2008; Morisset & Andrews-Johnson, 2004). On the other hand, the interventionist view argues that due to market failures governments need to intervene (Harding & Jarvorcik 2007; Lall, 2000). A variation to the interventionist theme is the argument that “the presence in the local economy of foreign investors such as multinational companies (MNCs) and large transnational corporations (TNCs) generates positive externalities (high-level competences, new job opportunities, technological spill-overs, spin-offs and international relationships) which enhance productivity and employment” (Rota & Salone, 2012 – p. 189) and therefore warrants public-sector intervention.

With nearly every nation now having established an IPA, the question increasingly becomes, how can these IPAs become more successful in attracting FDI? But in order to contemplate this, we need to understand how corporate-managers take their location-decisions and what IPAs can do to influence these. Extant literature on location-decisions focusses strongly on macro-economic aspects such as:

- 1.) *market size / market growth* (Mottaleb & Kalirajan, 2010, Mottaleb 2007, Wheeler & Mody 1992)

- 2.) *availability and cost of labour*, unemployment rates (e.g., Walsh & Yu, 2010; Wernick, Haar & Singh, 2009; Bellak, Leibrecht & Riedl, 2008; Nunnencamp, 2002)
- 3.) *tariffs, taxes and exchange rates* (e.g. Guagliano & Riela, 2005; Blonigen 2005)
- 4.) *infrastructure* (Zhang 2001, Demekas et al. 2005; Botrić & Škuflić, 2006)
- 5.) *absence of corruption, commercial and political risk* (Habib & Zurawicki, 2002; Busse & Hafeker 2007; Sirr, Garvey & Gallagher, 2012)
- 6.) *agglomerations* (Head et al., 1999; Braunerhjelm & Svensson, 1996)
- 7.) *institutional context* (Bartels, Napolitano & Tissi, 2014, Herrera-Echeverri, Haar, Breton & Benavides, 2014; Bénassy-Quéré, Coupet & Mayer 2007)

Some of these factors also found their way into Dunning's (1988) taxonomy of FDI location-decisions – such as market size and growth (Dunning's notion of market seeking) or natural resource endowments (i.e. resource seeking). But few of these can be influenced by the nation of the IPA; certainly not in the short- or medium-term (although long-term, infrastructure or business climate might be improved). A new strand in the literature, based on a more behavioural approach, suggests that location decisions are not necessary always a purely "rational calculus" on account of the investors. Instead "firms take into account a wide range of factors in making direct investment" (Arita & Tanaka, 2013 – p. 7), such as institutional and regulatory barriers (Ibid), or pre-existing networks and cultural affinities (Gomez-Mera, et al. 2015). Maybe most interestingly in the context of IPAs, was the finding of OECD (2018b) that companies hesitate if managers feel they are lacking the necessary knowledge about aspects such as operational costs, potential business partners or relevant legislation in the potential location.

So, while macro-economic fundamentals are undoubtedly an important driver of investment decisions there are more dimensions nations can work on to influence investment decisions; for instance, steps to mitigate uncertainty and perceived risks of such foreign ventures. Gómez-Mera, et al. (2015 - p 6), pointed this out when writing that "government agencies and other bodies

tasked with the promotion of foreign investment may help mitigate the costs and obstacles confronted by potential investors, thus also shaping firms' decisions". The question of how important such investment promotion and facilitation activities are vis-à-vis other aspects is nearly impossible to determine as a general rule. This largely depends on the type of investment. Kusek & Silva accordingly wrote in World Bank (2018 - p. 36): "IPAs complement rather than substitute for a good investment climate and ecosystem."

IPAs are nevertheless one building block in the highly-context specific decision-making process and have a significant potential to swing the decision either way. Their near complete absence as location-factor in academic literature, and the overall relatively sparse attention the topic has been given in recent years, constitutes a significant lacuna this PhD seeks to address.

3.3.2. Overview of the existing literature on IPAs

A Durham University Online Library – “Discover” full-text search for “FDI” produced 49,201 peer-reviewed articles (or 81,347 peer-reviewed & non-peer reviewed hits). Searching for “Foreign Direct Investment” produced 52,244 and 94,028 hits respectively. On the other hand, a full-text search for “Investment Promotion Agency” produced only 357 peer-reviewed hits or 714 peer and non-peer-reviewed hits [“Investment Promotion Agencies – 291 or 428 respectively] in total. The majority of these however mention IPAs only in passing and treat them merely as “administrators” of fiscal and financial incentives. This is an aspect which was also commented upon by Crescenzi et al., (2019 – p. 6) “In spite of the diffusion of investment promotion agencies as a policy to attract FDI, empirical studies examining the effects of the promotional effort of IPAs are far and few between”. In fact, the majority of publications written on IPAs (those discussing IPAs, their procedures, structures and functions) do not even show up in academic searches. The biggest body of literature written on IPAs emanates from International Organizations (hereafter ‘I.O.’), (e.g. *‘Transnational Corporations’* - the publishing outlet of UNCTAD, reports from the World-Bank (incl. FIAS, IFC and MIGA), OECD or WAIPA.

In order to get an overview of the extant literature on IPAs, I have compiled a chronological list of publications focussing on IPAs (see Annexe B). Therein I have included all those articles that look at IPAs in the context of practical steps, helping investors settle in a host country, or with regards to IPA-activities mitigating LOF. Articles that look primarily at incentives or other host national specific characteristics have not been included in this list (see detailed notes at the end of the table). Out of the 90 articles included in this table, 51 are I.O.-literature while only 39 are peer-reviewed academic articles.

The distribution between academic and non-academic/I.O.-literature, as well as its development over time (as illustrated by Figure 9 - Number of published articles on IPAs), suggests a growing interest of both camps in IPAs. Up until 2007 academia hardly engages with the subject and publications emanating from International Organisations (UNCTAD, IFC, FIAS, MIGA) out-number academic papers two to one. After 2007 the interest of academia in the subject appears to pick up, with research output outpacing I.O.s (although still on a

relatively low level). Academic as well as non-academic research overwhelmingly seeks to demonstrate the efficiency of IPAs in attracting inward-FDI (Woodward, 1992; Lim, 2008; Deichmann, 2010, Harding & Javorcik, 2011; Anderson & Sutherland, 2015). These ‘outcome-driven’ research-pieces are dealing with the underlying question of, ‘What is their value for money?’ and tend mostly to be quantitative in nature (Charlton & Davis, 2007; Kerson-Skabic, 2015; Anderson & Sutherland, 2015; Ni, Todo & Inui, 2017).

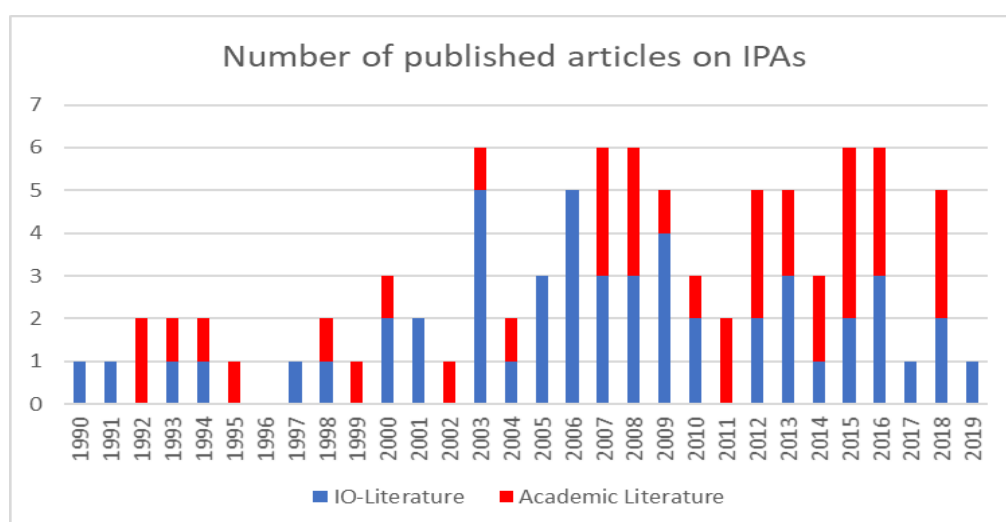


Figure 9 - Number of published articles on IPAs

Literature by International Organizations on the other hand, tends to be more policy-oriented, often in the form of best-practice examples or “how-to guides” (Loewendahl, 2001; MIGA, 2005; OECD, 2005, Sachs, 2006; UNCTAD 2013c, UNCTAD, 2013e), designed to assist governments in deploying successful FDI policies (Miskinis & Byrka, 2014; Guimon & Filippov 2012). However, Guimon (2009 – p. 369) admits even these guides are largely based on anecdotal knowledge, “the specific promotion strategies [...] remain still largely uncovered”. With regards to the geographical regions in which research is situated, there is no clear pattern emerging. While some authors nearly exclusively looked at developed country IPAs (e.g. Woodward, 1992; Kotabe, 1993; Brossard, 1998; Head, Ries & Swenson, 1999; Hayakawa et al, 2013) or a majority of developed nations (Loewendahl, 2001), there is equally research which is primarily looking at developing countries (Wint, 1992; Wint 1993;

Morisset, 2003b) or purely developing countries (Spar, 1998; OECD, 2010). A caveat: as soon as World Bank Census data / GIPB data is used – by definition – the majority of countries involved in the study are developing countries, based on the sheer number vis-à-vis OECD countries (see for example studies by Harding & Javorcik 2007, 2011 and 2013). Pre-2007 research emphasises Europe, the US and Japan, which can be explained with their earlier up-take of IPAs as well as the greater availability of detailed data. One interesting area, where – after 2007 – a lot of research developed was on transitional markets (especially Eastern Europe – e.g. Capik, 2007; Drahokoupil, 2008; Miskini & Byrka, 2014), again coinciding with the increasing use of IPAs in these countries.

To deepen our understanding of IPAs and how these have been researched, I look at research-methodologies, data sources used and the theories employed to discuss the topic (see the relevant columns in the table in Appendix B). Furthermore, I worked out whether research has been conducted at manager-level or on higher levels of aggregation. In order to make it more immediately apparent whether we are looking at academic or I.O. research (and thereby also high-lighting the various bursts of research-activity), I have coloured lines denoting academic/peer-reviewed research in blue, and non-academic / I.O. publications yellow.

(See Overview in Annexe B – page 364)

In the following three part-section I will look at extant literature in the sense of (a) what has IPA-literature debated and explained adequately (see 3.3.3), what has at best been mentioned tangentially and which areas have not been addressed at all (see 3.3.5).

3.3.3. Inventory I - Which aspects of IPAs does extant literature address?

In terms of the topics IPA research covers comprehensively we find topics such as incentives, targeting, One-Stop-Shops, foreign offices as well as wider organizational aspects.

3.3.3.1. Incentives

One topic discussed greatly in the context of IPA-literature, arguably even over-shadowing all other aspects of IPAs, are FDI incentives. As indicated at the beginning of this chapter, I will not discuss incentives in this PhD. Articles on incentives far outnumber articles on IPAs and their activities. Practitioners however consistently rank incentives behind stability, legal and regulatory as well as investment climate concerns in terms of importance, and only about 20% of investors consider their absence to be a deal-breaker (Kusek & Silva, 2018). The literature therefore seems to be failing to reflect practitioners' views.

3.3.3.2. Targeting

Literature often argues that 'targeting' is the closest to exploring "*WHY*" IPAs actually succeed, given the "positive correlation between sector targeting in investment promotion and attracting FDI" (Ecorys, 2013 – p. VIII). ECORYS, (2013) and Loewendahl, (2001) describe targeting as best practice and Charlton & Davis (2007) and Volpe-Martincus, (2010) observe that it is widely practiced. Like most concepts in IPA-research however, it is not particularly well defined. Enderwick (2005 – p. 116) points out that 'conceptual literature' describes targeting as a focus on specific industries or firms, while 'empirical literature' occasionally equates targeting with the provision of incentives and inducements. What it doesn't address however, are the far more important operational processes that (could) be the result of such targeting policies. If targeting is instituted with a view to the interests of the host-country, it effectively merely is a form of (positive) discrimination of certain preferred sectors (i.e. the objective is to support FDI-inflows to those sectors identified as preferred target-sectors and discourage

others – a good example for this would be Singapore or Switzerland who are becoming highly selective). Alternatively, if instituted from a procedural perspective, targeting could be an approach to limiting IPA-attention to a few sectors making the IPA successful because IPAs “require sector knowledge to generate information of high value to investors, but it is a complex matter for any IPA to be an expert in all sectors. It is therefore essential to examine and identify a few sectors of strategic value to national development and prioritize those” (UNESCAP, 2017 – p. 205). For the purpose of this PhD, I follow Charlton & Davis’s (2007 – p. 4) definition of targeting as “the practice of concentrating investment promotion resources on a small number of priority industries”.

3.3.3.3. One-Stop-Shops (OSS)

A much-discussed topic in IPA-literature are One-Stop-Shops (OSS), which are said to be a response to investors’ complaints about the complexity of FDI processes (i.e. the number of required investment-permits and approvals, the difficulty of finding the relevant authorities - see Daniel & Forneris, 2010). Thematically this is closest to the issues outlined in the previous chapter on managerial-liabilities. The problem with this topic however is that academic discourse finds pretty much no reflection in reality. While many authors, starting with Young & Hood (1994) and Wint (1991), have mentioned that OSS rarely work as promised, pointing out that investors register their needs with an OSS but then face a situation which Lall described as: “one stop shop becomes one more stop” (Lall, 2000 – p. 10), academic discussion still carries on. Yet, most recently UNESCAP, (2017 – p. 267) in “One-stop shop for FDI establishment: myth or reality?” again arrived at the conclusion that OSS do not work well in practice. For them to perform as suggested in literature, OSS would need to have the authority to grant licenses, permits, visas, - all vested in them (Sader, 2003). But apart from the political resistance of other ministries, such a super-agency that is competent in all aspects from VAT reimbursements, to health & safety certificates and building permits is very hard to realize practically (UNESCAP, 2017). Another explanation why OSS do not work

well in practice is mentioned by Singh (2018) who observed that most of the administrative processes (and therefore problems) arise at the federal-state / sub-national level (e.g. construction permits), while national OSS structures usually can't interfere in such sub-national processes.

The interesting aspect in the context of this PhD is, that OSS are an implicit acknowledgement that corporate managers do indeed struggle from managerial-liabilities and in favouring facilitation-type support point to the above mentioned disbalance on IPA-discussion.

3.3.3.4. Foreign structures

A number of academic articles mention foreign office, with Hayakawa, Lee & Park (2014) researching the issue the most comprehensively, by charting the number of JETRO overseas-offices over the period of 1989 – 2006 and deducing the importance of various home-markets based on the level of engagement in terms of foreign offices.

3.3.3.5. Organizational integration of IPAs in ministerial bureaucracy

According to Ecorys (2013 – p. 38), IPAs are mostly quasi-governmental agencies – i.e. 58% of them are semi-autonomous agencies reporting to a ministry, while 16% are sub-units of ministries and 10% are entirely autonomous private-sector bodies. Rota & Salone, (2012 – p. 197) came to a roughly similar conclusion, when they found that “68,5 per cent were public-owned agencies”

In these areas, extant IPA literature mostly covers the ground comprehensively and we have a good understanding of IPAs. In other areas the literature covers them less thoroughly however; in the following section we will now outline these.

3.3.4. Inventory II - What does literature address – but not answer adequately?

There are large areas which are only discussed tangentially by academic and I.O.-literature. In terms of furthering our understanding of the Investment promotion and facilitation process, I see significant gaps in the areas of national/sub-national structures as well as the quality and competence of the IPA. Other aspects, are the highly heterogeneous nature of the actors in the FDI decision-making process and the breadth of additional players in the field. One argument, which is regularly made by literature, both here and in the LOF literature (see Chapter 2), but rarely ever explored in terms of its practical implications, is the concept of market failure and the tendency of research to over-simplify problems as mere information deficits.

3.3.4.1. National-/regional-IPA structures

While smaller countries, such as Ireland, Hungary (Zanatta, Costa & Filippov, 2006) or Bulgaria and Denmark (Loewendahl, 2001) only have a national IPA, larger, especially federally organized countries (e.g. United States, Russia or Spain - (Guimon, 2009)) operate a layered system of national- and regional- (or sub-national) IPAs.

While the existence of such regional-IPA structures is mentioned in extant research, there is very little discussion about numbers, functions and especially the role of these sub-national structures in FDI decision-making processes. One of the rare pieces of research we have on the subject, discusses the lack of coordination between Invest in Lombardy, Invest in Torino-Piemonte and other regional Italian IPAs (Campisi & Sottilotta, 2016); At the same time Rota & Salone (2012) consider regional-IPAs to be more flexible and investor centric, and Brown & Raines, (2000 – p. 7) even observed that FDI promotion “has increasingly become a regionalized sphere of policy”. This is arguably on account of sub-national entities offering more operational services and support investors (Monaghan, Gunnigle, & Lavelle, 2014), while national-IPAs tend to focus on promotion and international visibility. This has however not yet been researched in any detail. Given the large number of regional entities, and given the fact that many regional-IPAs are often

on par with national-IPAs (if measured in terms of foreign structures, staff or budgets), the literature is clearly lagging behind real-world developments. Especially economically powerful regions – such as Flanders, Bavaria or Catalonia - have developed highly sophisticated investment promotion and facilitation activities that go largely unrecognized by extant literature.

3.3.4.2. The 'quality' of IPAs

Assessing the quality of an IPA is a difficult operation, given that it depends largely on the corporate managers' expectation and is an inherently subjective process. One attempt to objectify such an IPA quality-measure were the Global Investment Promotion Best Practice (World Bank) reports 2009 and 2012. Key elements of these World Bank Global Investment Promotion Best-practice studies were test inquiries, which were sent to 189 national-IPAs. The result illustrates the vast differences in IPA performance. The World Bank (2012) report for instance "found that 80 percent of IPIs did not provide any response at all for one or both of the inquiries. [...] Sadly, this reflects the overall real-life experience reported by investors and site selection companies in the focus groups" (World Bank, 2012 – p. 27). Apart from getting answers in the first place, GIPB studies also showed that many of the answers barely exceeded the level of a mail-merge, i.e. sending out generic information and that they "made little effort to answer all of the questions of the potential investor" (World Bank, 2012 – p. 27). A further indirect measure of 'quality' of IPAs, is their apparent failure to be seen as key sources of information for managers in an FDI-situation, as **Fehler! Verweisquelle konnte nicht gefunden werden.** stated by Loewendahl (2018), IPAs are only considered to be the 4th most important source of information.

So, while it has been observed that "some IPAs are also said to be considerably more effective than others" (UNCTAD, 1997 – p. 22) and that "the investment promotion process could vary considerably between countries" (ibid), there have – to my knowledge - been no

attempts to understand what would constitute a good IPA, or why some are seen to be ‘better’ than others in the eyes of managers. We do not even know, whether this is due to PD-level aspects [i.e. “The importance of IPAs increases especially in the countries with a bigger cultural distance between the potential investors and the location” (Miskinis & Byrka, 2014 – p. 41)] or whether, as I would argue, this is owing to operational level considerations.

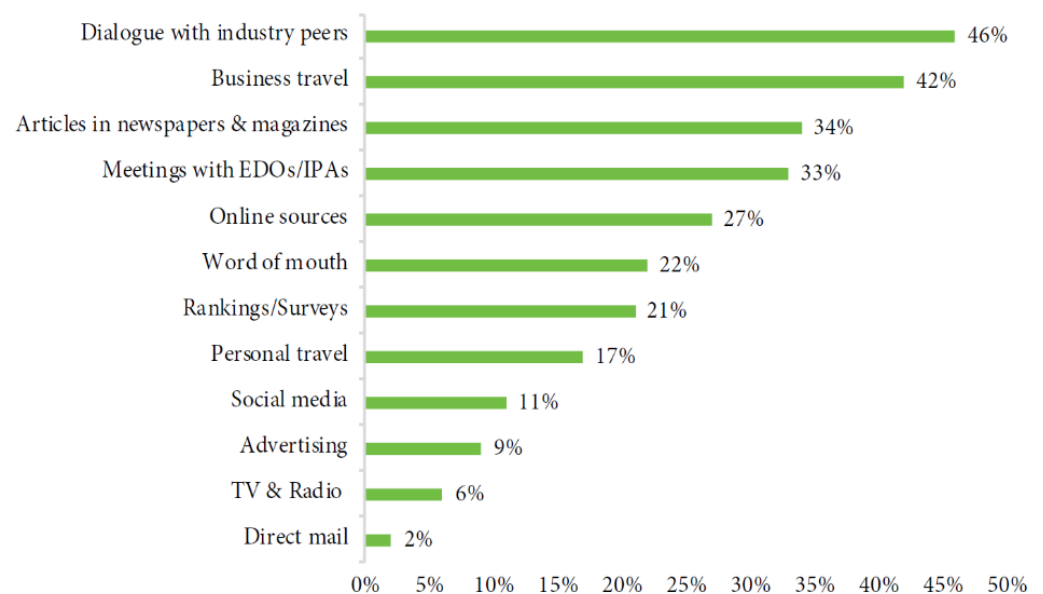


Figure 10 - Information-sources for executives

Source: Loewendahl, (2018 – p. 5)

With the exception of Harding & Javorcik (2013) who observed that with “Investment Promotion and FDI Inflows: Quality Matters” and Guimon’s (2009) discussion of quantity/quality of FDI, little attention has been devoted to the subject; which is why we need significant future research in this field, to which this PhD can only be a first step.

3.3.4.3. Heterogeneous nature of FDI parameters

Another aspect which is only tangentially touched upon in extant research is the heterogeneity in the field. While Morisset & Lumenga-

Neso, (2002 - p. 19) acknowledge the “enormous variance” between host-nations, most research still operates on the assumption of an ideal-typical investor and a typical investment-project. Instead we can observe vast differences in different FDI-projects, which arguably require different responses and which – if treated or measured in the same way – are arguably the reason for the contradicting research outcomes. Countries like Andorra or Lichtenstein need to raise awareness about themselves, while countries such as India or Brazil have a completely different set of tasks (e.g. helping investors find their way through two tax systems that rank among the most complex in the world). Facilitation and practical support are therefore far more important in the case of the latter two countries, than in the two former ones.

Similar differences emerge on the corporate side; a Tier-2 supplier in the automotive industry, who is following a big OEM, might have less freedom where to locate their greenfield-project compared to a pharmaceutical company which is practically free in their decision where to locate their production. Medium sized companies with little previous internationalization experience will approach an FDI-project in a fundamentally different way than an MNC with 90 subsidiaries scattered across the world. One of the first to recognize such differences – especially with a view to IPAs - is the World Bank report (2018 – p. 36/37). It stated: “MNCs involved in efficiency-seeking FDI value IPA services more highly, with 52 percent of respondents identifying IPA services as important or critically important, compared with 37 percent of investors involved in other types of FDI”. Nonetheless, even this research-piece only thinks in the categories of Dunning’s (1988) framework of resource-seeking, market-seeking, efficiency-seeking or strategic-asset seeking, rather than the wider set of country-, firm- and manager-specific aspects.

Finally, as already touched upon, managers are a highly heterogeneous group in themselves. It should therefore be obvious that owing to different interests, backgrounds and circumstances a vast number of different constellations arise for which specific investment promotion

and facilitation policies must be crafted (Bauerle-Danzmann & Slaski, 2018). Extant literature however treats investors and investment projects largely as being the same and following more or less the same rules.

3.3.4.4. Heterogeneous nature of other players in the FDI-field

Similarly, the wider eco-system of investment promotion & facilitation is characterized by a broad range of different actors, such as SEZs, EOUs or Chambers of Commerce. On top of these, there are private-sector/for-profit actors such as location-consultants (e.g. OCO, Conway, IC Associates, Buck, Oxford Intelligence) who play a multi-faceted role in investment attraction. These location-consultants advise and support IPAs (lead generation, policy advice and training), but are also offering their services to corporate investors (in the form of site selection services). This makes the market a highly opaque one and a market in which – especially novice investors – find it hard to understand the various interests and agendas of the players concerned.

In addition to this, there are hidden agendas based on the working-practises of this field. Location consultants, for instance, are often remunerated by a pre-determined %-cut of the negotiated incentive package. Hence, many of the more experienced corporate managers suspect that they are advised more on account of where the bigger incentive packages are to be had, rather than where the best location for their needs could be found. Big4-type accountants on the other hand are often seen to make processes unnecessarily complicated on account of being remunerated by the hour. With location-consultants generating a larger portion of their income by advising IPAs rather than corporate managers, there is clearly an additional level of conflict-of-interest. Thomas (2011 – p.10) suggests that location-consultants might be especially beneficial to smaller and less experienced firms to deal with information asymmetries; on the other hand, it is especially these novices to the FDI-game who are most vulnerable to the above-mentioned effects.

All of these players are procedurally tightly interlinked (for instance Big4 and location consultants providing services to IPAs but essentially compete with each other for the business of advising managers; or location consultants depending on the data from IPAs to produce the proposals for firms). This highly intransparent market, together with often conflicting advice given by different actors, is arguably one of the reasons why many corporate managers stop trusting any of the players and simply operate on gut feeling. Except for Phelps & Wood (2018) Thomas (2011) and Markusen & Nesse (2007), we have little existing literature discussing the various players, and - to my knowledge - no one is looking into the conflict-of-interest situations emerging in current investment promotion

3.3.4.5. Market failure

In practically all research pieces on trade-, export- or investment-promotion agencies, the justification for this type of government involvement is based on the notion of market failure (Lederman et al. 2010). This usually argues that imperfect information results in inefficient production or use of goods/services; a situation that is classed as market failure. While extant literature does have a point, in that there may well be inefficiencies, I would argue that the real problems – and hence the *raison d'être* of IPAs – lie at a more operational level. This is however, owing to a lack of operational manager-perspective understanding not addressed in extant studies. Rather than approaching the subject on such a highly abstract level, I therefore propose the more operational, manager-level perspective and approach.

3.3.4.6. Information provision – What kind of information?

It is well established that “international investors, who intend to invest in a foreign market, often lack specific information” (OECD, 2018a – p. 16) and that “Investment promotion agencies (IPAs) can contribute to alleviating these informational failures” (Gómez-Mera et al., 2015 – p. 14). In fact, in terms of support activities extant literature nearly

exclusively emphasizes this information-provision aspect (Mariotti & Piscitello, 1995; Morisset & Lumenga-Neso, 2002, Kachwamba & Sæbø, 2012).

One could argue though, that extant literature is too unspecific in terms of its discussion of the topic. With regards to the information / knowledge needed, Fletcher & Harris (2012) developed a distinction, which, has largely been overlooked, but is highly pertinent in our discussion of how to overcome managerial-liabilities. They divided lack of information / knowledge into (i) country-/ market-specific knowledge and (ii) process know-how of internationalization. When talking about market-knowledge, they referred to information needs of managers regarding institutions, regulatory frameworks and rules (see also Eriksson, Johanson, Majkgard, & Sharma, 1997) as understanding the market and how to operate in it (Johanson & Vahlne, 1977, 1990, 2009). Internationalization-knowledge, according to Fletcher & Harris is the experience of how to execute internationalization projects (see also Welch, Benito, & Petersen, 2007). Extant discussions of IPA-activities are very strongly skewed towards the distribution of factual knowledge. While in the 1980s and 1990s when: "IPAs were primarily engaged with disseminating information" (OECD, 2018a – p. 16) such an approach was needed (i.e. pre-internet age), it arguably increasingly misses key-aspects of reducing managerial-liabilities (LOF, LOO, LOP).

Some of the first to recognize this, and neatly draw together the strands of information and manager level research are Stoian, Dimitratos & Plakoyiannaki, (2018) when stating that "advisors" are sources of knowledge for internationalizing firms, which arguably goes beyond mere information, something also stated in some extant research. (Miskinis & Byrka (2014 – p. 50) have noted that the role of IPAs involves more than merely disseminating information, pointing to Singapore's EDB, the Welsh Development Agency and CzechInvest as best-practice examples). Finally, a point which also links to 3.3.4.4, is that to understand the complex interplay of actors in this field "it hence becomes imperative to investigate not only the perspective of managers but also the viewpoint of relevant advisers for internationalization"

(Stoian et al., 2018 – p. 769). They furthermore observe that in internationalization-research “the voice of the advisers remains almost silent” (ibid, – p. 768).

3.3.5. Inventory III - What is not even addressed by literature?

Finally, there are aspects which haven’t even been discussed by academic and/or I.O. literature. This includes in particular the lack of a managerial-perspective and an understanding of what managers would conceive as a helpful (and hence arguably successful) IPA. Finally, I would add the over-emphasis on pre-establishment / promotion related aspects, and the lack of discussion of establishment / facilitation related topics.

3.3.5.1. Managers are rarely ever mentioned

While Contractor, Foss, Kundu & Lahiri, (2019 – p. 4) state that “managers have long been central in international business research, such as in work on the internationalization process (e.g., Johanson & Vahlne, 1977; Welch & Paavilainen-Mäntymäki, 2014)”, most research is – as already observed above - conducted at firm level [e.g. “The internationalization process *of the firm* has been the subject of considerable research” (Hutzschenreuter & Matt, 2017 – p. 1,131) or “the knowledge processed by *the firm* [...] to successfully operate in a new market, result in *the MNEs* facing a liability of foreignness that increases the risk” (ibid – p. 1,132)]. If internationalization is about overcoming ‘Liability of Foreignness’ (Petersen et al., 2003), it is particularly our understanding of the LOF through the eyes of those who suffer from it, which will deepen our understanding. Only if we understand what is seen as ‘the hassle’ (Schotter & Beamish, 2013), we have a hope of being able to address it. Despite it not being new that managers are important, we have surprisingly little research looking at the managerial-liabilities in an FDI-context. Hence, “more scholarly attention needs to focus on how the background, proclivities, and behaviours of key managers in MNCs” (Contractor, Foss, Kundu & Lahiri, 2019 – p. 4), impact on locational-decisions in greenfield projects. With

Schotter & Beamish (2013) remarking that it is the managers who are deciding where foreign entities are to be located and with Buckley et al (2018 – p. 154) observing that “it is increasingly conceivable that observed FDI risk-taking may be more the outcome of managerial cognition and responses than firm-level capabilities”, we have the first few voices supporting this view. When seeking to understand which activities IPAs need to engage in, in order to help managers, it should therefore be obvious to look at the problem from a managerial perspective. Nonetheless managers rarely feature in IPA-literature.

Conducting trade- or investment promotion research at a micro-foundationally inspired manager-level, we can “unpack or decompose [...] individual action and interaction” (Contractor, Foss, Kundu & Lahiri, 2019 – p. 6) to understand “the processes that aggregate individual actions into resultant strategy outcomes” (Ibid). Translated into my research-context: understand what IPAs need to do to influence managerial decision-making.

One further point in this context is, that if managers are looked at in research, they tend to be conceived as one coherent, monolithic block of people with similar outlook, aims and objectives. As stated above, one of the few exceptions to this are Global Investment Competitiveness Reports by the World Bank or Buckley, et al. (2007), who take job-titles/positions of managers into consideration. Particularly in the 2018 World Bank report, we get a glimpse on the differences of perspectives and attitudes towards IPAs by different corporate functions. It also establishes that presumably one of the weaknesses of extant research is an over-representation of CFOs vis-à-vis Operations people (who will have a different perspective on what is important in an FDI-project). In this World Bank Study 336 CFOs have been interviewed, versus 126 heads of units / departments and 18 directors of global operations or global manufacturing. (ibid, p. 41).

This might be one of the most powerful explanations why different decision-makers will “arrive at very different strategy-conclusions and

implementations” (Contractor, Foss, Kundu & Lahin, 2019 – p. 5). A problem which could arguably be addressed by situating research at a manager-level taking into account “individual-level knowledge, pre-acquired know-how, and international experience” (Stoian et al., 2018 – p. 769). Researching these aspects is of course difficult, as knowledge or understanding are difficult to capture; but to assume this factor away or research at a firm-level and ignore such considerations altogether will systematically distort research outcomes. Manager’s “individual’s cognition, interpretations, and perceptions for the international behaviour” (ibid – p. 770) are largely absent from IPA-research. But by systematically omitting to look at managers, their perceptions, interests and prior experience – and doing so with a view to their different functions - we further the short-comings. Aharoni (2010 – p. 73) has outlined this when writing: “MNE managers like all managers, display human limitations [...] Yet IB researchers tend to ignore management in their research, treating the firm as a black box”

I therefore argue that we (a) need to specifically focus on managers and (b) rather than look at them in a quantitative way, approach this question in a qualitative- exploratory way, seeking to understand the perspective managers take on FDI related aspects.

3.3.5.2. What is ‘a successful IPA?’

The first study looking at corporate managers’ perceptions of IPAs in detail, was the 2002 MIGA-survey which asked corporate managers what they considered to be the most important sources of information on Internationalization. In the order of their perceived importance these were: investment/merchant banks; large accountancy firms; national-IPAs; and specialized site selection & general management consulting firms. (MIGA, 2002 - p. 30) [for a similar study see Loewendahl, (2018) as already mentioned in 3.3.4.2]. Two further dedicated inquiries into the views of corporate managers on IPAs produced similar results. Gómez-Mera et al., (2015) researching the means by which managers became aware of investment opportunities, found that 66% cited existing customers or suppliers, 15% the company HQ and less than 2%

via contact with IPAs. A World Bank study a few years later found that “Only 43 percent of the surveyed investors say that IPAs are important or critically important in their decision to invest, the lowest among investment climate variables queried in the survey [...] while 14 percent rate IPAs as not at all important”. (World Bank, 2018 – p. 36)

Research outcomes like these are damning verdicts on a tax-payer funded type of organization whose very *raison d’être* is to support exactly these managers. It has been argued however, that the “relatively low rating of the importance of IPAs does not necessarily suggest that host countries should not strengthen them. The reverse could actually be true—that host countries currently offer poor-quality IPA services for investors, which is why investors’ perceptions are not very positive.” (World Bank, 2018 – p. 36). A further problem is that IPAs themselves are not sufficiently well known. [World Bank (2018 – p. 36) finds that: “only 11 percent of respondents use IPA services”, while on the other hand Gómez-Mera et al. (2015 – p. 46) come to exactly the opposite conclusion, stating that “IPAs appear to be a widely used and useful resource for investors”]. Even more interesting, more than half of people who have used IPAs find them useful, very useful or extremely useful (Gómez-Mera et al., 2015 – p. 46).

So, the question, ‘when is an IPA seen to be useful?’ seems to be closely tied to ‘when is an IPA successful’. While IPAs obviously need to work on being known (i.e. the promotion aspect), the research we have, gives rise to the assumption that it is especially the latter phases of the Wells & Wint cycle, that influence these perceptions. See section 3.3.6.2 [“Among the 11 percent of investors that did engage with IPAs, their services during entry and establishment were used most frequently. Investors used IPA services for assistance in registering and obtaining permits for a new investment (76 percent), expanding investment (59 percent), exploring locations for a new investment (46 percent), helping address operational issues or problems (41 percent), and finding domestic suppliers (28 percent).” (World Bank, 2018 – p. 37)]. But what current research is not telling us, and what I will formulate as my third

Research Question, is what is it that IPAs need to do to be seen to be helpful: provide information on these aspects; give practical support; have a network of third-party specialists at hand; or a combination of all of these?

3.3.5.3. Over-emphasis of Investment Promotion over Facilitation

Closely linked to the last point of the previous section is the observation that extant literature uses ‘investment promotion’ and ‘investment facilitation’ interchangeably. This is presumably the reason why it has not yet been remarked upon that literature is very strong on the pre-establishment / ‘investment promotion’ aspects (i.e. Image Building and Investment Generation) but largely omits discussing establishment / ‘investment facilitation’ aspects (i.e. Investor Servicing/Facilitation). Despite the World Bank (2018 – p. 30) finding that “the speed of obtaining approvals and permits ranks even higher than investors’ ability to own all equity in a project”, there is little discussion of hands-on support in getting permits, licenses or guiding the investor through the process of establishment. Facilitation (“make it easy for investors to establish, operate and expand their existing investments” (OECD, 2018b – p. 3) is primarily mentioned by I.O. publications or in the context of the organizational topic of One-Stop-Shops.

One of the very few to state the importance of such operational aspects, is (Loewendahl, 2018 – p. 8): “inquiry handling is critical to success [...] the decision to invest will be influenced by the quality of service provided by the IPA. [...] The better the quality of inquiry handling, the higher the “conversion rate” will be (i.e. the percentage of project leads that result in actual investments)”. This touches on the driving question for this PhD: are there specific managerial-liabilities investors struggle with, and can IPA reduce them and if so how? In other words, what is the nature or the essence of this quality of service Loewendahl talks about? Initial research which suggests that support mechanisms are seen as core to successful investor attraction (World Bank, 2012) and that many IPAs fall short in this (UNESCAP, 2017) would point to the importance of this question. Moreover, the observation of Kusek & Silva

(2018a – p. 26) that 73% of efficiency-seeking firms rate the ability to import production inputs as important, and 71% to bring expatriate staff (i.e. facilitation-related aspects), also point to the significance of such issues. I would argue that this PhD can add to our understanding in this crucial area.

3.3.6. Critical discussion of IPA Literature

In this section I critically analyse extant literature. The overview in Annexe B is – to my knowledge – a complete overview of the literature discussing IPAs in some detail. It highlights the relative scarcity of IPA-related literature, in particular, relative to the mass of research conducted in the wider field of FDI. We see approximately 50,000 peer-reviewed and 100,000 non-peer-reviewed full-text journal articles on FDI vis-à-vis a few-hundred articles on IPAs; with the latter's figure further reduced if we only focus on articles that primarily deal with IPAs as opposed to FDI-incentives. If we furthermore consider that with this IPA-literature most of the research efforts have been directed at whether there is a relationship between the existence of an IPA and inward FDI flows (i.e. quantitative outcome-related research), it becomes clear that we have very little research into how IPAs actually operate. Instead most of these articles are treating the tasks performed by IPAs as a black-box. One of the very few explanations describing what IPAs do or how they work is the framework by Wells & Wint, which might explain its popularity. However, not least on account of the changing information-provision habits due to the Internet, one can argue that their 1990 (and revised 2000) framework is outdated by now and requires new research. The strong quantitative focus of existing studies tends to largely overlook the role of managers and **how** IPAs help managers overcome LOF. This is not only a question of research-level (country-level versus manager-level) or methodological approach (qualitative versus quantitative), but also topical research-direction.

Looking at the topics discussed in IPA-literature, the functions 'Image Building' and 'Investment Generation' appear to be very strongly emphasised, and are arguably over-represented, while 'Facilitation' and 'Policy-Advocacy' are only mentioned in passing. Academic research on IPAs revolves largely around providing investors with addressing information-asymmetry, or correlations between IPA-existence and change in FDI-inflows. This strong emphasis on promotion could stem from the fact that these processes are more readily observable (brochures, websites) and fit neatly into extant academic concepts (marketing, branding), rather the more confidential facilitation activities which are too operational to fit into the extant theoretical models. This lack of focus

on facilitation – certainly in published research - is gradually being recognized: “At the national level, many countries have set-up schemes to promote and facilitate investment, but most efforts relate to promotion (marketing a location and providing incentives) rather than facilitation” (UNCTAD, 2016b – p. IX). This is an observation echoed by Hess & Cavalcante (2017) stating that while the WTO is beginning to identify investment facilitation as a key measure, in practice it has yet still to be taken up by most IPAs.

With pre-investment considerations (Beugelsdijk et al., 2018 – p. 89), such as promotional aspects, (location-choice and entry mode) resonating more with extant academic theory, we tend to overly focus on early-stage promotional-aspects and under-represent procedural aspects – thereby also omitting the managerial role. Papadopoulos, Hamzaoui-Essoussi & El Banna, (2016 – p. 619) therefore conclude that current investment promotion is too heavily focussed on the marketing-aspect: “it is worth noting that IPAs themselves were given a “middle name” that emphasizes the promotion component” and state that current practises may “not be in line with the requirements of the field as it has evolved over time”. Dorozynski & Kuna-Marsaek (2016 – p. 121) suggest that this lack of focus on facilitation might be a missed chance, as: “areas attractive to investors are those which help reduce investment outlays and operating expenses, which facilitate profit maximization and limit the potential risk of failure”. This ties in with the findings of Schotter & Beamish (2013 – p. 521) who wrote: “in addition to traditional location choice criteria (including investment potential, internationalization strategy, and various geographic and psychic distances), foreign location decisions in MNEs are influenced by how troublesome it is for managers to travel to or live in certain places”. The case of Costa Rica’s successful attraction of Intel also seems to point to the value of such helping-hand procedural approaches. Mortimore & Vergara (2004 – p. 511) point to this when they state that Costa Rica’s “practical problem-solving attitude [...] was particularly appreciated by the Intel site selection, legal, and tax teams” and might well have been the deciding factor in winning the project.

I.O. literature, often being written as part of development efforts (e.g. World Bank), invariably takes the country-perspective as opposed to a managerial corporate-view (i.e. focussing on host country interests such as promoting the country). With the Wells & Wint framework being used to deal with the heterogeneity of IPAs and their approaches, a recent OECD survey of IPAs

classed 10% of IPAs as Image builders (i.e. devoting the biggest share of their resources to image building) and 40% (Investment) Generators – i.e. both in the widest sense emphasizing Promotion, while 25% of the surveyed IPA are classed as Facilitators, (i.e. IPAs devoting the largest share of their budgets on investment facilitation and retention) (OECD, 2018 – p. 9).

Another striking feature of extant IPA-literature are the numerous contradictions in its findings, often arriving at diametrically opposing research outcomes. UNCTAD (1997 p. 22) states that: “promotion is meaningless if the investment climate is not appropriate”; Morisset (2003) supports this by finding that investment promotion is positively associated with FDI inflows when the agency operates in a country with a good investment climate and a relative high level of development. On the other hand, Harding & Javorcik (2011 – p. 1,465) arrived at the opposite conclusion, stating that “investment promotion is more effective in the presence of information asymmetries or more burdensome bureaucratic procedures”. This is a finding mirrored by Miskinias & Byrka (2014). The literature maintains that FDI-flows are closely correlated to market size, while on the other hand we have countries like Ireland or Singapore, being some of the most successful locations to attract FDI; so quite obviously there need to be additional factors at play which extant macro-based research overlooks. Guimaraes et al. (2000) pointed out that there is a positive relationship between labour costs and FDI inflow; Woodward, (1992) and Head et al. (1999) on the other hand claim that there is no correlation of FDI inflows and labour-cost. Lim (2008 – p. 51) found that, “simply increasing the resources of an IPA will not automatically lead to an impact on FDI inflows”. Morrisset & Andrew- Johnson (2004), saw a relationship between IPA budget and success in investment promotion activities. This list, which could be continued, is only meant to illustrate the confused state of extant discussion on IPAs.

3.3.6.1. Excuse: the literature on FDI decision-making processes

In order to understand how and why IPAs succeed we need to understand the thought-processes managers go through; Information asymmetry as a concept is arguably too broad an idea to be useful. We

need to understand which information managers need, why they need it and what they are using it for.

A reference point, many discussions of the FDI decision-making process link back to, is the ‘MIGA model’ (2006) – see Figure 11.

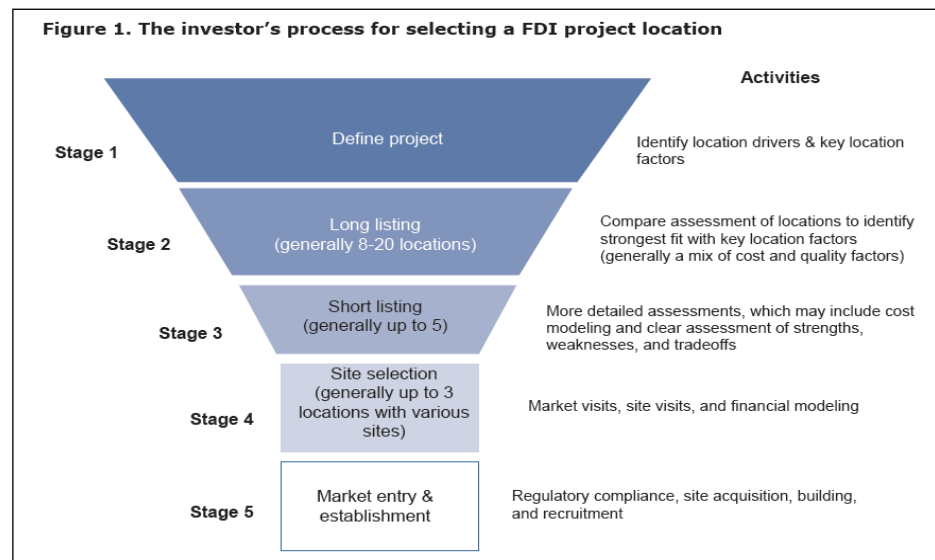


Figure 11 - MIGA-graphic - process for selecting an FDI-project location

Source: MIGA (2006), “Investment Promotion Agency Performance Review 2006” – p. 2

It describes an ideal-typical narrowing down of options, based on a set of pre-defined parameters, and is cited or referred to by many subsequent studies (Harding & Javorcik, 2011; Wilson & Baack, 2012). According to this model, companies start the process by drawing up a ‘long-list’ of up to 20 potential host countries (Harding & Javorcik, 2011; Ciobanu, 2015). This is also echoed by Spar (1998), in her Costa Roca case-study, describing how Intel’s location-selection team started via desk research. Spar mentions that this process was not intended to be particularly scientific and aimed at narrowing the list down rather swiftly, to a more manageable short-list of four or five countries. MIGA (2006) as well as Spar (1998) cite supply of labour force, cost structures, logistical considerations, infrastructure and permitting processes as main decision-making parameters. Given that this step is mostly conducted via desk-research, it largely depends on readily accessible information. For

IPAs this means well-maintained and up-to-date websites or customized replies to investors' inquiries (Harding & Javorcik, 2011; Ciobanu, 2015). The next step usually involves visiting the countries that remained on the list. Spar (1998) describes how Intel's site selection team was visiting the countries on the short-list, conducting interviews with consulting firms, government officials and company executives already invested in the country. She goes on to describe the "in-depth analyses of key factors such as workforce capability and waste water infrastructure and tried to solicit the opinions and experiences of other foreign investors" (Spar, 1998 – p. 11). The investor ideally choses one of the investment locations (based on a trade-off between potential sites, costs, business climate, customers and incentives).

An alternative model is presented by the Vale Columbia Center (2009 – p. 9 - see Figure 12). Extending the MIGA-model, VCC includes additional actors – namely "advisors / brokers" (i.e. Third-party, private location consultants). It also points out that FDI-decisions depend "on the overall corporate strategy of the company, (e.g. 'we need to invest in the emerging markets of Africa' or 'we need to secure more natural resources in Africa'" (Vale Columbia Center, 2009 – p. 9).

Figure 1. Location decision-making process

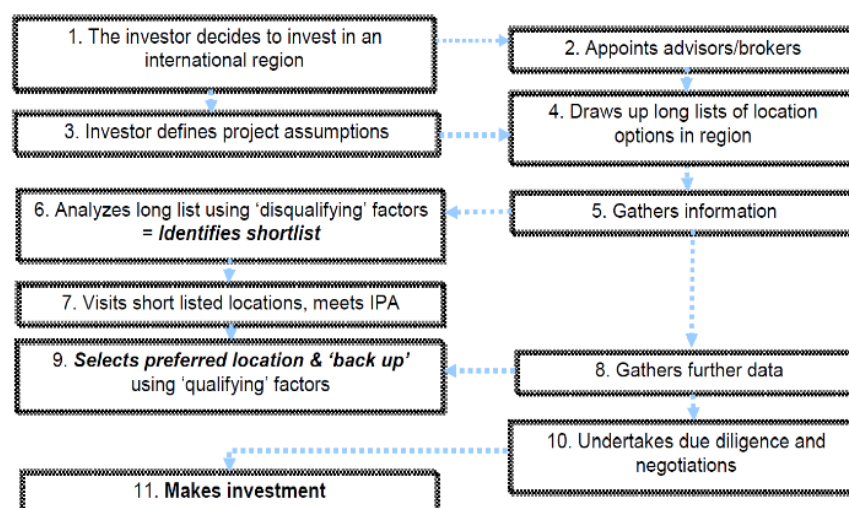


Figure 12 - VCC-graphic – the investor's process for selecting an FDI-project location
Source: Vale Columbia Center (2009 p. 10), "Handbook for Promoting Foreign Direct Investment in Medium-Size, Low-Budget Cities in Emerging Markets"

While these models provide a conceptual outline of the process of FDI decision-making, we have to keep in mind that location-decisions are “a multi-faceted and heterogeneous process” (Guimon, 2009 – p. 365) and that “strictly speaking, there is no such thing as ‘the’ internationalization process of the firm” (Kutschker, Bäumle & Schmid, 1997 – p. 103). FDI-projects, differ on a range of dimensions, such as Dunning’s (1988) typology of reasons for entering foreign markets, company size (MNE/SME) or industry structure to name but a few. Further complications are the levels of prior experience of managers involved, personal preferences, changing parameters, as well as the importance of qualitative, non-rational / non-measurable aspects such as the ‘feel’ of a place (Phelps & Wood, 2018). Particularly in emerging markets, there are often also ‘hidden’ agendas and national or regional interests pushed by host governments or their agencies, which can take investors by surprise or create operational problems. Problems not apparent in such models, nor discussed in literature. All this is to say that the process of FDI decision-making is more procedural, more complex, more opaque and more tacit than extant literature makes us believe.

3.3.6.2. Excuse: Extant frameworks for understanding IPAs

The second background-discussion necessary for our understanding of the role of IPAs in FDI-decisions, are the conceptual IPA frameworks. This short explanatory section has been added to further the readers’ understanding of the current frameworks with which we conceive of IPAs or which extant literature frequently makes reference to.

The past thirty years of IPA research have produced four frameworks – namely Wells & Wint (1990, 2000), Young et al. (1994), Loewendahl (2001) and OECD (2006), seeking to explain the tasks of IPAs. Young et al., (1994) and Loewendahl, (2001) can be seen as minor adaptations to the dominating Wells & Wint (1990, 2000) framework, outlining the key IPA functions as Image Building, Investment Generation, Facilitation and Policy Advocacy. Young et al. (1994 – p. 145) extended Wells & Wint to

(1) Policy formulation, (2) Investment Promotion and Attraction, (3) Investment Approvals, (4) Granting of Incentives, (5) Providing Assistance and (6) Monitoring & After-care, while Loewendahl (2001) re-theorized it to (1) Strategy and organization, (2) Lead generation, (3), Facilitation and (4) Investment services. In contrast to this, the OECD-framework (2006 – p. 35) is more procedural in its outlook, and by stating that IPAs will over time re-orient their resources, adds a time-based element to its categorization.

Surveying IPA-literature, it becomes apparent that the field seems under-theorized. More than half of all research (see Figure 13) does not have any underlying theory but is merely descriptive. Of the rest, nearly 4/5 rely on Wells & Wint, a model which essentially only describes four key functions of an IPA, but remains silent on why IPAs succeed or what they do to help managers.

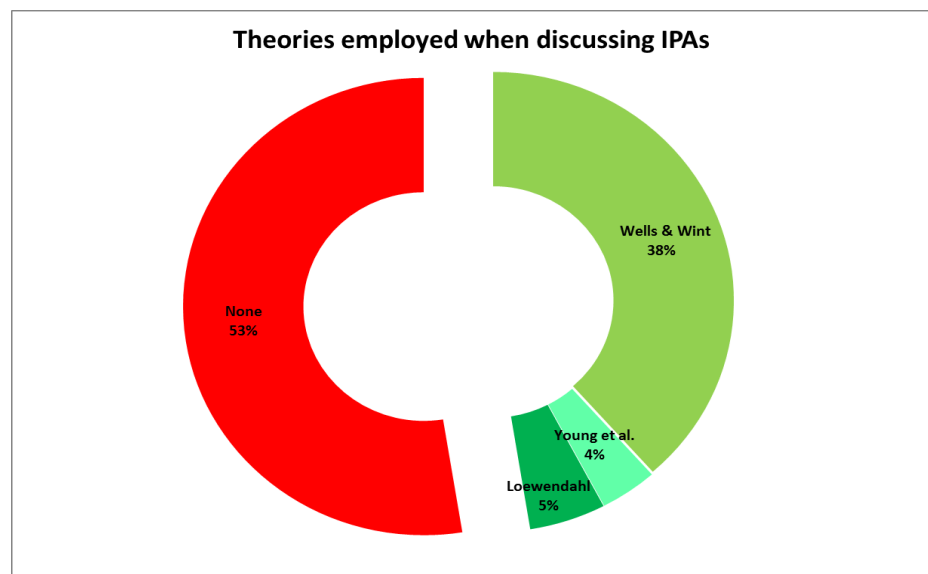


Figure 13 - Theories employed when discussing IPAs

In academic discourse, seemingly neither the Young et al, the Loewendahl, nor the OECD framework have left a mark, or managed to rival the omnipresence of Wells & Wint. Given this dominance, I will now briefly outline the four Wells & Wint categories, namely: Image Building, Investment Generation, Facilitation and Policy Advocacy.

Image Building

If we conceive the host nation as a 'product' (Brossard, 1996), the job of an IPA is to 'sell' that product to potential foreign investors (i.e. customers in this picture). Academic literature regularly points to the importance of image building (Anderson & Sutherland, 2015; Harding & Javorcik, 2011; Lim, 2008) and describes it essentially as 'country marketing' to improve the profile, perception and reputation of that nation (Mugo & Mwechana, 2017; Sirr et al, 2012; Brown & Raines, 2000). Aharoni, (2015 – p. 94) is more specific in writing that, just as marketing "should acquaint the consumer with the product", image building should "acquaint the investor with the foreign country. It should supply up-to-date, accurate, and adequate information and neutralize the basic apprehension of uncertainty". Apart from websites, which are the most cost-effective way to offer "key-information for a large audience of potential foreign investors" (OECD, 2018a – p. 40), the main image building tools used by IPAs are brochures as well as fact sheets. (i.e. relevant data for investors, about topics such as regulations, taxation, cost structures and the services provided by the IPA). Attention is generated via news-releases, articles, advertising campaigns and promotional conferences, fairs, seminars and roadshows (MIGA, 2006; OECD, 2015b; UNESCAP, 2017; OECD, 2018a). I.O. publications point out that if you do not make it on the long list, the nation never stands a chance of being selected (MIGA, 2006), and hence argue for the importance of Image Building.

Investment Generation

Investment Generation encompasses "intelligence gathering (raw data analyses and market studies), sector and investor-specific events (such as road-shows and missions abroad and incoming missions) and direct targeting of investors (one-to-one meetings, pro-active campaigns and inquiry and request handling)" (OECD, 2018a – p. 52). For the purpose of this PhD, we define it as active lead generation and information provision in a pre-investment phase. Operational steps in this phase could include direct mailing, telephone campaigns and individual presentations to targeted investors.

Investor Facilitation

‘Facilitation’ is an ill-defined term with several overlapping concepts (facilitation and After-Care), or different meanings of what facilitation should entail (e.g. Lim, 2008 - including incentives; OECD, 2018a - trouble-shooting). We follow UNCTAD, (2017b – p. 3) who defined investment facilitation as a “set of policies and actions aimed at making it easier for investors to establish and expand their investments, as well as to conduct their day-to-day business in host countries”. Key here is to alleviate “ground-level obstacles to investment, for example through improvements in transparency and information available to investors”. It is especially this alleviating of obstacles, such as “assisting them with expediting approvals, obtaining sites and brokering relationships with local firms, banks and government officials” (Riddle, Brinkerhoff & Nielsen, 2008 – p. 56), and helping managers to understand “institutional and political rules, norms and values” (Anderson & Sutherland, 2015 – p. 822) which is considered a key element of investment facilitation.

>>> After-care (sub-function of facilitation)

After-care is a term which initially emerged in the Young & Hood (1994) paper, and was only gradually incorporated in the Wells & Wint framework. In the literature, it is often treated as an after-thought to facilitation. Several of the more recent I.O. research-pieces point out that: “Investment facilitation in the post-establishment phase is often overlooked” (UNESCAP, 2017 – p. 259). As a concept it is described as all those activities that “comprise solving problems encountered by businesses, and helping them expand their activities, including by anchoring them in the local economy” (OECD, 2018a – p. 52) and could arguably therefore be seen as a type of long-term facilitation. The term ‘After-Care’ has changed its meaning over time. In early literature (the late 80s and early 90s), where FDI often was still subject to governmental-approval, the term After-Care signified the procedural steps to be taken after the project had been decided upon. From this it

morphed into a synonym for investor facilitation. Whereas today 'After-care' mostly is used in the context of all those activities taken, long after the project has been established, i.e. continuous staying in touch of investor and IPA (Guimon & Filippov, 2012). Occasionally in literature we also find the term retention services, as a synonym to After-Care (see: "aftercare or retention services that help established investors develop and expand their activity, with a view to trigger reinvestments" (OECD, 2018 – p. 43).

For the purpose of this PhD we will use the definition of UNCTAD (2007 – p. IX) "the range of activities from post-establishment facilitation services through to developmental support to retain investment, encourage follow-on investment and achieve greater local economic impact".

Policy Advocacy

A more internally oriented task of IPAs, according to Wells & Wint, is to monitor the investment climate (i.e. the tracking of rankings, meeting with investors) (OECD, 2018 – p. 52) in order to provide formal feedback to the government. This "policy advice to the government bodies responsible for formulating and implementing [...] policy based on the needs of [...] investors" (Guimon, 2009 – p. 377) usually takes place in the form of task forces or white papers. The main logic for this is that IPAs "are often the main government interlocutor with foreign investors, and therefore they are in a unique position to guide policy reform programs toward the dynamic needs of MNCs" (Guimon & Filippov, 2012 – p. 27). A prime example of this is Ireland's IDA, which "has a strong voice within the Irish public administration system which has been critical in guiding Ireland institutional reforms towards the needs of multinational enterprises" (Guimon, 2009 – p. 377). IPAs therefore need to develop strong networks with ministries and governmental structures themselves, to be able to transport the unique insights they gain from the immediate contact with investors. As a definition we use the OECD document's "Strengthening Chile's investment promotion strategy" (2015a – p. 27) definition: "efforts to create and impact changes in regulations, laws, government policies and

their administration, pertaining to fields that directly impact the investment climate such as investment, trade, labour, immigration, real estate, taxes, infrastructure, technology and education”.

In conclusion, one might observe that extant research focusses on the early phase activities, as well a Wells & Wint task/function-oriented lens, rather than a managerial and process-based lens. Even OECD (2015) and (2018) who describe facilitation in the context of "One-Stop-Shops" (i.e. structure,) also consistently emphasise processes and services. Simply discussing Investment promotion and facilitation as a collection of IPA-functions and not understanding the underlying drivers that cause managers to act in certain ways, is arguably one of the reasons why “no single best practice can be identified as generally applicable to all countries: what is good practice in one country may be superfluous or unnecessarily costly in another” UNCTAD, 1997 – p. 22). This also leads to the observation that “similar policies have failed in some countries and yet succeeded in others” (UNCTAD, 1997 – p. 30). We therefore need to go away from a functional/structural perspective on IPAs and instead seek to understand the complete process, especially with a view to the concerns and uncertainties as experienced by the managers (i.e. the managerial-liabilities of LOP – a concept I will introduce in detail in 7.3.3).

3.4. Interim Conclusions

“Liability of foreignness is composed of different barriers of a more or less permanent nature, and to varying degrees, these barriers are susceptible to management control”

(Petersen & Pedersen, 2002 – p. 339)

In the previous two chapters, I have reviewed the extant literature of LOF and of IPAs. There I have argued that in both fields, in particular however at the intersection of both topics (i.e. how can IPAs help overcome managerial-liabilities), we lack granular, operational-level research. This arguably leads to contradictory research-outcomes and is still failing to explain certain FDI-phenomena (e.g. why do countries like Singapore/Ireland succeed in attracting FDI? Or why does firm-internationalization not follow the pattern of psychically close / geographically proximate countries as the establishment chain would suggest?) This could be on account of our overly abstract firm-/country-level research approach, often oversimplifying and overlooking context-specific operational aspects (Zaheer, Schomaker & Nachum, 2012; Shenkar 2001). But it could also be on account of other influencing factors – such as IPAs - helping managers overcome internationalization specific problems and liabilities.

If internationalization is all about overcoming ‘Liability of Foreignness’ (Petersen et al., 2003) we need to have a better understanding of LOF than merely conceiving it as the higher cost of foreign firms for doing business abroad, given that “the indigenous firms have better access to relevant market information” (Denk, Kaufman & Roesch, 2012 - p. 322). If that were true, mere information provision would solve the problem. But decisions still have to be made under uncertainty (Aharoni, 2015 – p. 82), and we know that problems also include aspects such as lack of embeddedness in local networks and lack of international experience (Denk et al., 2012 – p. 323).

Literature discussing IPAs related to aspects of uncertainty (if it discusses this issue at all), often does so at a country-level. Miskinias & Byrka (2014 – p. 429)

who found that “the importance of IPAs increases especially in the countries with a bigger cultural distance [...] unpredictable investment climate [and a limited access to information]”. Similarly, Harding & Javorcik (2011 – p. 1,451) found that “investment promotion efforts are most effective in countries where English is not widely spoken, which is consistent with our belief that it is easier to obtain information and learn how to do business in these economies”.

Alternatively, research takes a firm-level perspective. Maybe the best example of researchers’ attitude in this regard are Johanson & Vahlne, who – for decades – have only discussed the issue at a firm-level. In their seminal 1977-article Johanson & Vahlne strictly operated on a firm-level. In the first 3 sentences of the Introduction alone the word firm is mentioned 5 times; also, subsequent discussions feature Sandvik, Atlas Copco or Volvo, rather than manager-level analysis. In fact, they state specifically that they “disregard the decision style of the decision-maker himself” (Johanson & Vahlne, 1977 – p. 23) as they believe that “all the decisions that, taken together, constitute the internationalizations process”. As such there is of course little insight in this seminal piece into what drives individual managers and which specific questions emerge.

In their 2009 article they still talk about “company behavior” (Johanson & Vahlne, 2009 – p. 1,411), “the characteristics of the internationalization process of the firm” (Ibid) or “The firm in the market environment” (2009 – p. 1,413). This firm-level focus is especially noteworthy, given that they talk about how “the informal and subtle nature of relationships makes it almost impossible for anyone who is not personally involved” (2009 – p. 1,414) only to re-emphasise the firm as the unit of analysis a few lines later when they write “research has shown that firms are frequently involved in a set of different, close and lasting relationships” (Ibid) and “the firm may create new knowledge” (Ibid). One could question whether it is not managers rather than firms who enter into relationships or have or create knowledge, especially given the admission of the personal level of judgement involved in these matters, which arguably is a compelling argument for the need of a manager-level research-focus. Only towards the end of this paper (p. 1,422) we find first mentioning of “entrepreneurs” and “decision-makers” – but only in a brief descriptive section.

A very interesting piece in this context is Johanson & Vahlne (2003) where they observed that “there are several paths to foreign market entry”, but that it is “important to recognize that such patterns can never be seen in reality by an actor (Johanson & Vahlne, 2003 – p. 96) but then immediately revert back to the firm-level by stating “the focal firm may try to establish a relationship with the customer firm in a foreign market” (Ibid, p 97) as if to avoid any discussion of manager-level aspects. In their 2011 piece they are both fully back on a firm-level research. Only very recently did Vahlne, Hamberg & Schweizer (2017) change their perspective and also look at managers (“managers responsible for the well-being of their firms struggle with goal ambiguity, very high and sometimes irreducible uncertainty” (Ibid, p. 91)

Despite this strong firm-level focus, Johanson & Vahlne are very perceptive in observing the existence of liabilities. Arguably we need to sharpen our understanding of the specific forms of these managerial liabilities, in order to be able to come up with useful or relevant suggestions how to address these. In their 2009 article Johanson & Vahlne write: “A firm that does not have a position in a relevant network is an “outsider.” If a firm attempts to enter a foreign market where it has no relevant network position, it will suffer from the liability of outsidership and foreignness” (Johanson & Vahlne, 2009 – p. 1,415). This is arguably the default position for any greenfield investment, and while it described the status quo of the manager, it fails to offer any practical help other than suggestion that one ought to become an insider. It is exactly this point which I will use as a jumping off point for my Research Questions. Starting from this vantage point, I seek to explore the lens through which managers experience problems when internationalizing, and how IPAs can help to mitigate these problems. As I have outlined in the previous sections, this should address the following two things:

- (1) While extant research points out that IPAs play an important role in the whole context of FDI, research still is relatively vague why and how they play this important role.
- (2) And second, extant literature is riddled with indeterminacy and contradictions, especially with regards to managerial-liabilities. With the research-approach I have taken, I will not only extend the current high-level

conceptualization of liabilities with a more granular view, but also show how such managerial-liabilities (LOP) apply to IB-theory.

Taking a manager-level perspective I manage to offer “practical guidance regarding the strategic choices for policy makers” (Guimon 2009 – p. 365). [e.g. see also Maitland & Sammartino’s (2015 – p. 735) observation that: “despite considerable effort, IB research has been unable to produce consistent results on why firms chose one entry form, mode (Greenfield or acquisition FDI) or location over another”]. This also nicely ties in the observation of Hennart & Slangen (2015 – p. 119-120) that “we need to start scrutinizing the decision process preceding foreign entries [...] Once we have gained detailed knowledge of how the entry decision process is structured, we can use that knowledge to develop new or finer-grained models aimed at better describing managerial practice”, and by extension understand which elements of Investment Promotion really produce consistent results.

To structure this over-arching interest, I have detailed my discussion into a number of specific issues I seek to address with this PhD.

3.4.1. Extant focus - relationship between existence of an IPA and FDI inflows

Most existing IPA literature focusses on the establishment of an IPA and FDI inflows and whether there is a positive relationship (i.e. Morisset, 2003; Harding and Javorcik, 2007; Lim, 2008; Harding & Javorcik, 2011; Guimon & Filippov, 2012; Anderson & Sutherland, 2015). So far, we encounter a number of contradictory findings. We have research such as Kotabe (1993), Head et al. (1999) or Coughlin and Segev (2000) who come to the conclusion that IPAs have little or no impact on location choice. Or people like Drahokoupil (2008 – p. 206) who argues that nations “lobby too hard for investment, often at the expense of their own citizens and the integrity of their own laws”. On balance, however, most extant research (e.g. Harding & Javorcik, 2011; UNCTAD, 2013b; Wilson, Baack & Baack, 2014; Anderson & Sutherland, 2015; Ciobanu, 2015; Pieterse & Bezuidenhout, 2015; Grasmik & Nestov, 2016, OECD, 2018a) finds a positive relationship between the existence of an IPA and FDI-inflows. This

narrow focus on IPA – FDI-inflow causality is arguably missing the most interesting and important part of what IPAs do.

3.4.2. Do we understand the full picture of what IPAs do?

Closely linked to this first issue, is the problem that we do not really understand what IPAs are doing. The current IPA literature suspects that IPAs are mostly concerned with being a source of information for FDI-projects (Phelps & Wood, 2006), but largely fails to explore any further activities. In that sense, the observation by UNESCAP, (2017 – p- 259) who “found that more than 70% of IPAs failed to provide effective investment facilitation services to investors” is hardly surprising, and suggests a need for a more in-depth understanding of what managers seek and what top-in-class IPAs provide in that regard.

Irrespective of the vast differences in IPAs, in terms of their structure or levels of quality, we generally lack a picture of what they do, how they do it and why they chose the path they are taking. Only when we have understood these different IPA approaches can we conduct the outcome focused research approaches which dominate IPA research. While this might mean subjective value-judgement on the part of corporate managers being the base-date for research, it reflects operational realities on the ground much closer than Balance of Payment (BOP)-based FDI-inflow research.

3.4.3. Lack of in-depth research about IPAs and FDI decision-making

We know very little about the operational problems’ managers face in FDI situations, and we know very little about the processes of investment promotion. Most importantly we know hardly anything about which steps taken by IPAs succeed in addressing managerial-liabilities. Young & Hood (1994 – p. 5) remarked that “there is rather little in the way of systematic studies of FDI agencies and their operations”. Twenty-five years on it appears we have made little progress in this regard. Hence the assessment of UNCTAD (2016c – p. 3): “Investment facilitation can thus be considered a systemic gap”. This is puzzling given the amount of public money spent on IPAs (Loewendahl, 2016 or Bauerle-Danzman & Slaski, 2018) as well as the emerging consensus that governments can indeed “motivate investment through investment promotion

efforts using investment promotion agencies (IPAs) (Loewendahl 2001; Wells and Wint 1990; Young and Hood 1995 [*comment by the author – Young and Hood 1995 is mis-cited by Lim and should read 1994*])” (Lim, 2018 – p. 1,908). Admissions that we currently have “little understanding about how government agents form beliefs over how to best attract investment” and “what motivates investors” (Bauerle-Danzmann & Slaski, 2018 - p. 1) or “the state of the theories in this field is under-developed and further studies are required to explain this phenomenon” (Stoian, Dimitratos & Plakoyiannaki, 2018 – p. 768) are further stimuli for the current PhD.

3.4.4. Is there an underlying theory of IPAs?

Papadopoulos et al (2016) observed there are many FDI theories (e.g. Vernon’s product life cycle, Buckley & Cassons’ internationalization theory, the Hymerian ideas, or the incremental internationalization of Johanson & Vahlne, 1977); however, other than the Wells & Wint framework there seem to be no models or theory about IPAs. This lack is linked to a wider gap of not understanding the process of internationalization, in particular with a view to the more operational aspects. We have already pointed to the problems of internationalization and the establishment chain in failing to explain why market size and labour cost are – contrary to what theory would suggest – apparently not decisive in the case of Singapore, Ireland or Costa Rica. Beugelsdijk, et al. (2018 – p. 119) had also touched on this in stating that, “Scholars have either tended to generalize the construct of internationalization a bit too much, without sufficient attention to its different stages, aspects, or outcomes, or have narrowly focused on a specific decision or outcome without an attempt to integrate findings across related outcomes”. And Stoian et al (2018 – p. 769) recently observed that “we presently have an insufficient understanding of the knowledge required for internationalization beyond exporting”. This PhD might therefore be one building block in a much larger endeavour, one about which Lauf & Schwens (2016 – p. 1,119) wrote that: “the field is characterized by theoretical paucity” and “lack a clear and concise theoretical foundation”.

3.5. Research questions

What extant research has succeeded in doing so far is to demonstrate that the existence of IPAs appears to have a positive impact on FDI flows. What extant literature has failed to explain (or even address) is how IPAs manage to do so. Extant research treats IPAs, and the process of investment promotion, as a black box and only measures the outcomes of the process. Petersen & Pedersen (2002 – p. 339) expressed the link between LOF and internationalization most eloquently when they wrote “Much has been written about how international firms create and sustain firm-specific advantages [...] less attention has been devoted to the question of how international firms reduce their liability of foreignness”. It could therefore be argued, that the ability to reduce LOF could be one key localization factor for a nation.

When firms enter foreign countries, managers need to cope with foreign customs, institutions, and legal systems that differ from those in their home-country (Greve, Nielsen & Ruigrok, 2009); they face challenges in the form of different languages, consumer behaviour and standards (Stöttinger & Schlegelmilch, 1998 – p. 358). The aim of this PhD is therefore to assess how IPAs help managers in dealing with these managerial-liabilities. In order to find out whether IPAs do indeed make a difference for managers, we need first of all to get a sense of what managerial-liabilities really means for managers, and what they look like. This will be addressed in RQ1 – see below.

Extant literature very much emphasises the aspect of information or information asymmetry. A more relevant and realistic approach is taken by Pedersen & Shaver (2000 – p. 4) who found that “firms expand internationally once they believe that they have accumulated sufficient knowledge to successfully operate in that host country”. None-the-less, I would argue that managerial-problems go beyond even this expanded conceptualization (including knowledge), but extend into operational difficulties and practical problems managers encounter in greenfield-situations [as exemplified by highly successful IPAs who conceive themselves as more than mere marketing agencies (either in terms of their structure as Trade & Investment Agencies – reflecting the notion of the establishment chain in their approach; or in taking a more active / supportive role in facilitation)]. I mention this here, and will focus in greater detail on later in my research, as it exemplifies the different attitudes taken by IPAs which are regularly commented upon by corporate managers. To better understand how IPAs performance can be improved it is therefore of key interest to national governments

and IPAs to understand if IPAs do indeed succeed in helping managers overcome their liabilities (see RQ 2) and what they need to do in order to do so (see RQ 3).

3.5.1. Research Question 1

What are the specific managerial-liabilities experienced in an FDI-project?

Having demonstrated that much of our extant notions of LOF are too abstract and conceptual (see LOF Literature-Review chapter), and that we are largely unaware of what managerial-liabilities look like, the first RQ focusses on getting a much more granular sense of what managerial-liabilities actually are. What are managers worried or uncertain about? Are current models of information asymmetry, LOF or PD describing the problems managers think they have?

To get this in-depth understanding of the problem, we need to operationalize one of the key IB-concepts – namely LOF. This should not only help us to build a better foundation to drive our understanding and development of theory, but also deliver tangible insights to practitioners in the field. The way to approach this question is via a broad-based series of interviews with managers from a wide background of home-countries, industries and levels of experience.

3.5.2. Research Question 2

Do IPAs reduce managerial-liabilities and, if so, which type of liabilities?

In speaking to managers', I also seek to find out whether IPAs do indeed succeed in lowering their managerial-liabilities; i.e. whether IPAs address the problems they feel they have and help them with the issues they struggle with. Are IPAs aware of the expectation's managers have towards them? Are they able to address these issues due to having the capabilities (in the sense of the necessary know-how), in the sense of having the capacity (manpower), or thirdly, the willingness to do so (fear of crowding-out the private sector)?

The broad, even somewhat loosely defined nature of this question stands fully in the tradition of the exploratory nature of this PhD; much like the first RQ it relies heavily on open-ended, semi-structured interviews with those immediately involved with the essence of this question – i.e. corporate managers and IPA staff.

3.5.3. Research Question 3

What do IPAs need to do, to lower managerial-liabilities?

Having established what managers consider to be their operational problems, the most important question this PhD seeks to answer, is how IPAs help corporate managers to overcome or mitigate such managerial-liabilities. What is it, that IPAs need to do to mitigate these managerial-liabilities? This is very much looking at the 'how'-aspect, especially given that we know from extant empirical studies that IPAs somehow do have an impact – but we still do not know why or how this impact is generated. To this end I seek to find examples of IPAs that already successfully operate on these principles and derive from these example heuristics which measures work in lowering managerial-liabilities. This not only provides us with valuable voices in the discussion on internationalization theory, LOF and managerial behaviour, but also draws together these strands on the crystallizing nexus of IPAs. So apart from a theoretical contribution, I also generate a detailed understanding of what managers expect IPAs to do and what IPA officials themselves assume they need to do to help corporate managers in the process of setting up a legal entity in their jurisdiction.

In the empirical-qualitative-descriptive approach of this PhD I seek to collect the views of managers as well as IPA-staff and third-party specialists in order to triangulate these views; based on this I am seeking to find a degree of generalization (whilst acknowledging the difficulties of doing so given the heterogeneity of the field).

Chapter 4

Methodology

4.1. Methodology- Introduction

“The best research on important public-policy issues has several distinguishing characteristics. For policymakers, such research will contain fresh revelations that contradict conventional wisdom.”.

Moran (1999 – p.1)

Thus far in my PhD I have argued that successful internationalization is primarily about overcoming the uncertainties and operational unknowns that have been termed ‘Liability of Foreignness’ (LOF). One currently under-researched way of overcoming these managerial-liabilities are Investment Promotion Agencies (IPAs). I posit that extant LOF literature lacks the necessary operational level of detail to practically assess what the specific managerial problems are, how these could be overcome, and what is necessary for it to happen. Equally, extant IPA-literature only focusses on establishing outcome related research (i.e. does the existence of an IPA increase FDI-inflows?) The literature reviews of extant IPA and LOF studies show that they tend to be firm-level based and often lack operational insights in the intersection of these two areas. This PhD is addressing these issues and thereby helps us to deepen our understanding of the processes described in the Uppsala Internationalization Model.

There is agreement about the fact that extant research is falling short of what we ought to know, i.e. the “relative lack of guidance from theory and research” regarding “the factors affecting investors’ location decisions” (Papadopoulos et al. 2016 – p. 617). This lack of academic research, addressing what Kaspar (2017b) describes as “practitioners’ questions”, leaves one of the central concepts of IB underexplored. I therefore seek to operationalize LOF, break it down into its constituent elements and understand what managers consider to be workable solutions in overcoming these problems. I propose to do so by a two-stage research design, in which – in a first-round of interviews – the aim is to collect a broad-based overview of the field and, in a second-round of interview-based case-studies, aim for an in-depth discussion of the processes, operational weaknesses and potential remedies for how IPAs may help to overcome managerial-liabilities.

The importance of the question of how to deal with LOF in an FDI-context is illustrated by the example of the apparent success of some companies in internationalizing while others find it hard to expand internationally. I would argue that, owing to the traditional, largely positivist research-approaches of IB (Yin, 2009; Dominguez & Mayrhofer, 2017) we have only a tenuous understanding of the operational details (i.e. the 'how') of this highly complex process. I therefore propose an exploratory, rather than an explanatory research study, and to employ qualitative rather than quantitative methods.

In this chapter I will firstly delineate the exact area of research and describe the actors I will be looking at. The focus lies on the interaction between representatives of Investment Promotion Agencies (IPAs) and corporate managers setting up FDI-projects abroad. Having laid these foundations, I will, in a second step, discuss the methodological approach I am taking (i.e. the iterative multi-stage process – see in particular Figure 16 at p. 155).

4.2. Delineation – defining the area of research

Given that FDI decision-making is an extremely complex, context-driven, multi-stakeholder and multi-stage process, I needed to limit the remit of research to an extent. This is a trade-off between the risk of losing some of the richness of the field (the inter-dependencies of the many actors in such a project, the heterogeneous nature of FDI situations, etc.) and the need to limit research to a manageable field of inquiry. In terms of 'actors' in FDI decision-making I will focus on corporate managers (i.e. those suffering from managerial-liabilities) and IPA staff (those helping manager to overcome it). In terms of types of FDI I will be focussing on inward-investment greenfield-projects (from the perspective of the IPA), which makes it outward investment from the perspective of the manager/corporate.

4.2.1. Actors - IPAs

IPAs play a central role in investment promotion and within the wider FDI-field [see Phelps (2009 - p. 585), who sees them, "as one increasingly important set of intermediaries in the process of 'globalization'"]. However extant IPA-research usually just revolves around the debate whether IPAs are worth the money being

spent on them, [with Wells & Wint (1990); Brossard (1998); Loewendahl (2001); Morrisset & Andrews-Johnson (2004); Charlton & Davis (2007) and Lim (2008) arguing in favour of IPAs; and Kotabe (1993) and Drahokoupil (2008) against them]. Which leaves a whole - currently under-explored - dimension to IPAs under-researched – namely “how they function”.

4.2.2. Actors - Managers

As I have outlined in 3.3.5.1. FDI location-choices are driven by managers rather than the abstract convolute of ‘a firm’. As equally already highlighted, “managers have long been central in international business research, such as in work on the internationalization process (e.g., Johanson & Vahlne, 1977; Welch & Paavilainen-Mäntymäki, 2014)” (Contractor, Foss, Kundu & Lahiri, 2019 – p. 4), none-the-less we know surprisingly little about managerial processes, perceptions and liabilities. How important it is to understand managers (and how little has happened in this regard) is nicely illustrated by Buckley (1989 – p. 90) writing that: “The role of management is central in this process. [...] Foreign direct investment is (or should be) a management intensive activity because of the risks involved in the move and because of the necessity to collect and crucially to channel information to support effective decisions. Smaller firms are constrained by a shortage of management time and consequently frequently take short cuts in decision making and information gathering which can be disastrous”. This quote nicely draws together two of the key aspects of this PhD: the role of the manager and the LOF/managerial-liability they are suffering from.

By placing managers in the centre of my research and departing from the focus on pure home- and/or host-country characteristics or firm-capabilities, but instead aim for a micro-foundationally inspired perspective [see Contractor et al., (2019 – p. 3) “For too long, studies of corporate strategies have focussed on the firm as a unit of analysis, as if the firm could decide or think on its own, neglecting the fact that it is managers who think”], I will add an aspect to the understanding of investment promotion which is currently lacking.

The second dimension on which I delineate my research, is the type of FDI and how market entry is affected:

4.2.3. Type of FDI - Greenfield

In terms of Entry-Mode, I focus my research on greenfield-projects as opposed to M&A, JVs or other forms of market entry. While these other forms of market entry undoubtedly play an important role in internationalization strategies, I decided against them, given that M&A is primarily used in case of strategic-asset seeking FDI. There “investors decide on which company to merge with or acquire regardless of where it is located” (Papadopoulos et al., 2016 – p. 621). That is to say the country is usually a secondary concern. With Greenfield-projects on the other hand, the country is usually a central aspect of the decision-making; i.e. in my research I am predominantly looking at efficiency-seeking FDI, where companies have the biggest freedom of choice where to locate the project (i.e. the impact of IPAs is arguably highest).

4.2.4. Type of FDI – Inward/Outward FDI

For clarity reasons, it is important to specify precisely what I mean by FDI. Looked at from the perspective of the manager, we are dealing with outward investment (from the home-country of the investor to a foreign host-country). From the perspective of the IPA it is inward investment.

4.3. Ontology & Epistemology

“International business research has become more rigorous over the past 50 years, owing to developments in computing technology and statistical software and to a broader availability of international databases.

Unfortunately, increased mathematical manipulation has often come at the cost of practical relevance. In their search for elegance and rigor, IB researchers ignored the rich evidence on psychological aspects of decision making, the complexity of decision making under uncertainty and the accumulation of commitments. In most studies, outcomes are deterministic, the firm is treated as a black box, and managers – if they are mentioned at all – are assumed to be rational calculators of costs and benefits.”

Aharoni (2015 - p. 101)

While this chapter primarily aims to outline the methodological basis of this PhD, [i.e. the “practices used to attain knowledge” (Krauss, 2005 - p. 758)], I feel that I should first explain my ontological and epistemological stance, not least given that I depart somewhat from the dominant methodological approach of IB-research. I will therefore briefly focus on the question of “what is (or should be) regarded as acceptable knowledge” (Bryman & Bell, 2003 – p. 13) and “What is the relationship between the knower and what is known?” (Krauss, 2005 – p. 759). Based on this more theoretical discussion, I will then outline my methodological approach.

4.3.1. Ontological and epistemological approach

Bryman & Bell (2002) observed that the question of ontology strongly influences the conduct of the research, stating that: “ontological assumptions and commitments will feed into the ways in which research questions are formulated and research is carried out” (Ibid, p. 21). Fleetwood (2005 – p. 197) is even more explicit by stating that “the way we think the world is (ontology) influences what we think can be known about it (epistemology), how we think it can be investigated (methodology and research techniques); the kinds of theories we think can be constructed about it, and the political and policy stances we are prepared to take”.

In the question how we perceive the world to work, whether there “one knowable reality or [...] multiple realities of which some individual knowledge can be acquired” (Kraus,

2005 – p. 759), extant research largely operates on the premise that there is one observable, reality that can be measured by an objective on-looker. This study however pre-supposes the existence of, and is primarily interested in, the realities constructed out of the interaction of participants and their views and perspectives. Accordingly, the researcher needs to interact with the subject he studies (i.e. in our case, individual managers).

“Objectivist researchers are concerned with discovering empirically verifiable facts - subjectivist researchers [are concerned] with the understanding of [...] meaning” (Cunliffe, 2011 – p. 659). I would argue that research needs to shift away from the objectivist end of the underlying dichotomy. The researcher’s ontological and epistemological stance have an impact on methodological choices (Williams & Gregoire, 2015; Ambos & Håkanson, 2014; Dow & Ferencikova, 2010; Brewer, 2007). Contemplating interviews for instance – and the way they might be conducted - there are clearly discernible differences between these two principal approaches. While in an objectivist ontology / positivist epistemology, interviews are conducted in a highly structured manner, in order to discover ‘facts’, (categorize-able and analyse-able data), a constructionist ontology / interpretivist epistemology research favours unstructured or semi-structured interviews, used to discover different interpretations and perspectives (Cunliffe, 2011; Bryman & Bell, 2002). Here the aim is to widen the understanding of the topic as opposed to attempting to measure some pre-conceived hypothesis. With the intention of this research being to broaden our understanding in an under-researched area and of theory-building, rather than to justify or confirm existing theory, I’m clearly located more towards the constructionist / interpretivist end of the spectrum. Given that I am aiming for “theory building through the use of ‘creative synthesis of existing ideas’ [...] from both literature and empirical reality” (Storbacka & Nenonen, 2015 - p. 74) which means that the “process is thus a non-linear, non-sequential, iterative one of systematic and constant movement between the literature” (Ibid) and interviews.

This means that I will depart from the primary research approach of IB-studies which are largely conducted in the positivist-quantitative tradition (Stahl & Tung, 2015; Bodlaj & Vida, 2018), a tradition that asserts that it is possible “to transfer the assumptions and methods [...] from natural to social sciences” (Robson, 2011 – p. 21). Instead I will conduct a qualitative research. As a caveat, I would point out that I am not purely at the constructionist / interpretivist end of the spectrum, as I not only seek to develop new theory, but also aim for a more pragmatic stance. Positivism uses deductive reasoning, aiming to confirm well-established theories, while interpretivism uses inductive reasoning to develop new theory (Parvaiz, Mufti & Wahab, 2016 - p. 74). Effectively

these are the opposite extremes of a broad research-process continuum. Pragmatist or Critical Realist researchers will typically employ an 'abductive' reasoning process which moves back and forth between an inductive and a deductive reasoning. With some of the driving ideas of this research being "Seeing through the eyes of the people being studied" (Bryman & Bell, 2002 – p. 293) and "gaining an insider view" (Ibid, p. 294), I see myself therefore more as a Critical Realist. "The critical realist approach to the social world is inherently one based on a relational understanding of social structure" (Peters et al., 2013 – p. 338). This is especially relating back to Bhaskar: "Sociology is not concerned with large scale, mass or group behaviour (conceived as the behaviour of large numbers, masses or groups of individuals). Rather it is concerned, at least paradigmatically, with the persistent relations between individuals (and groups), and with the relations between these relations (and between such relations and nature) and the products of such relations" (Bhaskar, 1998 – p. 28/29). Obviously not only suiting my more qualitative stance, but also the more manager-level / micro-foundationally oriented approach.

Acknowledging that Critical Realism is non-reductionist (Peters et al., 2013) and doesn't conceive engagements of actors as absolutes (Ibid), I will follow what German sociologists call "das Verstehende" (the interpretive / the understanding). The "best way to understand any phenomenon is to view it in its context" (Krauss, 2005 – p. 759). This is why I consider it to be crucially important to talk to the people at the heart of the matter, (i.e. to understand the process of how managers form their perceptions of the world, what do they consider to be problematic, and why?). Understanding perceptions and ideas however, can only work through the "lived experiences in their social and cultural context" (Anderson & Starnawska, 2008 – p. 225), i.e. by employing a social constructionist lens, which means becoming immersed in the context one wants to study.

To conclude: Instead of a fundamental rejection of positivism – such as Feyerabend's (1986) "Wider dem Methodenzwang" - dismissing this approach entirely, I would side with more nuanced views, such as Aronowitz & Ausch (2000 – p. 705) who pointed out that positivism might have its place – but might not be ideal for social sciences: "While the natural sciences are oriented toward explanation, [...] the human sciences direct themselves towards understanding, a kind of comprehension of particularity that requires an empathetic identification with one's object of study as well as the ability to interpret phenomena".

Given that most internationalisation literature is positivist in nature (Coviello & McAuley, 1999), I will now highlight what I consider to be the weaknesses of extant research in order to

demonstrate the need for departing from the status quo of research approaches, and lay the foundation for the argument of how I seek to approach the research questions instead.

4.3.2. Weakness of extant research

Epistemological stances and methodological approaches have a significant impact on research outcomes. Considering the many inconsistent findings (especially in LOF research), one might conclude that extant research designs and research approaches might be part of the problem. This observation isn't new. Buckley (2002), Li & Gammelgard (2014), Tsui (2007) and Hutzschenreuter et al. (2017) have already criticised extant IB-research on those grounds and saw a problem partly to be epistemological, partly methodological; Similarly Tarascio (1997 - p. 8) saw a problem in "the emphasis on technical skills rather than ideas".

4.3.2.1. (Over-)simplification of LOF

As already outlined in the LOF-chapter (i.e. weaknesses of extant literature) a phenomenon which in the day-to-day experience of managers appears to be a complex multi-faceted and multi-stage problem, is usually reduced to a simple, measurable and quantifiable effect (Hakanson & Ambos, 2010) that can be computed in mathematical models (Sousa & Bradley, 2006). Reduced to a "cross-cultural dummy variable" (Sarala, Vaara & Junni, 2019 – p. 308) it loses the perceptual and subjective quality it arguably possesses. In 2012, Shenkar had already observed that "despite all the known problems, these simplified LOF-distance measures remain popular given that they provide" a value which scholars can simply "throw into a regression equation" (Vahlne & Johanson, 2013 – p. 190). Furthermore, being researched on a firm-level basis, it is also mostly displayed as a monolithic phenomenon which oversimplifies the diverse range of problems managers face, to such an extent that useful conclusions are hard to draw. Researchers also often chop-up the inter-connectedness of the many interrelated factors and assume away the contextual complexities. Hutzschenreuter et al., (2016 – p. 172) recognized this, when writing "Complexity originates from the interaction

of multiple distance dimensions. Thus, focusing on a single dimension alone is likely to underestimate the true complexity of what is being faced.”

Rather than looking at LOF as one idea, we need to understand in detail what the constituent issues are that form what we have conceptualized as LOF. A 2018 World Bank research piece looking at manufacturing firms entering foreign markets, found that managers are most worried about cost of labour and access to land, while managers in service-firms are more concerned about political stability and transparency of public agencies. Only by understanding these types of managerial concerns we can even begin to discuss how managerial-liabilities can be overcome. Maybe even more important, is the consideration of context rather than merely manipulating individual data points. Human perceptions and decisions are a product of a vast net of constituent influences (budget, levels of risk-aversion, role within the firm, expectations of the value chain, etc.), which influence managerial decisions. Extrapolating from a small sample of stylized values misses the element of the subjective perception of managers that make up the very essence of managerial-liabilities.

4.3.2.2. (Over-)-simplification of the FDI process

I consider it to be axiomatic that FDI processes (and FDI decisions) are considerably messier than acknowledged by large sections of extant literature. Johanson & Vahlne (1977 - p. 26) observed that companies face “a series of interconnected decision situations representing continual adjustments to changing conditions of the firm”. Similarly, Aharoni (2015) found that very few hard and fast criteria exist in FDI decision-making and that “the foreign investment decision process is not a single, identifiable act. Rather, it is a complex succession of acts. It is a dynamic social process of mutual influences among various members of an organization, constrained by the organization’s strategy, its resources and the limited capacity, goals and needs of its members, throughout which choices emerge” (Aharoni, 2015 – p. 81).

With such a complex and multi-faceted process, by merely focussing on “measures of distance” (Doz, 2011 - p. 582), we lose the richness of factors involved. With neo-classical theory largely assuming away non-economic dimensions and pre-supposing perfect rationality on the part of economic agents (Hosseini, 2005), we further distort research outcomes away from what is meaningful to managerial actors. By ignoring the idiosyncratic characteristics of managers, the conditions of uncertainty and lack of transparency, research-outcomes and predictions therefore often correspond little with the operational realities perceived by managers.

Managers make location choices based on the weighing up of trade-offs between costs, location characteristics, perceptions of risk and stability and a whole range of other characteristics, and these choices are coloured by their propensity towards risk taking, personal preferences and prior experience. Research departs from this multi-dimensionality of choice by not capturing the richness of this context-driven field, but by pressing it into Likert scales, seeking to measure narrowly defined and isolated dichotomies. Another often used tool are expert surveys, ranking countries’ investment conditions. In this context Hallward-Driemeier & Aterido, (2009 – p. i) expressed “concerns about measurement error and endogeneity based on characteristics of the respondents, raising questions about how well the data reflect the underlying reality they are trying to measure”. Many of these exercises create the problem of losing all the interdependencies and iterative feedback loops taking place in FDI-projects.

4.3.2.3. Mathematical models and FDI figures

*“what is stopping us from thoughtful implementation is that statistical tools – rather than conceptual understanding – are seen as the solution”
Shaver (2012 – p. 25)*

Related to the previous points, is the observation that the very nature of mathematical models, which simplify the complex reality of managerial-liabilities or FDI-projects, in order to make them computable and arrive at generalizable correlations, leads to a whole range of problems. Chakrabarti (2003 – p. 151) states “most investigators have considered only a small number of explanatory variables at a time in an attempt to establish a statistically significant relationship between inbound FDI and a particular variable or a set of variables of interest”. These sets of limited factors used in FDI models, (e.g. market size, infrastructure and labour cost) lead to a situation best described by Charlton & Davis, (2007 – p. 1): “Given the myriad factors determining the size of any nation’s foreign direct investment flows, it is difficult to isolate the effect of a single (endogenous) policy variable for which there are few natural instruments”. In this I follow Shaver’s (2013 – p. 24) train of thought: “in phenomena as complex as those that we study in international business, there are dozens – if not hundreds – of factors that affect outcomes”.

Similarly, the figures used in extant FDI and IPA research are usually based on country-level Balance of Payment data (e.g. Morisset, 2003b; Morisset & Andrews-Johnson, 2004). Researchers have already commented on problems such as limited data availability (Harding & Javorcik, 2007; Ni, 2015) and unreliable data (Hendry (1980). Bellak (1998, - p. 228) clearly stated that: “Despite recent major improvements in statistical systems on FDI, the quality of FDI data remains limited”.

A prime example for the unsuitability of such figures, is ‘the age of an IPA’ which is often used as proxy for experience or even quality. [Lim (2018) for example stated in her research: “The longer an organization operates, the higher the intensity of experience it tends to have [...] A long-existing IPA maintains networks with most proven service-providers for local professional services, and this may enable foreign investors a smooth entry into the country” (Lim, 2018 – p. 1,910); She then goes on to state that “Business Sweden was formed in January 2013” (Ibid, p. 1,920), thereby however omitting that the predecessor structures such as the Swedish Trade Council and Invest in Sweden rank

among the oldest in Europe. In a research piece taking the age as proxy for quality (which arguably is nonsense anyway), such arbitrary points of measurement result in highly misleading outcomes. A similar example would be the regular re-organization of the UK's Investment Promotion - from the 'Invest in Britain Bureau' and the various RDAs, to 'UK Trade and Investment' to today's 'dit'. Merely taking dit's establishment date would lead to completely non-sensical conclusions. But if even reducing simple aspects such as the age of an IPA is fraught with so many problems, how much more would complex, perceptions-based and multi-stage processes suffer from arbitrary distortions?

4.3.3. Conclusion: a qualitative research-approach at manager-level

To address these issues, outlined in the LOF- and IPA-chapters, as well as in the section immediately above, I will conduct my research as a qualitative, manager-level inquiry.

Given that “the overwhelming bulk of studies on international expansion or location has used country or firm level variables to measure psychic distance” (Contractor et al., 2019 – p. 5), we have arguably missed managerial problems. Problems as described by Schotter & Beamish’s (2013 - p. 521) “the hassle factor”, namely the effect that “foreign location decisions in MNEs are influenced by how troublesome it is for managers to travel to or live in certain places”. Tacit, and often un-measurable factors which explain Aharoni’s (2015 – p. 98) finding that “even if the environmental conditions are identical, different decision mechanisms can produce different results”. As for firm-level research even Vahlne & Johanson seemed to have had doubts about ‘the firm’ as unit of analysis, given that they wrote: “the firm is not one decision unit” (Vahlne & Johanson, 2013 – p. 194). But while they expanded the decision-making unit ‘upwards’ to the whole network, I would argue that the unit of analysis also needs to be narrowed down to the manager(s) responsible for running the FDI-project. In this I am addressing a lacuna of extant research as “the vast majority of management theories [...] assume that the managers do not matter in any material sense” (Devinney, 2011 – p. 64).

I would argue that methodologically, the best way of assessing what managerial-liabilities are, is by asking the actors in greenfield-projects themselves. An interview-based manager-level research approach enables me to break down the abstract concept of LOF into its constituent parts, and by understanding what concerns managers get the closest understanding of what needs to be done to address these issues.

Qualitative approach. Overall, it is probably fair to say that positivist research-approaches, (i.e. trying to understand location decisions or managerial decision-making parameters through statistical tools), have not done a particularly good job in explaining FDI-decisions (Hosseini, 2005; Devinney, 2011). So, rather than

following established lines in research-design and data collection (i.e. via narrowly defined questions in order to verify theoretical assumptions (Hietanen et al., 2014), or to generate data that can be computed), I seek to explore the factors and nuances hitherto being assumed away, (i.e. the tales of past greenfield-projects, the rationals why managers do what they do; collect their perceptions via largely unstructured open questions). The aim is to explore the contextuality of the process as experienced by the acting managers.

In this I follow the ideas of Tsui (2007 – p. 1,353) who called for: “deep contextualization, novel questioning, and innovative theorizing to fill the critical gap in global management knowledge [...] and foster the development of pluralistic intellectual perspectives”, seeking to understand the ‘how’ and ‘why’ of investment promotion. The primary interest of my approach is to open “the black box’ of organizational processes” (Doz, 2011 – p. 583), via thick descriptions gained through highly un-guided / semi-structured interviews. These descriptions will then be synthesized in a ‘classical inductive approach’ to new insights. The iterative jumping-forwards-and-backwards approach mirrors the complex, multi-staged process of internationalization decision-making processes itself and should help us to arrive at a “more nuanced construction of reality” (Ellis & Hopkinson, 2010 – p. 413). In that I am fully in the tradition of the Scandinavian school (Johanson & Wiedersheim-Paul 1975, Johanson & Vahlne 1977, 1990, 2003, 2006 & 2009, Forsgren 2000, 2007, Forsgren & Johanson, 2010 et al.) which had already departed from the positivist orthodoxy of FDI research and used a behavioural approach.

On a practical level for the operating managers, this dynamic-LOF / knowledge accumulation results in a gradually clearer picture of the investment-context within which their project is situated.

This approach will necessitate a new way to analysing my data. With FDI being “a highly subjective process, shaped by entrepreneurs’ existing ties with others” (Ellis, 2011 – p. 99), and their perceptions of the world, hard measurements and extant analytical tools appear to be ineffective. I should therefore adopt an approach inspired by interpretivism, which might be best-suited to capture insights about the interplay and thought-processes of the

individuals concerned (Stoian et al, 2018; Nonaka & Peltokorpi, 2006; Nonaka, Toyama, & Nagata, 2000). In an exploratory context, data only becomes knowledge when enriched by the contextual factors and “includes beliefs, perspectives, intentions, commitments, and values” (Stoian et al, 2018 – p. 770).

Buckley, Devinney & Louviere (2007), in their article “Do Managers Behave the Way Theory Suggests?” found that 'objective' research on FDI location-decisions had focussed on market size, wage rates, transports costs, tariffs, but rarely ever looked at managers and their perceptions. With there being a perceptible “discrepancy between theory and practice regarding how firms choose, use, and modify their modes of operation in foreign markets” (Benito, Petersen & Welch, 2009 – p. 1,455), a new, alternative approach is therefore necessary. This will be described in the following section.

4.4. Methodology & Research Design

In terms of the methodological practicalities, I depart from a strictly stream-lined, linear execution, opting instead for a more iterative approach. As Doz (2011 – p. 584) points out, “true theory-agnostic grounded theorizing [...] is probably impossible, given the cognitive frames researchers carry with them”. On the other end of the extreme, the currently advocated, heavily prescribed and strictly mechanistically, linear approach within much of the literature seems equally unsuited – in particular for a subject that is characterized by managerial-perceptions and views. So, it is the middle ground of a rich qualitative descriptive research, which ensures that I am not falling too quickly into pre-determined theoretical constructs or are “relying on a single theoretical lens” (Doz, 2011 – p. 583), which I am aiming for.

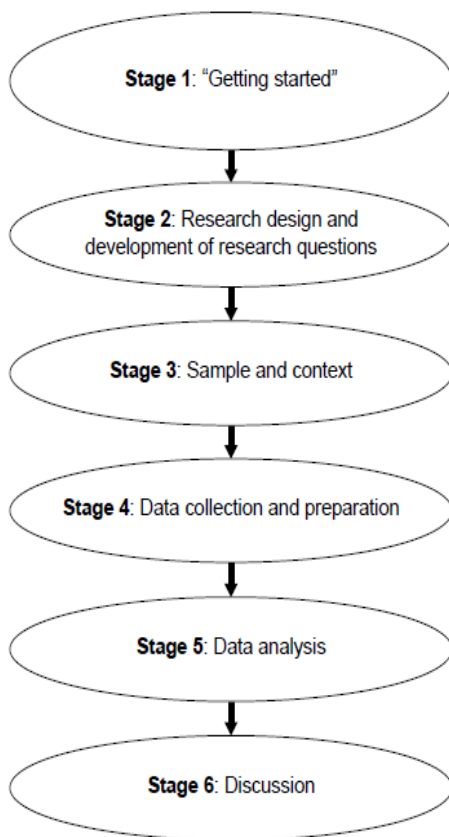


Figure 14 - Text-book research process
Source: Sinkovics & Alfoldi, (2012 – p 35)

Many of the standard text-books on research methodology (e.g. Iacobucci & Churchill 2010; Ghauri & Grønhaug 2010; Yin 2009) advocate a linear approach (Sinkovics & Alfoldi, 2012 – p. 821) with initial preparations and literature review followed by tying down research questions and determining the research design. Stage 3 is choosing a sample, then one collects the empirical data, conducts a formal data analysis and finishes with a discussion of the findings, conclusions and researcher’s interpretations.

Sinkovics & Alfoldi (2012) empathically state, that while this might be seen as ‘the right way to do research’, business management-research can rarely ever be conducted in such an ideal-typical, orderly way. This is a view I would support, in particular when conducting more exploratory research in which I seek to break new ground in our understanding, rather than re-confirm extant theories.

Sinkovics & Alfoldi argue that due the “increasing interconnectedness of business landscapes” and the fact that “qualitative findings often evolve continuously via the interaction between theory and data, often through a cyclical process” (Sinkovics & Alfoldi, 2012) a more dynamic and non-linear approach is needed. This is very much as Smith (1983 – p. 12) stated, in that there is a “constant movement between parts and whole in which there is no absolute starting point and no absolute ending point”

Arguably this then needs to be reflected in the research approach, taking a less idealized, but more iterative (see Figure 15 on the right) approach that jumps forth and back between findings of extant literature, testing these in interviews and up-dating / adjusting the assumptions in which my research is conducted. Such a gradual ‘honing in’ should then bring research approach and real-world processes much more in line, than extant idealized approaches seemingly tend to do.

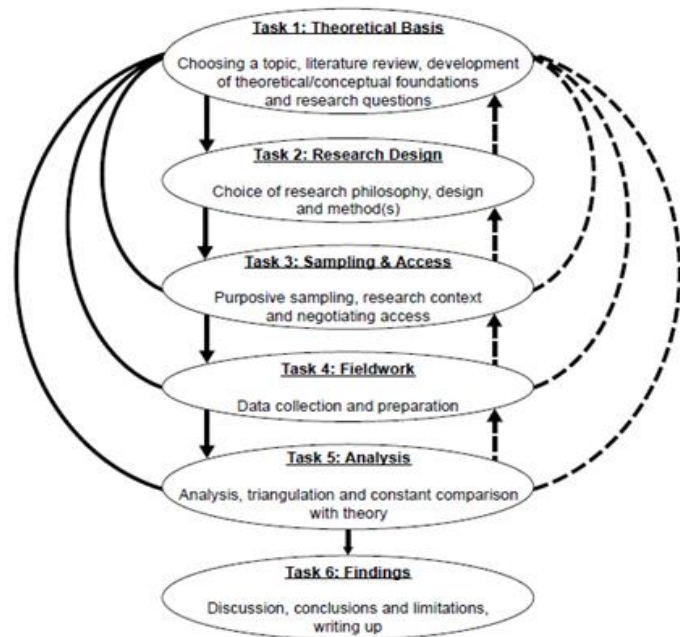


Figure 15 - iterative research process
Source: Sinkovics & Aldoldi (2012–p. 825)

Reiter, Stewart & Bruce (2011 – p. 35) rightly point out that: “Research addressing current management issues requires both a flexible framework and the capability to consider the research problem from various angles, to derive tangible results for academia with immediate application to business demands”. Based on this they argue that the emerging findings of a qualitative interpretivist research warrant a delayed method selection approach; while I opted for an iterative approach between literature and empirical findings, the retroactive adaptation of the principal approach felt a bit too much “as ‘after-the-fact-justificatory-rhetoric’ (Ibid) where I would slide in the philosophy retrospectively.

Furthermore, while Reiter et al’s (2011) pure grounded theory approach appealed on

account of it enquiring “how actors interpret reality, rather than testing hypotheses” (Ibid – p. 40), I felt that it would be a difficult approach to take; Especially as Gioia et al (2012 – p. 21) observe about grounded theory that there “is value in semi-ignorance or enforced ignorance of the literature” as not knowing the literature in detail helps to avoid researchers putting blinders on and leading to prior hypothesis bias (Gioia et al., 2012). I therefore opted very early on for a “form of ‘abductive’ research, in that data and existing theory” (Ibid – p. 21) were being considered in tandem.

4.4.1. Research Design

As I have outlined in Figure 16 below, I have designed my research-process, based on these ideas, as an iterative step-wise approach right from the start. I divided data collection into two distinct interview-stages: a first-round of broad-based exploratory interviews and a second-round of in-depth case-studies, with the express intention of using the insights of the first round to hone in on issues seen as problematic by practitioners in the second round. I was also consistently going back to the initial reading and literature-review based on my findings in the empirical stages, willing to adjust and widen my reading, in case I found aspects that emerged as important. (i.e. arriving at a multi-stage interview process, and the iterative stance towards research (weaving in new insights) as envisioned by Sinkovics & Alfodi (2012).

My literature review of academic and non-academic literature and first-round interviews therefore effectively ran in parallel, both cross-fertilizing each other. Following the aim of collecting as many ideas and observations as possible, the sampling was largely opportunistic and as wide as possible across the key actor groups. With the insights gained from this first round, I designed the second-round as case-studies. I felt that such a multi-stage process would help to avoid a bias towards pre-conceived concepts or specific cases, thereby countering one of the dangers of qualitative research (Collier & Mahoney, 1996).

This approach also determines the structure of this PhD, i.e. the empirical findings reported in Chapters 5 & 6, as well as the structure of my literature review in relation to the current methodological discussion, the sampling strategy employed and the description of aims/conduct of first- and second-round interviews.

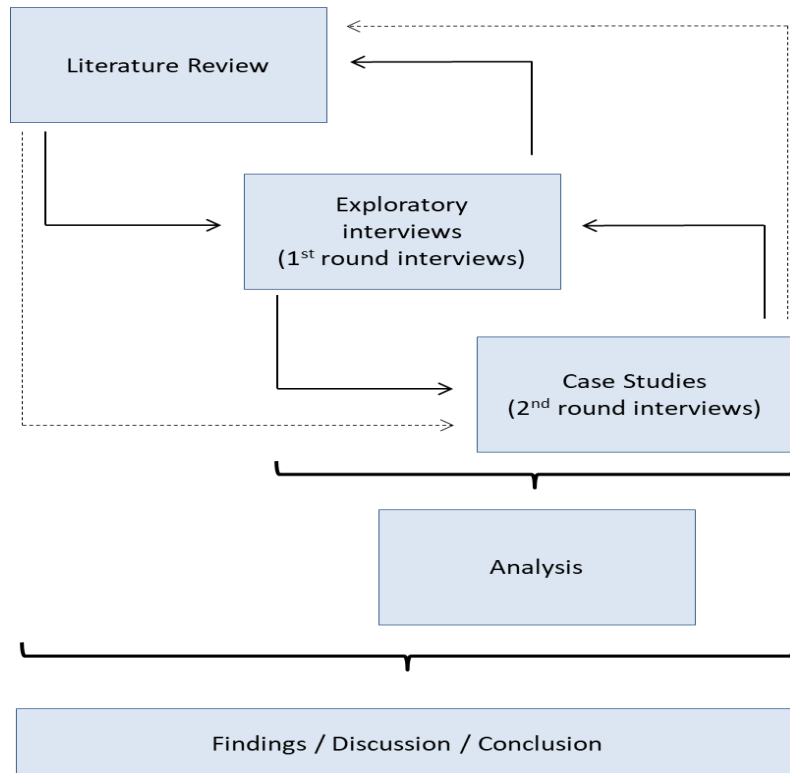


Figure 16 - Adapted research design for this PhD
Source: adapted from Sinkovics & Alfodi

One final comment in terms of Research design and conduct; While my research does not involve groups of people, expressly mentioned by Durham University's Ethics Policy, such as NHS staff, patients or potentially vulnerable groups such as children / minors, prisoners, or people cognitive impairment (Durham University) I nevertheless consider Ethics a highly important area. Dhillon & Nest (2019 – p. 442) probably best characterised it, by stating that researchers engage with “participants who are close to a researcher through professional, social or community networks”. FDI and FDI-decisions, a field which the vast majority of interviewees considered to be a highly confidential area, and one in which too unguarded statements could have personal or business repercussions, meant that I had to honour the trust conferred to me by interview partners speaking openly. “Issues of anonymity, confidentiality and informed consent” (Ibid) where therefore taken very serious; out of concerns for Durham's Ethics Policy, protecting my name in a tight-knit and close community (an insidership which only made many of the interviews possible in the first place), but also given that such assurances meant access to data which would otherwise have been barred,

as previous researchers already observed (e.g. Gamble, 2006 – p. 332 “tape recording interviews would have inhibited interviewees readiness to speak openly”). Only by giving assurances of confidentiality – and keeping them – I was able to get access to such material.

4.4.2. Literature review

The literature review of the previous two chapters, ‘2 Liability of Foreignness (LOF)’ and ‘3 Investment Promotion Agencies (IPAs)’, was conducted on the basis of a Keyword-search (in Discover, the Online Library System of Durham University), as well as the publication-pools of International Organisations (UNCTAD, OECD, WAIPA, World Bank). All articles whose keyword-section or title related to the terms: ‘Investment Promotion Agency’, ‘Investment Promotion Agencies’, or ‘Investment Promotion Intermediary’ were read and analysed. Equally a wide range of keyword hits of ‘Psychic Distance’, ‘Cultural Distance’, ‘Liability of Foreignness’ and ‘Liability of Newness’. Due to the many off-target hits I stopped using acronym search-terms such as IPA, IPI, LOF, LOO, PD and CD. Given that this type of Keyword-search often missed seminal articles, I then employed a “bibliographic snow-balling” search strategy. The bibliographies of relevant articles were searched for references that might also fit the search pattern (Nielsen, Asmussen & Weatherall, 2017 – p. 63) and included in the list of articles to be read and analysed.

To start the research project, I reviewed academic literature on LOF and IPA, as well as non-academic sources (UNCTAD, WAIPA, MIGA, FIAS) in order to establish the frame of reference for this thesis and embed my findings in the existing body of knowledge. This informed my initial (first-round) interviews, which in turn led to adjusted search patterns of my literature review or additional reading. Similar iterative adjustment-loops were performed on account of the findings of my literature review (i.e. a change of the questions asked in the interviews as well as the research-direction for the literature review). One such example with regards to the LOF-literature review chapter, was the initially observed shortcoming that managers were often absent in LOF-research (particularly LOF-literature prior to 2006). This led me back to literature, in order to specifically and systematically look for managers

featuring in LOF and IPA-related research and add this to the table on IPA-literature. Similarly, points made by Nachum, (2010) and Aharoni, (2015) about the complex, multi-staged nature of FDI-processes found their reflection in methodology and the additional second-round of interviews; partly to attempt a more longitudinal impression, but primarily to capture the complex and messy nature of such projects in a case-study type approach. Finally, the reason for the extensive use of non-academic (occasionally even commercial publications and IPA material) is based on this iterative process; through interviews I realized the gaps in the academic coverage of the field. In search of material to cover these gaps, I discovered a well-developed and extensive literature beyond the stricter remits of academia. Commercial / promotional data was used to triangulate and complete the picture.

One other potential source of information could be published research cases, which in this case did however not produce any hits when searching for “IPAs” or “Investment Promotion Agencies”. Even if in this instance, I couldn’t find research cases discussing the role of Investment Promotion Agencies, or the role of any semi-governmental entities, helping managers overcome managerial liabilities, it is noteworthy that research cases constitute a valuable source, one which very much reflects the managerial perspective in FDI processes (see Williams, Van Eerde & Thé, 2012). So, even if not immediately applicable for this PhD, research cases constitute a valuable potential source, particularly given the refreshing change and different perspective they offer, compared to much of the academic journal writing.

This led to a much broader set of materials than initially anticipated, driven by the relative paucity of sources on IPAs. A complete overview of the secondary data-sources used for this PhD is shown in Table 7.

Sources	Where from...	Why	Pro / Con
Academic literature	- Journal articles - academic publications & books	- theoretical framework – embedding the thesis in academic discourse - reference to extant research on IPA	with a few exceptions extant research tended to operate on a high level of abstraction; often little practical relevance or context
Non-academic FDI literature	- UNCTAD publications - OECD publications - IMF publications - World Bank publications	practical insights and descriptions of IPAs and FDI	- often long-winded (typical manual has 200 - 400 pages) - more in tune with operational reality in IPAs (very often surveys of mostly national IPAs)
IPA Docs / Brochure	Leaflets / promotional documents of IPAs	Triangulation / double-checking of statements of IPA staff	- Promotional material is by its nature aiming to speak to everyone (hence often vague on specifics) - gives good indication of strategic direction though
Linked 3 rd Party reports / papers	Consultants reports and case-studies	usually firm level, practical, theory-free behavioural insight	- usually always an agenda or a message in the material; - but while objectivity is not the most imperative / highly useful information
	Internat. Development Banks / World Bank / commercial Banks	“how to Guides” show a detailed level of operational detail and by discussing certain topics where problems tend to lie.	by looking at the topics discussed, it gives a very good sense of the operational reality on the ground and what is seen as the main problems
	Int Organisations (IMF/OECD/UNCTAD)		

Table 7 - Sources of Secondary data

To aid the reader, a summary of the conclusions of the literature review chapters is provided here. Extant IB literature focuses on the question how firms pick the markets they chose to enter; the practicalities of how they go about entering these markets is rarely ever discussed. This ‘how’ is arguably significantly influenced by the difficulties and uncertainties managers encounter when setting-up a greenfield-project in a foreign country. In academic discourse, this idea is called ‘over-coming LOF’. In the LOF-literature chapter I demonstrated that, while LOF is widely discussed, it isn’t ‘pinned down’ or operationalized. Extant research treats LOF merely as an abstract shorthand for something managers struggle with. To be able to find out whether IPAs help managers to deal with their problems, we need

to first get a clearer view of these problems and in a second step understand in detail what IPAs are doing in practice (see IPA-chapter) and whether this addresses those issues.

Following (and in parallel to) this secondary data collection, primary data was collected by way of semi- or un-structured first-round interviews and in-depth case-studies (second-round interviews). In the following section I will now outline the sampling strategy employed for these, as well as describing the conduct of these interviews.

4.4.3. Sample of Interview participants

Working as Head of Business Development for a German Mittelstands-company, and being a regular speaker or panelist at FDI conferences (AIM, WAIPA, ILO, WEF), the author had numerous contacts in Mittelstands-companies, IPAs and 3rd-party players (location consultants, lawyers, etc). Many of these included contacts with whom previous internationalization projects had been conducted, or fellow Mittelstands-managers with whom regular round-tables of informal sharing of experiences took (and still do) take place. From this body of initial contacts, I drew the population for the 1st round interviews from which the contacts for the 2nd round interviews developed. This idea of a first and second round of interviews goes back to Elliot & Timulak (2005 – p. 151): “qualitative research typically tries to sample broadly enough and to interview deeply enough that all the important aspects and variations of the studied phenomenon are captured in the sample”. The approach worked as follows.

4.4.3.1. Sampling for first-round interviews

For the first-round interviews I wanted to cast the net as wide as possible, to collect a broad range of ideas and perspectives, thereby adding aspects which I had overlooked or not initially included in my deliberations. The interview participants were generated largely by convenience sampling, primarily drawn from the two groups of interlocutors I had outlined at the beginning of this chapter – corporate managers and IPA staff.

Corporate Managers

Owing to the author's professional background, a good base of contacts was readily available; this was initially accessed via a convenience sampling technique and snow-balling out from there. Looking at the initial set of interviews, I realized that there was an overly strong emphasis on automotive and automotive-supply managers. Looking through the authors' LinkedIn-contacts I therefore aimed to bring a few more non-automotive interview participants in (mostly people I met at conferences, workshops and FDI events). The sample contained SMEs/Mittelstands companies and large Multinationals; towards the end of the first round, the sample also included managers from manufacturing, heavy industry, the chemical industry, raw material extraction as well as service industries. In terms of nationality there is a bias towards German-based managers, but also managers/firms from the US, the UK, France and Scandinavia.

On reviewing the sample, I also realized that there is a strong emphasis on CEOs and CFOs (the initial aim was to get as senior a contact as possible). As an insight for the second-round interviews I therefore determined to specifically add Corporate-Development / Business-Development / Project- Managers in the interview sample, to strengthen the practical-operational aspects which, from the relatively few examples I had, struck me as providing some of the most interesting insights gained.

IPA Managers

The other main group approached for this research were IPA managers. As with the corporate managers, I aimed at securing interviews with the most senior national IPA managers I could find. Initial interviews were held with contacts of the authors' prior internationalization projects, but quickly spread out from there. The second-wave consisted of general personal contacts (i.e.

where the author gave talks at FDI conferences or IHK/AHK workshops, shared the stage with them, usually for panels or discussion rounds). Having been a speaker at WAIPA-ILO, WEF (E-15 initiative) and UNCTAD events produced a large number of readily available contacts of developed and developing nation IPA interlocutors. Finally, I approached senior IPA staff via LinkedIn profiles and asked for interviews. Realizing the importance of regional / State-based IPAs (e.g. Bavaria, Catalonia, Flanders) I increasingly also targeted these IPA structures towards the latter stages of the first-round interviews. In terms of geographic distribution, the sample is very strong on national and regional European IPAs, a number of national and regional-IPAs from the Americas (Canada, the US, Central and Southern America), and only a few national IPAs from Northern Africa and Asia.

The wider FDI community

To round off the statements I got from managers and IPAs, I also included internationalization & location consultants, managers of the Big4, lawyers (particularly those who have specialized in internationalization projects), bankers, representatives of various Chambers (e.g. IHKs/AHKs of Germany), managers of professional bodies (e.g. WAIPA and EURADA). And finally, representatives of International Organizations (IOs), such as UNCTAD, UNIDO, OECD, World Bank (with FIAS, MIGA, IFC) and IMF. Apart from having published widely, these organizations run several capacity building programs for developing nation IPAs and are therefore well integrated into the wider field of Investment Promotion.

For ease of gaining an overview, I have collected all types of interview-participants in the following table (NB actual sample numbers are given in Tables 8 & 9 ahead):

	Who	How	Why
State	• Ministerial Bureaucracy officials • Chambers of Commerce representatives • Economic Attachés	• Exploratory / first-round interviews	• Get a sense of the wider field / collect as many views and perspectives as possible
IPA	• Heads of the national-IPA • Heads of regional-IPA • Heads of municipal-IPA	• Exploratory / first-round interviews (very broad based) • Second-round / semi-structured in-depth interviews (2 case-studies)	• Get a sense of what they consider to be the “need” on the side of managers • collect as many views and perspectives as possible • detailed insight & context rich description • understand their internal performance metrics & working logic
Investors	• BD Managers of active investors who used national IPA • CEOs / CFOs of active investor who used national IPA	• Exploratory / first-round interviews (very broad based) • Second-round / semi-structured in-depth interviews (2 case-studies)	• the reasons for FDI-projects • Get a sense of how corporate managers approach FDI-projects • Get a sense what level of know-how as well as differing views of actors • detailed insight & context rich description • understand the decision-making process
	• BD Managers of active investors who used regional-/municipal-IPA • CEOs / CFOs of active investor who used regional-/municipal-IPA	See above / ditto	See above / ditto
	• CEOs / CFOs of potential investors who have not invested in the country	See above / ditto	• Understand what made them go somewhere else/ had IPA something to do with that
Linked Third Parties	• Location / IPA Consultants	• Exploratory / first-round interviews	• Get a sense of the wider field / collect as many views and perspectives as possible
	• Representatives of Internat. Development Banks / World Bank / commercial Banks	• Exploratory / first-round interviews	• Get a sense of the wider field / collect as many views and perspectives as possible
	• Representatives of Internat. Organisations (IMF / OECD / UNCTAD)	• Exploratory / first-round interviews	• Get a sense of the wider field / collect as many views and perspectives as possible

Table 8 - Types of Interview Participants

Sampling based on my circles of acquaintances meant a bias towards automotive and German, which made me think a lot about biases inherent in such a research project. Other elements of bias were noted in some of the first-round interviews, which were specifically designed to generate as broad-based a set of comments as possible. As I learned later on, the quality of interviews improves if statements are juxtaposed with what the counter-party (i.e. IPA vs corporate manager) says. This tends to eliminate flat, politically correct truisms. First-round interviews are always one-offs, without the relevant counter-party at hand. They can therefore contain some biased, excessively positive/optimistic or political statements.

Between September 2015 and December 2019, a total of 137 interviews were conducted. The population mostly consisted of senior-level managers of the following sub-groups:

Table 9 - First-round Interview sample structure (1)

	Corporate Managers	Politician Ministerial	IPA Managers	Localtion Consult / Big4 / Associat.	Internat. Organizat .Central Banks
Developed / OECD	29	10	49	23	18
Developing Markets	1	1	2	4	-

As with qualitative research in general, it is however very important to keep in mind that we are dealing with human interaction and issues such as the ability to establish rapport. This qualitative difference of rapport, finding the right level of communication, succeeding in the interview-partner opening up, resulted in significantly different interviews across the sample. On average interviews lasted between 60 and 90 minutes. Some significantly under-cutting this, never reaching a genuine level of involvement, remaining very much on the surface, often only stating truisms or unspecific generalizations. These then only lasted 20 minutes to half an hour. On the other end, I also managed to have 2 ½ hour-long indepth conversations, producing 5 or more pages of detailed minutes with many highly insightful comments and observations.

4.4.3.2. Sampling for second-round cases and interviews

Based on insights gained from the first-round interviews, and given the aim of generating as holistic a picture of the process as possible, I opted in the second-round interviews for a case-study approach.

Given that the issue of confidentiality became a key concern in this sphere, sampling was even more determined by considerations of access than in the first-round (as this not only required access to an IPA, but also the corresponding corporate). This necessitated a long run-up and a deep level of trust in the confidentiality I would ensure by the interlocutors concerned.

In terms of the sample I targeted, I initially aimed for two case-studies of top-in-class IPAs who could act as benchmarks on what IPAs can do to overcome LOF. This initial idea, however, resulted in several problematic issues; one being the question of who is considered to be 'top-in-class' is obviously a subjective one. Based on statements in the first-round of interviews, a group of IPAs emerged, which were repeatedly named as top-in-class by corporate managers as well as peer-IPA managers.

The second concern would potentially even have skewed research outcomes. Top-in-class invariably meant IPAs of First-World, rich countries. These would then have effectively the same economic background (well-run country with high levels of governance, high GDP, well-resourced IPA, high international visibility, comparably open level of economy), which would however only reflect a small percentage of countries / IPAs. LDCs and developing countries (and their respective IPAs) face a completely different Investment Promotion & Facilitation situation than for instance European countries. Corporate managers investing in First-World countries (usually also top of Ease of Doing Business Index) usually face fewer hurdles, and often feel they can do so on their own. This also emerged clearly in these 'first-world' IPA-interviews. These were usually only aware of approx. 20% of the FDI-projects in their countries, while owing to several layers of access-permits and intricate bureaucratic requirements development-country IPAs mostly had a 100% visibility of projects in their jurisdictions. Another specific of LDCs is that FDI are often about so-called bank-

able/pipeline projects (ready projects for which they essentially only look for financiers – i.e. a totally different approach to what we ‘normally’ conceive of as greenfield or FDI-project).

Third, developing countries offer a considerably different infrastructure and regulatory framework than OECD-type countries, which makes the support of IPAs even more important than in these top performing countries.

Therefore, I decided to change the initial sampling plan to:

- One highly regarded top-in-class OECD country IPA
- One African IPA which – should form the juxtaposition to the OECD IPA.

Despite some prior personal contacts among location consultants who had worked in Africa, as well as some African political figures, and despite extensive efforts to get African IPAs interested in being part of such a case-study (or even first-round type interview), very little progress could be made. A few initial phone-conversations were held, but none of these reached a level of depth or openness I felt necessary to even only call them interview, let alone a genuinely insightful case-study. Aiming at a deep understanding of the process as well as possible problems during a specific project a degree of trust and openness is needed, but one I could not establish in this context. One location consultant active in Africa explained that, partly on account of “shorter attention spans” (in his words), and partly of a fear of ones’ own standing being damaged, he wasn’t all that surprised about this. Given that I wanted to reach this level of insight and not getting anywhere in Africa, I decided to aim for a transition economy IPA.

Both IPAs and especially the companies concerned made it very clear that they expected confidentiality (see Chapter 6 for more details)

4.4.4. Conducting the interviews

4.4.4.1. First-round interviews / exploratory interviews

The first-round, exploratory interviews were intended to collect as broad a picture of the field as possible to chart a largely only emerging field of research. Phelps & Wood, (2018 – p. 1,340) had remarked that such an “exploratory – ostensibly inductive – nature of the research is appropriate for an emerging field”.

These first-round interviews were very lightly structured, to offer maximum flexibility to interview-participants. They mostly started by stating my background as Corporate Development manager in the automotive industry, being responsible for setting up greenfield projects as well as being a PhD candidate, researching IPAs. I then opened the conversation with as broad a question as possible. The aim was to allow their perspectives and ideas to emerge and to encourage personal anecdotes. While some of these ‘interviews’ swerved off-course in a narrower sense, this type of free-flowing conversation produced new perspectives and insights. Only if interviews departed too far from the core theme of IPAs, I tried to gently stir the conversation back to the topic. This approach to conducting interviews was strongly influenced by Johanson (2004) [as found in Marschan, Piekkari & Welch, 2016 – p. 3) who stated, “My interviews could be called lightly structured open-ended interviews which perhaps most resembled discussions”. Such a “thinking out loud” (Williams & Grégoire, 2015) interview-style provides a multitude of views – occasionally contradictory - but often, adding additional insights & perspectives to the topic, resulting in a deeper understanding of the drivers underlying these actions. Trying out various styles, I eventually settled for a conversational tone. This produced a much richer, more detailed exchange than the traditional interview-type approach. Letting the interview-participants determine the flow of the conversation and delaying questions about specific aspects which hadn’t emerged during the conversation as late as possible, ensured that the flow of the conversation / train-of-thought was not interrupted. If, after approx. 30. mins we still hadn’t discussed IPAs and their roles in any meaningful depth, I started to stir the

conversation more deliberately towards that subject. With corporate managers the questions revolved around whether they had used IPAs in the past, in which countries and which contexts. How the interaction came about (i.e. who contacted whom), and what the IPA did in the context of this project. Finally, how the corporate manager would estimate the services provided (did they consider them to be good / bad, and what else they would be looking for). In conversations with IPAs the questions aimed at understanding what types of services they provided (initially guided by the Wells & Wint framework, later more guided by the examples given in previous conversations), and to elicit examples of projects and what the step by step activities were in these cases). Active listening and making references back to interlocutors' own previous statements, also appeared to increase the level of trust and led to participants opening up further.

The interviews were occasionally conducted face-to-face. Mostly, however, they took place via telephone or Skype, in either English or German, and lasted – as mentioned above - on average between 60 and 90 minutes each.

One of the key problems of research into company investment projects is the highly confidential nature of the field. Neither corporates nor IPAs wanted details of current or even often past projects to be discussed publicly (That is, divulging anything exceeding what was already posted publicly as sample success-stories of IPAs, which usually didn't contain any specifics or problems emerging during the project, but merely highly positive and complimentary statements by CEOs). There was a great deal of hesitancy to open up and discuss 'real issues'. (Interviews often started with truisms about FDI and only gradually moved into more specific – and hence confidential – grounds).

Given the confidential nature of the topic, and in order to open interlocutors up, several confidence-building measures were offered:

- “Chatham-House Rule”. Offering to use everything that had been said anonymously rather than attributing it to a specific person

(i.e. instead of “Mr. xy from company z said...”, I promised to use “a CFO of a German Mittelstands company”. Given that the majority of interview-participants had requested anonymity during the early phase of the first-round interviews, I decided to take out all company or IPA names.

- Attitudes and reactions during initial interviews also led me to not audio-tape interviews which led to a significant opening up of interview-participants and more candid statements. There seemed to be perception that audio-taped conversations can always be “used against” the interview-participant. Without the potential danger of ones’ statements being used against oneself at a later stage, people felt at liberty to describe issues in more detail or even broach subjects which hadn’t emerged in the early (then still taped) interviews. A similar phenomenon is described in Hietanen et al. (2014 – p. 296) “When asking whether the interview could be recorded for subsequent analysis, the researchers were presented with the following question: “my story will be quite different depending on if it will be recorded or not. But which story might you be interested in – which truth will it be?” While never being presented with such a stark statement, it was obvious that similar dynamics were at play during my early interviews. I therefore felt that I had the choice between well-documented, but not overly insightful interviews, or open and candid interviews, which were documented only via notes made during the conversation and typed-up immediately after the end of the conversation.

With Skype or telephone interviews, I used hands-free head-sets and touched-typed on silent key-pads to capture the conversations nearly verbatim. In any case, the material was fully typed-up immediately after each interview. In order to capture the ‘atmosphere’ of the interview I also tried not only to record the statements made, but also impressions of how something was said or to mention other non-verbal signals.

With hindsight I feel that these apparently much more revelatory first-round/exploratory interviews added a great deal of directional insight to the research project. Further observations, which gradually changed my approach over the course of the interviews, and which also influenced the conduct of the second-round interviews, included:

- After several interviews, I realized that a significant proportion of these had been conducted with CFOs (due to investment projects often being within their remit and the unavailability of CEOs), CFOs tended to be very 'managerial' and numbers driven in their approach. Speaking to project managers who were responsible for the implementation of the project, a qualitatively different tone and focus of interests emerged. I therefore tried to talk to more operationally responsible managers.

I often also found that interview-participants initially took a very politically correct line; (being non-descript and general in their statements) or a safe 'official line', which divulged as little as possible. During the later stages of the first-round interviews, and in those cases where I felt we had a friendly conversational atmosphere, I challenged interview-partners with 'inside-facts' (i.e. statements of previous interviews, statistics I had found in preparation for the interview – as a signal of being knowledgeable / an 'insider' to the field). This often-led interlocutors to demonstrate themselves as also being a knowledgeable person who is not merely repeating truisms, which usually led to them opening up.

I am very much aware of the fact that 'pushing' interlocutors could potentially colour the answers of interview-participants. I therefore put great care in avoiding any indication of preferences or positions, as to not influence the answers I was getting, but to 'challenge' the interlocutor. I found that, apart from being taken more seriously as an interview-partner, most interlocutors offered that I might come

back with additional questions (i.e. rather than experiencing negative effects, apparently being seen as a useful conversational sparing-partner and less as a student interviewer). Many also expressed great interest in the process as well as the final outcome and asked for a copy of the PhD.

4.4.4.2. Second-round interviews – case-studies/in-depth-interviews

For my second-round interviews I opted for a case-study approach to collect rich, in-depth descriptions of the phenomenon. Instead of individual – but isolated and fragmented – observations as in the first-round, I wanted to get a connected picture, which showed the interplay of the actors involved and charted the inter-dependencies and mutual perceptions. The underlying objective was to get a ‘better’, more nuanced and holistic picture of this complex process in a real-life context (Yin, 2009).

To develop a case-study, I approached representatives of IPAs with whom I had a good working-relationship, explaining very openly the depth and breadth of interviews I sought to conduct for this second phase. Even more so than in first-round interviews, assurances of confidentiality were crucial to convince IPAs not only to participate, but also to co-approach companies that had recently invested in their jurisdiction. But even then, and with the active support of IPA project-managers, several firms that were approached declined to participate. Particularly unfortunate in my view, was the fact that those firms in whose project’s, things had gone wrong (and which would thus be the most interesting case-studies) were – even with far-reaching assurances of confidentiality - unwilling to discuss these projects. With agreements having been eventually secured, interviews were then conducted with the relevant (i.e. involved in the project) managers on the corporate as well as IPA side.

While still open to letting interview-participants ‘tell their tale’, I adopted – contrary to the first-round conversations – a more structured approach. I sought to first of all tried to talk through the chronological events of the

FDI project in question – seeking to get parallel tales from the corporate as well as IPA side. I also asked very specific questions as to what the corporate managers felt the IPA had provided, or where wishing they would provide. From the IPA managers I wanted to get a reflection of what they felt the corporate manager most struggled with and how well they had helped them in overcoming these issues. While aiming to give the interviews more direction towards the core field of research – managerial liabilities felt and how IPAs helped to overcome these – also the case studies proved to be far more diverse in content than I had initially anticipated, highlighting the point that we are dealing with a highly heterogeneous and non-standard set of processes.

4.4.5. Data analysis

The collected data, i.e. my raw material, can be divided into two principal sources. Secondary data, (academic literature, reports/surveys conducted by International Organizations active in this field, as well as publications by IPAs and FDI consultants), and primary data, consisting of interview minutes and write-ups.

Following its collection, the qualitative-descriptive primary data can be analyzed in multiple ways. Either, the more traditional approach of dealing with qualitative interview-data, the so-called structured process (i.e. coding and identifying patterns in the data); or alternatively there is the intuitive approach (Collis & Hussey, 2009), which focusses on capturing the core concepts and ideas. In line with the exploratory nature of my research, I aimed for this latter approach. Clustering interview statements and ideas, looking at the process in an iterative process – much like corporate managers approach their greenfield projects – brought me much closer to the operational practices of the field I researched. [see for example (Papadopoulos & Denis, 1998) who described the intuitive approach of companies selecting target markets]. Prior examples of such data analysis approaches were Jaiyeoba, et al. (2018) taking an interpretivist research approach when looking at Investment decisions of Malaysian retail investors; or Elliott & Timulak (2005), Nonaka & Peltokorpi (2006) and Hietanen, et al. (2014). All of these emphasized the more context-

dependent and ephemeral aspects of managerial interviews which are largely lost with positivist methods and suggesting alternative approaches.

In the following section I will outline in greater detail the various stages of the data analysis conducted.

4.4.5.1. First-round interview analysis

The exploratory interviews conducted over a period of 3 ½ years yielded 137 interviews. These interview-minutes were supplemented by field notes, observations and notes on informal discussions in the margins of FDI-related events and IPA's promotional material.

The reason why I ended up with a very large number of interviews, and a first-round process that took much longer than anticipated, were the often highly different statements, views and perspectives I collected. Following the concept of 'achieving saturation' I constantly felt that I needed to carry on, as ever-new information and ideas emerged during the interviews. This might largely be determined by the highly unstructured nature of the research process as well as the extreme heterogeneity (SME vs MNE, geography, etc.), but given that none of these had been found in previous literature, my impression of working on a genuine lacuna in knowledge was confirmed. Only when I reached close to hundred interviews, did I start to hear the same stories, themes and views over and over again (although it still being hard to assign real patterns to the emergence of these stories – i.e. home/host country, company size, type of IPA). None-the-less, recognizable story-lines started to repeat themselves more and more.

At this point I started the data-analysis phase for first-round interviews. To start the process, I embarked on an intensive re-familiarization with all of the interview-minutes. This involved reading the complete set of minutes several times in order to re-familiarize myself with the tone of the conversations and the managers' ideas and perceptions.

With the thematically often free-ranging interviews of the first round, the 'classical' coding process (Strauss & Corbin, 1998), was unsuitable. Rather than seeking to transform the data into a quantitatively analyzable form, I managed to find, through repetitive reading and re-reading of the minutes (Collis & Hussey, 2009), patterns and themes (for example managerial problems which emerged over and over again, or categories of how IPAs were seen by managers). Given the exploratory nature of my research, and the express intention of discovering new aspects, hitherto assumed away or subsumed in the high-level, aggregate approach towards managerial-LOF, I felt that such a more intuitive approach yielded the best results.

In order to ensure robustness of outcomes and avoid biases, I had already introduced several research-design measures (such as the breadths of interlocutor, and the two-stage process of first-round and second-round interviews) and was very much aware of the what Collis & Hussey, (2009 - p. 171) described as "the value of the analysis will depend on the quality of your interpretation". I therefore ran several successive clustering-exercises, in which I re-read the minutes with a particular focus on what had emerged as possible themes and recurring threads in the conversations. I then sought confirmation of my initial impressions and ideas, by running interview minutes and data clusters past my PhD supervisors. With one being an expert in IB, and the other an expert in qualitative research methods and analysis, the valuable suggestions given were then used to re-read outcomes and deepen my understanding.

The first, and arguably most important of these exercises, was the attempt to dis-aggregate what in extant literature is described as LOF into the constituent problems corporate managers mentioned as 'problems they faced' when running greenfield-projects abroad. Re-reading the entire set of corporate manager minutes, I focused specifically on all problems they had mentioned and categorized them into groups that encapsulated the various difficulties they encountered. The outcome of this thematic grouping exercise is the summary of

“practical problems managers face in an FDI-project” in Empirics I; apart from being an outcome in its own right (i.e. the operationalization of LOF on a more granular level) this also served as the framework for the second-round interviews.

Next, I proceeded to get a deeper insight into what managers wanted in terms of help and support from IPAs, i.e. what they would consider to be useful support to mitigate LOF. While I had found a lot of verbatim and direct statements for the first clustering exercise (managerial problems with greenfield-projects), managers’ statements were considerably less clear on potential solutions. Conducting a similar data grouping and analysis exercise required more of an interpretative approach where I focused less on specific verbatim statements, but instead on the underlying ideas of interview-participants statements. In order to ensure robustness of outcomes, and given the more regularly emerging negative statements about IPA services (apparently it was easier to identify what they did not like, rather than to come up with idea of what would help) I ran a second round of familiarization and grouping on the questions of “What managers want” (i.e. the envisaged solutions) and “What managers criticize in IPAs” (where they feel IPAs fall short of a useful solution). This compare-and-contrast approach yielded the second and third eponymous parts of Empirics I findings.

In a third exercise, I focused on IPA-manager minutes and repeated the process with a view to isolating IPA-staffs’ views on what they perceived to be managerial problems in entering their jurisdiction. Here the statements I looked out for were descriptions of what managers asked of them, what queries they had and what they would offer by way of support – as this essentially covered the operationalized LOF problems of managers from ‘the other side of the table’. The outcome was useful in terms of re-confirming the points collected in round one and two of the data analysis process, and my analyses also found their way into the table of how questions of corporate managers changed over time, adding a quasi-longitudinal aspect to the findings.

4.4.5.2. Second-round interview analysis

In the second-round, I used specific FDI-projects as crystallization points around which I could gain some insight into the specific interaction of managers and IPAs in a real-world situation (as opposed to abstract statements which presumably are often idealized and expressing what ought to be rather what happened in specific circumstances). The analytic process therefore not only consisted of looking at (a) what were the specific problems that constitute LOF for managers, but especially (b) what managers expected and how the IPA did in fact help managers overcome them. Another key interest for analyzing these second-round interview minutes was to understand the inter-actions and inter-dependencies of all the actors involved. While in extant research such inter-connections were either not looked at, or considered separately (to make them measurable), operational reality suggests that it is the dynamic inter-play of action and reaction, or several rounds of iterative progress, that formed a solution.

Seeking to combine these layers of different observation, goes back to the discussion in Welch et al., (2016 – p. 799/800) where they state that research inadvertently often loses many of the insights: “there are many ways to ‘kill’ the process in the course of a case-study: posing a research question that does not ask about how and why, assembling a cross-sectional dataset, reducing analysis to the identification of themes and categories rather than tracing process”. My intention was to move beyond this atomized observation, and to chronologically look at the process of an FDI-project and gain a better insight into the complex interplay of actors and the knowledge requirements for internationalization. Especially by following the chronological stories of events, and what participants considered important enough to mention, but also the processes and activities by the various IPAs, I could juxtapose strategies how IPAs aimed to help managers overcome LOF.

Having set-out the objectives and rationale, and the way I seek to implement these, in the broad-based first-round interviews (Empirics I) and the more

holistic, FDI-project centered, second-round interviews (Empirics II), I will now start to discuss these findings in the following two chapters.

Chapter 5

Empirics I (First-round Interviews)

5.1. Introduction – Empirics I

In this chapter I will describe insights and first-hand observations gathered from interviews with corporate managers, IPA staff and third-party specialists. The key-objectives for these first-round interviews were:

- (a) To gain an in-depth understanding of the specific, operational problems managers face during the various phases of an FDI-project (i.e. the pre-establishment phase or the setting-up, the establishment-phase, and whether there is on-going contact by IPAs in the post setting-up phase).

The underlying idea was that extant LOF-literature mostly only deals with the concept of LOF at a high-level of abstraction. A rare exception to this are Bodlaj & Vida (2018 – p. 361), who describing an interview, wrote: “the easiest way is to work with countries that are culturally similar to us [...] if I go to England and begin to talk about registration of our products in England, the British partner understands completely what I mean by that. However, if I go to Ukraine, it takes two to three hours before it is even clear what registration is”. It is especially practical problems, misunderstandings and different approaches like these that I am seeking in my interviews. This should form the nucleus of a more nuanced understanding of operational difficulties (i.e. managerial-liabilities). Categorized into clusters, these should act as framework for further research within my study (see 5.2.).

- (b) To collect managerial expectations of what IPAs could do to help them overcome these issues (and, as a mirror image, what IPA-managers said they would be doing in this regard). This is the most immediate input in terms of ‘overcoming LOF’, as seen by those who suffer (or seek to mitigate) managerial-LOF in an FDI context. These points are discussed in 5.4.1, while the subsequent section 5.4.2 outlines the issues managers criticise in IPAs. In an indirect way, this also highlights what managers are looking for and, by not getting, feel the need for.
- (c) And thirdly guided by Welch, Nummela & Lisch’s (2016 - p. 798) point that we are often “trapped by our theoretical assumptions” and that while we “need to be armed with existing theories, but not blinded, nor bound, by them” (Ibid), the idea

was to collect as broad-based a perspective on the topic as possible. By not limiting my inquiries too early with overly specific questions or selected interview-partners, I aimed not to super-impose my ideas on the subject. Instead by having as many different voices, ideas and perspectives as possible, I sought to collect the whole canvas and based on that I was hoping to be in a position to take a much more considered choice of interview-partners for the second-round interviews.

Guided by these three ideas, I seek to show, where my findings support extant research and where there are gaps in the current body of knowledge, deviating from the observed operating practices in the field.

As already described in the Methodology section, these first-round interviews were very lightly structured. I have encouraged my interview-partners to 'tell their tale', in order to collect the breadth of different views [as described in (c)]. One technical observation in this context; if conversations were all too free-flowing, and didn't touch on problems in FDI-projects, I tried to steer the conversation back to the core-topic, occasionally asking about "the LOF they encountered". This consistently produced puzzled looks, which suggests that LOF is a largely unknown concept in practitioners-circles and/or is considered too abstract. This in its own right struck me as an interesting observation, given that those measured by this concept have no conception of it; i.e. it never seems to have been road-tested or certainly isn't an idea people have engaged with much on an operational level. Following that, I asked about practical problems they had encountered which usually steered the conversation back to the subject.

I will finish this chapter by a set of preliminary observations; these are meant to be a first summary of insights, building the basis for a guiding framework on which basis I constructed the second-round interviews (e.g. who to focus on, points to specifically ask about).

5.2. The practical problems managers face in an FDI-project

One of the points I was particularly interested in were the practical problems managers talked about when describing FDI-projects. While in the literature we usually read about macro-parameters, (such as political risk or political stability - see

Gómez-Mera et al., 2015), in the following eight sub-headings I clustered the main topics that emerged during the interviews as operational difficulties (or micro-parameters) managers face.

5.2.1. Operational legal and regulatory barriers

While during the 1990s and 2000s many countries liberalized their investment laws, we can observe a reversal of this trend. This refers to Investment Protection Treaties, as well as – on the opposite end of the spectrum - protectionist measures being put in place. With regards to the former, one interview partner from an I.O. observed: “Brazil has never signed Investment Protection Agreements – but has never had a problem with FDI inflows [...] On the other hand Venezuela & Ecuador, countries with a long history of instability – them pulling out of Investment Agreements – had the effect of investors shying away from them”. With regards to protectionist measures – increasingly national economies seem to be erecting barriers to wholly or partly close off sections of their economy to foreign investors. Especially in many of the fastest growing destinations restrictions are being put in place. During many of the first-round interviews, interview-partners referred to such investment restrictions or problems such as, Russian steps being taken to stop activities of non-Russian investors in the extraction of minerals and oil, the aerospace industry or all activities in hydro-meteorological and geothermal processes (Article 6 of the federal law FZ-57; Invest in Russia – Legislation) or Mexico’s layered approach of activities reserved for government ownership (e.g. exploration of hydrocarbons), ownership of Mexican-nationals (e.g. land transportation, medical professions) and activities restricted by a specific percentage of maximum foreign ownership (e.g. up to 49% in newspapers or cattle-raising) (Jones Day, 2018). Or – a country regularly mentioned at investment conferences or Mittelstands’ gatherings as being difficult to operate in – Brazil - which imposed restrictions on foreign ownership in numerous areas. Similarly, China being mentioned as operating with ‘Negative Lists’ of restricted and prohibited sectors. Firms wanting to invest in these sectors need to deal with specific approval processes. As described by Kaspar (2019b), these protectionist tendencies – implemented via regulatory stipulations - are on the rise again. Responsible corporate managers therefore

face significant managerial-liabilities in terms of practical problems (i.e. what I will introduce in the theorizing part as LOP) in the FDI-process. A typical example of these would be the need to find out whether there are 'negative lists' or restricted sectors for foreign investors, or whether special authorizations / approval processes are needed, how to obtain these, and what documents are needed. This constitutes an information-barrier, as well as subsequently a problem of 'getting things done', which, especially with the often opaque local administrative structures in many emerging markets, adds an additional layer of difficulties. This combination of difficulty of finding out, as well as dealing with the regulatory requirements, was nicely illustrated by a German manager who had set up a greenfield project in a South American country. "It isn't easy to start out here. Whenever you thought you knew the rules, there seemed to be new regulations crawling out from the bushes [freely translated from the German term: "kommen aus dem Gebüsch"]. It can be a good country to do business in, but you certainly need to have deep pockets to get to the point where you become operational and start to make money [freely translated from the German term "einen langen Atem haben" – in the context of this interview, manage to sustain s.th. for a long time]. A similar point being made by a location consultant, talking in general terms about the situation of greenfield investment projects in Africa.

Another regularly mentioned problem of managers setting up greenfield projects, are minimum local-content requirements; if firms are planning to produce and sell in host-countries, products often need to contain a certain minimum share of value/content (be that raw materials or labour input) with the origin of the host nation. A typical example of this was the Brazilian "INOVAR Auto" program, whereby OEMs had to ensure a local content ratio of 65% to obtain favourable tax rates. Such local content regimes, together with export controls and/or capital or exchange restrictions, are a major concern for the implementation of FDI-projects. Partly, because as one manager stated: "often enough the businesses [comment by the author: he was referring to local suppliers] around aren't good enough, hence you simply have to bring goods in from abroad", but even if suppliers of sufficient quality can be found, corporate managers need to engage in a highly complex, iterative process of re-calculating business plans to ensure either reaching local content

quotas at the expense of lower quality components, or benefit from lower foreign sourcing costs but add tariffs and foregone tax benefits. He continued “in Brazil we have extremely strict local content rules”; this results in difficulties arising out of often uncompetitive manufacturing costs or insufficiently qualified labour. Given that Tier-1 and -2 suppliers in the automotive industry faced significant pressure from OEMs (who themselves were subject to INOVAR Auto local content thresholds, and therefore sought to increase their bought-in local content) to localize production, this meant that often import was not an option. Which meant that these managers needed to deeply engage with a system they might otherwise have side-stepped. A corporate manager described extended discussions with governmental representatives and third-party specialists (such as lawyers or consultants) to firstly understand and secondly adjust the project accordingly. Could higher local content be achieved by buying in raw material or semi-finished products locally? (Hence the information-need suddenly changed to finding sufficiently qualified suppliers) Or could a labour-content (i.e. performing more steps in the production process within the country) achieve the threshold (i.e. the information need changing to: what are labour costs, do I find sufficiently qualified staff, what are working-time legislations? etc.) Or can special dispensations be negotiated with the government?

Local content regulations, as in this case of Brazil are an example where protectionist barriers can even constitute a reason to invest in certain countries (i.e. in order to circumvent the substantial trade barriers or import tariffs), and are a prime example for the iterative nature of the information search of managers. With Brazil being seen as ‘a difficult country to invest in’, managers necessarily also look for as much information as possible to assess the cost to market. This usually entails various rounds of import/local-production combinations and negotiation with local authorities to optimize the solutions found. To navigate this process IPAs are often crucial (i.e. to provide information, establish contacts to government entities deciding such parameters, find local suppliers, etc).

5.2.2. Information needed to start a company in a foreign jurisdiction

Closely linked to the above point, is the need for detailed information about starting-up in that country. According to managers, this is less in the sense of marketing information about locations rather than detailed information about processes needed to be completed. It appears that the currently used distance measures in literature, rightly point to the fact that there are issues managers experience, without providing the deeper granularity of insights to be able to address them. Talking about regulatory conditions, one corporate interview partner stated: “national policies are extremely burdensome for multinationals; you need to deal with different national rules in every country and comply with different standards everywhere; wealth creation would be so much easier if you have one level playing-field and one approach throughout”. If left alone, investors occasionally changed their location-preferences as such obligations often made the investment more complicated. If supported by IPAs in the early information-gathering phase (i.e. by giving the corporate managers a clear picture of the general legal framework, the obligations / limitations being placed on the project) and provided with support in implementation, managers can feed these into a business plan and compare locations on the outcomes. Unfortunately, however information often seems to be very unspecific and platitudinous. One corporate manager remarked: “IPA brochures and messages are all just a copy & paste. They all look the same, they all say the same. They need to put much more effort into the story; they need to be more unique. And more targeted. Most of them target anything and everything and are not particularly good at delivering. Which isn’t surprising”. Another variant of this information need is observable in FDI situations where there is little choice (as in resource seeking or suppliers to automotive OEM). Here the interest of managers emphasises the quantifying of regulatory impacts and finding ways to mitigate the disadvantages rather than establishing a comparative with other locations.

Finding out detailed information about regulatory requirements of setting-up new companies is also imperative for realistic project planning/scheduling and realistic project-costs calculations. One aspect frequently commented upon, is that IPAs often provide information to corporate managers which they consider

to be of limited value (GDP growth, purchasing power, unemployment rates etc.) or merely push a marketing message, rather than providing useful data. Probably the most critical in this regard, was a British corporate manager stating “I wondered if they are really credible or even only remotely credible, rather than just flying the flag”. Managers often observed that this basic information can usually be found on the internet, rather than the specific detailed information needed to base information’s on. Corporate representatives are interested in specific business-relevant information such as wage costs (broken down per job type and sub-region within the country), day-night- and industrial-rates of electricity costs and legal and regulatory details which are necessary for critically assessing a location.

Without a network of contacts in the host country, getting access to this type of data, which is central to building the business-case, is at best very costly, if not impossible. But while extant literature has identified ‘lack of information’ as one aspect of LOF, it often lacks a detailed and nuanced description of what corporate managers consider to be essential information. Based on the findings of first-round interviews I consider this more detailed break-down of types of information needs as imperative.

The notion of ‘lack of information’, appears to fall into several categories, depending on prior knowledge of acting managers, and the stage of the project:

Unspecific and initial information gathering

As one corporate manager phrased it, IPAs are there to “...give you a first picture of the market, introduce you to the key people”; here, questions appear to be very high-level and aim to generate an overall picture (i.e. ‘Is there corruption?’, ‘Can foreigners own land/real estate?’, ‘Do you have a large pool of highly educated workers?’). These seem to be questions asked in the early phase of an FDI-project, in particular when the manager in question has little or no knowledge of the country (and/or the process of greenfield-projects). One manager described it as a “learning-curve” (by asking questions one collects bits of information, which form the basis for further, more specific questions). Questions of this sort were usually mentioned when

managers talked about 'deciding where to go' (i.e. the decision-making phase).

Specific questions for project implementation

These are very specific questions with regards to implementing a greenfield / FDI-project; i.e. question such as 'Where do I have to register?', 'Which documents do I need to provide?', 'How long does it take to get the approval?' or 'What are the hourly wage costs for a production worker, an accountant, a general manager?'. While some of these are information-gathering related questions, other are close to operational implementation. Questions like these are usually brought as examples in the set-up or establishment phase.

One IPA-manager commented that the more specific questions get, and the more managers are keen to meet relevant interlocutors, the bigger the likelihood that their location is in the final round of locations being considered. Hence the perceptible shift in the quality of questions. This assumption, that questions move through a discernible pattern, depending on the status of the project, is one aspect I will be raising in second phase of the interviewing process.

One interesting paradox with regards to information was that some managers spoke of the difficulty of finding information, while others bemoaned the "nearly unmanageable amount of information". This is presumably also a function of the level of experience of managers with FDI-projects. The quality of the questions presumably also largely determines the quality of the information obtained. Less experienced FDI-project managers ask questions such as: "Do you have a large pool of highly educated workers here?" One IPA-manager – in my mind correctly - pointed out that "What other than an enthusiastic 'Yes' could an IPA possibly reply to this?" The specific, usable insights gained from such a question are minimal, given that few aspects of this question (and hence answer) are in any way concrete. What would be highly educated? i.e. being able to read and write or to program Big Data analytics tools? And what is a large pool – 10, 100, 10.000? IPA representatives occasionally mentioned the lack of preparation or clarity of objectives in corporate managers, which might

be on account of not having run a greenfield-project before and only finding out in the process while doing it. Which one could also argue is then as much a failing of preparation on account of the manager, as it is a lack of support by the IPA (i.e. isn't their key objective to support managers with their greenfield-projects?).

Accordingly, the academic literature is too unspecific about this issue. The reference mostly found in academic literature is about "information deficit" or "information asymmetry". Is this referring to the search for specific information or the hit-and-miss, stab-in-the-dark approach of first-time FDI-managers? As for the type of questions, while some of these questions might sound naïve or uninformed, one manager described asking them for no other reason than to gauge the reaction of IPA staff: do they appear hard-selling the location or do they appear nuanced and honest at this stage?

5.2.3. Registrations, permits and approvals

Setting up a legal entity invariably requires a number of registrations, permits and approvals. While in one's home-country, managers usually are aware of the requirements and the relevant authorities where these registrations are to be performed, the problem in setting up a legal entity in a foreign country, is to find out which registrations are needed, where they need to be obtained and which supporting-documents are required. Added to this are the practical hurdles such as spatial distance to obtain signatures of ultimate owners who tend to reside in the home-country of the firms. Typical registrations mentioned in an FDI-context were: company registration, investment project registrations, tax and social security registrations as well as statistics office registration.

Similar to registrations are permits and approvals, which companies need to obtain in order to be allowed to start operating or performing certain activities. A number of countries were named repeatedly as controlling access to certain sectors via approvals / permits, which makes obtaining them a key priority for foreign investors. For legal entities these include approvals to start a business, operating licenses granted on account of ownership stipulations, or general investment approvals for foreigners. On an operational or individual level:

production or trading permits, visas, residence- and work-permits, building permits or production process inspections and approvals.

Registrations, permits and approvals are therefore a problem that touches on three aspects of liabilities managers might encounter. Firstly an information-type problem of needing to know which registrations and permits are required for the type of company one plans to establish; a procedural problem of knowing where to go, which supporting documents to present and the manpower to conduct these processes; and, in many countries, the network/contacts to know the people with which to have informal discussions about what is expected in order to get such processes completed in an acceptable timeframe. When I asked what role IPAs played in dealing with this process I encountered the full range of replies, from corporate managers stating that they would look to IPAs for help with these (for example a German manager in the field of energy production and storage stating: “support [...] doesn’t hurt when you are in our industry. I mean to get all the authorizations and approvals you need to get started”), to one manager stating “No, we don’t need help with permits, we are around for many years so we know what to do”. Linking this back to extant literature we find Kusek & Silva (2019 – p. 14) observing that “Investors strongly value business-friendly policies and efficient procedures related to business establishment. About four out of five respondents say that the ease of obtaining approvals for their investment is important or critically important, while only 2 percent say it is not at all important”. My interviews, as well as extant literature indicate that registrations and related processes are a key concern for managers, and therefore need to be a key area of activity for IPAs.

5.2.4. Transparency and Speed-Money

Closely linked to the above topic of having to obtain permits and approvals (often related to the process to getting them) are demands for ‘speed money’ by government officials and low-level bureaucrats. This was a prime example of a topic managers disliked to talk about in principle, and – when raised in conversation - initially replied with politically correct statements, only gradually coming out with the more apparently genuine answers.

In most of the OECD home-nations of investors, the paying of bribes is illegal and managers are regularly warned not to; the reality on the ground in many developing countries however is that especially low-level government or municipal officials quite openly, (and often rather aggressively) ask for so-called 'Speed Money'. This results in the request for a permit or electricity-connection being shifted to the top of the pile and dealt with quickly and favourably. If payment is refused, the application goes to the bottom of the pile, and remains there. While no corporate manager (and especially no IPA official) wanted to talk about this, (or be quoted or even mentioned in any way), it appears to be not an infrequent issue, managers encounter.

I encountered several instances where managers refused to pay and whose permit applications were delayed for several months: one experienced internationalization manager stated that, when his firm started the project in this country, they were all aware that this would be a very real danger and that they definitely would not pay any bribes. Being aware of it, they had prepared the top management that the project could take longer in such a case. While in another case, (presumably run by a more inexperienced manager running a project in a North African country) an electricity connection simply wasn't forthcoming. When the manager in question put in an official complaint at the highest level of the (semi-public) electricity company as well as the local government, virtually all official lines of communication ceased from that moment on. At the time of the interview, the company still hadn't managed to be connected to the grid (8 months after the first application had been put in). With all other elements of the greenfield up and running, production had been started with the aid of an electricity generator, which however resulted in significantly higher costs and constituted a maximum production limit due to the amount of electricity that could be produced that way.

LOP (or rather, managerial-liability) in this context is not necessarily the fact that this is happening (as domestic companies are faced with similar demands), but rather the way how foreign managers, who are unaware of local customs and ways of dealing with things, having to react to these demands. This is presumably what Leonidou (1995a – p. 31) described slightly euphemistically

as “any attitudinal, structural, operative or other obstacles that hinder or inhibit companies from taking the decision to start, develop or maintain international activity”. One reason for this evasiveness might be the difficulty of getting clear managerial statements, as such operational difficulties and the practical day-to-day troubles with specific countries are hardly ever discussed outside close-knit circles of managers who are well acquainted with each other. Especially this web of personal connections appeared to be of key importance in this research. As Corporate Development manager regularly present at such industry gatherings I had good access to these close-knit gatherings of managers, and – with people well known to me – also got many comments and remarks with regarding these problems. It was usually however made very clear that they would not want to be cited, or mentioned in any way. Managers tend to be quite worried that if word gets out, they might alienate local authorities and create problems for their local entities that way. At the same time, such issues are of considerable concern to these managers, and people are keen to hear stories how others have solved these tricky but not infrequently occurring situations.

5.2.5. Locational aspects of setting up a foreign entity

A very interesting observation coming out of the first-round interviews was the insight that academic discourse on investment promotion and the way IPA staff look at it, significantly differs from the way corporate managers perceive this. While the former conceptualizes the decision as a question of ‘this nation or that’, managers seem to look at it in a more utilitarian way. This was probably best illustrated by the following interview passage: “As a corporate decision maker, and you know that as well as I do, you don’t look at the problem as do I invest in the US, but which location do I pick. And it being in the US only being an after-thought”. Which further strengthens my point about the need to deepen our understanding of corporate perceptions in the decision-making process.

In terms of the operational task of finding suitable sites (either as rental options or land-purchase / building-projects), it was regularly commented upon how difficult it is with no local contacts or knowledge. Even companies which

seemingly are experienced in terms of internationalization or closely linked into the market side; an example of this was given by an Italian manager talking about his experiences of investing in a highly developed European country. “We are well connected on the client side. But what we really need and where we are struggling a bit is to get logistics sorted. How to distribute goods, where to store hazardous items and so on. It wasn’t something I ever had to deal with and so I was struggling a bit.” But especially representatives of SMEs and inexperienced/first-time internationalizing managers seem to find real estate searches and aspects of dealing with the physical space of the new firm difficult. But not only searching for physical locations / real estate is seen as difficult, but also aspects of land-purchase and building projects. On account of the significant sunk-costs in building projects, as well as the complex regulations [e.g. fire protection regulations regarding sprinkler systems in warehouses which substantially adds to (a) information-search problems, (b) issues of getting things done, such as find qualified installation companies, and (c) the costs of the project]. This topic is however also a prime example of the successive problems of LOF and subsequently LOP, as it illustrates the whole range of issues of finding things out (i.e. information related / LOF), needing to know the right people to discuss these questions / LOO) and the iterative approach to dealing with these issues without jeopardizing the overall efficiency of the project (one example I encountered was a project that had gone through several rounds of planning and re-planning to incorporate the stipulated fire-protection walls – which complicated the intended material flow. Looking into the building regulations they discovered that by lowering the building height, a different set of rules would apply, but this would then reduce warehouse capacity and necessitate an externally rented warehouse. It was the weighing of these parameters which determined the decision-making processes of the corporate managers to a large degree). To be able to assess these questions it is of paramount importance to get reliable answers and speak to deciders (building regulators, deciders dealing with planning permissions, fire protection legislation, dispensation in exchange for installed counter-measures). Other problems / questions, corporate managers would like to be answered are recommendations of reliable / experienced general contractors and lawyers to arrange build-to-lease projects, or help with the necessary steps for utility connections such as water, sewage, telephone and electricity.

5.2.6. Finding qualified people

Another, regularly cited problem corporate managers seem to face in internationalization projects, is to find skilled people for their foreign entities. As with several other topics (see 5.2.2), this is a staged or layered problem which re-appears in various guises over time. In the pre-investment phase, the biggest concern is to find a manager or a senior team helping to set up the entity. Equally at the ramp-up phase, it is a challenge to find enough people sufficiently qualified for the project. The problem here seems to be less “the search-process” for people (although even that is mentioned, but in most cases private head-hunting agencies are employed for this step). The issue seems to be the difficulty of deciding for the right candidate out of those presented by the head-hunters or in choosing a region with a sufficiently deep pool of potential employees. A British corporate manager describing their internationalization drive, stated: “We have customers all over the world, [...] We often found it very difficult to deal with some but not with others. As said – when we were talking to the Mexicans it was always getting very hard and we realized that we were not on the same page. And that is when we decided we needed to go local”. Describing the practicalities of going there she stated “The difficult bit though is not the going there – the difficult bit is the recognition stage – this is a culture we are not used to”. In an interview – totally unrelated to this – talking to a German Corporate Development officer: “What they really liked with [name of IPA removed] was the fact that they offered their services for free”, and talking about the services they used it was primarily “the wage / salary levels in the respective areas, information about the availability of workers [...] and help in finding them”. This latter point increasingly is not only an operational concern, but also a key decision-making parameter for people to decide for a location in the first place. Tellingly, some IPAs are acting on these concerns and are offering support in recruiting skilled employees as well as in qualifying them to meet the requirements of the investor (see for example the “Workforce” Service Package of the State IPA Brandenburg, WFFB). Another example for this was a US interview partner talking about an investment project in another state, stating that “Georgia was also very interesting ... they offered to pay for the training for our staff and we wouldn’t pay State tax on the land”

What struck me as really important in this however was, that IPAs also contribute to a professionalization of the process, in particular with SMEs and first-time investors. In several instances I heard stories where corporations had taken hiring decisions based on a 'personal connection'. A German Corporate Development manager related – somewhat exasperated – a story of a US greenfield projects being determined in terms of location and Human Resources largely “because he [comment by the author: he being the company owner] knew someone in that part of the country. Someone he had met on a holiday”. This interview partner reckoned that “many decisions – especially with smaller Mittelständler, who are doing this for the first time –are often taken by irrational, by emotional reasons”. Basically, because an irrational sense of knowing this country is generated owing to haphazard encounters with people.

How much corporate managers occasionally have to think outside the box, and take non-text-book approaches but accommodate local habits and preferences was however best illustrated by a comment of a German manager in the margins of a conference where we got talking about FDI projects and my PhD. “We started a new company in Brazil, in fact close to Sao Paulo which probably was a mistake. At that time, we were already warned that keeping our workforce might be among the most difficult things. So, following their idea [comment by author: “their” referring to the IPA], the first thing we bought was a Churrascaria set [comment by author: this is a type of Brazilian barbeque]. This obviously caused quite a stir back home at the accounting department, and they asked us what we thought we were doing. We didn’t even have electricity, let alone a working production but the first thing we bought was a BBQ set. It turns out it was one of the best investments we made in Brazil. Not only did we keep most of our employees, we also use it extensively in sales talks with our customers who love to come to us”. This little episode I think brilliantly illustrated the different cultural perceptions, the pressures Corporate Development Managers are often under (vis-à-vis their own HQs) and the fact that IPAs can offer genuine value, even outside the traditionally in literature discussed investment tools.

Another example, also from this German manager is outlining the importance of IPAs as bridge-builders to the wider community (i.e. also universities) and

that traditional approaches often do not produce the desired results. “We tried using head-hunters or IPAs to search staff, but we didn’t really have very positive results. What we found to be much better was talk to very young guys, from university or even still in the MBA; we had to invest more to train them but they could grow with us and hence wouldn’t leave us as soon as someone offered them a little more”.

5.2.7. Overcoming specific cross-border hurdles

Under this heading I subsume all difficulties managers mentioned which are ultimately born out of the fact that transactions need to be conducted across borders, legal frameworks and tax jurisdictions. These include questions of whether, and if so how, foreign funds to finance the venture can be imported into the country (i.e. capital transfer restrictions in many emerging markets) and related to this, questions of foreign currency transfers. Another point, which I have observed first-hand in the company I am working, is the issue with the import and customs procedures of second-hand machinery. Owing to educational levels of staff and in order to ensure IP- protection, our Global Head of Production prefers not to bring the latest versions of our in-house developed production equipment to emerging market subsidiaries. Instead he favours re-locating used machinery from existing sites. These are tried and tested, and older machinery tends to be slightly more robust and less sensitive to power-load fluctuations, which are a regular occurrence in emerging markets and often damages the control units; emerging market governments on the other hand, push hard for spill-over effects, trying to ‘force’ firms to bring their latest technology and therefore often put significant hurdles in the way of importing second-hand machinery.

Into this category also fall the above-mentioned local content requirements and obligations to buy from local suppliers, the need for import- or export-licences or the increasingly more complex questions of transfer pricing, double taxation and the growing robustness of national governments to ensure that a significant share of profits falls in their jurisdiction. This latter increasingly also turns into a location decision-making aspect. In the set-up phase, another regularly cited problem for managers running FDI-projects is the ‘catch-22’

situation of opening a bank-account and having to pay in the minimum equity in order to be able to establish the firm. (In several countries the minimum equity for a company foundation has to be paid into a local account. But, in order to be able to open an account you have to be a legal entity of this jurisdiction, which foreigners cannot create due to not being able to open an account and pay in the equity.)

5.2.8. Overcoming the otherness of host-countries

One interesting insight, which partly countered my initial assumptions about the in-applicability of psychic or cultural distance on account of being too high-level, was the issues created by the “other-ness” of people from different countries and cultures. While extant theory suggests problems arising out of psychic distance, and this has – as an effect - been born out in my research, I still maintain that current research misses the far more important point of (a) understanding the issues in sufficient practical detail to (b) be able to suggest way of overcoming it. Especially as most of the problems in this category seem to emanate from mundane and un-dramatic instances and between actors of neighbouring countries, which arguably are mostly overlooked by literature (for one of the rare exceptions see O’Grady & Lane (1996). This is nicely illustrated by a story of a Bavarian firm largely selling into Germany and eventually starting to do exports into France; the Business Development manager (i.e. my interview partner) exasperatedly told me that it took him “3 years to convince Management that they needed a French catalogue”. His conclusion – which applies to a trade as well as investment context was that “with smaller firms there is often extremely little cultural understanding in terms of going global or working in other countries”.

In practise first-time FDI investors often struggle with knowing basic aspects of FDI, a lot of extant theories assume complete knowledge and purely rational decisions, which given the above findings clearly fails to reflect real-world FDI situations.

So, taking extant theory and building from it, I would argue that the abstract notion of distance between home- and host-country, should best be described as a form of not understanding the others ‘in their otherness’. It is built up by a combination of the seven aspects mentioned before, and often results in the

feeling managers seek to explain with statements such as “at first you don’t even know enough to even be able to ask questions” and “you first need to understand the system before you can seriously start to enquire in the market”. But it is also personal sensibilities, which often influence decisions more than one assumes. I got an impression of such phenomena when I spoke to a manager from a company from South Tyrol (a part of the former Germano-Austrian region Tyrol, which – owing to events during the First World War - ended up being part of Italy today. The majority of the local population has always resented this, and make a point of speaking German as a form of establishing their national identity. When I rung this South Tyrolian Business Development manager, I was in PhD interview-mode and started to speak in English. He however, slightly indignantly, switched back to German assuming that I was making some sort of statement by using English). Later in the conversation, when the mood had calmed again, he again alluded to this by stating “that wasn’t that difficult anyway. South Tyrol and Bavaria are essentially the same people, with the same idea about how to do business” – again displaying a strong sense of cultural identity.

This sense of otherness that is so difficult to explain (and overcome), was probably best described by a conversation I had with the owner of a medium-sized German company. Pretty much immediately after the Berlin Wall came down, Mr B. had moved into Poland to establish a low-labour cost plant. Given the high share of labour-cost in his total manufacturing costs and the close geographic proximity, he saw great potential to bring his production costs down significantly. But – in his words – he encountered problems, difficulties and hurdles on every step along the way, the most dramatic of which was the “semi-communist attitude of the people”. Working hard, striving for better, more efficient processes, optimizing and increasing output never seemed to have occurred to “these people”. [It was fascinating to watch him while he related this story, the way his face contorted as if in pain; and also, the use of the German expression “diese Leute” – which in that language puts a distinct distance between him and “these people”]. After several years of futile efforts (and having lost money), he closed the company down, vowing never to set foot into Poland again. Years later he met a Pole, with whom he did a significant amount of business and who at some point suggested producing in Poland due

to the lower labour costs. Mr B. immediately declined and explained of his earlier experiences. Their seller-customer relationship went on for a while and the topic emerged again. They started looking into it and eventually ended up with setting up a Joint Venture in Poland. Mr B's analysis was: I failed because I didn't understand the Poles, because I couldn't talk to them, and even if I could, wouldn't get through. As soon as my Polish partner looked after the Polish part of the business that problem went away.

Stories like this one emerged over and over again in the interviews with corporate managers. Not understanding 'the other' (LOF, PD or CD in the host-nation context) is a problem in its own right. It is also, however, a type of macro-factor that hinders the solving of the other seven operational micro-level issues. Just like a language facilitates open discussion, it can constitute a major hurdle in communications if you do not speak it. Despite the limitations in the use of the concepts of LOF / PD in many IB studies, my findings suggest that they are describing some of the issues – such a lack of mutual understanding based on cultural backgrounds. Currently these concepts are however lacking the granularity and specificity to help solving of the outlined seven operational managerial-liability problems. The contribution, to build on the existing foundations and deepen our understanding has in particular in this first round of interview become apparent.

5.3. Categories of not-knowing

In terms of the 'not-knowing' of managers (and consequently the need of IPAs to support them) a pattern emerged which I outline in Table 10 below. I have termed them according to the known-knowns, known-unknowns and unknown-unknowns, given that the two dimensions of not-knowing (the not-knowing '**what**' to do, and the not-knowing of '**how**' to do it) define their characteristics.

The not-knowing what could be roughly seen as equivalent to lack of information or lack of market-specific knowledge and thus closely resembles the notion of LOF. The not-knowing how is more a processual idea, and deal with more operational questions of 'doing' or 'know-how' If combined, the two dimensions of not-knowing constitute a state which was probably best described by Vahlne & Johanson's, (2017 – p. 1.091)

statement: " managers act under conditions of uncertainty and partial ignorance – they do not know what they do not know".

Table 10 - Types of managerial-liabilities / degrees of un-known

	Manager is aware of the problem / knows he need to deal with it	Manager is unaware of the problem
Manager knows how to deal with it	Known-knowns Manager knows he needs a warehouse, IPA can help with the hassle of looking for one	
Manager does not know how to solve the problem	Known-unknowns Manager knows he needs an environmental permit, but is unaware how the process works, which documents he needs to provide & were to go	Unknowns-unknowns Countries in which sindicatos blancos exist and how one has to work with trade unions

5.3.1. Getting the things done managers are aware of ('known knowns')

This type of problem is describing a situation where the corporate manager knows what needs to be done, and essentially also has a fairly good idea of how to deal with the task. The problem is merely, getting it done. The main difficulty here is often one of distance. Starting a greenfield-project is characterized by many permit application-processes or applications for electricity connections (which according to some of the interviews, can take half a year and more to finally result in a link-up to the grid). In this early phase, before local management is hired, SMEs typically only have a project responsible, travelling to the country on an often merely infrequent basis to organize these aspects. Regulatory / permitting processes are however often lengthy, and in emerging markets often result in "suddenly emerging additional information or documentation requirements", or the need for "gentle reminders in order to keep the process flowing", as several managers put it. So even if the process is entirely clear – and there is no LOF on account of a lack of knowledge - foreign investors still face additional hurdles over local investors, owing to the geographical distance.

A typical example, illustrating a known-known problem is the description of the search for a factory hall to lease, in order to start up production. A junior manager of a European SME, at this point unaware of the existence of IPAs, described his first attempts of searching for, and contacting real estate agents in the host country in search of a suitable production hall, as “incredibly hard going”. Merely the Internet-search for real estate agents, was described as requiring enormous amounts of time. Finding commercial agents, trying to contact these and attempt to explain the type of production hall he was looking for, again resulted in vast amounts of time being spent with relatively little result. The little information that could be obtained was in the foreign [host-country] language and littered with abbreviations. When an acquaintance suggested conducting this type of search via an IPA, the IPA offered to take over the entire process. Being worried about running up search costs or entering into obligations, the manager described himself as being “very hesitant, doubting that all this work should be conducted for free”. After assurances by the IPA, he accepted the offer and was shortly thereafter presented with a neat table comparing the main details of 8 proposed sites corresponding to the search criteria and individual write-ups and pictures of the various sites in English attached, together with the offer to organize a site visit of the preferred options.

Services offered by IPAs in this regards, are less about mitigating LOF arising from a lack of understanding or insight by the corporate managers, but more about the often practical problems of getting things done; either due to a lack of physical proximity and not being able to quickly see people one needs to discuss with, or the need to search for people who are well known to a player present in the country, but not necessarily to a foreigner.

5.3.2. Managers want guidance with the ‘known-unknowns’

Known-unknown situations are instances where the manager knows that he will have to deal with certain types of processes (e.g. registering the company with social security providers, registering and declaring taxes), but – owing to different rules and regulations or laws – does not know how to deal with it. (i.e.

in our case above, where to register or what sort of documentation to provide). So, it is less a problem of 'knowing what' than of 'knowing how'.

Most legal and regulatory processes fall under this category (from company law, employment law to building / build-to-lease regulations) and are often taken-over by host-country lawyers. In terms of double-taxation agreements or transfer-pricing, the specialists in questions are international accountants. In terms of customs-processes and the importing of used-machinery, help can be found from customs-brokers. The practical problem for managers is finding these specialists who can deal with the elements of the unknown. This is where IPAs come in, introducing the various interested parties. Some of these problems do however require special knowledge (for the IPA to understand the issue, and to have relevant specialists at hand). In any case – the problem of managers can be dealt with by getting access to the right service-providers and specialists which is most commonly established via the IPAs.

5.3.3. Managers want to be alerted to 'unknown-unknowns'

The last, and essentially clearest instance of managerial-liabilities, are the unknown-unknowns. These are problems of which managers are entirely unaware of, but which – in order to make the internationalization project a success - ought to be dealt with. Again, this is often based on the different legal or regulatory traditions in home and host-countries (for example legal obligations for reports or registrations which are not used in the home country of the manager). It may include how to arrange the legal- processes and organizational structures, which if done incorrectly, could leave the new entity at a severe disadvantage (e.g. the use of sindicatos blancos in Mexico, which to Europeans, used to European notions of trade unions, is beyond their imagination). These unknown-unknowns are illustrated by a comment by a third-party consultant made during an interview, stating "Don't quote me on this – but often when I watch US managers looking at Asia, they think of it as one single market. They live with the vast continental market at home, and see Europe as Single Market, and they see Asia as Single Market. And they somehow don't figure it out that Asia is 54 different countries with different rules, languages and customs".

It clearly is difficult to draw a hard line between known-unknowns and unknown-unknowns, as it effectively is the level of experience and knowledge of the manager in question which determines what is known or unknown, and thereby illustrates nicely the interconnection between knowledge and managerial-liabilities in internationalization (i.e. the smaller the prior knowledge or experience, the larger the managerial-liability. The same obviously holds true for formulating or asking the 'right' questions – see 5.2.8). There is also the difficulty for IPAs of what to explain and what to assume as a given. The key problem with 'unknown-unknowns' is that the manager in question isn't aware of the fact that he/she has a problem which normally only becomes apparent when confronted by legal proceedings or fines for not complying with existing laws or finding your company at a significant competitive disadvantage. It is only experienced 'internationalizers' who are aware of the need to search for the problems of which they are not even aware. For IPAs it is very difficult to address these issues as it requires staff who not only understand the rules of the IPAs' own home-nation, but also the mind-set and (likely) understanding of the foreign-investor. Foreign Chambers of Commerce (organizations of the home country operating in the host country) or IPAs (organizations of the host country, usually with offices in the investors home country) are uniquely placed to fill this void and are specifically contacted for that reason by seasoned 'internationalizers'.

Technically one could detect a fourth category, an influence on the wider context within which corporate managers are operating – often unbeknown to them, shaping the playing field within which they operate; issues happening in the background, invisible on the surface but producing often quite significant effects for the investing manager, which are nearly impossible to understand. One such example emerged during an interview with a Central European regional-IPA. Within this top performing OECD country, a major geographic region was home to a well-known large firm (a key-player and the biggest employer in that region). This firm had made it very clear to the IPA and the local government that labour-intensive FDI-projects should ideally not be directed towards that region, as it creates an even fiercer competition for labour. Given the importance of that firm for the region, a tacit understanding seems to have been

reached. Even experienced internationalization managers cannot normally understand such hidden second-level difficulties that often lie behind seemingly inexplicable and suddenly emerging difficulties. IPAs however, that are well connected within their country, and who are in close communication with the potential investor, might be able to act as a go-between in this context and find solutions that work for all parties involved (usually without ever divulging the parameters on which the solutions was constructed).

5.4. The experiences of managers using IPAs

Having established what problems managers face when investing abroad, the next major theme I focussed on in my conversations with corporate-/IPA-managers was, what corporate managers wanted in terms of support from IPAs. Related to this I will – in the latter part of this chapter - look into the question whether managers feel they are getting this help, which proved to be an interesting point as it not only outlined the levels of satisfaction / dissatisfaction with IPAs, but also brought-forth additional managerial-liabilities they encounter.

5.4.1. What managers want

Having discussed some of the operational aspects that are important to managers (and that thus partly determine locational decisions), I now seek to gain a deeper understanding in how such aspects can be influenced by IPAs. Digging for example deeper into the findings of regulatory or customs barriers, managers often remarked that detailed advice and establishing contact to people who could help or the deciders in the ministries, as highly helpful. I would argue that advice could therefore be seen as ‘practical-help’. As outlined above, the theme of ‘information provision’ arguably thus needs to be understood in a more nuanced way and well beyond the mere level of information in the form of marketing / brochure hand-out that many IPAs seemingly still consider as their main remit.

Based on these wider notions of support and expectations of managers, I now look at their expectations of how IPAs can help mitigate LOF.

5.4.1.1. Reduce information gathering costs of FDI-projects

Information gathering costs of FDI-projects stretch over the course of the entire project, from initial, high-level data-collection (ascertaining the location as a potential site), to more detailed-data collection, (to draw up business plans and cost models). For this, managers seek very specific data points such as wage cost per job type and region, in order to determine which tasks are performed in the new plant, or similarly the KW/h cost to balance energy intensive processes with global supply

chain needs, etc.) So rather than high-level data – such as national GDP or unemployment figures - they want highly granular data; (city-level unemployment figures, numbers of graduates in plastics engineering, the average wage-level of individual job-types, compared between different cities / shires). In general, this is data that relates to their business plans and operational concerns.

Another aspect of information that is sought-after is industry-specific know-how, an aspect which many top-performing IPAs are already catering for, in the form of sector-specialists. Industries operate on highly different principles, have their own set of laws and regulations, and tend to have opinion-leaders any new entrant ‘needs to know’ (i.e. associations, industry-experts, suppliers, key-customers). Best-in-class IPAs are well acquainted with these structures and there is increasingly an expectation on the side of managers to find such sector specialists, given that it is particularly due to this level of insight, that added value is generated, which helps to lower the LOF for a new entrant.

5.4.1.2. People - finding and recruiting staff

Meeting the right people is essential in an FDI-project and covers an extremely broad field. I have therefore divided people issues into two sections; the meeting people in the sense of integrating into a network [linking to Johanson & Vahlne’s (2009) notion of outsidership and Vahlne & Johanson’s (2013) research on networks] – which I will deal with in the next sub-section; and the more operational question of how foreign investors manage to find the right staff for their host-country subsidiaries.

How difficult such seemingly a straightforward question regarding the latter challenge can be in practice was exemplified by an interview with a managing shareholder of a German Mittelstands company investing in China. Seeking to deal with the problem of not having anyone on the ground to deal with the countless permitting and approval issues, and not wanting to fly out to China on a fortnightly basis, the plan was to

hire the future MD for the Chinese entity as quickly as possible. This was described as being a standard approach of this firm, who by this time already had several foreign production plants; The German MD explained that this approach (of hiring local managers and give them a key role in the setting-up of the greenfield-plant) had worked well in the past, but in the case of the Chinese venture ended in disaster. “Our first Chinese manager was Sing-Chinese. The Chinese can be funny towards foreigners. [...] But even Germans – or generally all of us long-noses - are never as much disliked as a Singapore-Chinese or Taiwan-Chinese... I don’t know why, but apparently those in the know, know about this. Well, we didn’t and despite him being a very nice and cultured man, we didn’t get anywhere with this and eventually had to let him go and look for a new MD. This lost us more than half a year.”

Only having this one statement, it is of course difficult to determine whether it was a question of managerial-capabilities on the part of the manager in question or, as suggested, a deeper cultural problem. It does however illustrate the problem of hiring people, especially when one is not aware of local customs. This could be dealt with by either being lucky and hiring the right person or having a network of people who make you aware of potential problems. In both cases this pre-supposes existing contacts in the host-nation which inexperienced, first-time investors from distant nations do not tend to have; and which – as in the above example – can even lead to experienced internationalizers being caught unaware.

5.4.1.3. People - networking

‘Networking’ as a term is a fairly broad-based concept. The difficulty lies in the extreme breadth of ideas expressed by interlocutors in this context. These can range from the very early phase of the project, where the IPA introduces the corporate manager to Service-Providers, helping him/her make sense of and assess the investment situation (real estate specialists, contractual lawyers, utility providers) to the later stages when the interest moves to implementation. It covers

introducing the project-manager to government and local authority decision-makers as well as the wider business community (for example Service-Providers, suppliers for raw materials and other input, or potential customers).

On several instances managers emphasised the importance of IPAs being well-connected and knowledgeable, which usually meant that the IPA needed to be well acquainted with, and well connected into a specific industry. Something IPAs clearly have responded to as the statement of a senior manager of a regional European IPA testifies to “So I have one person dedicated to medical technology, one person dedicated to IT, another one to clean technology, another to energy and energy storage, and so on.” Networking is increasingly thought of as an industry-related concept (often even spanning national borders), rather than one that is limited to one jurisdiction.

Looked through the prism of LOF, it could therefore also be argued that many IPAs suffer from a systematic LOF in the corporate world; not being present at the initial points of contacts of corporate managers seeking to engage in FDI-projects, often not understanding the needs and concerns of business people and not speaking the corporate language. They therefore fail to generate contacts and the visibility in a segment they ought to be much more present in. In this sense IPAs also need to improve their own networking into the corporate sector and become more well-known.

5.4.1.4. Trouble shooter / Ombudsman - if things have gone wrong

Projects as complex as greenfield FDI-projects are bound to encounter some difficulties / problems along the way. One of the key tasks of an IPA, being the first and probably closest contact of the investor in the host country, is that of trouble shooter. A location consultant speaking about best-in-class locations stated “I love the example of XXX [*name removed*] It is a small town, close to the [xxx – removed] border; they are super-focused and there are getting the ecosystem right. Companies

coming to them find all the things they need; they can discuss infrastructure, people with the right qualifications, contacts to Uni's, ... they are making it easy for companies to go there and if something goes wrong, they are there to help finding a situation to make it right again. They don't really need to sell XXX [*name removed*]. Companies do that themselves. They talk amongst them and that you find an ecosystem that makes things possible". It seems however that only a relatively small number of IPAs seems to engage with this in any meaningful way. It is however apparent that those who do, are regarded highly and are often named as benchmark-IPAs.

IPAs are arguably placed in a prime position to do so, due to (ideally) an in-depth understanding where problems might come from, and having a broad net of contacts, they can help the investor deal with this late form of LOF in an investment project. It arguably also serves IPAs well to engage in these activities as operational insights into the problems of corporate managers reduces their LOF vis-à-vis the industry and gives them expertise in an area which is most valued by corporate managers. That such an approach can work to great effect is demonstrated by Korea's Ombudsman System.

5.4.1.5. Promotion (IPA) versus Facilitation (Manager)

Conducting a series of interviews with IPA staff and corporate managers in parallel, an interesting picture started to emerge. IPAs tend to place the emphasis on promotion (i.e. pre-establishment) whereas corporate managers tend to put more emphasis on facilitation (i.e. establishment). This is arguably based on the underlying interests of the two groups; IPAs are evaluated on their performance in attracting investors and are therefore more marketing-leaning; corporate managers have less of a vested interest in which country they invest in, or whether it is region A, B or C, but have an interest in being operational as quickly as possible (i.e. encounter as few risks and problems as possible)

Based on the UNESCAP (2017) categorization (see Table 11 - Stages of an FDI-project / IPA activities - which I introduced in 3.2.1.1), we can locate the different emphases – as an approximation – on an FDI-project time-line. The interest of many IPAs, who seem to see their task as largely being marketers, raising the awareness and the profile of the country, disengage as quickly as possible as soon as a corporate has indicated that they will invest. Managers, on the other hand, seek to benefit from IPA support for as long as possible. This tension of different interests, I would describe as the “**Point of Disengagement**”, which arguably is one of the reasons why corporate managers often consider ‘IPAs as not living up to their promises’.

Table 11 - Stages of an FDI-project / IPA activities

Stage of the project as experienced by the corporate manager	Definition of term and main tasks performed by IPAs during this phase
Pre-establishment	<i>Investment Promotion</i> • Create awareness of the location • Provision of information and support to investor to win the project • Prepare and conduct the site visit with investor
Establishment (setting-up firm, construction)	<i>Investment Facilitation</i> • help with obtaining permits, licenses • help with legal and physical establishment of subsidiary • “One-Stop Shop” function
Post-establishment	<i>Investment After-Care</i> • Trouble-shoot problems encountered by investor during operation • Understand plans for future development in subsidiary and entire group

Adapted from UNESCAP, (2017 – p. 259)

5.4.2. What managers criticize in IPAs

Talking to corporate managers, there appear to be a number of problems with the current practice of many IPAs. It is of course difficult to make such a generalist statement, given the extreme heterogeneity of this field. Nevertheless, during the first-round interviews, certain IPAs were consistently named as top performing, while many others were described as failing to deliver. The consistency with which they appeared seems to indicate a pattern that is more than mere subjective impression. This ‘spread in quality’ however

appears to be largely overlooked in research and might be one of the reasons for the contradictory research outcomes [Kotabe, (1993) versus Lim (2008) or Volpe-Martincus, Carballo & Blyde (2018)].

Quantitative IPA research nearly invariably fails to observe such managerial views which help us to better understand how IPAs, operate and what managers are looking for. Looking at what managers criticise in IPAs, several themes emerged. The most obvious and immediate criticism related to the general quality of IPAs, their skills and capabilities (or the lack thereof) – see 5.4.2.1. The other area clustered around “what” – i.e. specific areas where managers disagree with the strategic direction or choices IPAs are taking – see 5.4.2.2 – 7 below.

5.4.2.1. The “quality” of IPAs

As already mentioned, discussions about the quality of IPAs are difficult, given the subjectivity with which managers assess IPAs. Sometimes things are very clear cut, as in this statement of a location consultant: “There are vast differences between IPAs. If you look at EDA or the Irish, they have nothing in common with African IPAs other than the name IPA. They are totally different; organizations with 500 people who are well organized and very professional and at the other end 5 people in a room with one telephone who refuse to do something or pick up the phone even if it rings. You simply can’t put them in the same category and expect any sensible outcomes from it”. But often the differences are much more nuanced. Researchers have tried to objectivize this, in particular in the Global Investment Promotion Best Practice (GIPB) reports 2009 and 2012 which found that many low-performing IPAs don’t even reply to investor inquiries, while top performing IPAs offer a tailored service to potential investors.

Interestingly, many managerial interviews often arrive at much the same conclusions. A German manager for example stated that IPAs often claim to be specialists for the automotive-industry, and that their region is a centre of automotive industry. He then observed that if you

ask them a number of specific questions – often not even particularly in-depth or complex ones - they take three weeks to come back with an answer, because they first had to ask people and research it: “Can I really take these people seriously as specialists? And how many of their other claims are equally truthful?” Similarly, a senior figure in a private-sector location consultancy, was scathing in her critique of IPAs. When I asked about the quality and effectiveness of IPAs she replied: “You are joking right...? I mean to use the word effective and IPA in one sentence”. Pointing out that federal nations are having a national-IPA and State-IPAs, she said, “And they are all having foreign offices. We are not doubling or tripling efforts. We do it 16 times – and we do it extremely badly at that. We are wasting $\frac{3}{4}$ of the money on this farce”. While there is arguably a significant element of self-interest involved in these statements, (as she stated the ideal solution being that national IPAs should act “at a very high level. Don’t go deep into detail – just provide them [investors] with information; and as soon as things start to become more hands-on, pass it on to private specialists. They know at least what they are talking about”), statements like these are not uncommon and reflect the views of a large part of the FDI community.

On the other hand, one also hears positive voices from location consultant such as: “... there are those with great soft-landing programs. Who put a project team together to help you set up. Agencies that excel in on-boarding and helping you getting started” or, by a corporate manager talking about a European regional-IPA he worked with: “Brilliant – they did a great job [...] I really couldn’t fault them. Very happy with them. We are still in contact and I still speak to them a lot”.

Differences are also observable in what IPAs consider to be their tasks. One European regional-IPA described their remit as telling people what do to and how to deal with the permitting process but “... it is not filling papers... we are trying to avoid the papers”, while a regional-IPA of a neighbouring country described its tasks “we are counselling the company how to fill in the forms, what to do... [...] ... we can’t fill in the forms though – but we are working very, very closely with the guy who

is doing that. In effect we are sitting together at the table". In terms of self-perception and how various entities understand their task this is a fascinating juxtaposition of IPAs.

An additional dimension of quality of an IPA, not discussed in any of the existent research, revolves around how well connected the IPA is, and how good its standing is with local government or the community at large, to be able to intercede on behalf of the investor in order to swing opinions of stakeholders in favour of the investment and support difficult or problematic establishment processes. In several interviews with corporate managers (usually representatives of large companies seeking to establish very large projects), IPAs were identified as highly important actors in supporting the project in the political area and/or selling it to local communities.

In one case, a logistics company sought to establish a warehouse / distribution-centre in close proximity to a large Central European city, with good access to two main motorways and in reasonable distance to a major international airport. Requiring a several hundred thousand square meter large plot of land, the potential investor was consistently, politely given to understand that the communities or municipalities they had approached weren't overly interested in the investment or in selling the land. The regional-IPA, involved at a slightly later stage, helped the corporate to understand that municipalities in highly attractive regions have identified land as a scarce resource and would only make it available to investors who would bring a "high value-add" to the region in terms of jobs or tax income. A distribution-centre required vast square-meterage while only producing a hand-full of jobs and resulting in relatively low tax income while at the same time causing increased road-usage and pollution. Investments of that kind were therefore seen as unattractive. With the help of local know-how of the regional-IPA, the logistics company managed to find a location – admittedly significantly further away from the city than initially envisioned, in a municipality that the IPA knew had large areas of land.

Another example in this respect was an interview with a senior project-manager of a globally well-known MNC who was planning to establish a plant. The responsible project manager was adamant that it is only in conjunction with the IPA that they managed to access the political decision-makers, and managed to convince them of the need for a rail as well a road access being built specifically for this plant. It is the know-how of the political structures as well as the access to the key decision-makers, which opened the door for this manager, to give his presentations and argue his case. Looked at through the prism of LOF, it is especially lack of knowing the opinion leaders, or their interests- which results in LOF and Outsidership, even for large MNCs.

5.4.2.2. Speaking the language of business

One of the most often cited criticisms of business people of IPAs (even those managers who in principle approve of IPAs), is their bureaucracy-like approach. A recurring theme in interviews with corporate managers was that some IPA staff 'don't seem to understand '. This had in part already been picked up by OECD and World Bank publications (see Ortega & Griffin, 2009 – "One of the great challenges of public sector IPIs is to understand private sector service standards"). Some of my International Organization interviewees often mirrored this sentiment quite emphatically. One senior I.O. representative said about IPAs: "They [IPAs] often don't grasp the private sector drivers; In XX [country name removed] they once had an IPA website saying something like – 'we've just come out of a civil war, our roads are destroyed, the people are impoverished come and invest here. We need you. Come to our country and invest, bring jobs and technology'. I don't think there is a better way to convince business people to stay away and so I've stopped that website right away". This quote is representative of one of the bigger problems with the communication approaches of IPAs (in particular those staffed by non-business people). While many statements by IPA staff are not quite as stark as this, it is always an underlying theme that swings in the conversation. Civil servants often argue from their country's need and are at times quite indignant when

corporate managers ask ‘what is in for us’ or look at the situation with a pure business-perspective. It is this fundamental difference of perspectives which is arguably one of the issues that makes communication at times difficult. Listening to IPA-staff, it is usually immediately recognizable if the IPA-interviewee ever worked in the private sector.

Two further themes emerged during the interviews with corporate managers which are equally revealing in terms of where communication breaks down: the issue of trust / trustworthiness and different national perspectives. As for the former issue, one British CEO of a medium sized company stated, “They seem to be able to bend every law in existence when you talk to them, and I always wondered if they would still be around, or if they’d still remembered what they said, when it came to really doing it... “. The same British CEO continued: “XX [*one State IPA in the United States*] was the worst. It was quite surreal, if you want to have fun and a slightly bizarre half hour - call them”. This complaint directly points to reliability of statements of IPAs or the over-selling and emerged in different forms several times during the interviews; essentially boiling down to the trustworthiness of IPAs or whether they are more interested in a ‘quick-sell’, and with this often bringing the entire field into disrepute. This is nicely illustrated by another quote: “I have no fundamental hesitations towards them... well ... been in contact with some of them, at networking functions and found them a bit too overwhelming; they have been evangelizing the world – like they were spreading the gospel – which puts me off a bit”

Third, when I asked a senior IPA-staff of a non-European country about these issues, stating that many corporate managers think IPAs oversell massively and promise help while often lacking specific real data, he replied: “That is a very German question I have to say. Or let me rephrase that – a North-European one. When I speak to Scandinavians or Germans, I get that all the time. It is nearly like a template you guys have to approach [*name of the IPA removed*]. When we speak to Italians it is all about relationship. Details come later. [...] [*he started to talk about*

Germany again] want to know how many graduates there are, and how many graduates of this subject and that. The problem here is not [*name of the IPA removed*] but other government departments. Many of them are not particularly forth-coming with information. In fact, most somewhat resent [*name of the IPA removed*]”. While he didn’t answer the question, a number of interesting points had emerged. Particularly noteworthy are (a) the apparently clearly perceptible differences in investor nationality in terms of how they approach such an FDI-project and (b) intra-governmental power struggles.

Trying to steer the conversation back to the notion of overselling, the interviewee continued and arrived at a point which I found fascinating in the broader context of ‘speaking the language of business’: We have [*name of the person removed*], she worked for 15 years in various IPAs and knows the industry inside out. [...] rather than to have [*name of the nation removed*] Civil Servants talk to [...] business people she can get the connection made much better, speak to them on their terms and in their language – and in that I do not mean English.”

5.4.2.3. IPA-focus on large MNEs

Another point mentioned several times by managers of smaller firms was the fact that IPAs tend to focus on larger MNEs rather than SMEs. While all IPAs I have spoken to, declared that they are keen on SME-investment and have specific SME-policies, things quickly become less straight-forward if one continues asking more specific questions. Incentives are clearly geared towards larger investments (as measured in jobs or € invested), but also processes seem to systematically favour larger investments. An extreme example is the case of Hungary who “reports to use specific thresholds relating to the size of employment (at least 1.000 employees), [...] to classify an investor as strategic and put in place support measures to encourage continuous investment” (OECD, 2018 – p. 66). But also interviews with managers consistently raised this point. One senior manager of a very large MNE, talking about investment promotion stated “States bend over backwards to attract one of them [large automotive MNEs] to their region; but it doesn’t

work if we don't get the Tier-1 and 2 and even smaller firms who are part of our supply chain. [...] A 20 or 30 people firm is seen as irrelevant, but for us they can be a key supplier. And for us this is a huge problem”.

5.4.2.4. Problems arising from IPA organizational structure

In countries like Germany or Spain, regional-IPAs are very important and – if staff of these entities is to be believed - do a lot of the ‘heavy lifting’ of the investor facilitation. Initially, being confronted by such a multitude of IPA-structures – many of which claiming to speak for the same country – can be confusing. Further down the line, if the corporate manager has spoken to the national-IPA and decided on one region, the hand-over from the national-IPA to regional or municipal structures seems to be a difficult hurdle as investors occasionally fall ‘between the cracks’ (e.g. information isn’t passed on). Many national IPAs also pursue a policy of developing the least developed areas of a country by seeking to push investors into these regions. The outcome is that investors who have not done their homework might end up in regions that are not ideal for their purposes. Experienced investors, having encountered such tendencies in other IPAs before, tend to be more suspicious of IPA location-suggestions. Looked at from a managerial-perspective it even appears that in this context working with IPAs can in fact even increase rather than lower managerial-liabilities, as an element of uncertainty and doubt is introduced into the process.

Another problem within the organizational context, especially of emerging market IPAs, is that after an election (and change of the ruling party), large sections of senior IPA staff are replaced with followers of the other – now ruling - party. Hence, investors often find themselves facing a new set of people, often not necessarily the most qualified, but the most loyal to a party. This not only results in a near complete loss of knowledge, but often also questionable practices in terms of networking, as an interview statement illustrates: “Networking in these countries is also always to be taken with a pinch of salt: networking in

[country X] often means, that these guys present you their relatives and friends rather than useful employees or consultants”.

A similar outcome for IPAs (i.e. high fluctuation / loss of institutional memory) is based on an internal issue: the civil pay structure which is often applied to these jobs. IPA staff need to be multi-lingual, well-educated and highly trained in a broad range of issues. They also tend to be well connected within the country as well as with the international business community. These people usually are well aware of, and easily able to obtain, significantly better paid jobs, often even with incoming firms they initially advised. While great for the new investor, as they can hire people they have worked with for several months and who are well acquainted with the regulatory framework and networks, for IPAs this results in a high staff turnover and a constant loss of know-how.

Due to the sensitive nature of manager – IPA- / manager government-relationships, managers are very hesitant to discuss such topics. Issues in the context of political changes and their impact on IPAs or agreements made with the predecessor-staff are largely ‘out of bounds’ (especially if the interview is supposed to be recorded and there being the danger than any statements made might potentially re-emerge). This is presumably one of the reasons why such issues have not been addressed or mentioned in prior research.

5.4.2.5. The confusing web of investment promotion structures

Across different countries we have IPAs with vastly differing levels of quality and highly divergent organizational structures. On top of that, a very heterogeneous eco-system of other entities active in trade-, investment- or economic-development by state and non-state actors. An important group in this regard are private-sector location consultants (e.g. OCO, Conway, IC Associates, Oxford-Intelligence). Given that these firms tend to advise IPAs (in particular with lead generation), and corporate managers at the same time (as site selection and incentive consultants), one could perceive a degree of conflict of

interest in this. Other players in this context are the big Investment Banks (primarily with a focus on structuring M&A deals) and accountancy firms. Here it is especially the 'Big4' (tax advisory for holding structures, transfer pricing and BEPS-related topics). These firms often have dedicated units for investment facilitation (i.e. supporting corporate managers with the practical, legal and regulatory problems in greenfield-projects). The combination of deep fiscal knowledge, an aura of independence in terms of locations chosen, maybe most importantly however the ability to speak the corporate manager's language, makes them serious competitors to IPAs. Depending on the home-country of the investor we also have Chambers of Commerce (AHK in the case of Germany, Wirtschaftskammer for Austria, etc.) which often also offer services on par with IPAs.

This results in a highly bewildering web of often even inter-connected actors. Some of these structures are not only competitors to each other but also tightly interlinked, by providing services to each other, taking over parts of the entire process and depending for leads and business on the other. Accountancy firms, partly rely on IPAs to channel potential investors in their direction, while the IPAs depending on the expertise of these firms when it comes to double-taxation and transfer-pricing. Location consultants are often the source for IPAs of new leads, but then depend on the IPA for basic market information (possible sites, wage costs in certain regions etc). So, while these players are supposed to compete with IPAs in the sense of taking the side of the corporate and play regions off against each other (in the interest of the corporate), they are making a large part of their turnover from advising IPAs or acting as lead generators. Especially for first-time investors, these structures and how they related to one another, appear impenetrable and can lead to increased rather than lowered managerial-liabilities (i.e. – can they trust entities of which they do not know how they are connected, and whether they have a second agenda?) One can therefore assume that many managers, despite knowing about IPAs, refrain from using them in the first place.

Much like decision-making within corporations, the structural set-up of the investment promotion industry is less monolith and involving many diverging interests, which we have hitherto overlooked. While IPAs obviously are arguing their own case, AHKs in the host country are beholden to German investor's interests. Location-consultants, on the other hand, often maximize their own fees by arguing for the country with the biggest incentive package, (of which they usually get a cut) rather than the objectively best location. Being faced with these conflicting sets of advice, corporate managers – as mentioned - often dismiss the entire investment promotion industry as a whole, and simply operate on gut feeling.

5.4.2.6. The emphasis on Promotion (IPA) versus Facilitation (Manager)

As described in 5.4.1.5 there is a perceptible difference in approaches of IPAs (focussing on pre-establishment / promotion) and corporate managers (focussing on establishment / facilitation). While some IPAs strongly focus on promotion (e.g. GTAI of Germany or Poland's PAIH), other IPAs are placing a greater emphasis on facilitation (JETRO of Japan or CzechInvest).

In terms of the third RQ, what do IPAs do to help managers overcome their managerial-liabilities, I asked very specifically how far IPA support-activities extend? While nearly all IPA representatives had stated in the interviews that they "help investors", and "that they are very active in facilitation", asked for specific examples, most started to qualify their former statements, that they usually wouldn't get that deeply involved in operational tasks or deal with paper-work, but would be happy to recommend specialists. For managers the statement, 'we help you with your problem' – often suggested an active role (i.e. hands-on help with those issues they consider their biggest problems), while for an IPA it usually means, 'we tell you what you need to do, but you need to do it yourself'. Apart from the different interpretation we also have the different conceptions of the 'Point of Disengagement', all of which

culminating in corporate managers often seeing as ‘IPAs not living up to their earlier promises’.

This often leads to frustration on the side of the corporate managers. From their perspective, IPA reps disengage as soon as the conversation reaches the level of a concrete and therefore useful stage. With corporate managers often deciding on account of what makes their lives easier (or the project less risky), this point of disengagement can become a decisive aspect of location choice. How central in the mind of managers such facilitation support can be, is nicely illustrated by an interview with a Michigan based manager being tasked with building a production plant in the South-East of the US, describing his experiences with the relevant State IPAs as: “I had everything already lined up; and I always had the sense that they knew what they were doing and they did. This was the first plant-building project in [company name deleted] which was completed according to schedule and budget. Mostly because the guys I was working with, were very professional and stuck to what was agreed”. On the other hand, I had many voices being quite critical about IPAs promising a lot, but then ‘bailing-out’ as soon as things became concrete.

5.4.2.7. After-care

Another area where different conceptions of the Point of Disengagement occasionally led to managerial criticism is in After-Care. As with most other dimensions of IPA activity, we can observe a continuum of approaches - from immediate disengagement after the potential investor stated that he will invest (or has signed some formal agreement), to IPAs who understand this as starting point for a long-term relationship with the firm and especially the acting managers.

That IPAs indeed opt for a quick disengagement is all the more surprising, given that it is well documented that “more than a third of investors reinvest all of their profits into the host country” (Kusek & Silva, 2018a). A number of interviewed senior IPA staff even estimated

that between 50 to 70% of their incoming investments are in fact re-investments rather than projects from new investors. None-the-less, I found that there are vast differences in how IPAs deal with After-Care. Some (especially State and municipal IPAs in the US) disengage very quickly, while some IPAs claim to have built dedicated After-Care departments, keeping in touch with investors. Speaking to managers, and asking about After-care, I occasionally got a throw-away comment, that very quickly the IPA had disappeared out of the picture, but unprompted this was a topic hardly ever mentioned. And, even when asked, few seem to have an opinion. This topic still seems to be too rarely experienced by managers so that they haven't really developed any expectation toward receiving After-Care services.

I can make one final observation; less a specifically cited criticism in any one of the interviews, but a more general observation of mine after conducting many interviews, with managers from many different industries, or IPA staff talking about many different contexts. A key problem of investment promotion research is the heterogeneity of this field. Managers of a Tier-2 supplier in the automotive industry, who is obliged to follow a big OEM into a foreign market in order to remain a global key-supplier, clearly has considerably less freedom where to locate than a manager of a semiconductor manufacturer looking for a new production location. High-value/low-volume products (pharmaceutical, computer chips) can be transported around the world while low-value/high-volume products (building or insulation materials) need to be produced in the immediate vicinity of their market. Labour costs, taxes - or the role of managerial-liabilities and IPAs - therefore play an entirely different role depending on the industry. The key conclusion drawn from this is, that there is no such thing as an ideal-typical investor, or an ideal-typical investment destination, and that, in order to explore, this topic we need to look at it in a far more case-study based way to draw out the various interconnections and trade-offs.

5.5. Intermediary summary and next steps

The first-round interviews painted a picture of a broad range of highly heterogeneous factors that impact on FDI decision-making, location-choice and IPA-usage. Among the seemingly most important factors in this field, are those already traditionally cited in FDI-research such as investment-type (Dunning, 1997), market size or industry in question. But also, aspects not yet discussed in great detail, such as the personality of the manager in question running these projects, his or her levels of prior experience, confidence-levels or job-title (CFOs have a different focus in such projects than Heads of Operation). Another set of parameters seems to be how 'difficult to invest in' the country it is considered to be in manager-circles, or how highly regarded the IPA is, in terms of their level of know-how and support. The interview with a former corporate manager of a US-conglomerate working in a European country, provides a prime example illustrating this mix of personality traits, prior experience and IPA-image impacting these decisions: "No we hadn't used [name of the IPA] during my [name of the company] projects. Technically I know of them, but it never really occurred to me to call them. As [name of the company] we were in the market for many years; [...] I was already deeply embedded in the industry [...] we are also deeply embedded in the political sphere. As said, it never occurred to me to talk to them. And I guess there would have been very little [name of the IPA] could have possibly done for us. We had the knowledge about the industry, the connections and [name of the IPA] probably has at best some half-knowledge; [...] So no. This was never an option." This illustrates nicely one end of the spectrum of corporate managerial perceptions/approaches, while other examples – outlined above – speak highly of the support they got from IPAs and how this impacted the success of their FDI-projects.

This list of influencing factors (which is by no means exhaustive), as well as the interview excerpt, illustrates that out of this mix of parameters – many of which defy being measured - a largely statistically unpredictable range of permutations emerges. Also given that, contrary to what most extant research suggests, FDI-decisions are often taken based on subjective parameters (e.g. the examples of prior holiday contacts rather than locational factors) and these decisions often being extremely context-driven, I would argue that it is often less the computable, objective and measurable macro-type factors, but instead the subjective, 'feel-good' or 'hassle-factor' type aspects which push the decision in one direction, or another. With regards to the use of IPAs, I essentially found three groups of corporate managers: Corporate

managers, who have worked with IPAs, are highly satisfied and would use IPAs again; Corporate managers who have worked with IPAs and are dissatisfied with the services they received; And third – by far the largest group – managers who have never worked with IPAs and often even have not heard of IPAs. Of all the corporate managers (involved in FDI-projects) I had approached – formally with requests for interviews or informally in conversations at conferences, on panels or manager round-tables – approx. two-thirds had not yet used IPAs. Of those managers having used IPAs, I got the distinct sense, that the group that were being satisfied with the experience was vastly bigger than those having worked with them and being dissatisfied (in my estimate $\frac{4}{5}$ being happy with IPAs and the services they received, while $\frac{1}{5}$ expressed some level of dissatisfaction). Given that this research was never meant to be quantitative in nature such estimates are however merely a rough approximation based on interview minutes and notes. A further point which needs to be considered in such quantifications is that it is likely that those being dissatisfied with IPAs declined interviews about this topic, while those with positive perceptions presumably being far happier to talk about them. In this regard, this clearly would constitute an area for further research.

In terms of the research interest for this PhD, (i.e. looking at IPAs through the prism of managerial-liabilities), it is clear that IPAs can only reduce managerial-liabilities if they are in the loop in the first place. The use of IPAs in FDI projects appears to be less widespread than initially assumed (see point above – largest group of managers not having worked with them - either from being entirely unknown by managers or from not being first choice of support structure). In the cases where IPAs do work with managers, they often appear to succeed in lowering managerial-liabilities (even if often less than initially anticipated by the managers). Success often seems to depend on establishing close personal contact between the corporate manager and IPA-staff, in particular if this contact is established early enough in the process to still be able to influence the direction of the project.

In this section I will briefly highlight the three possible scenarios – managers are unaware of IPAs, managers work with them but are dissatisfied, and managers working with them and keen to work again in a similar situation.

5.5.1. Manager who have not used IPAs so far or are unaware of them

My interviews confirmed the findings of a survey by MIGA (2002 - p. 30) or the ranking shown in

Figure 10 in the IPA-Chapter, that IPAs are not the first choice of information provision. Not only did these confirm that IPAs are not seen as the prime institution for information-provision / liability-mitigation, in fact the bigger problem appears that many managers are entirely unaware of IPAs. On the other hand, it is clear that these managers face significant managerial-liabilities which they seek to address as best they can. Recourse to support structures often depend on the solvency of the investor (employing Big4 consultant) or in the case of German managers, mostly use the services of the AHKs. In other interviews, SEZ (Special Economic Zones) or Industrial Park structures also appeared to play an important role.

In any case it was surprising how few corporate managers were actually aware of IPAs (especially when talking to SME managers) or, potentially having heard of them but not instinctively thought about contacting them. One British interlocutor phrased it like that “they are completely underselling themselves. For one in most countries I don’t know that they are there.... in the US I do – but other than that, no – not really. And I certainly wouldn’t have come up with the idea of speaking to them about this”. This is a picture which also ties in with the estimation of many IPAs, (i.e. that they are only looking after between 20 and 40% of all the investments actually coming into the country). In that regard, it appears that IPAs encounter some LOO of their own.

5.5.2. Managers who have used IPAs and are dissatisfied with them

Despite the often-strident critique in IPAs, about their inability to ‘speak the language’ of business people, or their habit to disengage as soon as the real problems or other issues, nearly all managers stated that they would use them again in a similar situation. Whether this paradox is on account of their services being free (and hence there usually being no harm in trying), or whether one tends to be overly critical in those situations, is hard to tell.

None-the-less, a lot of things do seem to go wrong in IPA operations, from insufficiently qualified IPAs-staff who struggle to understand the questions (i.e. lack of business-background), to lacking any useful information (only high-level GDP-type data, rather than granular data-points). There is also a perceived emphasis of selling the country, rather than helping the manager with genuine problems. Operationally, we see the occasionally mentioned problem of ‘falling between the cracks’ when handed down from the national-IPA to the regional structure. This falling between the cracks materialized as communication drying up when regional entities do not follow up or fail to support managers the way they had become used to by the national level; another point of irritation is when information isn’t passed from the national to the regional IPA and information about the project, objectives, investment sum etc., that had already been given to the national-IPA and has to be given again.

5.5.3. Managers who have used IPAs and are largely positive about them

Most corporate managers having used IPAs seem to have a largely positive or very positive view about their experiences. To my knowledge, there are no surveys of how satisfied corporate managers are when using location consultants, the Big4 or Investment Banks in greenfield-projects. On account of the complex and difficult nature of internationalization projects, there might simply be too many issues that go wrong or are seen as problems, to impact on the levels of satisfaction of managers.

The most positive statements I have heard about IPAs were mostly comments in the context of the ability of corporate manager’s completing the project in shorter-time spans. We know that speed is of the essence – given that only when the production is up and running, a return on the money invested can be earned. This makes the securing of approvals, permits and operational readiness, e.g. via working electricity or data connections of prime importance to managers. In that, my research corresponds with the recent findings of Loewendahl (2018 – p. 4) “Time is money for an investor and setting-up a new enterprise in a foreign country can be a complex and time-consuming process, especially in many emerging markets”.

Another aspect which was remarked upon highly positively, is where the foreign offices of IPAs are in the home-country of the potential investors; a German manager (after their first FDI-project) stated. “We had also looked at *[country name deleted]* and used their IPAs intensively. Especially their German offices in Munich or Frankfurt”. He continued to state “...really appreciated IPA’s having offices in Germany – for a quick question, or generally to have a personal meeting which is much better than asking questions via e-mail or phone”. These statements support the beneficial effects of foreign offices of IPAs, owing to the ease of discussing issues with IPA-specialists face-to-face thanks to the close geographical proximity.

As an observation, it often appears to be a combination of competence and ‘the personal touch’ which is the strongest influencing factor. This came across in an interview with a US manager having to set up another production plant. The XX IPAs “was by far the most professional; they led me into a room with three screens side by side. On one they had all the counties of XXX *[country-name deleted]*, with the unemployment rates, etc. Looking at the counties we could then drill down into specific areas and look at all their details, even at specific individual real estate. We picked a number and I was then brought to these places where the local people were already waiting for us to show us around” and then “I was invited by the Head of the County who had this nice house next to the lake; we had a Scotch and then we went for a walk. And he said ‘how about living here, next to the lake. Can you image – waking up with a view to the lake each morning’. They tried to make me part of the community, one of the boys”.

Another illustration of the ‘personal-touch’ was the statement by a senior IPA staff who explained that the most important moment of the day, when out on the road looking at different sites with corporate managers, is the quick beer in the evening at the Bar; that last drink, when all the impressions that crowd in on them during the trip start to sink in. This is the moment when he felt that the real decisions are taken, and where IPA staff can get the most immediate sense what is genuinely important or what it was the manager liked. He further went on – “it is where you close the deal”. Which in my mind is the perfect illustration for the above-mentioned point that FDI location-decisions are only

partly rational, and that large elements of this decision-making process are based on subjective, feel-good factors. These are elements which I seek to draw out in greater depth in the following case-studies in Chapter 6.

5.5.4. Implications for the design of the Second Round of Interviews

With the multitude of influencing factors, it is very difficult to get a context-rich, multi-corporate and multi-level IPA-structure research narrowed down so that they can be captured via tight research approaches. In fact, extant research approaches are often characterized by over-simplifications, atomization of issues looked at and the assuming away of factors. This risks skewing research-outcomes or overlooking many of the factor influencing decisions. In that regard, I would argue that IPAs are an overlooked factor in the mix, that FDI processes are messier and more iterative than being currently accounted for and that decisions might be taken more on assumptions, subjective aspects and convenience (see the hassle factor-argument (Schotter & Beamish, 2013)).

In order to capture the complex web of interrelated aspects and trade-offs I aimed for a thick-description / case-study approach in my second round of interviews, with the clear aim to collect a qualitative insight into the process and the interconnected and interrelated considerations taking place. This should start with looking at the people involved, how the IPA is contacted / or getting linked to the project and then follow through the various steps of the project; looking at the narrowing down of options, the decision-making and the subsequent implementation; and which role the IPA plays in all of these.

Chapter 6

Empirics II (Second-round Interviews)

Following on from Empirics I, where I sought to collect a broad-based picture of types of managerial-liabilities, I am now aiming for a more in-depth understanding of problems within FDI-projects and how they can be overcome. In this I seek to deepen the findings made in the first-round interviews, and aim to see if the types of problems raised in Empirics I and distilled into the operationalized framework of practical problems manager face in an FDI-project (see 5.2.1 - 5.2.8 - which I will term LOP and outline in the final chapter), re-emerge in these discussions.

To explore how corporate managers and IPA-staff perceive a given greenfield-project, I look at their differing perspectives in two case studies. First describing the overall situation and the relevant actors in each case, I contextualize the case study. A particular focus will be on the IPA eco-system (i.e. only a national IPA, or a layered system of national and regional structures). This will not only serve to give a clearer perspective for the case-study but also build our knowledge of IPAs. This will be followed by a chronological description of the investment process, highlighting how contact was established, pre-investment and information gathering activities undertaken, and the decision made and all actions taken by both sides after that. I will furthermore seek to chart the impression IPA staff has of managers and vice versa. This thick description of specific FDI-projects should not only give me a sense of the type and degree of LOF experienced by the investing managers, or the steps how IPAs are trying to address these, but also any interdependencies. Following a specific project also gives me a better understanding of how linear and consistent the process is, or whether there are multiple feedback-loops involved.

To capture key-findings and discuss the relevant case-study passages as well as adding analytical comments, I end sections of the case-studies with 'Observations'. From these Observations I will then develop the 'Conclusions' in the next chapter.

6.1. Case-Study A

In case-study A, I look at a highly successful IPA dealing with two typical – but highly different - FDI-situations. The two projects this case-study consists of– project 1 - a greenfield investment-project by a foreign firm, (no prior activities in the country, but extensive prior internationalization-experience), and project 2 - a corporate decision-making process over which plants to close down (which for country A could result in

loosing a big employer or a re-investment / expansion-project as the other, closed-down manufacturing sites would be consolidated into the existing manufacturing-site). Thus an interesting aspect in this project is that it illustrates one of the activities of IPAs key to generating or keeping jobs, but which have so far hardly ever been discussed. As outlined in Figure 17 – I will call these Project 1 and Project 2 throughout the case-study.

6.1.1. Remit of Project 1 in case-study A

In Project 1 we can observe the early phase of an FDI- project from pre-establishment activities (i.e. establishing first contact, the initial provision of information and attempts to convince corporate interlocutors, that country

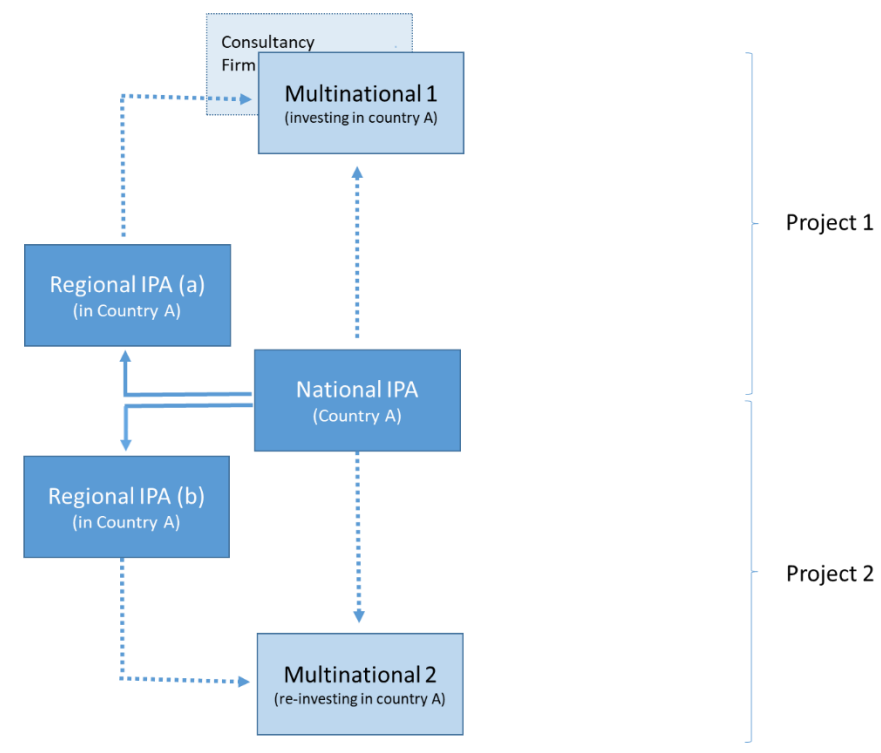


Figure 17 – Overview of Case-study country A

A is the ideal location for the project) to the establishment phase (i.e. specific actions being taken in terms of facilitation and practical help for corporate managers). Given that the project was still on-going during the time of writing, no post-establishment steps could be observed. Especially interesting in Project

1 are the intra-corporation decision-making processes (as observed by the national IPA Key-Account manager) as well as the managerial-liabilities emerging in the project for reasons emanating from within the firm, as well as from within the IPA. Owing to on-going difficulties within the project, and extreme pressure of time, the corporate-side retracted their initial willingness to participate. Therefore I only have the IPA-perspective for Project 1, while in Project 2 I have both – corporate as well as IPA views. Project 2 – taking place also in country A and being orchestrated by the same National IPA-manager (thereby ensuring some continuity on the side of the acting people within the IPA) - describes a location-decision / expansion project. Pre-establishment phase, establishment-phase or Wells & Wint categories fail as categorizations in this context, highlighting the multi-facetted nature of FDI-projects and the inability of extant theory to address some of these. According to theory, LOF should be minimal for corporate managers already operating in the country. None-the-less, several points emerged in Project 2 which can clearly be classed as managerial-liability. Similar to Project 1, this project was still ongoing at the time of writing and hence post-establishment is hardly touched upon.

Several senior managers of the national-IPA of country A were known to me personally and hence agreed to take part in this case-study. In order to deepen contacts, and with a view to not only have a first-round type of interview with this IPA but make it part of the second round case study approach, preparatory face-to-face meetings and conference-calls took place in Sept 2016; Oct. 2016; May 2017 and Sept 2017, accommodating the availability of the interview partners, as well as following the progress of the project as it unfolded. During a visit to the HQ of the IPA, I also met the IPAs Executive Vice President, a number of sector specialists and a Member of the Board. After assurances of strict confidentiality were given, the senior management of the IPA agreed for the Key Account manager in question not only to have interviews of a general nature but to open up and provide insights into specific projects (i.e. Project 1 and 2).

Instrumental for both projects was a Senior Manager within the IPA who acted as project-lead / Key-Account for both projects and was therefore highly knowledgeable of all the facts. Additionally a close contact existed to the Vice

President Strategy of the IPA. With these key interlocutors I have conducted a series of Interviews (personally as well as via telephone). These usually lasted 1 hour – 1 ½ hour each, and were held on 27.08.2018, 10.09.2018, 02.10.2018, 03.10.2018 as well as 12.06.2019, 20.06.2019 and 08.07.2019, accommodating the availability of the interview partner, as well as following the progress of the project as it unfolded. These insights were rounded off by brief interviews with other members of that national-IPA, interviews with representatives of regional-IPAs, as well as supporting information – found on the internet as well as internal documents (shared under assurances of strictest confidentiality and meant to only be background information, rather than being used as specific information in the case-studies).

6.1.2. Description of country “A’s” IPA eco-system and structure

Country “A’s” IPA was repeatedly named as a strong / top-performing IPA during the first round of interviews by a number of corporate interlocutors as well as within the IPA peer-group. As with most countries, Investment Promotion in country A takes place at a national as well as regional/municipal level. Also, as in most cases, the former is responsible for the initial contact, investor attraction and general information (via a range of general business guides, customized answers to initial information requests and a general “project management approach”). Companies looking at several different regions communicate with the national IPA-level, until a decision has been taken which region they prefer. From this point onwards, the lead in dealing with the investor, is handed over to the regional entity.

While, as mentioned the first-round interviews, comments indicated that the national-IPA of country A is seen to be among the best-in-class, their regional IPA-structures (more than 10) seemed to me to display a significant spread in terms of quality (a purely personal impression from speaking to a number of them) ranging from well structured, professional regional-IPAs to weaker and unfocussed entities. From a brief survey of publicly available information, as well as conversations with a number of these regional entities, I came away with the sense that in general country A’s regional structure is considerably weaker than top in class regional-IPAs in other countries. Catalonia, Bavaria or

Invest in NRW for example are highly professional, well-resourced regional-IPAs who have several dozen foreign offices of their own, while in contrast the regional entities of country A had no own foreign activities. Some of the weaker regional-IPAs even only had a rudimentary web-presence and appeared to organizationally only be an office in a local government bureaucracy rather than an independent regional-IPA. The regional-IPA in whose jurisdiction the project eventually ended up, was probably in the better-performing half of regional-IPAs of that country (again a personal impression).

Country A's national-IPA has a significant number of foreign offices. It did however not have a representation in the home country of the investor. This country is supposed to be covered by the neighboring bigger nation's foreign office. In this specific case, this foreign office was however not at all involved in the entire process, given that due to a personal contact of the IPA-manager and one person in the company in question, a direct contact existed. The fact that the foreign office was not involved at all was not seen as strange or problematic.

6.1.3. Description of the investment promotion process for project 1

In the following section I describe the chronological steps of the project, as described by the involved IPA managers.

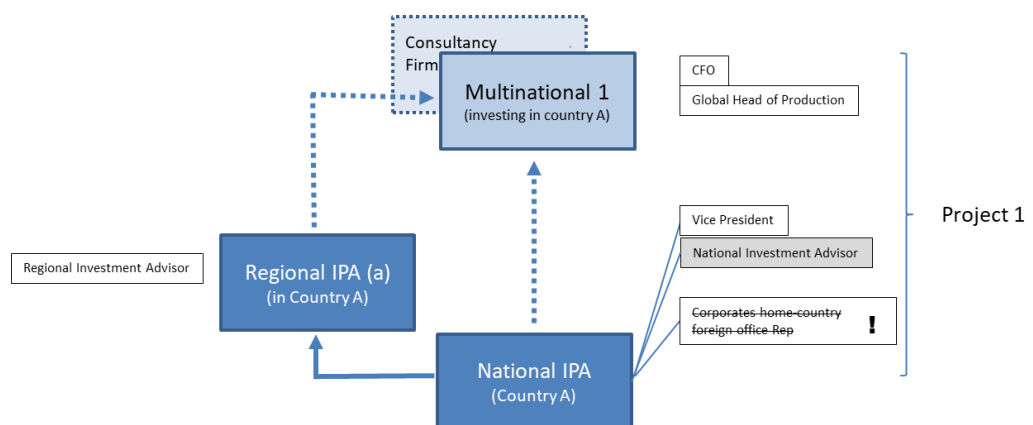


Figure 18 - Case-study Country A - Project 1

6.1.3.1. Description of the investing company and its managers for project 1

The company is a well-known multinational within the wider building industry with a turnover of several billion [€/€ currency] annually. The company employs more than 10,000 staff globally and has more than 140 subsidiaries around the world. The stock-listed company is primarily active in the new-build of commercial, industrial and office market, and still generates two-thirds of its turnover on the continent it was initially founded in. Especially since the early 1990s however, the company grew rapidly – in terms of geographic spread as well as turnover and product portfolio. One of the declared strategic aims of the group is to further globalize and internationalize. The expansion into new product fields also triggered some M&A activities, buying itself into new markets and product segments. In general, growth took place through a mix of aggressive M&A activity as well as strong organic growth in core markets.

The greenfield-project which forms the basis of Project 1 of our case-study is primarily a capacity-increase activity of a long-standing product line. The increase in production capacity was to be located in a market the group has targeted for future growth.

One interesting aspect with regards to the evaluation of managerial-liabilities felt, is the inherent cultural or psychic distance between the people involved. On the side of the IPA, all people involved were host-nation nationals. On the side of the firm, people acting within this project – as far as I know – were the corporation's home-nation nationals. Both countries are geographically reasonably proximate to each other (1,500 – 2,000 miles) and of similar wealth and educational attainments. They are very similar on the Hofstede factors, Power Distance, Individualism, Uncertainty Avoidance and Indulgence. Only in Masculinity the firm's home-nation is significantly stronger, while on long-term orientation the IPA's (host-nation) is stronger (values derived

from Hofstede-insights.com). But overall we find people of a reasonably similar background (more than initial assumptions would perhaps suggest).

6.1.3.2. Establishing contact / people involved

The first phase in Investment-Promotion-Models (for example Wells & Wint, 1990, 2000) talks about the question of awareness of the country (Image Building) and how to establish contact (Investor Generation). Expressed in more practical terms, this revolved around the question of who contacted whom first, and what did corporate managers know about the country?

The IPA described the contact as 'indirect', because the person establishing the contact had, while still working for another company several years prior to this project, already had contact with that IPA. During this period, he had (for the other employer) also explored setting up a plant in Country A. Having changed jobs, this gentleman was the initial point of contact for the IPA to the company (which was also the reason why the foreign-office responsible for the home-country of the HQ of the company in question was not involved at any point in time in the project). Over the course of several meetings, it became increasingly clear that this initial contact was not the decider for the project, or even had full access to all decision-making parameters of the project. Instead the project was driven by the Global Head of Operations, and the eventual decision would be taken by the Board. At a relatively early stage of the project, an external consultancy was introduced by the firm, which – from the point of view of the IPA – unnecessarily complicated the line of communication.

At this stage, the IPA had already assigned significant resources to the project. Apart from the Key Account Manager, who was project-managing the whole thing and acted as prime point of contact, 3 other people at national level (primarily legal personnel and research staff), worked on the case on an 'as-and-when basis'. Based on the search criteria the firm had given to the IPA, 5 regions were contacted in order

to prepare information / investment proposals. These regions in turn contacted and worked with municipal offices in their area to come up with specific proposals.

Observation: *Through-out the interviews I repeatedly had the sense that it was certain people (on the side of the IPA as well as the firm) who drove the project. And that it was very often the characteristics of these key-actors which were responsible for the twists and turns of the project. A specific example in this would be the 'initial contact', who was quickly recognized as not being a HQ-insider or privy to important information. For the IPA it therefore became important to establish contact with someone who was a decider in the project, while at the same time not damaging the relationship with the initial contact. This is a prime example that it is not 'the firm speaking to the IPA', but a considerably more complex and layered situation with different individuals, all with their own strengths and weaknesses. Researching at a firm-level or arguing on the basis of FSAs would in this instance completely miss the most relevant aspect – that success depended as much on a knowledgeable contact, as it did on IPA quality or FSAs. A complicating factor for research in investment promotion and facilitation is therefore the need to dis-entangle the individuals' skills, interests and internal power-base, rather than merely looking at the 'strategic firm- interest' or investment type (Dunning, 1997).*

6.1.3.3. First steps in the pre-establishment phase

After contact had been established, the key interest of the IPA was to learn as much about the project as possible. The main reason for the company to embark on the search process was the need to significantly expand capacity for an already existing and very successful product line. Sales forecasts, especially in that wider region, showed particularly buoyant demand; the view was therefore to expand capacity close to a dynamic market of the company. Country A's IPA, as well as all neighbouring IPAs, were aware of this fact early on in the process. It became clear that within the corporation it had not yet been decided how this capacity increase should take place. The company already had a number of existing plants in the wider region. For the Head of Operations, the question was therefore, whether to establish a new

stand-alone greenfield-project, or to simply expand an existing plant and attach the production line for this product group.

In order to take this decision, the company (presumably the Global Head of Operations), started a broad-based search-process for potential locations, approaching a range of different countries. This was done on the basis of a list of characteristics (space, costs etc.) that was given to all IPAs involved. Based on this list, Country A's IPA approached its regions and identified 27 possible sites for the project. As it is declared policy in country A that the national IPA cannot be seen to be preferring any one region over the other, all 27 project proposals were worked out in detail and passed on to the firm. The responsible national IPA manager described how this action, born out of internal policy of the IPA, caused some consternation at the investor's HQ due to them being flooded with proposals. Out of the 27 projects, 8 potential sites were short-listed. A site visit was then agreed upon where HQ representatives of the firm and managers of the IPA visited these together. It was during these site visits that the IPA-managers first met the senior figures of the company and the Head of Operations face-to-face. Up until that point the only direct contact was the 'initial' contact.

In the course of these site visits and as a result of the discussion both sides had during these visits, the search parameters were found to be leading in the wrong direction and it was decided that they had to be changed significantly. Within the IPA the impression grew that the 'initial contact person' was – at best - only partially cognizant of the full set of objectives at HQ. In any case the practical outcome of this first set of site visits was the realization that the IPA effectively had to start all over again. With the Head of Operations stressing the importance of time, and indicating that the initial time-plan would still stand, this resulted in significant pressure on the national IPA (and regional- / municipal-IPAs).

Observation: *With regards to manager-level research / a micro –foundationally inspired approach, a number of important observations could be made in this section; the person on the corporate side the IPA is speaking to, can have a significant impact on the success / failure of the project; if only partly*

cognizant, or if overly emphasizing certain aspects, results might be skewed in sub-optimal directions and result in this location or country being de-listed. Secondly, there is not one set of unalterable location-characteristics of the firm and locations tend to be characterized by a multitude of permutations of combinations of factors. Which is presumably also one of the reasons why FDI location-decision making is such a dynamic process. This observation also re-confirms the methodological decisions over (a) manager-level research and (b) the iterative approach.

A third observation is a practical one, in that it is often a logistical problem getting hold of the right person which can determine over success or failure. On top of macro-economic considerations, IPA-quality and manager experience, it is also operational problems like these (i.e. if the IPA rep is speaking to a decider, they will manage to place the IPA's messages to the correct person: the problem here will be whether to get hold of that person). None of these aspects are ever considered in quantitative research.

In terms of IPA-operations, it appears to be more important to find out decision-makers' search parameters, than to hand-out information at this stage.

6.1.3.4. Phase-two of the pre-establishment phase

At about this time, the senior management of the firm also started to bring in an external consultancy, which should support them in the location-search for the project. For the IPA it was difficult as assess who actually took this decision or why this had happened. With hindsight the assumption was, that the consultancy was brought in to avoid an over-emphasis of national objectives in the process. The practical effect – from the perspective of the IPA - was that lines of communication got longer (via the consultancy to the Head of Operations). Not having spoken to the Consultancy directly, I can only rely on the statements of the IPA, who observed that they were faced with a large number of additional questions, new parameters and information requests. Some of these questions covered again the ground that had already been covered with the representatives of the firm, others seemingly going off

in all sorts of directions, and “only some of which made sense”, according to the IPA-manager.

Observations: *It had already emerged during the first-round interviews that – based on IPAs attempting to channel investment towards less developed parts of the country to bring jobs and investments to these regions – they are facing a trust issue with many corporate managers. We cannot be 100% certain that this was also the reason in this case, but given the occasional mentioning of this in previous interviews, (and also on account of the assumption of the IPA-manager) this appears likely. The conflict of interest between the interests of the nation (jobs, investment and development in lower-developed parts of the country) versus the task to help managers with setting up greenfield projects in their country IPAs appears to often increase, rather than lower managerial-liabilities. It certainly strongly indicates that one central aspect of IPA success is trust.*

6.1.3.5. The decision

Right from the start, the project was under an extremely tight deadline; with the changes in search direction, resulting in the process effectively starting afresh, this pressure built further on the side of the IPA. In order to stick to the schedule, and make-up for lost time, regional IPA-staff worked deep into the night and during the weekends in order to work out the necessary proposals.

The prime interest of the national IPA at this point meanwhile was to get closer to the ‘real decision-makers’ (i.e. the Global Head of Operations and members of the Board). This needed to be done without jeopardizing the relationship with the initial contact, and meant getting past the consultancy. The latter was seen by the IPA as only generating additional questions, taking the answers and somehow presenting them ‘to someone within the firm’, but not adding anything in terms of moving the project forward. From the perspective of my IPA-contact, the consultancy acted as an insulator and meant that decision-making processes within the firm became increasingly opaque. At the same time, they were the only ‘official’ channel into the firm at this point.

Based on the new parameters, a new set of location proposals had been worked out, delivered via the consultancy to the firm. With the decision-making process of the firm by now being largely unobservable, the IPA was caught slightly by surprise when after a relatively short period of deliberations, and few further questions, the choice had fallen on one city in country A. While delighted that they had managed to pull the project into country A, IPA-staff was unsure about what had swung the decision towards this location and hence what to focus on from now on. (The assumption was that it was logistical considerations and proximity to market which had resulted in this outcome).

The IPA-manager, describing their surprise about winning the project, explained that the winning site hadn't been on the list of the initial 27 sites, and – even given the new set of parameters - was seen as “always sort of trailing in the back” as “at best somewhere on the edge”.

Observations: *This last statement of the IPA-manager illustrates the erratic and often unpredictable nature of the process of location-decisions; and that it is difficult, if not impossible, to have a direct causation of parameters or factors and outcomes. FDI decision-making (and by inference investment promotion and facilitation) does not follow a set of clearly defined recipes, but is more the interplay of a multitude of subjective and objective factors, as well as processual considerations. As several IPA-managers mentioned during the first and second round interviews, this seem to have to do as much with a “good feel” as with a “good fit”. Already in 2007 Buckley, Devinney & Louviere asked whether managers behave the way theory suggests, and assumed that one of the reasons why they apparently do not, is the reliance in research on secondary data and surveys (Ibid, p. 1.069). What we are missing is the element of soft factors, such as establishing good relationships or addressing doubts / uncertainties of managers, which in the extant research approaches usually tend to fall by the wayside. This was something also emphasized by the IPA-manager. When asked for lessons learned, he suggested that greater clarity and a clearer understanding of how the IPA planned to run the process, and which important stage-*

gates needed to be reached and what both sides needed to participate in, might have helped the corporate managers to develop a more holistic view (i.e. who is doing what, and greater transparency with what the IPA could and couldn't do). Also, for the IPA, greater transparency about the objectives and limitations was desirable; which requires greater openness by the firm as well, and points back to the trust issue mentioned above.

6.1.3.6. Facilitation after the decision had been taken

After the decision for location 'a' (in country A) had been taken, the responsibilities within the wider IPA structure changed (i.e. the project moved from the national-level to the regional/municipal IPA structures). This is partly due to the nature of activities changing from 'attracting the investors' to 'supporting the investor' with the administrative and bureaucratic procedures inherent in setting up a greenfield site; but also, in order to keep lines of communication as simple and direct as possible. The national IPA therefore passed the project-lead over to the regional IPA in whose territory the town was located. From now on the regional IPA would be the only point of contact to the firm. With hindsight, it would have been better if the Investment Advisor on the national level, initially responsible for the firm, had been cc-ed into all communication (which seems to have worked only sporadically). With better understanding about the intra-company power-structures and knowledge of the actors concerned, he might have recognized the developing problems somewhat earlier.

In the interviews for this case-study, the IPA representatives stressed that the regional IPA had made it very clear right from the start of the establishment process, that dealing with environmental permits was a priority, due to the time-scales involved. The consultancy appears to have re-arranged priorities differently and started to deal with other aspects of the project first. Recognizing this, the regional IPA re-iterated several times how important starting the process to obtain the environmental permit was for the overall project, as well as for keeping

the time-frames (as there were several steps to complete the process). Given that communication essentially still flowed via the consultancy firm, it was difficult to get through to the deciders within the firm.

Several weeks in, the topic eventually came to a head when it was bluntly stated by the IPA that project time-frames could not be met, by which time the issue started to escalate within the firm as well as the IPA structure; and the Head of Operations became fully aware of the problem. The consultancy applied significant pressure on the regional IPA to speed up the process, deal with the permits and “get it sorted”. The IPA on the other hand couldn’t simply produce the permits as there were “limitations being placed on us by the law”. They had always made it clear that this would be the most time-critical aspect, and that certain documents had to come from the firm itself and could not be filled in or be produced by the IPA.

What followed seems to have been a period of increasingly acrimonious communication, with the consultancy placing the blame squarely at the door of the regional IPA. Within the IPA, fears mounted that the project could be lost over this crisis and the national IPA increasingly took back control of the project. Given the precarious state, the Investment Advisor disregarded the stipulated lines of communication and contacted the firm directly, eventually managing to speak to the Head of Operations, in order to explain that the project was running into difficulties, where these lay and outline their side of the story. Unsurprisingly very few of these details had made it into the company at that time. Being able to demonstrate that they had pushed the consultancy over and over again on timing, and that they had emphasised the importance of this aspect, the Global Head of Operations relieved the consultancy of their duties fairly shortly thereafter.

Observations: *Even with the benefit of hindsight, and an IPA eager to understand what had happened and where exactly the process had broken down (and what could have been done to avoid it), working out the exact order of events*

proved to be difficult. This serves as further illustrations of the multi-layered, complex nature of the process.

The question of the environmental permit seems to be a prime example of a managerial-liability of the LOP type (i.e. a known-unknown or even unknown-unknown type of situation) depending on the level of prior experience of the manager: here perhaps being unaware of the demands being placed upon them; certainly however incapable of assessing the amount of work involved and the degree of operational difficulty.

Another important point in thinking about investment facilitation is the difficulty of maintaining (and the not infrequent break-down in) communication. Practical problems like these rarely feature in academic considerations, but appear to be a major factor in the operational internationalization reality. When asked for his assessment, the national-IPA manager observed that “we should have been more involved”; when asked why (given that it is standard procedure to hand projects down to the respective regional level) he hinted about the importance of cultural awareness. A regional entity “might not be that experienced with foreigners”. The unspoken subtext seems to be that the national IPA would have been more strident in their communication, and would have side-stepped the consultancy firm much earlier and sought direct contact.

6.1.4. Description of the investment promotion process for project 2

While in project 1 we looked at foreign managers entering country A and being unaware of national habits and rules of the game, project 2 describes a situation where managers acting for the firm have lived/worked in the country for many years. Technically they should therefore be less (or not at all) troubled by what literature describes as LOF or LOO. I will start the case-study by describing the background/context within which the contact between the corporate managers and the IPA came about and chart the chronological steps of project 2, showing that the managers still faced significant levels of managerial-liabilities. This calls into question our extant notions of LOF being

largely a function of the degree of foreignness / Psychic Distance, but points to operational elements of the unknown (i.e. LOP). Project 2 also serves as an example of IPA tasks which according to my interviewees are not that infrequent, but hitherto have gone largely unnoticed by the literature.

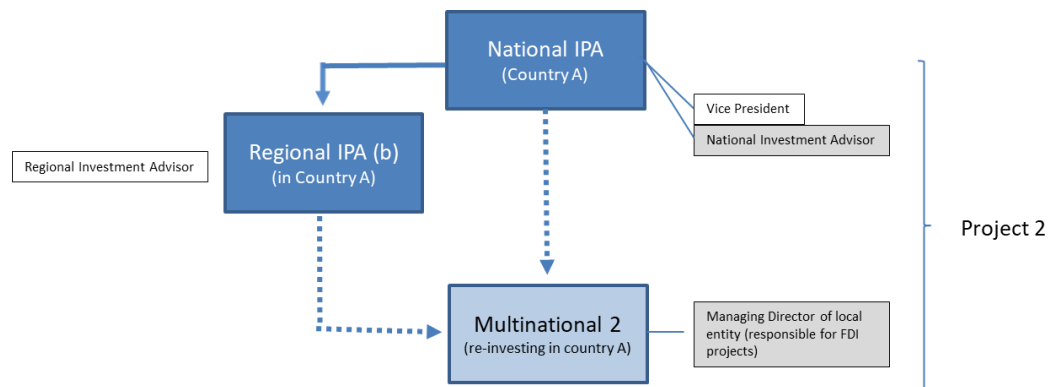


Figure 19 - Case-study Country A - Project 2

6.1.4.1. Description of the investing company and its managers for project 2

The company is a global player active in several industrial segments with a turnover of well over 15 billion [€//\$ currency] annually, employing more than 65,000 staff globally and producing in some 28 countries around the world. The stock-listed company is active in a narrow segment of a technology-intensive industry that require deeply integrated supply-chains as well as extensive know-how. As with many multinationals, various companies and production sites within the divisions had been acquired, re-organized and partly sold off again so that some of the entities of the group had a highly erratic history.

In the specific product segment described in this case-study, the group had three production plants on one continent. Facing slower demand for its products, and being burdened with over-capacity in all three sites, the Board at HQ level decided to consolidate the three plants into one.

The Managing Directors of the three plants were therefore told that of their three plants, two would be shut down.

The (former) Managing Director of one of these plants was the interviewee I was speaking to in this context. After this process of re-organization had been completed, he had left the group and is now working for a highly dynamic technology start-up in country A. Having worked for the group for many years, he had reflected early on in our conversation that preserving ones' own plant (looked at from his perspective) invariably means that two others will be closed down and many hundreds of people will lose their jobs. Given that he appeared to be very close with his fellow Managing Directors in the other countries, this clearly had weighed on his mind.

6.1.4.2. Contact with interviewees

The contact had been established via the national investment promotion manager (already the key figure in the project 1). Having established a close working relationship with him (as well as the IPA in general), this second example developed in conversation. Contact was established via e-introduction and interviews being conducted via phone or Skype. Interviews were conducted within a few days of each other in mid-2019.

6.1.4.3. Establishing contact with IPA and first steps

Asked how the contact between the corporate-manager and the IPA was established, the corporate-manager stated that he did not know the national investment manager personally. But: "I knew [the IPA/EPA – name removed] as I was on a few delegation trips with them to India and Malaysia. But hadn't spoken to them in that context".

Observation: *This is interesting, as it supports Johanson & Vahlne's (2009) theory*

of the establishment chain, i.e. the gradual upgrading from exporting to investment activities; certainly, in terms of how corporate managers think about IPAs.

Asked about why he had contacted the IPA, he described the need to present to his Board a rationale for why country A's plant would be the best of the three plants and should be kept. For that, he wanted to outline efficiency and know-how aspects (for which he had all the necessary information). But he wanted to also high-light why country A would be a better location than the other two countries, (economic, regulatory and tax benefits the country had vis-à-vis the other two). His key managerial-liability therefore was only partially the know-how about the host country (i.e. his own home-country) but more, how it would compare with the other two. Even despite being a citizen of country A and Managing Director of a production plant, the corporate manager felt he needed help with the unknowns as described in this case-study.

Observation: *FDI-decisions are rarely taken in isolation and with only one location in mind, but as a comparison of potential localities. Accordingly, LOF is often compared (e.g. higher degrees of LOF / higher degree of PD). The point of LOP is that operational problems don't lend themselves to such comparisons (other than there are more LOPs in A than C). But the characteristic of LOP is less how 'big' is the liability rather than the fact that, this is perceived to be a practical problem and the interest is in how to solve that.*

6.1.4.4. Progress of the project and services being delivered

Asking the corporate manager to describe the type of information he was looking for, he stated: "Why would [country-name removed] be a good location... data on salary levels, on education, on the tax burden on companies? They [the IPAs – comment added by author] helped me justify what is good about [country-name removed]. What was even

more helpful – they gave me data that made it possible to compare [competitive country 1 and 2] to [country-name removed]. Where should I have found salary costs and tax rates or electricity costs of these countries if not from them? But now I could show the full picture from my perspective”.

Sensing that there was more to unpack here, I continued asking and got a fascinating insight into the corporate manager’s perception of such a situation: “In this project what we wanted was obviously facts - but it was also something else. When you are working in a company – and you are faced with such a situation, you tend to think you are fairly alone with your problem. I mean we are obviously always in competition, and in a big group like [company-name removed] even more so. [...] And there you sit and feel like you are alone battling this out. But the really good thing with [name of country A’s IPA] was that they know these problems. They have seen that situation already many times – in many other companies. And they know how to deal with that. They could tell you tips how to work on that. Obviously not mentioning names, but talking about examples in similar multinationals where they had done similar things.... They have a very good idea about the general approach to such a situation. To the arguments you can put forward, and what works and what doesn’t. This I felt was strengthening us and our presentation a lot.”

Observation: *This latter quote points to a whole range of issues with our current conception of IPAs:*

- *The role of IPAs exceeds far beyond handing out information (even as in this case a-typical information), and ideally stretches into consulting / support type situations*
- *This requires high-quality IPA-structures and highly experienced IPA-staff (which, given the typical labour-turnover in many IPAs, might be difficult to achieve)*
- *As illustrated by the decision (see section below), IPAs can influence corporate decision-making processes to a significant degree.*

Taking Buckley et al's (2007) dictum that managers don't behave as theory suggests points to an insufficient body-of theory on FDI decision-making and equally in terms of IPAs. Currently many IPAs are not overly effective, given that they are seen as being not particularly good at their job. This is something which arguably hinges on a lack of understanding what is needed to address the liabilities managers experience and what hence is needed from IPAs.

6.1.4.5. The decision

The corporate manager eventually did deliver the presentation against his three fellow country-MDs in front of the Board and succeeded. Country's A site will now be expanded and increased to combine the three plants in one. Very shortly after the decision had been taken, my interviewee had left the group; he was therefore unable to describe any After-Care activities from the perspective of the corporation.

6.1.5. Comments made about corporate managers by IPA staff

An interesting statement regarding how information should be imparted to potential investors, was the observation of the Investment Advisor: "We learnt from [*the company – name removed*] that they don't care about rankings. All they, and essentially most firms we spoke to, are interested in, is specific figures they can feed into their Excel spreadsheets" and "They came back with a lot of specific questions on costs and prices and how much this is." This observation ties in with a number of statements made by corporate managers in the first-round interviews, and that effectively run contrary to the type of information many IPAs publish on their websites or which feature most prominently in their presentations. It appears that few things are disqualifying IPAs more in the eyes of corporate managers, than presenting information that is freely available on the internet while at the same time being unable to answer sector-specific questions. The driver of managerial-liability they experience isn't so much PD (although this element also is detectable), but to a large extent, operational problems.

Another aspect that emerged in the context of this case-study was the notion that corporate managers want information “to be safe”. When asked to elaborate, the Investment Advisor stated. When “the Global Head of Operations walks into the Board Room and says I need x million [€ / \$ / other currency] to invest in [country A – name removed] and I will deliver a project, for him this is a large step. He could have expanded the [country B – name removed] plant, where he sort of knew how things were going. But we decided to build a new plant. And for that he needed to be safe that he could take the risk to talk to the Board, to present the idea, and know that this would work out”. This again spelled out explicitly, an unspoken subtext of the corporate interviews of the first-round. In other words, the attempts of managers to reduce the risk of failure of the projects (and hence their own careers), by avoiding doubt, the risk of information being wrong or coloured to suit the needs of somebody else.

A final observation is with regards to the repeatedly changing parameters of FDI-projects. The Investment Advisor of the national IPA commented that this is not unusual or an unknown phenomenon. In fact, it seems to be a fairly frequent occurrence. The question is only one of the degrees to which parameters change (i.e. a slight adjustment or a complete re-start as in Project 1). Often firms appear ill prepared to answer fairly fundamental questions, especially first-time investor). Managers of these firms tend to go through a steep learning curve, which largely cannot be done ‘on paper’ as many questions only emerge when looking at locations in situ; this is not necessarily a question of managers not having any experience in how to build a plant, but rather how to set up plants in another country with different laws and permitting rules. Aharoni (2010 – p. 82) had, on a more abstract level, already observed this phenomenon: “The decision-making process is spread over a long period of time [...]. During that period there are many changes. [...] These changes invariably require more modifications, more approvals and sometimes a new round of negotiations has to be started”. But rather than merely being a question of time, I would posit that more factors are at play.

The IPA contact described this as a process of concentric circles, where the discussion essentially goes over the same ground over and over again, in ever greater levels of detail. According to IPA staff, this is partly on account of human

nature (i.e. people forgetting to ask for certain aspects or people forgetting pieces of information in what is effectively a permanent information-overload for the corporate managers). More importantly however, this is part of the process of honing down the project, to the best solution and/or the best way to implement it. The Investment Advisor described this as a normal part of the decision-making. It is “not a straight-line process, but one with many twists and turns and loops back to earlier positions. It is a highly time- and labour-intensive process which is why there is a tendency in IPAs to focus on large projects”. Looked at from the corporate-managers’ perspective, it is this digging into such operational questions which significantly reduces the risk for the acting manager, as costly mistakes could be ironed out before they occur. This constitutes a significant benefit that IPAs confer to corporate managers and which (a) to our knowledge has not been addressed in previous research and (b) only becomes apparent during the process itself (which is presumably why those having worked with (good) IPA are mostly highly positive about them, while non-users fail to see the benefit of IPAs). As for the concentric circles – IPA-staff tend to view this “as a good sign”, as corporate managers are sufficiently interested to dig deeper and therefore, in all likelihood are considering this location as a prime contender in the search.

As for the above-mentioned learning-curve, even large multinationals often have little idea about such details as how much electricity their plant is going to consume. Only after several iterative rounds of planning, when the exact make-up of the plant is finalized and when it is clear what is going to be produced in the country (local-content), such values get finalized.

6.1.6. Comments made about IPAs by corporate managers

Given the negative statements about IPAs I encountered in the first-round interviews (often by non-users), and given RQ 2 (i.e. whether IPAs do indeed succeed in helping managers overcome managerial-liabilities), I deliberately tried to explore this specific aspect in conversations with managers. Within the context of country A’s IPA, I was told “I really liked their attitude. That was probably the most impressive thing. They are very proactive and they really go out of their way to help”, “I was their customer... but then, I was a customer who wasn’t paying them anything for the product as you called it” and “We

often phoned in late at night or spoke at the weekends. And I never had the answer. 'This is not my office time or I do not have time for you'".

6.1.7. Preliminary conclusions from case-study A:

Trying to answer the question whether IPAs effectively help managers mitigate or overcome managerial-liabilities, this case-study illustrates the need for a detailed understanding of how managerial-liabilities could look (i.e. with Project 1 we had a 'typical' greenfield-situation, whereas Project 2 could be classed as an a-typical liability). The case-study also illustrated that managerial-liabilities are not merely reduced to information asymmetry, but also have a lot to do with operational problems (i.e. not only 'know what' but also 'know how'). Finally, this case-study points to the fact that even highly professional IPAs can run into serious difficulties on account of breakdown of communication, misunderstandings or the complexity of an FDI-project.

Conducting such in-depth case-study interviews, which – to a much larger extent than the first-round interviews – morphed into discussions, made me aware of a potential danger. Querying statements, pushing interview-partners and directing the discussion more than in the lightly structured first-round interviews, there is a risk that the interviewer is driving the debate to an extent. Arguably this is inherent in the nature of in-depth interviews, and only by such involved discussions one is getting interview-partners to open-up, well beyond the simple, politically correct statements, or to arrive at the level of operational-detail and step-by-step descriptions. But a two-way conversation invariably means that I will have an input and therefore run the risk of influencing the outcome. Fortunately, the often-surprising turn of events and the iterative approach make me think that this influence was limited.

One important aspect I would see as a preliminary outcome is that the ideal-typical narrowing down of a long-list to a short-list based on a set of pre-defined parameters (Harding & Javorcik, 2011; Wilson & Baack, 2012) appears excessively idealistic and does not reflect operational reality. This reality is probably best described by the metaphor of the concentric circles and repeated revisiting of issues to hone them down to the best solution.

Finally – despite my pointing to the over-emphasis of large MNCs in IPA research vis-à-vis SMEs, this case-study was again focussing on large multi-billion conglomerates. This was driven by the availability of interviewees. This seems to point to large firms using IPAs disproportionately more than SME. Having specifically asked the IPA-contact about MNEs, SMEs and their differences, an interesting comment emerged: “Large firms have big challenges in synchronizing information. They live in their very own self-made paralysis. [...] In small companies you often have one strong man and what he says happens. But often he has no idea about what is coming and needs a lot of support” – which points to another dimension in researching this question. In other words, not only what constitutes managerial-liability, but also the different managerial-liabilities determined by the type of organization people are operating in.

The conclusions I draw from case study A are as follows:

- First, we may see an extension to my deliberations about ‘what are managerial-liabilities?’ (RQ 1): While we currently assume a set of pre-researched and fixed search-parameters by which corporate representatives assess FDI-projects, my research showed that these are far more fluid and open to adjustment than hitherto assumed. Often these search-parameters are gradually adjusted, with a view to the local condition in a narrowing-down process from ‘what is desirable’ to ‘what is possible’. The character of managerial-liabilities therefore is not a list of specific facts and points to be tested, but instead often a fluid set of preferences and situations of learning, an ability to operate under high complexity and in an area of ‘shifting goal-posts’.
- A second insight pertains to the way we think about the FDI-process, shaping our theories about decision making (see Figure 11). There is no ideal-typical step-wise process that moves through discreet phases of decision-making practises. As discussed in the point above, these processes are considerably messier and more complex than hitherto assumed, which

means that the notion of handing out information, and by this IPAs 'having done their job', is clearly a misjudgement.

Seeking to answer RQ 2, whether IPAs do reduce managerial-liabilities, we have the difficulty of the heterogeneity of investment situations (different people, with different levels of experiences, different industries, company sizes etc). and vastly differing levels of IPA quality. What appears however as a constant in all of this, is that IPAs seem to succeed in helping managers if they manage to align their services as closely as possible to the needs of the specific manager. This means finding out what the problems are and having the capacity and willingness to engage in these issues.

- Which leads me to a third observation, that facilitation (in the practical sense of 'supporting managers in the setting-up of greenfield-projects') plays a bigger role than has been recognized so far by either research or indeed many of the IPAs themselves.

6.2. Case-Study B

6.2.1. Remit and objective of case-study

After it became clear that the African case-study idea would not materialize owing to a lack of sufficiently deep interviews and/or interlocutors opening-up, I decided to change course and pursue a case-study with a successful emerging nation. Personal contacts made the difficult initial phase of convincing corporate and IPA-managers to participate easier. A number of face-to-face meetings with representatives of the company took place in mid/late 2019 to prepare and conduct a series of interviews which forms the basis for this case-study. The subsequent contacts to (former) IPA-staff took place via phone or Skype. In order to follow-up on questions that were left un-asked, (and only emerged during the writing-up of the case-study) a few further phone calls took place.

The aim of this case-study is to explore (a) the complex net of actors involved in the process of investment promotion and facilitation, (b) the personal connections that often drive the processes in this context and – partly to further explore the insights gained from case-study A, (c) the considerably less structured course of events in an FDI-project, as opposed to the the highly structured, rational process described in literature.

Overview of the participants of the case-study

Company: A European company active in an industrial manufacturing context, several thousand staff and turnover of several hundred million €. The group is active in several market segments and has a number of foreign subsidiaries / productions plants in Europe, Asia and the Americas. There is a not an insignificant amount of prior experience in Greenfield / FDI-projects in-house. After some initial hesitations, the relevant managers working on this project agreed to take part in this case-study, on the condition of the strictest measures of confidentiality. Neither the name of the company nor of any of the acting persons can be divulged, nor should the industry or the home/host country be named so as to avoid any possible fall-out from anything being said during the interviews. It was also agreed that a representative of the company could read the case-study before it is being published with the right to veto its use or to

amend passages that were deemed to be too revelatory. None of the interviews were taped, but instead transcribed on the basis of detailed notes being made during the interviews.

The IPA: In this specific context, IPA means all members of the wider IPA-organization of country B, which includes (i) members of staff of the national IPA, (ii) the regional-IPA (and here also on State as well as municipal level) as well as (iii) the Foreign-Office of the IPA in the home-nation of the investing firm. Owing to the Greenfield-project taking place in 2012 (i.e. seven years prior to the interviews), and due to a significant staff-turnover in that IPA (and large-scale organizational changes, immediately prior to and during the time of the interviews), all IPA representatives that had worked on that project did not work for the wider IPA structure of country B anymore. Given that current staff had no knowledge of the project, and could not help with the interviews, I had to locate those former IPA contacts via LinkedIn and via names being 'handed-down' by current/former colleagues. Most of the people involved could be traced and were willing to participate. Hence all IPA interlocutors were - at the time of the interview - 'ex-IPA'. Perhaps as a result, the IPA interviews felt much more unguarded and open than in the case of current IPA-staff (in first-round interviews) or corporate-interviews.

While Case-Study A – Project 1 was in the last project-phase of the FDI-project being set up, (and hence still on-going during the time of the interviews), this Case-Study describes an effectively completed project and offers 'project-hindsight'. But while interviewees could take a longer-perspective and knew what worked and what did not, I felt that the perspective of hindsight created the problem that it was difficult to work out the chronology of individual steps; a further down-side of such a time-lag is that a number of details clearly got lost along the way.

Apart from the two main groups of interview-partners (corporate managers and IPA managers), I decided to include Third-Party actors (in particular a private Service Provider) as illustrated in table 7. It became clear very early-on during the initial interviews, that several Third-Party players were involved and played a significant role within the project. The relationship of the various actors to each

other never really seemed to be entirely clear – presumably not even at the time of the project - (i.e. with several personal contacts or even family-ties across the various entities). Occasionally I wondered which information has been passed on to whom, and why. And whether not other interests were in play as well. I only focus on and represent the official contractual relationship of IPA, Third Party Service-Provider and the firm, given that everything else would only be conjecture.

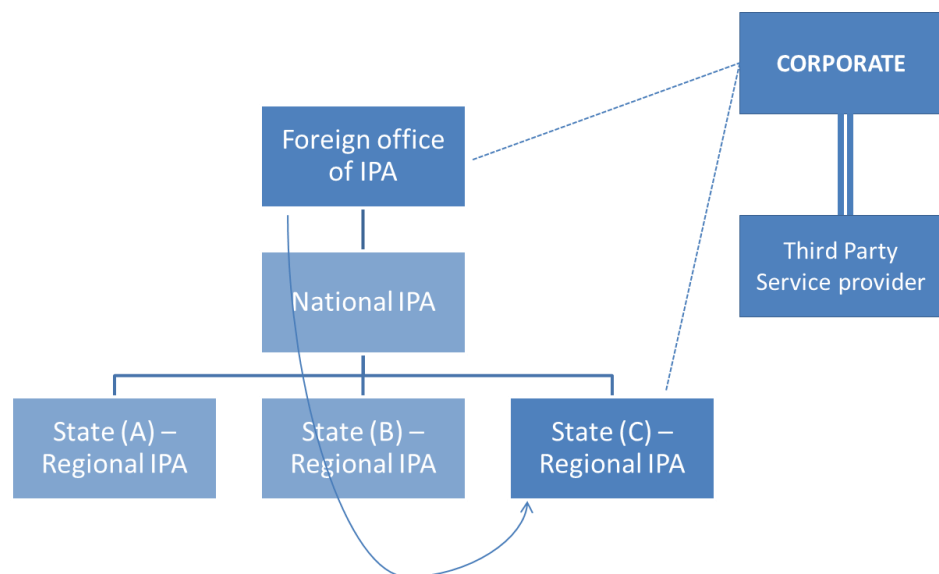


Figure 20 - Case-study Country B

6.2.2. Description of the company, the investment context and individual actors

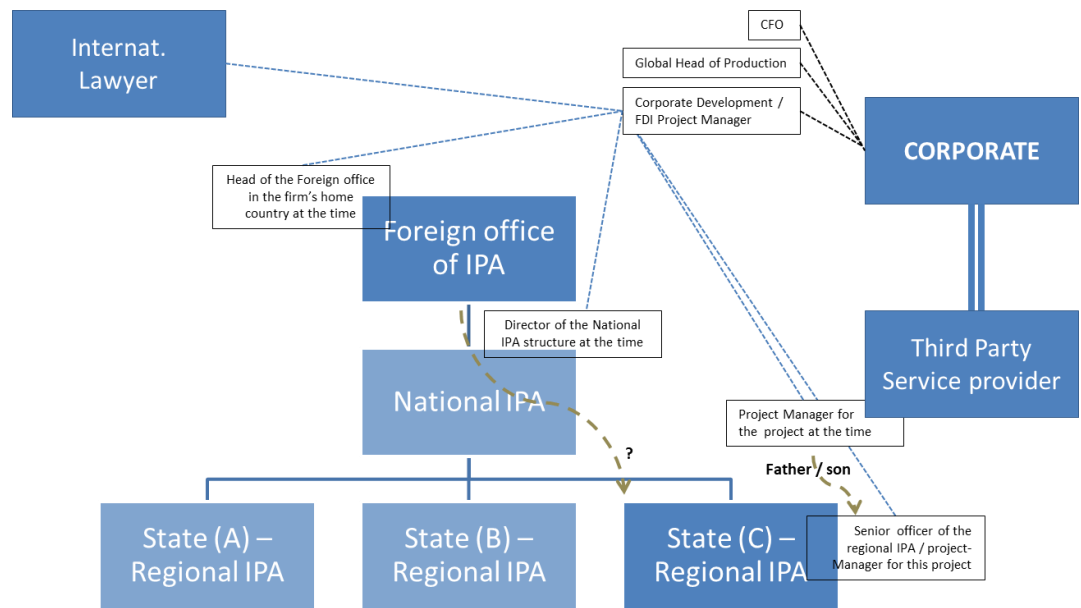
The company is active in a number of sectors and well integrated in the global value-chains of its industries. Managers of this company perceive global markets as three major regions: Europe, Asia and the Americas. Not least for reasons of logistic-costs, the aim was to manufacture the majority of products sold within the respective region itself.

The project had been discussed among the managers of this corporate-group during 2007/2008. In terms of planning, the project had been very far advanced (e.g. in-depth discussions with landlords, lawyers and accountants). By 2008 a project-group was about to start the greenfield-project, but with the Lehman

crisis turning into a global financial crisis (and turnover of the firm, as well as the industry in general, dropping significantly), the project was shelved. In 2012, with the economy recovering and sales growing again rapidly (leading to capacity problems in the region), the project was back on the agenda. Due to a change of the acting people (CEO as well as the Project Manager), the ideas about how this should be implemented, appeared to have changed considerably. The target region of 2007/2008 within country B was called into question and new locations were discussed. The areas the managers now focussed on had moved considerably further South from the initial site. In various discussions a number of different reasons emerged; proximity to key-customers was still considered very important, it appeared that the customer-structure had altered and that customers had relocated production units or built new ones. A secondary reason was the overall attractiveness of the “2012-region”. With the exception of the Head of Production, all people active in the project on the corporate-side in 2012 had changed from those engaged in the 2008-project. Given the significantly different emphasis and direction of the project, I suspect a mix of partly changed macro-economic factors as well as a personal-element in FDI decision-making (i.e based on the people involved and their respective preferences and value-judgements).

People active in the project were:

- The CEO – highly internationally experienced manager; he actively determined the project’s main parameters, but took more of a back-seat in terms of the implementation.
- The Project Manager – also highly internationally experienced, had already completed several FDI-projects, and was aware of potential difficulties and threats; heavily involved in the implementation of the project
- Global Head of Production - managing all production plants of the group, ensuring best-practise sharing; focused on the setting-up of the physical / production-related aspects of the site



What seemed striking is the near complete absence of a CFO or financially focussed function in the project-group (as opposed to most other FDI-projects I observed). This is arguably due to the divisional structure of the firm. While Finance was located in “central function”, investment-projects / new plants were (after the go-ahead at Board-level) largely an internal affair of the relatively strong and autonomous divisions, and hence ran independently from Finance.

When I looked at potential Psychic Distance factors (based on the national backgrounds of the acting people), a pronounced cultural and/or Psychic Distance emerged (as opposed to Case-Study A). The home-country culture of the investing firm and the host-country are on opposite ends of several of the Hofstede dimensions. While in 'Long-term orientation' the host-country scores very low, displaying a small propensity to save and a strong orientation for quick results, the managers of the home-country firm come from a culture that scored extremely high on that dimension, i.e. a strong propensity to save and perseverance in achieving results (see Hofstede-insights.com). Similarly in terms of 'Power distance' we observe vast differences, with the host country scoring very highly, indicating a strongly hierarchical society and people

expecting to be told what to do, while the firm's home-country is low on Power Distance, valuing participative communication and excessive control being disliked. The only similarity lies in both scoring relatively highly on 'Uncertainty avoidance'.

Observation: *Comparing the 2008 and 2012 projects, the importance and influence of personal characteristics and preferences of the acting people seem to play a surprisingly important role. When questioned about this the CEO, half in jest/half serious replied "deep down we all decide emotionally and then argue rationally". Which seemed to me an incredibly insightful and honest reflection of FDI-projects. It also seemed to ring true with some comments interview partners made earlier during the first-round interviews and reinforced the tacit nature, the feel-good and relationship aspects of investment promotion and facilitation.*

The other interesting observation in this case was how early on in the process the preferences and pre-selections seem to have determined the course of the project (Country B had largely been set – but the question was in which region to invest. But contrary to Case-Study A / Project 1, this appeared to have been decided upon before the IPA-processes really got started). This seems to indicate to me that the role of IPAs in decision-making processes not only depends on IPAs-quality and level of managerial-experience, but also in the point-in-time when the IPA gets involved in the project (i.e. is there still the chance to influence options?). And we see a mirroring of the issue already high-lighted in Case-Study A / project 1: the importance of access of IPAs to the relevant corporate managers.

6.2.3. Description of country "B's" IPA eco-system and structure

Country 'B's' IPA is one of the bigger global IPA-structures, with a national IPA, extensive local and State-level structures (run by the Federal States) and a wide network of foreign offices. Country B federal make-up is characterized by relatively strong, independent States. Accordingly, the regional/state IPAs influence vis-à-vis the national-IPA appears to be relatively strong. This is apparent in the highly disparate economic conditions (i.e. different levels of infrastructure) and investment promotion policies (i.e. different incentives schemes or promotional activities) across the States.

Especially in terms of its external activities (Image Building), country B's IPA is very active in foreign missions and marketing/networking events abroad. The Federal State within which the company eventually located has a very strong reputation for being very business-oriented and pro-FDI, the regional-IPA being very proactive in marketing itself and the State.

The people within the wider IPA-structure of country B I spoke to for this case-study were:

- (former) Head of the foreign office of the IPA (in the firm's home-country)
- (former) representative of the Federal State in which the company located itself with the FDI-project
- (former) External Investment Coordinator (a somewhat free-floating specialist, attached to the regional-IPA)

6.2.4. Description of country 'B's' Third-Party players

Early on in the case-study it emerged that Third-Party players had been instrumental in the project. As Third-Party players I define all actors that were important in providing services and support to the corporate managers in setting-up the greenfield-project;

- a Lawyer, internationally active and multi-lingual. The Project Manager and the lawyer met at the conference organized by the Foreign Office of the IPA. Involved in most legal aspects, contractual questions and the annual statutory reporting/filing requirements
- a full-service Service-Provider, consisting of a project manager acting as liaison between the Service-Provider and the corporate managers (on the side of the Service Provider there were specialist functions such as HR, Accounts, Tax, Customs, etc. all with a Head of Department and seemingly varying numbers of support staff). The liaison was the single point of contact to the corporate managers channelling the output from / questions to these

specialists. The Service-Provider offered a far reaching project management (with guaranteed outcomes such as utility connections, tax-number, etc.), a complete outsourced book-keeping package (incl. all necessary declarations, etc.) and HR package (recruitment services and a temporary worker arrangement).

In terms of personal relationships in the background, the father of the account-manager responsible for working with the managers of the investing firm in the Service-Provider, was the Head of the regional-IPA.

Observation: *The corporate project manager remarked that the professionalism of the Service Provider, the breadth of services offered, as well as the fact that there were a number of these firms, indicated to him that country B might be more difficult as a location than the IPA suggested (based on the fact that these Service-Providers would not be needed if this were not the case). So, while the country's IPA emphasized how easy it was to set-up in country B (i.e. 'Image Building'), little practical help was forthcoming ('Facilitation'). In this, this IPA fell into the category of IPAs who strongly emphasize pre-establishment activities but disregard establishment processes (either by early disengagement or by not dealing with these issues).*

6.2.5. Chronological description of the investment promotion process

In the following section we seek to describe the chronological steps of the project, as described by both IPA and corporate managers. In case of major deviations of how the process was perceived, we specifically highlight this in the text; otherwise the course of events is seen in the same way by both parties.

6.2.5.1. Establishing contact

After the aborted project several years earlier, the top management of the firm wanted to re-start the project of setting up a production plant in country B in order to strengthen their market-position and ease pressure on the supply-chain. During this time, several firms contemplated this move, which resulted in two firms whose HQs were located in relative geographic proximity in their home-market – one of which was the company where I conducted my interviews – to

contemplate to join forces and explore country B. An initial scouting mission was organized via the other firms' management and the Honorary Consul they knew personally. During this trip – in which managers of the two firms jointly travelled through several States / Shires of country B – they collected a number of valuable insights:

- The region could be reached relatively easily via plane. While there were no direct flights, one could get there with one (relatively convenient) change-over. Three alternative flight routes were offered by the firms' default airline or its code-share partners.
- The first impression of the local infrastructure (road, electricity) was good.
- A large number of companies of the industry in which the company was active had plants in that region, which was seen as an encouraging sign. A number of these were contacted for feedback.

While managers of the other firm quickly decided for a location further North, the CEO of the firm I interviewed favoured two neighbouring States further South (which meant that the "joint-research project" came to an early end). In order to drive the project forward, the Project Manager conducted some additional desk-research, narrowly focusing on the target area.

Shortly after the initial scouting-trip, a 2-day conference (organized by the Foreign Office of country B) was to take place in the firm's home-country. The program consisted of talks by companies who had already invested in country B and a number of Service Providers (lawyers and accountants) presenting themselves. Talks were very much geared towards practical questions – such as listing the steps of setting up a legal entity in the country, the potential problems to be encountered and how to solve them. The Project Manager – always very interested in these events – attended it. He remarked however, that finding out about the conference was purely a matter of chance. The Project Manager emphasized that he continuously looked out for such events (preferably those with testimonials of firms already being invested in the potential host-country) as he considers them highly useful. Another

important aspect are the contacts that can be made (speakers, Service Providers or fellow firms invested in the country). He felt that “it was the coffee breaks that where the most important part”, as one could approach speakers who had appeared to be knowledgeable.

The Head of the IPAs’ Foreign Office (organizer of the event), introduced himself to the Project Manager and introduced him to a number of Service Providers (one of which ended up as the lawyer used for the project) and representative of two of the Federal States (one of which was in the target areas of the corporate-manager and ended up as the location invested in).

The Project Manager reiterated several times that he thought the event was most helpful, however he had a few observations about it:

- at the event were approx. 100 - 150 people in attendance; the Project Manager remarked that the fewest of those were fellow corporate managers, but mostly Service-Providers “on the hunt” for business (which at the time he really enjoyed as it provided him with lots of useful contacts).
- coming back from the conference, the Project Manager had a whole range of contacts and was sent additional information via e-mail, so that a lot of the ‘finding out’ and ‘information search’ was done very efficiently. Really note-worthy however I found the observation that this information gathering was, with hindsight, “the smallest part of the project”.
- The other interesting remark was a throw-away comment that the level of insight he had gained made quite an impression within the firm, which was one of the aspects the Project Manager found especially helpful about the conference.

The Head of the Foreign office of the IPA kept close contact; however, when I probed what specific information/help or support the IPA had supplied during this early phase, the Project Manager, after some reflection, couldn’t name any specific aspect (other than being

introduced to a whole range of Service Providers, who then in turn supplied information and help). None-the-less, the overall impression was one of relatively close contact with the Head of the Foreign Office: not unpleasant or pushy, but “nice, informative conversations”, which at the time he felt to be really useful, but on reflection turned out to be very vague. The intriguing fact was that the Project Manager never seemed to have reflected on the fact that the IPA didn’t provide much direct input, but only in introducing potentially interesting people.

One example of such a contact, which presumably resulted in the positive perception, was an invitation to lunch with the Ambassador of country B. While little in terms of concrete topics was discussed during this luncheon, the Project Manager felt it to be very useful to having been put in touch with the Ambassador. I felt however that it was more likely, that the real effect was being made feel important. (This was a pattern which repeated itself later on and which led me to assume that such facilitated access to senior politicians, civil servants and diplomats was a dedicated policy of country B). It did not seem to have any practical effect on the project, other than an atmospheric / feel-good aspect.

Another example in this context was, that when the plant was opened – despite being relatively small at that time –the most senior politician of the State attended the opening with a large group of regional and national media in tow (which managers still seem to feel a sense of pride about). Whether this was on account of domestic political needs (up-coming election) or to humour the senior management, was impossible to find out. The fact that little practical input was made was reiterated in the interview with the Head of Production, who at first confused the Service Provider with the IPA. When this was clarified his comment was “I don’t remember anything about them, other than two dinners with a lot of people”. This seemed to be a telling sign about the level of involvement and the tools used by the IPA.

Observation: *This phase of the interview process led to a range of observations:*

- *Most importantly, this case-study illustrates to me the enormous importance of relationships and personal contacts in this field. It's not what you may, or may wish to know, but who you know! In situations of uncertainty, people seem to go with whom they know (shown by the fact that the people the project-manager met early on in the process feature so strongly in the project later on). At the same time, looked at from the corporate managers' perspective, contacts have the down-side that one is never aware of contacts of the local actors as well as hidden agendas.*
- *In any case, it seems safe to assume that while literature makes a great deal of information-asymmetry / market-failure on account of lack of information, managers seem to see information as an important aspect, but only one initial step and part of a bigger puzzle.*
- *Another impression I got in this case, was that a lot is based on 'a feel good' factor and trust being established between the acting persons, rather than genuine hard facts. What was however provided very skillfully and successfully by the IPA, were contacts (to Service Providers, high-ranking dignitaries and other useful contacts). This also supports the assumption that many of these decision-making processes are significantly less rational and deliberate than the literature assumes.*
- *And finally, and closely related to the above point, there is the insight that even relatively senior corporate-managers (i.e. the Project Manager) seem to conceive FDI-projects to a large extent in terms of what this does for their own career. In other words, how does the project enhance the impression they make within the firm and especially vis-à-vis their immediate superiors? Collecting relevant information in a short space of time, coming across as knowledgeable and de-risking the project, seemed important for the project – but also for being able to shine as a person.*

6.2.5.2. First steps in the pre-establishment phase

Two further scouting missions followed where the organization was partly supported by the Foreign Office of country B (in particular with establishing contact to the regional-IPA structures of the State in which the firm eventually located the project). During these visits, various Industrial Parks were visited, as the focus was firmly on locating the greenfield-project in an Industrial Park. Locations outside one of the parks were not even contemplated.

There was agreement among the corporate managers interviewed that the regional-IPA was “hardly visible” or “not particularly useful”. When I inquired why this was the case, it was mentioned that the key interest of IPA staff was primarily to understand what the planned investment sum would be, and how many jobs were to be created immediately after the setting-up and over a period of 5 years’ time. Particularly the Project Manager remembered being somewhat irritated by the insistence of the IPA to find out about these points. From his point of view, one of the most important aspects – a location for the factory – wasn’t determined by these issues and hence it would not make sense (or be possible) to discuss these matters at that point (i.e. what he really wanted to establish was would they be able to rent or buy & build, would there be infrastructure, etc.). Plus, he observed that at times he had the sense that “it was my job to provide them with information, rather than the other way round”. During the interview he also made it very clear that he did not think much of incentives (a view also shared by the CEO) while all along the attitude was that: “I obviously wouldn’t be averse to taking free money on the table”. But it appears that most of the discussions driven by the IPA were about incentives, while little operational details had been discussed. This was also (indirectly) confirmed by the IPA-interlocutor.

With the unwillingness or incapability of the IPA to engage with operational issues, the corporate managers started negotiations with

two full-package Third-Party Service Providers, (the contacts were established during the event of the Foreign Office of the IPA). One point which quite clearly left a deep impression with the corporate managers, was the stark difference between the tales told by the IPA and the picture painted by the Service Providers. The latter highlighted the dangers and operational difficulties of investing in country B, and outlined their service-offering to deal with these. (This was quite obviously partly a sales approach to emphasize the need for their services).

Despite initial hesitations (especially on account of the cost of the service package), the corporate managers decided that they would sign-up for a 1 year full-package service contract with one of the two Service Providers. One interviewee remarked: “I generally dislike these consultants; they are like vultures – trading in fear and uncertainty and selling you their services at ridiculous prices. In my mind they are like the Big4. Their best people are the ones you see at the sales pitch, but the work is then done by youngsters fresh out of Uni, who know about it all as much as you do yourself. Although with [name removed – Service-Provider used by the firm], I guess we can’t complain. They were expensive but very good”. When asked why, despite these views, they still signed-up, the manager replied “I spoke to a number of other companies who had invested in [country B - original name removed]. Most of them did the same and are actually quite happy about it. Lots of the processes are pretty impenetrable and if you don’t know the right people or don’t know what to ask for, you spend twice the money in wasted time”. When asked why they didn’t go somewhere else, they seemed slightly surprised but stated that with this country this would presumably always be the same and that “the region seemed ok, Industrial Parks where good and that one wouldn’t know if other IPAs weren’t equally unsuitable”.

Observation: *The signing on with the Third-Party Service Provider (very early on in the process and despite the additional cost), indicates the degree to which the managers felt uncertainty (i.e. managerial-liability) which they quite*

apparently didn't feel was being addressed by the IPA. While the managers felt quite strongly about the region, this weakness could have opened the door for another, highly-professional, IPA to steal the investment away. Overall, it seems that IPAs have the potential to pull investors into their jurisdiction, but even if they are underperforming significantly (as in this case), appear not to not necessarily drive investors away.

The other aspect was the throw-away comment with regards to the word-of-mouth culture in this field (i.e. "I spoke to a number of other companies..."). Corporate managers apparently speak a lot to each other about past experiences; they might be more swayed by the verdicts and impressions of fellow corporate managers than IPA or Third-Party pitches.

6.2.5.3. Phase-two of the pre-establishment phase

With the incentive discussions already being started at this point, and the Service Provider being decided upon (although not yet signed), the search for a location became urgent; although all interviewees on the corporate side found it hard to remember the exact order of events. Having toured the region, two parks (with suitable plots of land to purchase) emerged as interesting. It is unclear whether the contact to the Industrial Park was made at the event of the Foreign Office of the IPA, via the regional IPA or through the Service Provider. Especially within the context of location discussions, it became clear that it was not obvious who was guiding the corporate managers. It sounded that it was perfectly possible in this constellation, that the account manager of the Service Provider strongly influenced the location choice and could theoretically could have diverted the investment (which points to a worrying weakness of the IPA in this regard).

There was also the distinct impression that the players were very closely linked, maybe too much so to be good for the corporate. The Third-Party Service Provider for instance had their main regional office in the

Industrial Park the company eventually settled in, and much later during the course of the project it emerged that the owner of the Service-Provider and one of the Directors of the Park were close friends. One of the corporate managers described that it felt as if “everyone was in bed with everyone”. Similarly, the CEO observed that it emerged to him, that where they would end up was as much a matter of their choice, as it was what these players agreed amongst themselves in some back-room steering the decision through what he would get to see. Similarly, the Project manager strongly suspected that some sort of ‘commission’ had been paid by the Industrial Park owners to the Service-Provider, but could never fully verify that. He had heard also from an employee of a customs broker used in the project, that the Service Provider had (fairly robustly) demanded a fee for them being introduced to the project and getting orders from it. When the corporate managers had learned of this, they were obviously concerned, suspecting that only such firms or contacts were introduced to them who had paid up (rather than those who might have been the best choice). Given that the project was running smoothly however, and time was of the essence, they felt it would not improve their situation to rock the boat and hence decided not to intervene.

In 2012, country B experienced buoyant inward investment; so much so that IPA interviewees as well as corporate managers both suggested this in various different contexts. Corporate managers felt the negotiations around purchasing the land in the Industrial Park as having been conducted under significant pressure. The plot of land they had located was big enough for their purposes, close to the main traffic-axis of the region, and seemed a good fit. An aspect mentioned by the Global Production Manager was the necessity to verify that the standard production plant layout (a template for foreign production units which was normally the basis for setting up production units), could be built on that plot of land.

It was especially this latter point that produced an unexpected number of questions (such as pre-determined ratios of built-up area to green-

spaces and initial assurances for building permits on that land). The interviewees made it clear that, in order to be able to take a decision, a whole range of other, subsidiary points needed to be clarified first, some of which requiring further pre-steps. This was mentioned by several managers independently of each other. In their view, the biggest problem was that there was always something else, which had to be done before (e.g. to get the zoning- and use-of-land- permit they needed to document their legal status; only if the firm existed as a legal entity it could act). With various aspects of the project over-taking each other, they needed to have a bank account in the company' name (i.e. the name of the entity applying for the licence). But getting a bank account required you to be a legal entity. Several strings of events (company formation & registration, financial aspects, real-estate concerns) colliding or over-taking each other were creating a complex, interlocking chain of events. Only if certain tasks had been completed could others be started, and these required a totally unexpected amount of time (which reinforced the need for the Service-Provider support).

One story which I had already heard in the first-round interviews was the issue of opening a bank account turning into a complex operation. As a foreigner you first needed to be an existing legal entity to be able to open an account. But to become a legal entity, you needed to have a bank account in order to deposit your equity. In this case the Service Provider helped with an existing account. With no prior banking history (and money coming from abroad, which often leads to KYC-processes [KYC = Know Your Customer; process of the financial industry to verify the identity of the customer, the origin of the money and prevent money laundering]) this quickly turns into a catch-22 situation or a prime example of an instance of LOP.

Lastly, there was the issue of building-permits which, in the estimation of the corporate managers would have been impossible or very long-winded, had they attempted them themselves. The process involved collecting signatures from authorities, and "ping-ponging between

building & planning authorities, the Department for Environmental Protection, utility providers, the bank and the public notary”. The point was made by one of the managers, that a surprisingly large number of things needed to be aligned and documented in country B to be able to push things forward. From the interviews it became clear that this – getting to a point where you had clarity over whether everything worked as planned – was seen as very cumbersome and long-winded.

This was especially regarding the question of adjusting to local fire-protection regulations, including fire-protection walls, sprinkler-system [and the additional costs thereof], the maximum height to which material could be stored [and the impact this had on warehouse-capacity], while having the limitation of not being able to use all the land as parts had to be ‘green spaces’. These considerations in turn led to several iterations of the project and budget. Only when all of these things had been clarified, was the OK given for the fire-protection status, which the firm needed to get the hall insured.

It was claimed that there were many more of these interlocking multi-level clarifications and decisions which had to be made to even get to a go / no-go decision for the project. However, getting answers from planners, authorities and environmental protection agencies proved difficult and time-consuming (even with the local specialist on board). In several instances, the corporate managers expressed surprise about the number of processes they needed to complete, given that the regional IPA (who was absent from the implementation of pretty much all of these processes) had stated that it would be very easy to set-up a greenfield in country B. In this respect it is maybe not surprising that the company decided to spend the money and signed a one-year support-contract with the Third-Party Service Provider.

Observations: *An interesting insight during this phase of the interviews was the issue of complexity involved in FDI related decisions. It appears that the biggest problem was not to find the piece of land (i.e. location, price, etc.), but the amount of prior aspects that needed to be clarified and the cascading questions that resulted from this. In terms of managerial-*

liabilities, this resulted in a multi-faceted set of challenges for corporate-managers:

- (i) know what needs to be done*
- (ii) know how to do it*
- (iii) find the right authorities responsible for the issue*
- (iv) manage the ensuing complexity (i.e. have an overview of the order in which the interlocking processes should be addressed to avoid overall project delays)*
- (v) the manpower requirements on the ground*

The combination of all of these challenges represents what is expressed by the range of LOF – LOO – LOP.

If we add to this the iterative decision-making processes, which due to optimizing the project or having to comply with some 'red-flag' issues, may lead to frequent changes in the plans, the complexity rises even further.

6.2.5.4. Perception of the players of each other

The case-study allowed me to get a sense of the problems corporate managers felt they had, but also what the IPA staff recognized as being an issue.

When I asked IPA representatives what they considered to be the problems corporate managers have at the beginning of FDI-projects, both the Foreign Office Head as well as the Head of the regional IPA structure stated that this would be “an impossible question to answer in such a general way”. When pushed further, interestingly the Head of the regional (State-level) IPA stated “Getting a greenfield off-the-ground is fairly straightforward in [country B – name replaced]. Especially when you are in an industrial park most problems are sorted already”. Which, especially given that the corporate perspective was an entirely different one, either suggested a deliberate attempt to portray country B as easier to invest in than it is, or a genuine lack of understanding of the problem’s managers felt they face.

When I pushed the regional-IPA interviewee a little with the observations of the corporate side (i.e. that very little practical help was forthcoming), the explanations moved first to a claim that there was such an influx of FDI into country B at the time that it was impossible on account of work-load. Pressing the point further, the argument shifted to an argument that Third-Party Service Providers have expertise in tax, transfer pricing and accounting which the IPA simply did not have, and that this led to a tilting of the playing field in their favour (perhaps suggesting, without saying it directly, that this is somehow unfair).

The Head of the Foreign Office on the other hand answered this in a more general way (circumventing answering it directly). He stated that IPA-support – and here the specific level of what to offer to for foreign investors - is among the most difficult parts of IPA tasks as “It depends very much on the person in front of you. There is the whole range – from totally clueless to pretty experienced in internationalization. Of course, the fewest of them were really open about it and most pretended to know quite a lot. I guess it is this ego-thing of business people. So, the most important bit right from the start is to find out how much these people really know and where you need to place your pitch in terms of what you tell them”. This adds an interesting dimension to the debate. The fact that business people – despite suffering from managerial-liabilities – felt uneasy about divulging it to the IPA (presumably out of fear of weakening their negotiation position) points again to the above highlighted trust issues IPAs seem to have.

Trying to get an additional insight into this, I also asked the Third-Party Service Provider representative the same question – with a nearly predictable result: “Mmh, difficult question. In a way I don’t think you can answer that. There are so many different things...”; as well as offering more intriguing statements (e.g. “Maybe the most obvious is cultural”), highlighting that often the biggest problem as he saw it is when foreign investors come into country B and try to bring their culture with them. Discussing this issue, the Service Provider manager related the story of the investing firm having lost a number of its staff when a

big Japanese company invested close by. Very shortly thereafter many of the people had come back to work again in the company. The promises of higher wages had only partially materialized, but what the Third-Party Service Provider had observed, was a total failure of the Japanese managers to get to grips with the culture of country B. People therefore went back to their former company given that the Head of Plant was a local and clearly understood their needs much better.

Observations: *The maybe most interesting observations in this context was probably a methodological one. Thus, we can see the degree to which the initial (un-challenged) statements of interviewees often did not reflect what seems to have been the events unfolding (certainly as an on-looker might have interpreted them), but an idealized version of what ‘should have been’ the case. These idealized versions of events quickly changed when the interviewee was challenged with the view of the counter-party (i.e. when it became clear that I was aware of specific situations and the circumstances). Hence the most revealing interviews (i.e. those reflecting the apparent course of events and a balanced tale of what happened) were those that came later in the process and which could be ‘stress-tested’ with the views of the other participants. An ideal approach would therefore have been an iterative questioning of the participants over several rounds, going back with the feedback of the counter-party. It certainly made me very much aware of the challenges of qualitative interview processes as being prone to attempts by interviewees to project a certain image.*

The second aspect was that of ‘unknown-unknowns’ as expressed by a Third-Party manager, stating “If you come to [country B – name removed] from the outside it is very hard to get that done. And it is the exceptioning we do in [country B – name removed] that usually throws the foreigners. The rules and the exceptions. If you don’t understand that, you can’t be successful in [country B – name removed]”. Following this statement up (asking to have it explained), it emerged that this wasn’t referring to rule-breaking / corruption, but the countless different options, loop-holes and interpretation one could take if aware of the system and which would create a significant disadvantage if not taken.

6.2.5.5. The decision

It is genuinely difficult to determine ‘the point of decision-making’ on the corporate side in this case. It never seemed to have been much of a question whether the corporate managers would invest in country B. The only question seemed to be about where that investment would take place (i.e. in which region), and even that appears to have been narrowed down significantly very early on in the process. So, the only real open point in this case was how the greenfield project would be implemented (i.e. renting facilities or buying land and building own premises, and questions of practicalities).

Apart from the “external pressure” which resulted from the need to secure the land-deal (the preferred Industrial Park was said to have several other potentially interested firms), there was internal pressure of having to be ready to supply locally within a short space of time. Asked whether it might not have been better to look for an additional suitable plot of land (to improve the negotiating position) or another region (with a more helpful/competent IPA), two of the corporate managers replied that one could always look for a better deal and never get anything done as a result of it: Would the additional search costs weigh up with a better deal? Possibly, but this would effectively have meant to start the whole process afresh, which would result in a far bigger problem: a delayed project. This illustrates the weighing up of competing options to optimize the project which go beyond the face-value parameters of how a future location had to look like (i.e. the need to produce quickly vis-à-vis an ideal location).

As for the question when the decision had been taken, the best indication for that would be the signing of the land deal, (and shortly thereafter the signing of an investment incentive deal with the regional IPA), as these committed the company and established sunk-costs.

Asking the Third-Party Service Provider representative how they, as an external (and hence potentially more objective) on-looker assessed the

reasons for location-decisions and whether IPAs had a role in this, produced a very evasive answer, given that he always talked about “firms in general”, avoiding a clear statement about the specific investor of this case study. His contention was that all firms come to the region because “they have to. They come to [city No 1 – name replaced], [city No 2 – name replaced] or [city No 3 - name replaced] [all in relative proximity to each other] to fulfil their customer demands”. He continued that they would not come for the nice scenery, for the good restaurants, or the incentives nor “because of us... but because they must. At least here to this region. They need to localize, they need to be in [a mega-region – name replaced], they need to be close to their customers... that is the reason – and nothing else. Which is good, because they can’t do much evaluating. Well they can but it doesn’t change anything. They come anyway”. This was an interesting admission in that it suggested that support by Third-Party Specialists would not be a reason to select or de-select the area.

He continued, “But then, when they come, they start to get worried about how to do it. And the less often they have done it, the more worried they are [...] There are lots of things people are worried about [mentions a list of reasons, some very country specific and hence taken out]. And [company name of the Third-Party Service Provider – name taken out – this was bizarre during the interview when the manager of the Third-Party Service-Provider suddenly started to talk about themselves in the third person singular: perhaps this was an attempt at projecting objectivity by the interviewee] was helping them in this, made their lives easier and they were happy to pay money because at least that worry did go away. There was no other way. They had to come. They had to deal with that... and we helped them”.

Observation: *It seems fairly clear, that in this case-study the decision to invest in country B was taken because the firm had to invest somewhere in the main mega-region owing to pressure by customers. This however appears to be an industry-specific situation, and is therefore potentially not generalizable.*

Also, in terms of regional IPAs, there is no clear decision-altering influence of the IPA observable. Managers decided for the city/region despite the IPA being largely a failure in helping them with the operational tasks. Incentives clearly have not played a role in the decision-making either. It is difficult to speculate what would have happened, had a highly client-oriented, agile IPA of another region interfered in the process. Yet the Third-Party Service Provider does appear to have added considerable value in relation to addressing managerial-liabilities.

It also is difficult to make out the one ‘decision-making point’ in this case; due to time-pressure (the need to start up production at some point), the complexity (layered and inter-connected tasks e.g. building permits), and more and more sub-decisions which had been taken along the way, it felt like managers were gradually ‘sliding into the decision’. One interesting observation in this context about managerial-liabilities is that it seemed to me, that owing to the pressure of time, and the many internal constraints, a lot of the managerial-liabilities felt by managers where in effect created – or at least were intensified - by the managers’ themselves.

6.2.5.6. Facilitation after the decision had been taken

In terms of the facilitation activities (i.e. processes to get the greenfield up and running, dealing with permits and approvals, hiring staff, developing HR policies, registering with social security entities etc.) the IPA appears to have been nearly entirely absent. The numerous and often highly complex processes were project-managed and handled by the Third-Party Service Provider who ran a highly professional project-team working on these aspects.

The IPA seemed to have been contacted a few times during this process, but the extent of the cooperation between Third-Party Service Provider and IPA is unknown to the corporate managers.

Observation: *While in this case the IPA did not help much, it seems clear there was a significant amount of managerial-liabilities occurring in the process of this project and that the managers sought help to overcome this. This would support the underlying thesis that managerial-liabilities, which are specifically tied to the practicalities of executing such a project, exist and that support-structures are needed to deal with this. Whether this is performed by an IPA in the narrower sense of the word, by Chambers of Commerce, SEZs or paid-for Service Providers might be a secondary concern for corporate managers, as long as they get their liabilities addressed. Nations or regions seeking to influence these decisions, should however ensure that their offering is seen as competent and helpful, as this arguably opens a potential way to influence corporate managers' perceptions and decision-making processes.*

6.2.6. Comments made about corporate managers by IPA staff

The regional IPA staff appeared to be very happy with themselves in the context of the case-study firm's decision (it had located its manufacturing in the area). With reference to the impressive FDI inflows into country B at the time, the argument was that they have obviously been doing a great job. When asked what they would consider to be the main factor in this, one representative stated: "For many years we were very aggressively going after investors. To be honest, we had a very strong incentive-program for companies to settle down in [name of the region – removed]. That is absolutely true. And we used to be very friendly, very open. We were convinced that the future of the region depended on FDI coming and we were very clear about our pro-business policy". These claims, when compared to the comments by corporate managers, suggest a lack of self-perception on the side of the regional IPA (or at least them maintaining a 'politically correct / idealized' interview-statements to the end).

6.2.7. Comments made about IPAs by corporate managers and Third-Party Players

Interestingly, when I asked the corporate managers their views on the IPA's performance, these were slightly deviating from each other. The Project Manager who had prior exposure to IPAs before prior to this project and hence some idea what to expect from them, remarked on the "impressively weak" performance of the regional IPA but generally seemed to hold a positive view of country B's IPA, and IPAs in general. This could be owing to the introductions to high-ranking government people and country B's ambassador. The Global Head of Production who had little or no previous contact to IPAs was less positive; not having expected much, and being left alone when help would actually would have been needed, IPAs seem to be an irrelevance to him. On the other hand, most of the contact between firm and IPA (or firm and Third-Party Service Providers) was run via the corporate project manager, hence the Global Head of Production had hardly had any interaction with the IPA – which might also colour his assessment. The Head of Production found it difficult at times to distinguish what had been completed by the IPA and what by the Third-Party Players. The CEO, who appears to be very goal-/outcome-oriented, only saw them as a potential support function, which in this case did not perform and largely didn't have any further thoughts about them.

When I asked managers at the Third-Party Service Provider, similarly different views emerged. The spontaneous verdict of a senior manager in the Accounting, Bookkeeping & Tax department of the Service-Provider (and of seemingly higher seniority than the account-manager running the project) about country B's IPA, his statements were devastating. Earlier in the conversation he had talked about the difficulties of investing in country B (and thereby directly contradicting the statements of the Head of the regional IPA as cited in 6.2.5.4): "..... the computations companies need to go through, the government processes in [*country B – name replaced*] are really bad if you want to start a business. Ok not as bad as [*another neighbouring in the region*], but still – we do a lot of things that don't add value. The only thing worse than the processes is [*country B's IPA – name replaced*]".

When I asked him to expand on this, he tried to modify his statements somewhat but the negative views clearly remained. He continued “they are great at marketing, at telling people about [*country B – name replaced*]” – but he then pointed out that, owing to a lack of technical understanding, even this can be a problem: “I can’t tell you how often we met people who had been told something by [*IPA of country B – name replaced*] and when we spoke to them, they found out that things are more complicated than [*IPA of country B – name replaced*] told them or that things just didn’t work that way. I don’t think they deliberately lied to them. They just didn’t know and told a great story about [*country B – name replaced*]. But this was very difficult for us, people were unsure whether to believe us or [*IPA of country B – name replaced*]. They often suspected we made things more complicated just to sell more services”. Part of this statement might indeed be driven by his own commercial interests and an attempt to project himself as better / more knowledgeable than the IPA. But I have heard such statements (in this or similar forms) too often to dismiss this as mere commercial positioning talk. Many IPAs, owing to the combination of lack of know-how and a tendency to over-sell their own country, appear to cause this problem.

On the other hand, the account-manager responsible in the Service-Provider for the project was complimentary about the IPA (in which his father holds a senior position). In that, the statements by the more senior (Head of Accounting, Bookkeeping & Tax) interview partner in the Service-Provider seem to reflect reality a bit more accurately than his statements. This former (more senior) interview partner also said: “They are not knowledgeable in how to start business. All their careers they worked for the government, and all they do are a few coloured brochures and dinners with [*a special type of high-ranking political people in country B*] and the investors. And they really aren’t interested... they have nice jobs and all they want is to bring people in, so they can move on in their careers. When people are here, they lost interest. The paper-work bores them, they want to talk to new people. This is why we had such a good time” and continues, “I like them for that... otherwise there wouldn’t be the place for [*Service-Provider 1 in country, firm of the interview-partner – name replaced*] and [*Service-Provider 2 in country B – name replaced*] or all of us”

One regularly levelled criticism against IPAs in general and, as mentioned in the above interview excerpt, the IPA of country B in particular, is that they tend to disengage as soon as they feel the investor is secured for the country. This was indirectly confirmed in the interview with the Head of the regional IPA of country B. (Again, with the above described phenomenon of first stating the 'official line' and when challenged quickly swinging into a seemingly more realistic picture).

When I talked about the expense of finding and supporting a potential investor and whether there would be the tendency to disengage as soon as it is clear that they would invest, the Head of regional IPA country B said: "We tried not to disengage. One should never disengage from an investor. You maintain contact". When challenged with the corporate manager's statement that they hadn't heard back from them in ages after they went operational, he said "Well, we try to keep in touch. But the reality of course is that after a few years the contact fizzles out. But you never break the contact [...] So you can't call all the people all the time" – which indicated to me (a) that there may not have been much contact / any contact and (b) that initial interview statements usually reflect the ideal / wish, rather than the reality.

6.2.8. Preliminary conclusions from case-study 2

In conclusion we can observe that:

- Managers clearly suffered from a significant amount of managerial-liabilities. This was apparent in the statements made during interviews, as well as the fact that they were willing to spend a significant amount of money for the Third-Party Service Provider to deal with these liabilities
- Managing these problems (and the enormous complexity) was seen as crucial to the success of the FDI project.
- IPAs are of highly different quality; depending on the circumstances (e.g. industry, external factors such as time-pressure and alternative solutions).

- Depending on the FDI-type / industry, under-performing IPAs might not cause managers to go somewhere else.
- Services of IPAs can be very diverse and occasionally do not even address the primary problem, but if catering to other issues (such as making people feel good about themselves), might also produce positive outcomes.
- Many, if not most, interviews produced at some point contradictory statements. And often several interview partners from the same organization contradicted each other in their assessment of the situation on at least some aspects. Which, in terms of interview-based research is challenging as it means that gaining an accurate report of what occurred rests a lot on the person one happens to have spoken to. None-the-less, I think I have attempted to gain as holistic a picture of IPA-related FDI processes as possible via the wide breadth of the first-round interviews, as well as in this case study, by speaking to a broad range of interviewees from different types of organisations to at least capture the breadth of such views.
- The situations as experienced by all actors (especially the corporate managers) are considerably more complex and messier than extant literature suggests.

6.3. Conclusions and next steps

The first-round interviews painted a broad-based picture of the highly heterogeneous situations and factors that impact on FDI decision-making and location-choice. The second-round interviews re-confirmed this by outlining the different situations IPAs find themselves in as well as the significant differences in IPA quality. It also became apparent that Welch et al. (2016 – p. 785) were right when observing that “All theories make assumptions” and the field of IB “field is not well-practiced at challenging prevailing assumptions, nor is it practiced at making assumptions explicit” (ibid – p. 784). In particular when looking at managerial-liabilities it became obvious that we have a very limited understanding what such liabilities look like and how they are experienced by managers; none-the-less, the high-level theories of LOF / PD are the corner-stone for much research conducted in IB. Johanson & Vahlne are more nuanced than most, when writing that the lack of knowledge about foreign markets and foreign operations “is an important obstacle to the development of international operations and that the necessary knowledge can be acquired mainly through operations abroad” (1977 - p. 23).

The contribution of this PhD is therefore to explore what managerial liabilities are (i.e. the operationalization of the practical aspects of what we so-far called LOF), the unearthing and verifying of some of the assumption around the unknown of foreign market entry – and the analysis of what role IPAs play in dealing with these. These two interview rounds seemed to support the approach of thick-descriptions / case-study approaches to uncover the complex web of interrelated aspects and trade-offs. I realized that a key weakness of qualitative research are the often stylized and idealized answers, including statements which more reflect what ought to be rather than what probably really happened, and thereby often making it impossible for researchers to get to the heart of the matter. Having tried to counter this by iterative interviews (in which I challenge the interview-partner with the views of the counter-party) I hope to have alleviated this effect to an extent.

Based on the rich material gathered in the first- and second-round interviews, I will now seek to distil patterns out of these in my concluding chapter.

Chapter 7

Discussion

7.1. What this PhD has set out to achieve

Academic as well as practitioners' literature reminds us that managers face additional challenges when undertaking FDI-projects; problems they would not face in purely domestic investment situations. There are numerous strategies that can be employed to mitigate the so-called 'managerial-LOF', i.e. those problems managers face in an FDI-context (such as: entering foreign markets via Joint Ventures, only entering psychically close markets, etc). However, to date there is little research that explores another, frequently employed option: the broad range of government supported FDI-related institutions. Of these, this PhD specifically focusses on a type that has grown exponentially over the past 20 to 30 years, namely Investment Promotion Agencies or IPAs. As Loewendahl (2016) observes online, "there are approximately 10,000 economic development organizations (EDOs) including investment promotion agencies". In terms of the amount of public money being spent Bauerle-Danzmann & Slaski (2018) estimate a figure of around \$ 100 billion a year globally, illustrating the importance and financial relevance of the topic. None-the-less IPAs and investment promotion are largely ignored, and neither practitioner-literature nor academia has explored the subject in sufficient depth, as recently also observed by UNCTAD (2016 – p. 3): "Investment facilitation can thus be considered a systematic gap". A gap I sought to close, by describing in detail the structures and working-principles of IPAs (in chapter 3). IPAs, as well as how they operate and are seen by corporate managers, in chapters 0 and 6. This current lack of research of the workings of IPAs is an especially interesting lacuna, given that quantitative research has already shown that countries with IPAs improve the likelihood of attracting FDI (Morisset-Andrews-Johnson, 2004; Sachs, 2006; Charlton & Davis, 2007; Anderson & Sutherland, 2015). If IPAs do indeed make it easier for managers to enter foreign markets, the key question arising from this is, who/what are they and how do they succeed in helping managers overcome their uncertainties and managerial-LOF?

As I have outlined in Chapter 3, Investment Promotion is said to "include policies aimed at attracting FDI, as well as policies aimed at increasing its benefits" (Szent-Ivany, 2017 – p. 171). IPAs are therefore often perceived as agencies whose purpose is to promote investment by marketing a location and creating an image of the country / region in question. Based on my findings in Empirics I and II, I would argue that IPAs might need to slightly re-focus their activities if their aim is to successfully influence investors'

location-choices. While it is of course difficult to generalize, given the enormous heterogeneity of investment cases, patterns seem to have emerged from this study which indicate that the role of IPAs changes, depending on the development-stage of the FDI-project. While in the early phase – i.e. pre-establishment (see Table 3 - Stages of an FDI-project, p. 85) - information provision clearly is the most important aspect, managers in the establishment phase tend to have an expectation of more active support, which in IPA research is known as ‘facilitation’.

In the literature we often use the terms “investment promotion and facilitation interchangeably disregarding any differences between the two” (Ghouri, 2018 – p. 196) and thereby largely omit to discuss the differences of pre-establishment and establishment-phase requirements. On the practitioners’ side, it is often only IPAs which are perceived to be best-in-class by managers that focus on this dichotomy. Most other IPAs have already disengaged from the foreign investor by the end of the pre-establishment stage, in the apparent belief that their task is done, with the foreign investor attracted to the country, due to often conceiving themselves merely as location-marketing agents.

Moreover, both in literature and within IPAs, there is a lack of a precise understanding about the problem’s managers face (especially within the different phases of an FDI-project). Arguably, because all the concepts and explanatory models we have to date subsume managerial-liabilities under highly-aggregated and abstract ideas, such as Liability of Foreignness (LOF), which acts as a blanket term for all uncertainties of managers abroad, we have largely missed these factors. Generalizations and elegant, yet overly-parsimonious, theories tend to deprive us from real insights into what managerial-liabilities look like, and consequently, how they can be addressed by IPAs. To get a clearer sense of these managerial-problems, I have opted for a qualitative, micro-foundationally inspired research approach.

Having established the need for a more granular understanding of what managers experience as uncertainties and problems, and what concerns them in their FDI-projects, I also would like to re-iterate the paucity of extant knowledge in this regard. Beyond Schotter & Beamish’s (2013) hassle-factor, we have little debate of managerial concerns at an operational/managerial-level. Marrying the insights I have gained on managerial-liabilities with the notion of establishment-phases and IPA-research gets us closer to answering the problem Petersen & Pedersen described when stating that:

“much has been written about how international firms create and sustain firm-specific advantages [...] less attention has been devoted to the question of how international firms reduce their liability of foreignness” (Petersen & Pedersen, 2002 – p. 339). While our current body of knowledge, i.e. “Internationalization theory as developed by Buckley and Casson (1976), Rugman (1981) and Hennart (1982) is a firm-level theory” (Rugman, 2010 – p. 3) and “the eclectic paradigm is more of an industry-level analysis” (Ibid - p. 4), all of which have served us well in charting an overall picture, we need more manager-level research to develop this further. Additional insights from this will help us to marry theory and practise, in order to fulfil Shenkar’s (2004) exhortation, taken up by Buckley, Doh & Benischke, (2017 – p. 1.045) to “contribute more directly to solving real problems in the global economy”.

The need for this research approach can also be argued in another way. Extant literature largely concentrates on macro-economic aspects (e.g. market size, labour costs, etc.) as explanations for FDI decisions. Uddina et al. (2019 – p. 345) criticise this macro-focus, stating that macro-economic conditions are being “shaped by institutional factors”. So, instead of Kostova’s (1999) institutional theory, which so far has largely been the lens employed in this field, I look at the managerial actions. Rather than categorizing institutions and expecting insights based on this, I am more interested in understanding the decision-making processes, concerns and worries that influence and drive the action of managers. Looking through a manager-level LOF-lens at this topic allows us to address Uddina et al’s criticism. In this context the Uppsala model appears to be a useful underlying idea as it is said to capture the “iterative process of internationalization based on the behavioral theory of firms (Aharoni 1966)” (Figueira-de-Lemos, Johanson & Vahlne, 2011 – p. 144). The weakness of the Uppsala-approach though is, that the initial International Process Model (IPM) (Johanson & Vahlne, 1977, 1990) was strongly based on firm-level perspectives and only with the revised, updated-IPM (Johanson & Vahlne, 2009) managers tentatively moved into focus (even if only being mentioned tangentially). Only in their 2017 Vahlne et al. piece, managers moved center-stage. But while a good start, I would argue we need to go much further. To really explore how IPAs may help managers overcome the problems they encounter, we need a more nuanced understanding of what these problems look like. For this we need to expand our concepts of liability, to a ‘lower’, more operational and managerial level and introduce a new category of liabilities as a point of departure for research endeavours seeking to understand managerial action in FDI-contexts.

To this end, I undertook a two-staged research approach, gathering numerous first-round interviews from a broad range of MNC-managers (various types of firms, industries and corporate functions), before focusing on two case studies: one involving a best-in-class IPA in a highly developed market-economy, the other a poorly functioning IPA in an emerging market context. The companies (and, crucially, managers) running these inward-FDI projects, were both from developed markets. Based on the findings of well over one-hundred first-round interviews, as well as the two in-depth case studies, I collected information on a range of operational problems which I categorize as 'Liabilities of (Foreign Investment) Practice' (LOP). These are in particular concerned with practical problems managers face in FDI-situations and relate to the 'problems of doing', rather than what are arguably intellectual problems (as in Liability of Foreignness - LOF) or relationship problems (as in Liability of Outsidership - LOO).

Building methodologically and conceptually on the traditions of the IPM-model(s), my research will help us to better understand MNC strategy and managerial behaviour in FDI situations. It also addresses the lacuna observed by Lim (2008 – p. 40) stating that “the role of IPA in attracting FDI has been the subject of only a few studies”; a situation which has not changed much in the intervening years. By looking at how “government agents form beliefs over how to best attract investment” (Bauerle-Danzmann & Slaski, 2018 – p.1), I not only shed light onto managerial problems and preferences but might also contribute to our understanding of why some countries (or IPAs) receive higher volumes of inward FDI than others. A micro-foundationally inspired approach, looking at “the underlying motivations, interactions and characteristics of individual managers” (Contractor, Foss, Kundu & Lahiri, 2019 – p. 3), highlighting managerial concerns rather than firm-level capabilities, will widen IB's body of knowledge of FDI processes. Not in the sense of grand, elegant theories, but more by looking at the operational messiness, the nitty-gritty of internationalization processes. LOP is a more granular concept that describes the highly heterogeneous, manager- level of liabilities that have hitherto been overlooked by research and which should therefore be a first step in addressing the currently ambivalent findings on the role of IPAs (Monaghan, Gunnigle & Lavelle, 2014).

This approach allows for the development of a new perspective and establishes a jumping-off point for future research. Expanding our understanding of the initial IPM (Johanson & Vahlne, 1977, 1990) and the updated-IPM (Johanson & Vahlne, 2009), addressing the over-simplification of managerial-liabilities and establishing how operational problems of managers can be addressed by IPAs, justifies a slightly unorthodox approach, especially given that this area of IB is characterised by subjectivity. Thus, the opinions of managers and the nature of managerial-liabilities are dependent on individuals' personal views. This also reflects the high complexity in which this research takes place (Johanson & Vahlne, 1977 – p. 26) companies face “a series of interconnected decision situations representing continual adjustments” or Aharoni, (2015 – p. 81) “the foreign investment decision process is not a single, identifiable act. Rather, it is a complex succession of acts”. Extant research largely ignored these complexities and the messiness of FDI processes. Which led to claims that extant research is characterized by a “relative lack of guidance from theory and research”, failing to describe “the factors affecting investors' location decisions” (Papadopoulos et al. 2016 – p. 617). Only in more recent research are we starting to gradually discuss managerial concerns (see 7.3).

As Buckley et al. (2016 – p. 137) observe, “existing FDI studies have primarily attributed the relationship between experience and FDI entry into risky locations to firm-level capabilities”. I have shown however that managers' preference and experiences go a long way towards explaining often stark differences in internationalization-approaches of firms, and that many aspects of FDI can not be dealt with by heuristics or short-cuts but need to be completed as prescribed by host-nations' laws (permits, approvals). Thus, their statement that “boundedly rational managers naturally employ analogical reasoning to extrapolate from their existing knowledge by making assumptions beyond what is firmly known” (Buckley et al. 2016 – p. 137) is insufficient to help us understand how they deal with liabilities arising out of these situations. Most importantly, however, they state that “the familiar argument that uncertainty stems from a lack of knowledge and risk is a result of such informational uncertainty (Carpenter et al., 2003, Figueira-de-Lemos et al., 2011, Johanson & Vahlne, 1977) seems too simplistic a view” (Ibid). On those grounds I argue that there is a need to seek a broader perspective on managerial-liabilities, and an in-depth understanding how they look and how they might be mitigated.

By introducing a category that is describing the operational-level, practical managerial problems as LOP I manage to unite theoretical and practical narratives. With FDI-inflows being considered positive, and given that managers look for ways how to lower managerial liabilities, by exploring the activities of governmental entities (here in the form of IPAs) that can facilitate foreign firms in entering their markets, I answer practical questions that deepen our understanding of one of IB's key fields of inquiry. With this PhD I add to our body of knowledge on IPAs and the body of knowledge on operationalized, context-dependent and ephemeral aspect of FDI (i.e. the managerial perceptions that determine decision-making).

7.2. Answering the Research Questions

Starting the detailed discussion of my findings, I will first answer the research questions developed in 3.5.1 - 3.5.3, and second, building on these insights, I shall theorize about the role of managerial liabilities in FDI decision-making and how managerial uncertainties might be addressed and mitigated by IPAs.

7.2.1. Research Question 1 – (Liability-centric)

Which kind of liabilities do managers experience in FDI projects?

Looking at extant LOF-research we find a highly abstract, firm-centred discussion of the phenomenon (see LOF Literature-Review chapter). Some of the most widely cited research focusses strongly on observing outcomes (for example: Zaheer (1995) observing lower profitability/higher failure-rate of foreign-owned trading rooms; De Young & Nolle (1996) describing that foreign-banks in the US are less profitable than local banks or Miller & Richards (2002) demonstrating that foreign-owned firms underperform host country firms). What we largely miss though, is an attempt to understand the processes and events leading to such outcomes. Of the few attempts that were undertaken, most did so on the basis of proxies [e.g. Calhoun, (2002 – p. 310), who used “corruption measures to operationalize the concept of liability of foreignness in the environment external to the firm”, or exit-rates of domestic versus foreign firms as in Mata & Portugal, (2002)]. Effectively however, we are largely unaware of what managerial-liabilities look like, which unsurprisingly makes it

difficult for extant literature to measure, quantify or even prove its existence (Hennart, Sheng, Bortouzzo & Lee, unpublished). Consequently, current research is highly contradictory. While one branch of LOF-literature finds that LOF/PD constitutes a clear disadvantage (Miller & Eden, 2006; Mezias, 2002a; Miller & Parkhe, 2002; Zaheer & Mosakowski, 1997; Zaheer, 1995), another comes to the exact opposite conclusions and postulates that LOF/PD has a positive impact on performance of foreign-investors (Sousa et al., 2010; Hang & Godley, 2009; Kronborg & Thomsen, 2009; Nachum, 2003; Li & Guisinger, 1991). While a third group remains neutral on any possible impact of LOF (Mata & Portugal, 2002; Evans, Treadgold & Mavondo, 2000).

Petersen & Pedersen (2002) introduced a new perspective. They posited that LOF existed, but that the more interesting question might be how to off-set it. How to deal with it. Thereby shifting the FSA-focus of internationalization-research onto a more behavioural one, i.e. how to enable a reduction of LOF. Figueira-de-Lemos, Johanson & Vahlne, (2011 – p. 143) arrive implicitly at a similar conclusion, noting that: “international business (IB) research has placed most of its attention on knowledge, rather than the lack thereof”. But to address the notion of reducing managerial-liabilities, we need to understand what they are, what managers expect IPAs to do, and how these aspects are influenced by other factors (such as skills and/or previous experience, industry- or firm-specifics, etc.). In that, this PhD can only be a first step in a broad field of necessary research. It does provide however a first step in dissecting these liabilities.

To address the lacuna of the insufficient understanding the liabilities managers encounter, I have outlined what I see as the limitations with our extant understanding of LOF in Chapter 2 (Literature review of LOF-research). I have then collected a granular list of managerial-liabilities in in my first- and second-round interviews; and will now seek to categorize and order these into a coherent framework. This will result in a further extension of the concept of liabilities from the initial IPM-concept of LOF, to a first extension, introduced by the up-dated IPM [i.e. in the form of Liability of Outsidership (LOO)]. The problems of the liability of not-knowing facts (as expressed in LOF) and not knowing people (as in LOO) is still insufficient to cover the range of problems

encountered by managers. These include the ‘problems of doing’ (as described in Empirics I and II) and of complexity” (Figueira-de-Lemos et. al., 2011). Thus, a mere focus on knowledge and information transmitting would not be sufficient to address the problems being felt. In order to locate these ideas within a bigger framework, I will now seek to situate this new type of liability (which I called LOP, and which will be explained in greater detail in 7.3) within a chronological and contextual framework.

The processual nature of liabilities, which arguably to differing degrees stretches over the entire duration of the FDI project and appears to change over time, is – as mentioned above – largely missed by the abstract conceptualizations we are using today. In Table 12, I try to illustrate this change over time, by categorizing the different types of liabilities into the project-phases ‘pre-establishment’, ‘establishment’ and ‘post-establishment’.

This table furthermore acts as the framework for how I approach this discussion and conclusions chapter. It combines and arranges the key messages collected in Empirics I and II. The first column, ‘Problem’, lists the issues managers mentioned, clustered into the 8 sub-groups 5.2.1 - 5.2.8. These points appeared as the key concerns voiced by managers. Column 2 denotes the points mentioned to the question of what managers want (as described in 5.4.1.1-5.4.1.5. Unsurprisingly they closely relate to those points in Column 1, but introduce the differentiation of ‘understanding’ and ‘doing’, which argue will be important for our conception of what I develop as LOP (i.e. the practical problems of managers in foreign investment projects). In order to introduce the reader gradually to this idea and to keep the tables readable, I will limit Table 12 to the chronological order of the emergence of certain forms of liabilities, while in Table 13 these will be discussed in much greater depth in terms of how do they look and the specific problems emerging in the various categories.

Table 12 - Processual perspective on Liabilities

Problem	What managers want	Pre-establishment	Establishment	Post-establishment
Operational, legal and regulatory barriers (see section: 5.2.1)	Managers want guidance (known-unknowns) (5.3.2)	LOF learn of/understand the problem -> potentially changes location-choice	LOF LOP how to deal with issues/ reporting requirements	n.a.
Information needed to start a company in a foreign jurisdiction (5.2.2)	Reduce Information gathering costs (5.4.1.1)	LOF	n.a.	n.a.
	Managers want guidance (known-unknowns) (5.3.2)	n.a.	LOP Documents needed/ how to fill forms/who to speak to – processual	n.a.
	Managers want to be alerted to ‘unknown-unknowns’ (5.3.3)	n.a.	LOF LOP Being made aware of issues they are unaware of & how to deal with it	n.a.
Registrations, permits, approvals (5.2.3)	Get things done (known-knowns) (5.3.1)	n.a.	LOP Documents needed/ how to fill forms/who to speak to – processual	n.a.
Transparency and Speed Money (5.2.4)	Managers want to be alerted to ‘unknown-unknowns’ (5.3.2)	LOF if it only happens to foreigner – discrimination as in extant literature	LOP Happens to everyone, help how to deal (in the context of the country) adequately with it	n.a.
Locational aspects of setting up a foreign entity (5.2.5)	Get things done (known-knowns) (5.3.1)	n.a.	LOP ‘The doing’ aspect of finding and getting to possible locations	n.a.
	Managers want guidance (known-unknowns) (5.3.2)	n.a.	LOP Aspects manager are probably unaware of such as requirements or how to deal with ancillary topics	n.a.

Finding qualified people (5.2.6)	Managers want to be alerted to 'unknown-unknowns' (5.3.2)	LOF Being alerted to cultural issues Get as sense of costs / conditions etc.	n.a.	n.a.
	Finding people / Recruiting staff (5.4.1.2)	n.a.	LOO LOP Search implementation, drawing up contracts	n.a.
Overcoming specific cross-border hurdles (5.2.7)	Managers want guidance (known-unknowns) (5.3.2)	LOF Being made aware of them	LOP Being helped to deal with them	n.a.
	Managers want to be alerted to 'unknown-unknowns' (5.3.3)	LOF Being made aware of them	LOP Being helped to deal with them	LOF LOP Ongoing
Overcoming differentness / talking to the "right people" (5.2.8)	Access to "the right people" / networking (5.4.1.3)	LOF LOO understand who the right people are & get in touch with them	LOF LOO LOP understand who the right people are & get in touch with them	LOF LOO LOP understand who the right people are & get in touch with them
When things have gone wrong	Trouble shooter / Ombudsman - if things go wrong (5.4.1.4)	n.a.	LOP Get practical help when needed	LOP Get practical help when needed

As already mentioned in the literature review, extant research mostly focusses on the 'pre-establishment' (or promotion / marketing / information distribution) aspects of IPAs, but rarely discusses 'establishment' (facilitation) or 'post-establishment' (After-Care) aspects. As the above exercise of locating managerial comments within the pre-establishment, establishment and post-establishment continuum shows, managerial concerns gravitate more towards the latter phases. This could arguably be on account of interviews with managers in the middle of FDI-projects or with completed FDI-projects, who are experiencing a greater temporal distance to the pre-establishment phase. It does however strongly indicate that, contrary to current literature emphasis and practice of many IPAs, more attention should be given to establishment and post-establishment aspects. Practical support for investors during and after ramp-up, which arguably constitutes one of the key determinates why some IPAs are seen as better" / "more professional" than others, should therefore be

strengthened to contribute to the long-term success of an IPA (owing to its ability to address managerial concerns in overcoming their liabilities).

Having located managerial-liabilities on a chronological axis, I will now look at them in terms of their characteristics, addressing the previously mentioned criticism of an overly abstract treatment of LOF / LOO – or managerial-liabilities in general.

The little internationalization literature we have which looks at the notion of ‘the unknown’ from the perspective of the manager, focusses nearly exclusively on information asymmetry. So much so, that this is by now considered to be the theoretical underpinning and justification for governmental intervention (Lall, 2000; Zanatta, Costa & Filippov, 2006; Charlton & Davis, 2007; DTZ, 2009; Filippov & Hofheinz 2016). Addressing this ‘market failure’ provides the primary justification for the very existence of IPAs. From the statements of corporate managers in the two interview-rounds, it became apparent that the ‘absolute’ availability of information is too imprecise and too incomplete a measure to address the problems managers face. Information needs to be (a) useable & relevant information, (b) about knowing ‘who’ (i.e. the network) and (c) and especially about knowing ‘how’, i.e. procedural know-how how to run such projects, as well as practical support with the many problems that emerge during such a greenfield-implementation. In order to effectively lower managerial-liabilities in these three categories, IPAs need to go well beyond the simple distribution of factual information.

In order to find out what managers were worried about, I focused especially on the practical, ‘how-to-do’ level considerations. These are aspects which have only recently moved into focus – as the ‘the World Bank Group (2018) and UNESCAP (2017) suggest. Especially in the very broad-based first-round interviews, (more than 100 interviews with corporate managers, IPA staff and Third-Party actors of all types of companies, industries and countries), there was very little talk about macro-economic parameters, (such as political risk or political stability as a deciding factor for FDI-locations. This could however be on account of the state of the project most of these interview partners where in, as I mostly spoke to corporate managers who were in an FDI project or

shortly there-after and had therefore already decided to invest in a certain region. It was however quite striking that micro-level / practical aspects seemed to dominate. Which, might not suggest that macro-level factors are unimportant, but certainly pointing to a considerably higher relevance of such concerns than current literature seems to suggest. It is also important to stress that – as exemplified by case-study 2 – that there are no hard-and-fast rules / definitive cause-and-effect relationships that determine whether this is always true (for instance, the lowering of managerial-LOF can also be done via paid-for private-sector consultants, managerial-liabilities depend on previous experience). In this regard, our current understanding of Investment Promotion very much resembles the early days of Marketing which were most eloquently described by John Wanamaker's (1838-1922) dictum: "Half the money I spend on advertising is wasted; the trouble is I don't know which half" (Rossolatos, 2013 – p. 545).

In any case, the notion of information asymmetry (Filippov & Hofheinz, 2016) is too reductionist on its own. Based on the findings generated in my interviews, information availability is not the biggest problem managers feel they have. Instead it is the combination of (a) a lack of useable & relevant information (as opposed to mere country-marketing), which corresponds to LOF in extant theory, (b) knowing 'who' (having access to a network – i.e. LOO) and (c) knowing 'how', dealing with the very practical problems that emerge in knowing what to do and coordinating the complex processes. Following the structure of Table 12, I will look at these managerial problems now in the framework of what problems managers encounter (column 1 of Table 13), what they see as solutions to over-coming these problems (column 2) – and, to operationalize and explain in column 3 in greater contextual detail – concrete instances of such liabilities as found in the interviews. I will also use Table 13 - Liabilities felt by managers - empirical results versus extant ' to illustrate my claims made earlier that extant literature often fails to deal with the problems that I have found at an operational level. Thus, in column 4 I juxtapose the statements of managers with the extant literature, even if the problems are often only mentioned tangentially in these research pieces, thereby seeking to link research findings with the current body of knowledge and form a basis for future research in this field.

Table 13 - Liabilities felt by managers - empirical results versus extant literature

Problem	Want managers want	Instances of managerial-LOF that emerged in the interviews	Extant body of knowledge	Key interests of managers
Operational, legal and regulatory barriers (see section: 5.2.1)	Managers want guidance (known-unknowns) (5.3.2)	Problem encountered by managers: no or only partial foreign ownership allowed in certain sectors (e.g. news-papers / broadcasting, defence-related industry or banking), in many countries Liability: find out about these limitations and conditions attached (LOF), operate in this context by finding JV partner (LOO/LOP) Problem encountered by managers: minimum local content requirements (e.g. the Brazilian “INOVAR Auto” program) Liability: find out about requirements (LOF); explore counter-measures and evaluate options (requires detailed analysis) – e.g. negotiate special arrangements, explore preferential trade deals, evaluate local production or local buying of components to increase content (LOF / LOP); operate under this arrangement with all reporting requirements (LOP)	Morisset & Lumenga-Neso, (2002); Rajan, (2004); Harding & Javorcik, (2011) tangentially mention problems of this kind	Learn about market barriers and how to deal with them
Information needed to start a company in a foreign jurisdiction (5.2.2)	Reduce Information gathering costs (5.4.1.1)	Problem encountered by managers: formalities of company formation (best illustrated in a consistent form such as Ease of Doing Business Index) Liability: find out about the concrete steps that are needed to be performed (LOF)	Buckley, (1989); Loewendahl, (2001); Harding & Javorcik, (2007); Harding & Javorcik, (2011) Ease of Doing Business Index (key resource for	Information collection

			practitioners/ researchers)	
	Managers want guidance (known-unknowns) (5.3.2) i.e. implementing the tasks, they have gathered information about	1. Problem encountered by managers: Ease of Doing Business lists mandatory elements. Setting up a foreign entity requires much more specific information. Liability: finding specific data (e.g. costs based on different parts of the host country [city/rural/certain parts of host country] on wage costs, power costs, etc. Information needed for decision making (LOF), and as a basis for implementation (where do forms need to be handed in, how long will it take, what support docs are necessary – LOF/LOP) 2. Problem encountered by managers: Starting a foreign entity results in a whole range of cascading additional approvals / permits and processes which need to be completed (registration for tax and social security, completion of tax filing, transfer pricing, KYC, etc.) Liability: finding out about requirements placed on company (LOF), documents needed (LOF), where to log (LOO) and how to complete these (LOP) – Plus how to deal with complexity (e.g. to form a company you need a bank account to pay in equity, to apply for a bank account you need to be an existing legal entity) 3. Problem encountered by managers: Depending of what firm wants to do (production, trading) and which types of processes are involved a new range of permits is necessary (production permits, night-work permit, environmental impact studies) – this points is an example to high-light the heterogeneity and its impact on the IPA activities	Ease of Doing Business Index	Dealing with the complexity of a company formation (knowing & doing)

		Liability: finding out about requirements (LOF), documents needed (LOF), where to log (LOO) & how to complete these (LOP)		
	Managers want to be alerted to 'unknown-unknowns' (5.3.3)	1. Problem encountered by managers: (specific example) the need to / the possibility to choose Unions in Mexico which significantly impacts profitability Liability: find out about conditions in the country (LOF – especially difficult as manager do not that they ought to ask about this) and learn which options are open to them (LOP) 2. Problem encountered by managers: (specific example) managers suspected that building firms asked for quotes to build factory, collude / divide the market up between them Liability: obtain background information about 'normal' market-prices and what would be considered normal	Literature (-/-)	Survive in an alien business context where they don't know the rules of the game
Registrations, permits, approvals (5.2.3)	Get things done (known knowns) (5.3.1)	1. Problem encountered by managers: after knowing what to do, deal with the problem of doing it. (Help with getting permits was mentioned in most first-round interviews). Often considered of key importance as it could delay start-up of production Liability: the 'doing' (LOP)	mentioned in lit. when discussing One-Stop-Shops (e.g. Sader, 2003) World Bank (2018) the first research piece to highlight the importance: "the speed of obtaining approvals and permits ranks even higher than investors' ability to own all equity".	Getting things done quickly

Transparency and Speed Money (5.2.4)	Managers want to be alerted to 'unknown-unknowns' (5.3.2)	1. Problem encountered by managers: being asked for bribes or speed money (from getting goods through customs, little sums for forms being dealt with quickly [or not at all], up to higher level demands to monies being paid) Liability: not knowing local habits and power-structures, learn how to deal with these 'requests'; find out who to contact (LOF early on, as a decision-making parameter; after that LOP)	Acad. literature mentions that corruption might have a negative impact on FDI inflows (Rajan, 2004; Harding & Javorcik, 2011) but remains silent on how to deal with it.	How to deal with demands for speed money & corruption
Locational aspects of setting up a foreign entity (5.2.5)	Get things done (known-knowns) (5.3.1)	1. Problem encountered by managers: find the right site / office / production hall for their greenfield-project Liability: not knowing the local real estate market, legal aspects of buying / renting and cost-structures (LOF) 2. Problem encountered by managers: companies do not only need to find information about sites, but also get an impression of them Liability: getting to the sites quickly enough, have a tour organized with meeting all relevant rest estate owners, majors etc. (LOF)	Harding & Javorcik, 2011; Wilson & Baack, 2012; Ciobanu, 2015; Spar, 1998; MIGA, 2006	
	Managers want guidance (known-unknowns) (5.3.2)	1. Problem encountered by managers: Manager are aware that they need electricity (and additional ancillary services) for their projects, but are usually unaware how to go about securing the connection. Liability: being made aware of requirements – i.e. what is part of the building / what isn't, who needs to apply for what (LOF) and put investors in touch with the relevant contacts (LOO) and help them implement (LOP)	Literature (-/-)	All processes which go beyond merely showing the investors potential sites

Finding qualified people (5.2.6)	Managers want to be alerted to 'unknown-unknowns' (5.3.2)	1. Problem encountered by managers: managers are often unaware of local sensitivities (e.g. German company a Sing-Chinese as plant-manager in China; or implications of cast system on manager-employee relationships) Liability: help managers avoid culturally related problems / understand local sensibilities (LOF)–	Literature (Loewendahl, 2001) Mentioned more regularly in “how-to” IO publications such as UNESCAP (2017)	Understanding local employment market and finding the right people
	Finding people / Recruiting staff (5.4.1.2)	1. Problem encountered by managers: hiring people locally Liability: helping manager with recruitment (the right approach to and doing of) – through introduction to Head Hunting firms (LOO) or taking over parts of the process themselves (LOP)		
Overcoming specific cross-border hurdles (5.2.7)	Managers want guidance (known-unknowns) (5.3.2)	1. Problem encountered by managers: processes in the foreign country (requirements by the host country), but also by the home-country, as well as navigating the often conflicting demands of both Liability: find out about requirements (LOF); explore counter-measures and evaluate options (requires detailed analysis) – e.g. finding out about requirements placed on the company of aspects such as tax filing, transfer pricing (agreed with both tax authorities) (LOF) and how to deal with these demands (LOP) 2. Problem encountered by managers: (specific example) firms setting up production in emerging markets want to start with used machinery (owing to power-fluctuations damaging sensitive modern machines, loss of IP). Emerging market governments often demand that new machines are used. Liability: find out about requirements or possibilities to bring in used equipment (LOF) and manage to navigate customs processes (LOP)	Literature: (Schotter & Beamish, 2013) Occasionally discussed in the context of visas / permits for workers	Dealing with cross border problems without being ground to pieces between national administrations

	Managers want to be alerted to 'unknown-unknowns' (5.3.3)	1. Problem encountered by managers: local firms often operate on much simpler / less stringent regulation Liability: this is often not discrimination, but local firms knowing loop-holes and exceptions, foreign managers don't. On account of not knowing about them, they cannot even ask for them (LOF / LOP)	No references found in the literature	
Overcoming differentness / talking to the "right people" (5.2.8)	Access to "the right people" / networking (5.4.1.3)	1. Problem encountered by managers: not knowing key-decision makers / useful contacts Liability: the classical LOO problem can be sub-divided into three elements a. influential people to ensure outcomes are as planned (key-decision makers) b. meeting the right people in terms of the ideal "fit". SMEs prefer to speak to local lawyers rather than Big4 c. useful as in meeting suppliers, customers, wider business community	Guimon & Filippov, (2012); Hutzschenreuter, et al. (2016 – p. 164) Implicitly in Hertenstein, Sutherland & Anderson, (2017)	Networking
When things have gone wrong	Trouble shooter / Ombudsman - if things go wrong (5.4.1.4)	1. Problem encountered by managers: when any of the countless processes go wrong – as in negative decisions, processes not being answered, being treated in a discriminatory way Liability: who to speak to if the people you are engaging with thwart your plans (LOO) or how to solve these problems (LOP) . In most cases I didn't encounter entities such as the Ombudsman in KOTRA, but problems being solved by IPA staff	In literature the example of the Ombudsman KOTRA emerges a few times UNCTAD, (2007) Nicolas, Thomsen & Bang, (2013 – p.24)	Trouble-Shooting

There have been hardly any attempts to understand managerial issues within FDI-processes at a level of detail shown in Table 132. This is also illustrated in the fact that many of the categories do not have extant literature covering these aspects. This lack of specificity of liabilities might also be one of the reasons for the often contradictory research-results or the difficulty of proving the existence of LOF (see Hennart, Sheng, Bortoluzzo & Lee, unpublished) as a proxy-approach is inherently fraught with difficulties (see: “difficulty of inferring the presence or absence of a LOF from profitability differences” (Ibid – p. 6). This inventory of managerial problems thus helps us to understand the phenomenon and how managers perceive liabilities. This is a granularity of liability which requires a new categorization – namely Liability of (Foreign Investment) practise (LOP). For more detail see 7.3.

The reasons why an over-abstract notion of managerial-liabilities, as opposed to the more granular and practical understanding that I suggest, are problematic, and why we need a specific category for operational liabilities, are two-fold:

- 1) Conceptual discussions of LOF allow for proxies, heuristics and assumptions. The practical problems managers face (e.g. getting a building permit) do not. There are no short-cuts or ‘sufficiently accurate assumptions’ for obtaining an electricity connection. The models used in LOF, of operating under limited information or bounded rationality, are simply not an option at the level of practical problems. A manager either manages to secure a building permit or he fails to do so. Practitioners in LOP situations cannot use proxies but are mostly faced by a succeed or fail-situation. Merely on those grounds a new category seems imperative.
- 2) While LOF is a category to describe the degree of ‘un-knowing’, operational liabilities (LOP) often lead to a re-design or a re-thinking of the FDI-project. This came across very clearly in the interviews, with many managers mentioning the iterative rounds of projects-design due to practical problems such as local-content requirements, lack of a sufficiently stable power-connection, staff cost or availability, etc. Neither this messiness of

projects, nor the possibility of managers dropping once favoured locations, and re-starting search-processes, are sufficiently recognized by extant research. I would argue, that there is not necessarily an ‘automatic’ causality between initially chosen parameters and eventual location characteristics (see first-round interviews and case studies). Owing to the circle of iterative improvements and trial-and-error like loops, assessments can change up until the moment a final decision has been taken. High-level concepts LOF and LOO have hardly been discussed in terms of such iterative processes nor in terms of a procedural dimensions. Rare examples of this are Zhou & Guillen’s (2015) notion of ‘dynamic LOF’ and the “process of gradual knowledge accumulation” (Williams, Colovic & Zhu, 2016 – p. 5). With FDI decision-making being an iterative process, these successive rounds of improving the project and the knowledge needed for them, is an important dimension in our understanding of LOP. With the possibility of operational sub-problems endangering the viability or profitability of the FDI project, it is imperative for IPA managers and academics to understand liabilities at such a granular level.

I have described the practical problems of managers already in Table 12 and Table 13, illustrating and demonstrating the first of the above two points. As for point number 2, I have collected strong evidence for this in the interviews and the iterative process many managers described, with them revisiting certain topics over-and-over-again, in order to deepen their understanding by asking more-and-more detailed questions.

This approach of gradual knowledge accumulation (i.e. reduction of managerial-liabilities) and of a honing in on the optimal solution, can – indirectly – be observed by the way managers describe their information collection; i.e. by returning to key-issues as in iterative steps, with increasingly more specific questions, that build on the knowledge collected in previous rounds. Looking at the comments of managers interviewed at different stages of FDI-projects regarding which questions they are interested in, and speaking to a few managers several times, questions appear to become more specific over the life-cycle of a project. Initial questions often appear to be very broad and unspecific, in a kind of catch-all open inquiry. Novices in FDI-greenfield-

projects, or people lacking information about a potential host-country, seem to start their information collection process that way. With a picture gradually building, based on the information collected, managers refine their questions, making them more specific and to the point. One corporate manager expressed it as “sometimes you are so far away from it all that you cannot even formulate the questions. You don’t even know what to ask for”.

Over time, the general questions about country / region, give way to more general questions about business-context / regulatory framework. One IPA manager speculated that managers seem to partly forget information they had already collected (which would support the point about the complexity of the undertaking). Moreover, some managers indicated that they deliberately asked the same questions again to double-check whether they still get the same answers thus attempting to ensure the truthfulness of statements (a technique also used in speaking to different interlocutors to see whether they get the same answers). The objective of corporate managers in this process is to gain an initially rudimentary picture in the form of an outline business-plan that compares locations and assesses the viability of the project. The business-plan, including a number of potential sites, probably corresponds closely to what IPA-literature calls a ‘long-list’ of potential locations.

With subsequent rounds of questions (and insights), this business-plan is refined, and – from what I gathered anecdotally – this often seems to result in shifting rankings of potential locations. Increasingly more specific questions, discovering profitability-influencing aspects such as transfer pricing, local content requirements or wage costs, seem to have had in some cases an influence on target locations. Arguably it is this answering of the specific questions and problems of running the business (i.e. LOPs) rather than high-level LOFs (i.e. information provision) which is reducing the risk of new ventures for corporate managers. Rather than ‘merely’ looking for information’ it is these iterative rounds of optimising, of ‘moving down’ in terms of operational depth and detail, which seem to be the decisive aspect.

To demonstrate this, I have collected and arranged statements and comments from the first-round interviews and the slightly more longitudinal case studies

in Figure 23. The vertical columns are arranged from 'general' (i.e. the more macro-economic conditions, generally describing the country) to 'operational' (i.e. very specific issues of location and the FDI-project in question). The horizontal rows are labelled 'atmospheric' (questions asked by managers in a broad manner in order to gain a sense of the country, decide whether this is a suitable location) to 'specific' (i.e. the point when questions become specific, and seek to produce measurable and reliable answers). Sorting answers in this framework, and taking note of what stage these questions seem to have been asked, a narrowing down of questions over time can be observed. I can detect a progression from an initial high-level information gathering type of question (which I would class as LOF-type – see (1) in Figure 23). Then there seems to be a gradual deepening of the questions, a honing in on specific locations and a more and more practical-operational interest. This is reflected by the progression of (2) and (3) in the figures and would represent LOP-type managerial-liabilities. One can of course argue whether a question is still a (2) (i.e. LOF / LOP) or a (3) (i.e. purely LOP). I would contend though that this is irrelevant. What is important is the gradual progression one can observe in the changing quality of questions, which I suggest reflects the change from LOF to LOP.

The fourth quadrant, situated on the axis atmospheric / operational (see 'O / A = networking') refers to Johanson & Vahlne's (2009) LOO-notion, i.e. the collection of network-contacts and insidership, important for an investor to succeed in an FDI-project. The reason why this LOO-type quadrant is situated in the lower, i.e. more 'specific', part also reflects the growing interest of managers in meeting 'the right' contacts, the narrower the field of potential locations becomes. There would be little point in seeking to meet every mayor, fire-chief or environmental protection officer of every possible location at the early stages of the location-search; establishing contacts only becomes important by the time the location is largely determined and managers are in the final stages of assessing whether all issues can be satisfactorily covered (i.e. the LOP phase). Looked at from a practical perspective, this tells an observant IPA manager how close to the top of the short-list their location is within the decision-making process. Listening carefully to the questions asked by

managers is therefore a valuable insight for IPA managers as well as academic researchers.

	Atmospheric	Specific
General	- Do you attract a lot of FDI? - Is there a large expat community the region? Can we meet with some of them? - How efficient is the bureaucracy? Is there corruption? - Is there a reliable legal system? - Are foreigners discriminated? - Can foreigners own land/real estate? - Are you well connected via airports, train-stations, ports? - Do you have a large pool of highly educated workers? - How strong are the trade unions? - How productive is the workforce? - Is the electricity grid stable?	- What was the inflation rate over the last 3 years? Do wage cost increases follow inflation rates? - What is the current interest rate for loans? Can capital be imported? - What is the unemployment rate in the region / this town? - Are there ownership thresholds that need to be observed? - Do you allow free repatriation of profits to country X? - Do you have a double taxation agreement with country X?
Operational	O / A = Networking - Are international banks located around here? Can you introduce us to the branch manager? - Can you recommend a book-keeping/ accounting firm? Do they have other international clients? - Can you introduce us to suppliers for X, Service-Providers for fork-lift lease, repair services, IT support, etc. - Who do we need to speak to for permits and approvals (production, building, night-work, emissions etc.)?	- Where do I have to register? Which documents do I need to provide? How long does it take to get the approval? - What documentation do we need to import used production-equipment? - How do we get visas / work permits for specialists needed to set-up the plant? Can we get them only during ramp-up or continuously? - Is there minimum wage legislation and how much is minimum wage? - What are the hourly wage costs for a production worker, an accountant, a general manager? - What is the day / night rate for one KW/h of electricity? Do we need to buy electricity rights per KVA? - How many black-outs did you have in the last 3 months? - How long do we need to get an environmental permit?

Figure 23 - Categories of lack of information

Lastly, this pattern I have outlined above also seems to tie in in with extant theory, such as the Uppsala model (Johanson & Vahlne, 1977, 1990, 2009) or Petersen & Pedersen's (2002) notions of 'learning' in over-coming LOF/PD. Managerial-liabilities of the LOP-type might therefore be a way to explain how "learning about and understanding a foreign environment" (Nordstrom & Vahlne, 1994 - p. 42) is actually dealt with. While Denk et al (2012), taking a high-level on-looker perspective, state that "foreign firms become increasingly embedded in local information networks, the consequences of LOFs decline

over time” (Denk et al., 2012 – p. 323), they fail to describe how managers arrive at this point. The wide-spread existence of a broad network of IPAs, SEZs, Big4 advisories and other FDI-services, might suggest that the assumption of FSAs, i.e. capabilities located inside the firm, do not fully explain internationalization patterns and might need to be revised, as managers clearly utilize external sources in order to mitigate LOPs. Part of the answer is therefore to look at the liabilities in greater detail (which I have done in this section), and also by looking at these external sources with which managers achieve this learning / lowering of liabilities process. This latter point I will now address in the next section.

7.2.2. Research Question 2 - (IPA-centric)

Do IPAs reduce managerial-LOF, and, if so, which type of liabilities?

From my interviews, as well as some recent research, we know that LOF / PD has an impact on managerial-decision making and FDI-projects (Vaccarini, et al. 2019). From extant literature we also know that “host governments can motivate investment through investment promotion efforts using investment promotion agencies (IPAs) (Loewendahl 2001; Wells and Wint 1990; Young and Hood 1995)” (Lim, 2018 – p. 1,098) – the question arising in this context however is, do IPAs manage to overcome managerial-liabilities and does it help attract FDI? Extant literature tries to prove the value of IPAs by marshalling outcome-focussed, quantitative measures (is there a bigger FDI inflow in countries with IPAs?). Another, implicit, line of argument, which emerges when reviewing the current body of literature, is the notion that IPAs today are significantly larger than in the past (OECD, 2018a; Volpe-Martincus & Sztajerowska, 2019), suggesting that IPAs are seen to be worth the expenditure. What seems to be missing though, is an indication that IPAs help managers via a first-hand account of those for whose benefit IPAs have been set up.

Admittedly, RQ2 is fairly broad in terms of its remit – but given the exploratory nature of this research project, and given the lack of prior insight into this context, I would argue that I necessarily needed to start very broadly. To answer this RQ I assembled an inventory of corporate managers’ opinions of what works and what does not, in working with IPAs, and formed these into

clusters. Towards the end of this section I will evaluate these findings in terms of whether IPAs succeed in dealing with managerial LOF.

Following the notion of Pedersen & Shaver (2000 – p. 4), who observed that “firms expand internationally once they believe that they have accumulated sufficient knowledge to successfully operate in that host country”, the answer to this RQ very much hinges on the managerial perspective of having sufficient information to go ahead with their projects. For this we need to understand what concerns managers (potentially even to such a degree, that they reconsider their location choices) and their first-hand accounts of how this can be addressed. Welch et al.’s (2016 – p. 784) observation that the field of IB “is not well-practiced at challenging prevailing assumptions, nor is it practiced at making assumptions explicit” seems to be highly accurate in this context. With our extant, high-level concept of LOF, we lack a sufficiently nuanced understanding if, and in particular why, managers feel uncertainty. But without such a detailed understanding of the operational reality of managers or what drives them, we are operating merely on the basis of assumptions about what managers experience (e.g. greater distance, foreignness) without explicitly knowing what these issues are. This arguably explains the diametrically opposing research outcomes I mentioned in the literature-review chapters on LOF and IPA.

The difficulty in operating at a manager-level comes from the heterogeneity of the field. With the fundamental premise of my research being that managers face liabilities of the unknown, and that - in order to succeed in their FDI-project – they seek to minimize these uncertainties, the most important question is, who feels what sort of uncertainty and how can it be mitigated? The difficulty in this context however is that such heterogeneity is influenced by the industry the manager is working in, the size of the company or the levels of prior experience the manager has. Managers who have run several previous FDI-projects will clearly face lower levels of LOF than managers who do this for the first time. Equally the industry concerned has a significant impact.

What remains however, is the fact that the managers tasked with the implementation of such greenfield-projects face a range of (different) liabilities. The solution occasionally suggested in literature to simply hire domestic

managers and thereby circumvent these liabilities nicely illustrates the problem of extant research (see: Mezias (2002 – p. 2,749 – “An argument can be made that using host country nationals, rather than expatriates” or Luo et al. (2002 – p. 288) “Finally ‘input localization’ [...] uses host country production factors [...] such as [...] workers, engineers, and managers”) as this is an example of the over-abstraction and illustrates the resulting lack of understanding of operational problems. Finding the right staff is a significant practical liability in its own right. Therefore, it is unrealistic to suggest to solve the liabilities managers face by suggesting a solution which in itself is such a liability. Hiring the right people is a task that requires an amount of prior insight into local know-how and know-who, as the example of the German group hiring the Singapore-Chinese in Empirics I nicely illustrates. This is a problem which can only be understood if we have a genuine sense of what problems on the ground really look like to managers.

With the proviso of these caveats, the following general findings emerged in relation to RQ2:

7.2.2.1. Finding - the Quality of IPAs (lack of skills and know-how)

As early as 1997 UNCTAD observed that “Some IPAs are also said to be considerably more effective than others”. A finding empirically documented by the Global Investment Promotion Best Practice (GIPB) reports in 2009 and 2012 [e.g. “80 percent of IPIs did not provide any response at all for one or both of the inquiries” (GIPB, 2012 – p. 27)]. Based on the comments generated in both interview-rounds, the issue of vastly differing quality-levels of IPAs clearly still persists and troubles managers.

But while extant research-results and my interview-results concur in the assessment of the outcome, extant research (with the exception of the GIPB) fails to provide us with a detailed account why they arrive at a verdict of a ‘lack of IPA quality’. In my interviews, regularly recurring topics were the degree (or the lack) of IPAs being knowledgeable about the business context within which the firm was operating, (see for instance the comment of a corporate manager about an IPA describing the country as production hub for the automotive industry and then

needing several weeks of research for what he considered to be simple, standard questions). Other issues mentioned were the willingness to engage in practical problems rather than only talk about them, as well as the length of engagement. While some IPAs disengage as soon as the potential investor has indicated the intention to invest, IPAs that are considered to be best-in-class, appear to have doubled-down on their efforts at exactly this phase. From a corporate perspective this is where the “real work” starts. One of the findings – which emerged in first- as well as second-round interviews – was that IPA-staff often fail to understand the problems managers face in their projects, and are therefore less effective than they could be.

7.2.2.2. Finding - Policy choices (target markets / target audiences)

Managers of SMEs mentioned on several occasions that IPAs showed little interest in smaller companies and instead focussed on larger firms. While all IPAs declared during interviews that they are keen on SME investment, or that they have policies for SME attraction, the operational reality (as perceived by corporate managers) looks different. IPAs unconsciously or deliberately favour large projects. Accordingly, managers of smaller firms consistently felt that they fell by the wayside. These findings also support extant research outcomes as for instance the case of Hungary who “reports to use specific thresholds relating to the size of employment (at least 1,000 employees), [...] to classify an investor as strategic and put in place support measures to encourage continuous investment” (OECD, 2018 – p. 108).

The economic justification for government-involvement in investment promotion is the theory of asymmetric information. But if we would take the argument to its logical conclusion, then IPAs should by definition be beholden to focus on those needing most support. If we consider information asymmetry a problem, it is predominantly the smaller firms who suffer disproportionately from it (see Lauf & Schwens (2016 – p. 1,110): “SMEs are at a resource disadvantage compared to large MNEs [...] resource scarcity limits smaller firms’ ability to reach more advanced

and committed stages of internationalization”). Arguably this is not only on account of greater difficulties in collecting data (compared to large MNEs), but also due to question of prior experience or bargaining power. But if “resource constraints can limit SMEs ability to commit strongly to a foreign market” (Ibid – p. 1,109) the underlying logic of the market failure argument being marshalled in favour of IPAs, would suggest that it is especially SMEs who should be supported.

The emerging picture - that IPAs mostly focus on large projects and large companies (where the biggest wins were to be made) – seems to be based on the drive to optimize their own measurable performance, even at the expense of supporting smaller projects. This might look better in terms of KPIs but if information asymmetry and level playing field are their reason d’etre, they are acting against their mission.

7.2.2.3. Finding - Overselling

One very clear message coming from interviews with corporate managers, was that investors do not only want to hear the good news. Often, they are well aware of difficult aspects in the country in question and – in seeking to mitigate their risks – would like to discuss these issues with IPAs. Often, however, IPAs conceive themselves as Country-Marketing agencies and avoid speaking about problematic issues as much as possible. Much like with the ‘Image Building’ versus ‘Facilitation’ question, this seems another indicator that managers are less keen on presentations filled with ‘the country is best in the world in this’ and ‘2nd best that’, but rather speak about relevant operational questions that concern them (see for instance Case Study 2 in Empirics II); contrary to what we saw with the previous findings (7.2.2.1 and 7.2.2.2), this aspect has – to my knowledge – not yet been discussed by literature at all.

Another area where managers often feel oversold, is with regards to the role and level of support provided by the IPA itself. IPAs often claim that they will help corporate managers in the setting-up phase and

understand by this that they will tell managers in rough terms what to do, i.e. pointing them in the right direction – while managers often understand by these statements a more hands-on approach. Equally statements along the lines of ‘we accompany you along the way’, feel like an outright lie to many corporate managers, as they often see IPAs fade out of the picture as soon as the decision has been taken for a location or corporate managers have ‘signed on the dotted line’.

A third instance of overselling mentioned by corporate managers also relates to the mismatch of IPA-communication and operational reality. In many economically successful countries, IPAs are often in the marketing-mode, while the municipalities – with whom the investors eventually get in touch – show very little interest in having these foreign investors in their jurisdiction. In highly successful regions of Western Europe – where land is at a premium - large logistic-companies are not welcomed with open arms. One manager of such a firm reported that he was actively discouraged by successive majors to come into their communities (based on the logic that distribution centres use up large tracts of land, generate only very few jobs and massively increase traffic load). Another phenomenon related to this is, that local firms lean heavily on local governments to keep foreign investors out. This happens in Europe and parts of Asia on account of not exacerbating the already short supply of labour, and in emerging markets owing to a fear of strong foreign competitors. It often is this stark difference between the rhetoric of the IPA and the reactions of local communities (who operate on different interests) that further eats away the credibility of IPAs. IPAs need to become more aware of local community interests, in order to act in the interest of the nation. None of these instances or examples have – to my knowledge – ever been discussed in literature, but seem to take quite a prominent position in the minds of managers. This thus represents a prime example of the elements of operational liabilities and grievances overlooked by our extant treatment of the subject.

7.2.2.4. Finding – Corporate managers consider facilitation underrepresented

Perhaps one of the key findings in terms of answering the question whether IPAs actually lower managerial-liabilities is that managers welcome information but often appear to look for more engagement from IPAs in terms of facilitation. This goes back to the discussion highlighted in 3.2.1.1 of the terms 'investment promotion and facilitation'. While many IPAs tend to limit their activities to pre-establishment promotion-type activities, managers look for more establishment-phase facilitation. Welch et al, (2016 – p. 790) provided the theoretical underpinning for this by stating that "information is not knowledge: while there is a wealth of information at decision-makers' fingertips, it needs to be processed, learnt, absorbed and acted upon". This line of argument supports the notion that information asymmetry is a valid but insufficient characterization of the problem. Extant IPA-research however mostly focusses on the pre-establishment aspect of investment promotion.

While a number of highly regarded IPAs focus on facilitation, there is a large group who emphasizes the pre-establishment phase and – with reference to 'lack of resources' or not wanting 'to crowd-out private actors' - refrain from engaging in this area. At the same time, corporate managers regularly express a desire for more hands-on support by IPAs, or complain about them disappearing as soon as the decision had been made.

As already described in the previous section 7.2.2.3 – lack of facilitation support also carries the risk of charges of over-selling if the IPA has (as seems fairly normal judging on corporate interviews) liberally promised help and support during the Image Building and Attraction phase of the process.

7.2.2.5. Finding –After-care is lacking as a service-offering of IPAs

After care is defined by some IPA interviewees as support for companies as soon as the decision has been taken to invest in the country (which

some consider to be facilitation – see also 7.2.2.4), while others see it as staying in contact / occasional support, long after the company has ramped-up and entered normal production. In this PhD I work with this latter definition.

Speaking to IPA managers, it became pretty clear that relatively few IPAs have an established After-Care service (let alone organizational structure such as dedicated After-Care departments). This is especially surprising, given that we have ample evidence that “more than a third of investors reinvest all of their profits into the host country” (Kusek & Silva, 2018a). This was confirmed in the first-round interviews where a number of IPAs stated that between 50 to 70% of €/€ invested in their country, come from existing investors, making this area financially more lucrative than finding new contacts. With the exception of Szent-Iványi, (2017 – p. 172) “attracting new investments, as a primary goal for investment promotion policies, needs to give way to working with investors already present in the country”, little has been written about this topic in extant research.

On the other hand, corporate managers by and large do not seem to miss ‘After-care’ services. This could however be on account of them being so rare, that few have experienced After-Care, and hence have not developed an expectation or even a mental picture of what could be missing. Corporate managers who had actively re-engaged with IPAs (especially in times of crisis – as illustrated by project 2 in case-study A), however, recognized the benefits of long-term IPA relationships.

Hence one could conclude that at an operational level IPAs are not using a sizeable opportunity. At a theoretical level this question opens the possibility for a fascinating research opportunity, as this ties neatly with the notion of reducing managerial-LOF over time. It could be argued that this is taking place at a slower rate than assumed, as continued support is sought long after the firm established in the host-country.

7.2.2.6. Finding - IPAs themselves are just too unknown

Another area where the findings generated in my interviews confirmed points made by the literature, is the fact that IPAs (or the services they offer), are often unknown to managers (MIGA, 2002; Phelps & Wood, 2006), especially with managers of SMEs and Mittelstands-companies (Kaspar, 2018). Contacts are often only made by accident or as a follow-on to contacts to Export Promotion Agencies / delegation-trips. This phenomenon appears to constitute one of the biggest problems in terms of IPA efficiency in that they are clearly missing large sections of their potential target-markets. This is an outcome which the interviews suggest is similar in most countries.

7.2.2.7. Intermediary Conclusion: IPAs manage to lower LOF, but fail to realise their full potential

Based on the findings from my interviews (see 7.2.2.1 - 7.2.2.6), I argue that one can answer 'Research Question2 – Do IPAs lower managerial-LOF?', with a heavily qualified yes.

My interview outcomes support the literature in that “there is potential for IPAs to “play a significant role in initiating network insidership” (Monaghan, Gunnigle & Lavelle, 2014 – p. 134) and helping overcome managerial-LOF. Loewendahl, (2001), Phelps & Wood, (2006) and Anderson & Sutherland (2015), also found a positive impact of IPAs. What we are lacking however so far, and what this PhD has addressed in this section, is the specific problems managers suffer from, and whether IPAs address these specific issues. I argue that a more nuanced understanding of these operational problems helps us to understand if – and in what circumstances – IPAs are seen to lower LOF. Or how they could adjust their services to better address these problems.

It is however important to note that currently, IPAs are seen by many to fail to realise their full potential and that they could do a significantly better job. Despite this, on the interviews I also heard stories of great appreciation of IPAs addressing problems and uncertainties of

managers. This harks back to the point made earlier of the high level of heterogeneity in IPA quality. While generalized statements are to be taken with great care, one could note that IPAs are too unknown to reach their target audience, often lack the nimbleness of private actors (such as location consultants), or cannot match the infrastructure endowment of SEZs. Self-limiting their services (the fear of crowding-out private players) and their lack of some specialist knowledge (e.g. transfer-pricing issues) further limit their effectiveness in lowering managerial liabilities.

So overall, we can answer RQ2 in the affirmative. However, given that it is a highly qualified yes, depending on whether managers have used their services or not and whether they have worked with a high-quality IPA or one of the less professional ones'. With those having worked with IPAs, the majority being on balance mostly satisfied, the more interesting sub-questions range around where IPAs succeed and what are the areas in which IPAs appear to fall short of expectations.

7.2.3. Research Question 3

What do IPAs need to do to lower managerial-LOF?

Having established in chapters 5 and 6 that good IPAs are mostly seen to be playing a positive role in the eyes of corporate managers, who have already used their services in internationalization projects, I confirmed extant literature on IPAs [such as Wells & Wint, (1990); Spar, (1998), Loewendahl, (2001); Lim, (2008); Harding & Javorcik, (2011); Anderson & Sutherland, (2015)]. What extant literature is however largely failing to answer, is the more interesting question of, how they do this? Rather than merely acting as marketing agencies of their home nations, IPAs facilitate foreign investment by helping managers to lower the managerial-liabilities of operating in a foreign country. These liabilities can, as we have established, be LOF, LOO or the operational-level type LOP. This new, last category of liability will not only add to our practical level of internationalization knowledge, but also expand IPM- theory.

The answer to this RQ is effectively given in two ways. Firstly, at a theoretical level, described in this section 7.2.3. The answer relies on the operationalized framework of practical problems manager face in an FDI-project (see 5.2.1 - 5.2.8). It is furthermore answered by the policy advice given in sections 8.2.1 - 8.2.6 (which primarily address the points managers criticise as not working particularly well or having the wrong emphasis).

7.2.3.1. Understanding the problems an over-aggregated LOF hides

Today, there seems to be agreement about the “relative lack of guidance from theory and research” (Papadopoulos et al. 2016 – p. 617) in terms of FDI decision-making by corporate managers. This is, as argued above, on account of a discussion that is too high-level and abstract to identify the specific problems, and hence being unable to suggest specific steps to address these. The operationalization of managerial-liabilities (as outlined in the answer to RQ2) gives us such a basis and takes us away from the a more monolithic conception of LOF usually employed in earlier research. As I have observed towards the end of my LOF literature-review, a gradual move away from ‘blanket concepts like LOF, towards more specific assessments of liabilities can be observed in the research community. First the updated-IPM introduced the Liability of Outsidership (Johanson & Vahlne, 2009). More recently a whole range of new liabilities emerged – such as “liabilities of smallness and foreignness” (Stoian et al., 2017), “liability of closeness” (Tang & Rowe, 2012), “liabilities of complexity” (Gorostidi-Martinez & Zhao, 2017) or “liabilities of smallness” (Stoian, Dimitratos & Plakoyiannaki, 2018). While these various notions of liability start to highlight specific managerial problems, (and therefore go, as I would see it, in the right direction) they do so in an isolated and unsystematic way. By surveying those affected by greenfield-project related liabilities and condensing them into problem clusters, I start to arrive at a more systematic and comprehensive perspective on these liabilities. On the basis of these observations, I have collected extant IPA approaches and started to develop policy recommendations (see section 7.6).

Another important point which is hidden by the over-aggregated LOF-concept, is the question of the different role's managers have within firms. Interviewing CFOs leads to more financially geared comments and an emphasis on costs and incentives, while speaking to operations-managers produces interviews which emphasise infrastructure, utilities and permitting as central topics. Such manager-level insights are important, given that these will significantly influence the answers researchers get. With infrastructure and permitting processes, power connections and related topics being largely absent or under-represented in extant research, we can assume that most previous behavioural studies have been conducted based on CEO & CFO interviews (MIGA, 2000). In contrast to this 2/3 of the corporate managers interviewed for this PhD were Business / Corporate Development Managers or Project Managers (i.e. closely involved in the 'doing' of setting up foreign production plants).

The first step in successfully lowering managerial-liabilities is therefore a recognition that extant models – in academic as well as IPA practice – are largely too crude to fully comprehend, and thus address, the real problems manager face (always with the caveat that there are best-practice IPAs who are very much aware of the differing needs). And while there are individual instances of recognition of the diversity and heterogeneity of managerial needs (e.g. World Bank, 2018), managers and firms are mostly treated in the same way, with the same tools, policy prescriptions and support offerings. My interviews clearly show that SME managers looked for information, contacts and hands-on support from IPAs, while managers of large MNEs – mostly not needing any of these types of support – look instead for help of IPAs to 'sell' the projects to the local communities or help getting political support. The key step to addressing LOP is thus a more manager-level, micro-foundational approach to investment promotion and facilitation.

7.2.3.2. Specific steps taken to address managerial-liabilities

In terms of more specific, operational approaches taken by IPAs in

helping manager mitigate LOF, LOO and LOP, I will rely again on the operationalized framework of practical problems manager face in an FDI-project used in Table 13, which is driven by the problems managers encounter, as well as the solutions they look for. These operationalizations of managerial-liabilities will be juxtaposed by an exemplar list of solutions I have encountered in the interviews and from which I have constructed 'Table 14. Columns 1 and 2 are linked back the relevant sections in Chapter 5. In column 3, "Steps taken by IPAs to address these", I have, however, not only collected approaches based on explicit answers given to me during the interviews (as signified by •), but also, in three instances, ideas which seemed to linger as unspoken subtext to the interviews, but were not stated verbatim in a set interview context (marked with □). These were suggested via off-hand remarks in different contexts. For instance the idea of best-practise groups being 'a think-aloud statement' by a senior IPA manager at a conference where we both spoke, or the hopes / expectations expressed during business roundtables I attended in the context of my job when greenfield experiences were shared (without it being a dedicated interview situation)

Table 14 - Activities of IPAs to address managerial-LOF

Problem	What managers want	Steps taken by IPAs to address these:	Type of liability
Operational, legal and regulatory barriers (see section: 5.2.1)	Managers want guidance (known-unknowns) (see section: 5.3.1.3)	• Some IPAs offer information leaflets / website-based information about a range of topics to provide managers with first information (often also with contact details for further information / services) • Overview of start-up tasks (often structures along the Ease of Doing Business Index) □ Ideally offer additional, more detailed information on topics such as building, importing, local content, etc. (topics which have regulatory impact) □ Offer information about on-going issues – reporting requirements, up-date of changes in legislation or reporting requirements	• LOF-type • LOF-type / LOP • LOP • LOP • LOO-type / LOP

		☐ Organize on-going best-practise groups / experience share with foreign investors (which would also amount to After-Care and staying in touch)	
Information needed to start a company in a foreign jurisdiction (5.2.2)	Reduce Information gathering costs (5.3.1.1)	• Provide overview and step-by-step guides on company formation, compulsory registrations (tax-number, social security register, etc) and point out who are the relevant authorities as well as further contacts • Web-pages / web-based dynamic sites where corporate managers can check regions, look at possible sites, costs of electricity etc and engage in this iterative (playful) narrowing down on the best option • Dynamic geographic websites which potential locations, infrastructure (road, air, rail), number of people living there, other companies / industries (competitors / suppliers) etc.	• LOF-type • LOF-type / LOP • LOP
	Managers want guidance (known unknowns) (5.3.1.3)	• Introduce local service providers who can deal with these tasks • Help managers with a project overview (what needs to be done first owing to long approval-processes, or given that certain forms are basis for subsequent processes • Help managers by providing them with the necessary forms, explain how to fill these in (usually IPAs does not fill these in, but often sitting with the investing managers' so that they fill them in, in their own hand); arrange meetings with relevant authorities	• LOO-type / LOP • LOP • LOP
	Managers want to be alerted to 'unknown-unknowns' (5.3.1.4)	• IPAs with a good understanding of investors home-country perception, helping to interpret / explain the difference between the foreign investors understanding and the practises in the host-country (e.g. sindicatos blancos - a specific type of Mexican Unions)	• LOP
Registrations, permits, approvals (5.2.3)	Get things done (known-knowns) (5.3.1.2)	• Often discussed in literature, in the context of One-stop-shops (although there is growing recognition that in their pure form in most cases these don't work) -> but OSSs illustrate the importance of such operational support elements and help managers find the right interlocutors, find out what they need to do and get the administrative / regulatory processes done with the least amount of time and effort.	• LOP

Transparency and Speed Money (5.2.4)	Managers want to be alerted to 'unknown-unknowns' (5.3.1.3)	• If there is a close / trusting relationship with the investing managers, these questions are mostly discussed and 'unofficial' suggestions are made by IPA staff (get a sense of what is "normal" in the country / what is the generally accepted way of dealing with such situations) • Some IPAs have links to government entities which could be contacted to report such demands for bribery or speed-money	• LOP • LOP
Locational aspects of setting up a foreign entity (5.2.5)	Get things done (known-knowns) (5.3.1.2)	• Collate information about potential sites (land / industrial real estate) • Arrange with local landlords / owners to visit sites • Arrange meeting with local utility providers / mayor and authorities • Support potential investor in getting utility hook-ups (introducing relevant decider, help firm prepare paper-work, support in local-follow up and pushing things through the system)	• LOF-type • LOP • LOO-type / LOP • LOP
	Managers want guidance (known unknowns) (5.3.1.3)	• Provide investor with additional information about the region such as availability of labour, cost of labour, comparison of utility costs • Collate information about potential sites (land / industrial real estate) • Help foreign investor understand ownership-structure (is there a cadastral register, etc?)	• LOF-type / LOP • LOF-type / LOP • LOF-type / LOP
Finding qualified people (5.2.6)	Get things done (known-knowns) (5.3.1.2)	• Advice who to hire or not to hire (owing to local sensibilities) – example see first-round interview	• LOF-type • LOO-type / LOP • LOP
	Finding people / Recruiting staff (5.3.1.5)	• Introduce investors to local head-hunting / recruiting agencies • Operational support ranging from being able to post job adverts for free on dedicated websites to hands-on recruitment support (e.g. Brandenburg regional-IPA's "Workforce service package" helping investors in finding and recruit staff in the region) (see Wfbb) • Especially in many transition- or developing countries, IPAs offer further education / up-skilling grants to prepare work-force	• LOP
Overcoming specific cross-border hurdles (5.2.7)	Managers want guidance (known-unknowns) (5.3.1.3)	• Collate information about potential problems (e.g. customs clearance processes, in particular limitations of goods to be imported) • Network of third-party firms able to help • Via networks, help foreign investors with problems; guide them to alternative options	• LOF-type • LOO-type • LOP

	Managers want to be alerted to 'unknown-unknowns' (5.3.1.4)	• In over-regulated countries / or jurisdictions with opaque regulatory schemes – help investors navigate the situations (contradicting federal and state-level legislations, rules in different states)	• L-FIP
Overcoming differentness / talking to the "right people" (5.2.8)	Access to "the right people" / networking (5.3.1.6)	• Help form establish Network-contacts / introduce to right people	• L-FIP
When things have gone wrong	Trouble shooter / Ombudsman - if things go wrong (5.3.1.7)	• Help managers with problems by organising meetings with relevant entities / intercede on their behalf / explain option and work on solutions	• L-FIP

Looking at the breadth of these practical problem categories as well as IPAs' answers to them, it becomes clear that "liability of foreignness" (Johanson & Vahlne, 1997; 1990) or "liability of outsidership" (Johanson & Vahlne, 2009), are – while key steps to our understanding – insufficient to assessing the managerial-liabilities encountered. That extant models are insufficient had even been remarked about by Johanson & Vahlne who observe that: "We argue that insidership is a necessary but insufficient condition for successful business development" (Ibid, 2009 – p. 1,415). Beyond country-specific information, and "tangible and intangible locational resources [...] and relevant business relationships" (Monaghan, Gunnigle & Lavelle, 2014 – p. 131), I have shown that there is the additional aspect of 'getting things done' that managers consider to be important. I therefore introduced a further type of liability, hitherto not codified in research, namely LOP (for a detailed discussion see section 7.3).

Looking at managerial-liabilities at such a granular level, and discussing IPA-measures to counter them, it also became clear that not all problems are of similar importance to managers. This insight generated in the interview phase, is also supported by the findings of a World Bank (2018) report, stating that different levels of importance are assigned to certain issues. The emphasis in this report on operational aspects, such as assistance with permits and location exploration, over and above investment promotion also showed quite strongly in my interviews with

corporate managers. Equally, the findings of my interviews indicated that the speed of obtaining permits or securing electricity connections was considered to be of key importance. This points to the fact that (a) IPAs need to get a better grasp of what managers consider to be problems, (b) get a sense of what is important for which type of manager and (c) be able to deal with these questions. Anecdotally it seems that those IPAs who have a clear idea about these issues are seen as the more competent.

A second important point in this context, also gained through my interviews, is that the quality, nature and intensity of liabilities are changing over time, due to learning or accumulated experience. This is true for the level of expertise that is gradually gained during a specific project (getting a sense of the host-nation and start to “understand” the country) or for the overall skill-set of managers in question (experience in how to structure FDI-projects in general). This ties in with Zhou & Guillen’s (2015 – p. 908) notion of liability of foreignness being “an inherently dynamic construct”. While this has also been mentioned by a number of other researchers [see Denk et al. (2012 – p. 323): “as foreign firms become increasingly embedded in local information networks, the consequences of LOFs decline over time” and Sethi & Guisinger, (2002 – p. 226) “not remain constant after the initial entry” and “longer experience in that environment and development of suitable internal skills to cope with it might also help reduce that liability”] we have little operational examples of how acquiring knowledge and becoming ‘a network-insider’, leads to a decline of LOF over time (as stated by Zaheer & Mosakowski, 1997). Or why, as Qian et al. (2014 – p. 639) point out, it might not “disappear completely”. (see, Project 2 in Case study A)

7.2.3.3. The need for facilitation

One conclusion that arguably could be drawn from this is a stronger emphasis on establishment-phase processes and facilitation support by IPAs. This conclusion could be reached on account of (a) the express

wishes of managers, and (b) also implicitly owing to the fact that there seems to be a pattern that IPAs which had been considered “best-in-class IPAs” by corporate managers (e.g. Ireland, Invest in Bavaria) tend to focus more strongly on ‘facilitation’, while those considered weaker are often those that emphasise Image Building and disengage at this stage. The findings of extant literature would also point in that direction (see GIPB, 2009).

While it might be understandable that especially resource-strapped IPAs stay clear of such labour-intense processes, it seems important to strengthen this offering given that managers consistently describe facilitation as important or desirable. With this seemingly being one of the strongest levers to influence corporate behaviour, and lowering managerial-liabilities being key to influencing investors’ location choices (Papadopoulos et al., 2016; Miskinis & Byrka, 2014), the hesitancy of many IPAs to engage appears strange (cf. Berger et al., 2019 – p. 4). My study has provided manager-level, operationally based and problem-specific evidence for why such support is important.

Combining these insights and findings into a conceptual framework, I will theorize in the next section what LOP is, how it impacts on internationalization decisions and how this may influence our thinking in IB.

7.3. Theory-building based on the insights of Research Questions: Liability of Practice

7.3.1. Shifting the level of analysis

As Almodóvar & Rugman observed, Johanson & Vahlne (1977) are “one of the most cited articles in the International Business field” (Almodóvar, & Rugman, 2015 – p. 686). Almodovar & Rugman argue: “that for firms to succeed abroad, they need to overcome the liability of foreignness” (Ibid). LOF discussed in this stream of research includes “unfamiliarity with political regulations, the economic environment, the culture, language differences; as well as geographic distance (Denk et al., 2012; Eden and Miller, 2001; Moeller et al., 2013; Zaheer, 1995)” (Ibid). Digging deeper into Johanson & Vahlne, one consistently encounters statements such as: “A firm that does not have a position in a relevant network is an ‘outsider’. If a firm attempts to enter a foreign market where it has no relevant network position, it will suffer from the liability of outsidership and foreignness” (Johanson & Vahlne, 2009 – p. 1,415). These seminal articles set a precedent for the vast majority of IB research, in being strictly on a firm-level basis, which also becomes apparent by the implicit or occasionally explicit use of FSAs to explain internationalisation (Almodóvar & Rugman, 2015 – p. 686).

Returning to the literature in greater depth, one discovers a nearly unbroken firm-level emphasis in this debate. In their 1977-article Johanson & Vahlne strictly operate on a firm-level basis. Even only looking at the first 3 sentences of the Introduction, the word ‘firm’ is mentioned 5 times; subsequent discussions feature Sandvik, Atlas Copco or Volvo, rather than managers. In fact, Johanson & Vahlne state specifically that they “disregard the decision style of the decision-maker himself” (Johanson & Vahlne, 1977 – p. 23) as they believe that “all the decisions that, taken together, constitute the internationalizations process”. There did not appear to be any to generate insight into what drives individual managers and which specific questions would emerge in the Internationalization process. While in 2003 Johanson & Vahlne admitted that “the old models of the internationalization process of the firm have also been criticized” (Ibid, 2003 – p. 84), [see Benito & Gripsrud, (1992); Andersen, (1993) or Forsgren, (2002)] there is no mentioning of

manager-level considerations. Johanson & Vahlne (2006) still looks exclusively at firms: “internationalization process (IP) model frequently is interpreted as a model of risk reduction in the internationalization of the firm” (Ibid - p. 165) or “the focal firm becomes directly linked to a wider network” (Ibid - p. 168). And also, in their 2009 article, the level of inquiry is about “company behavior” (Johanson & Vahlne, 2009 – p. 1,411), “the characteristics of the internationalization process of the firm” (Ibid) and “The firm in the market environment” (2009 – p. 1,413). This firm-level focus in the 2009-article strikes me as especially noteworthy, given that they observe: “the informal and subtle nature of relationships makes it almost impossible for anyone who is not personally involved” (2009 – p. 1,414). A few lines later they re-emphasise however the firm as the unit of analysis by stating “research has shown that firms are frequently involved in a set of different, close and lasting relationships” (Ibid) and “the firm may create new knowledge” (Ibid). Given their admission that it is the personal level of judgement in these matters that has a major impact one could already conclude that we need to conduct our research at a manager-level. Nevertheless, it is only towards the end of the article (p. 1,422) that we find first mentioning of “entrepreneurs” and “decision-makers”. A similar contradictory stance can be seen in Johanson & Vahlne (2003) where they observed that “there are several paths to foreign market entry”, but that it is “important to recognize that such patterns can never be seen in reality by an actor (Johanson & Vahlne, 2003 – p. 96), and immediately revert back to the firm-level by stating “the focal firm may try to establish a relationship with the customer firm in a foreign market” (Ibid - p. 97). Nearly as if they try to avoid any discussion of manager-level aspects. Even as late as their 2011-piece Johanson & Vahlne remain on a firm-level perspective. Only very recently, in 2013 (see Vahlne & Johanson, 2013) and especially in 2017, did Vahlne, Hamberg & Schweizer change their stance and also started to look at managers (“managers responsible for the well-being of their firms struggle with goal ambiguity, very high and sometimes irreducible uncertainty” (Vahlne, Hamberg & Schweizer, 2017 - p. 91). 40 years after the initial Johanson & Vahlne article, we tentatively start discussing individuals involved in the process.

While the Uppsala-model, and especially the up-dated IPM, offers valuable insights into FDI-processes, research outcomes based on these approaches are not without inconsistencies and problems. As I have outlined above as well as in Chapter 4 Methodology, we need to shift the unit of analysis from firm- to manager-level. We also need to depart a little from grand, elegant theories and focus more on messy, operational problems in the FDI projects. By avoiding high-level, abstract models which fail to recognize the heterogeneous nature of these projects, I start to address one of the causes of inconsistent research-results and make the IPM more applicable to real-world FDI situations.

7.3.2. Theory-building

With regards to theory-building I would like to start with a few 'ground-rules' and observations. In their article "Psychic Distance: a concept past its due date" Stöttinger & Schlegelmilch (2000) observed that theory-building is based on three corner-stones: "empirical generalisations, generalized explanations and a process of extension, revision and updating" (Ibid - p. 169). While generalizations are difficult in a field that is characterized by extreme heterogeneity, it should still be possible to distil some commonalities as well as emphasise the additional layer of detail I have established with a concept like LOP.

The other notion that informed my thinking in this PhD was Welch, Nummela & Lisch's (2016 - p. 798) point that "to develop a plausible theory, as researchers we also need a particular approach to inquiry, to avoid being trapped by our theoretical assumptions. We need to be armed with existing theories, but not blinded, nor bound, by them. We need to listen to the surprises we encounter in the field, rather than imposing existing theoretical categories on the fragments of data we are assembling". It is particularly in this spirit that I approached my interviews and the task of seeking to understand the intersection of the managerial-unknowns. These managerial-unknowns are very much in the tradition of the concept of bounded rationality (Simon, 1991; Shoham, 1999). The inability of managers to deal with problems on account of difficulties to process complexity as much as on account of lack of information. This raises two important points. While extant literature recognizes the

existence and importance of complexity as an issue (see: Vahlne & Johanson, (2013 – p. 203) – “we think the existence of uncertainty, including complexities and unclear cause and effect relationships, is an underestimated factor” or Hutzschenreuter & Matt, (2017 – p. 1,132) – “a higher degree of outsidership means there is more complexity and uncertainty that must be addressed”) it remains largely silent how this is to be done. Complexity is largely treated as an abstract concept mentioned but rarely looked at in greater levels of detail. An exception to this is Calhoun who gets into greenfield-specific details such as: “Local laws and regulations must be studied and local attorneys and consultants may need to be retained” (Calhoun, 2002 – p. 305). If we seek to get closer to an answer of what concerns managers, and how such liabilities can be mitigated we need to get a much better understanding of the factors causing FDI-related complexity. Which is also why I argue that mere information provision alone is too limited an approach to explain (or to deal with) managerial-liabilities.

In Research Question 1 I aimed to generate a deeper, more nuanced understanding of what managerial-LOF actually is. In doing so, I moved beyond the abstract notion of LOF, as expressed by Mezias (2002) or Miller & Richards (2002). The answers I got in Empirics I and II, made it clear that managerial-liabilities being treated as LOF, (i.e. in a sense of additional cost for doing business abroad or lack of information), is too limited to characterize the continuum of problems *managers* face in greenfield-projects. Namely, in order to understand a host-nation and its business context, you need to have (i) information about it to work successfully in this context, you need (ii) to be connected to the people, institutions and other actors in the host-market, and (iii) you somehow need to transform the FDI-project idea into a working subsidiary (with all the problems and steps in between the idea and the realization of the project). So far, these difficulties have either been ignored or have tangentially been described as bounded rationality. One such description can be found in Raven, McCullough & Tansuhaj (1994 - p. 50): “Managers appear to experience greater environmental impact, greater perceived environmental uncertainty, and greater decision-making uncertainty in their export channels, compared to their domestic channels”. But while there are discussions in the literature about such unknown international business

environments and firm-capabilities to deal with these, there is little operational description of how managers actually act within these situations. It therefore appears to be a valuable exercise to also dwell on the difference between the conceptual discussions found in literature and what I observed as actions taken by managers in terms of 'the doing' in internationalization projects.

7.3.3. Extending the notion of liabilities

I therefore propose to expand the list of Liabilities managers have to deal with, from the classical LOF (Liability of Foreignness) and its more recent extension LOO (Liability of Outsidership) to a third dimension – LOP (Liability of [Foreign Investment] Practice), looking at manager-level practice, including the operational difficulties of 'doing' internationalization. From the analysis of managerial problems, I have collected in the interviews, I have distilled sub-categories (see the operationalized framework of practical problems manager face in an FDI-project als collected in 5.2.1 - 5.2.8). This list of operational problem categories is not exhaustive, but offers a good start to a new debate on liabilities.

It is not only the listing of individual problems, but also a new perspective on how to deal with these; in particular given that academic literature simply deals with this by describing "organizational decision making as a humble process that involves detailed managerial attention to limited subsets of choices and consequences, resulting in the use of decision heuristics in general and in specific problems" (Shoham, 1999 – p. 30). Such stylized discussions however fail to correspond to the managerial claims observed in the interviews, nor is it of operational value to managers needing to implement such projects.

The reason why the dimension of LOP, of 'the practice of the operational difficulties' and 'the doing' is so important, results from the gap between the abstract discussion of managerial-unknowns and a successful completion of a greenfield-project. Limited managerial knowledge and bounded rationality might (imperfectly) be dealt with through decision-heuristics and mental short-cuts. However, when it comes to setting-up a production facility and having to deal with building permits and electricity connections, there simply are no

heuristics or short-cut that allow the managers to get things roughly right. Much like the much-heard complaint in the interviews that IPAs fade out of the picture when FDI-project implementation becomes concrete, research seems to stop as soon as the 'doing' (i.e. the actual FDI-project) starts. Research all too often contends itself with explaining why certain decisions might have been taken, but ignores the part managers are far more acutely interested in: what happens after the decision has been taken. I therefore added a third dimension. While extant theories of internationalization of firms, such as internalization (Buckley & Casson, 1976) or the Uppsala model (Johanson & Vahlne, 1977, 2009) focus on "managerial understanding and managerial choice" (Kano & Verbeke, 2019 – p. 117) we need to extend the discussion of liabilities to the dimension of the 'doing', i.e. the implementation and operational problems of greenfield-projects.

The categories of LOF and LOP can arguably also be seen to reflect the ideas of Eriksson, Johanson, Majkgard & Sharma (1997) who categorized FDI-knowledge into market-knowledge (seemingly the LOF-equivalent, emphasising the "foreignness", i.e. knowledge about the host-country) and internationalization-knowledge (somewhat akin to LOP – which deals with the procedural, managerial tasks of getting the internationalization project off-the-ground). It could of course be debated whether the phenomenon of having to deal with 'the doing' of company formation LOP is purely linked to foreign market entry, or whether domestic managers entering new market segments, or setting up greenfield-site, are not experiencing the same phenomena. But having termed it 'Liabilities of (Foreign Investment) Practice' or LOP, I made it clear that this is firmly embedded within the FDI-context. Following the insights gained from observing managerial search-practices (as described in Figure 23) I would see LOF – LOO – LOP relate to each other as concentric circles of deepening insight (see Figure 24)

As outlined above, LOF – or in a wider sense, the liabilities foreign investors encounter in host-countries - are a key-concept in the field of International Business and have influenced our thinking for the past 40 years. It is primarily associated with 'the costs of doing business abroad' (Hymer, 1976; Zaheer, 1995; Moeller et al, 2013) and/or the lack of information (Zaheer &

Mosakowski, 1997; Miller & Richards, 2002). In terms of theoretical concepts

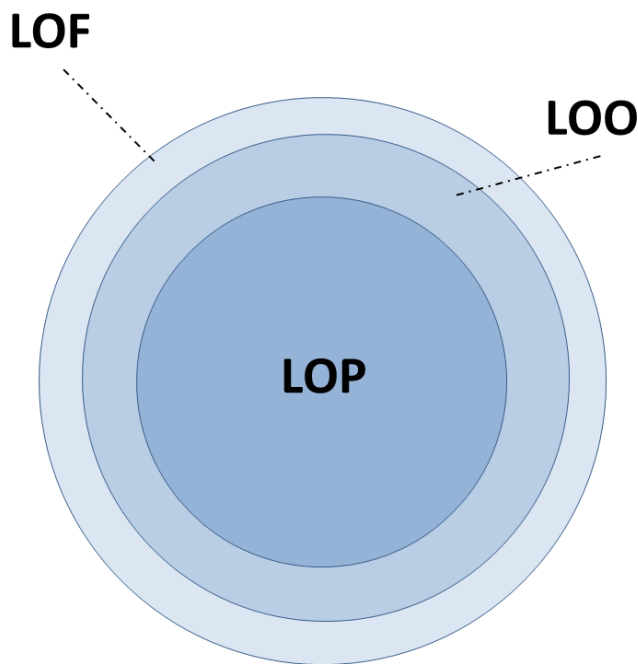


Figure 24 - Types of Liabilities and how they relate to each other

LOF is the first and most widely discussed concept of liabilities foreign investors encounter, but also the one encompassing the widest range of constituent ideas, and therefore illustrated by the widest ring of 'liabilities' in Figure 24. In their revised Internationalization-Process-Model Johanson & Vahlne introduced in 2009 Liability of Outsidership; here they emphasised the need for foreign investors to be networked into the host-country and have access to

the relevant relationships. Following some thirty years after the initial idea of liabilities and being more narrowly defined as relationships and usually coming later in the chronology of questions managers ask in specific FDI projects, I have made this the second, inner concentric circle.

The third, and inner-most circle is the newest in terms of theoretical discussion but also the last to be discussed by managers in any given project, usually only emerging when the initial two steps have already – at least in part – been taken. It deals with all that constitutes a 'practical / operational liability' for managers, as opposed to high-level generalization in the form of LOF and LOO. This led to the introduction of the concept of LOP (Liability of [Foreign Investment] Practice).

Looking at managerial interaction with IPAs (i.e. the successive digging deeper, in iterative rounds of questions), 'the depth' of LOP is illustrated in Figure 25.

Seeking to overcome managerial-liabilities – i.e. collecting the necessary information for taking the decision and getting started in the host nation, corporate managers usually go through several rounds of information collection. Similarly, in LOO managers develop contacts, some of which will be deepened over time or by additional contacts being sought. It is however primarily in the LOP phase, where the real digging deeper process takes place. The seemingly straight-forward task of “getting a building permit” turns out to be a whole number of tasks, cascading into multiple sub-tasks.

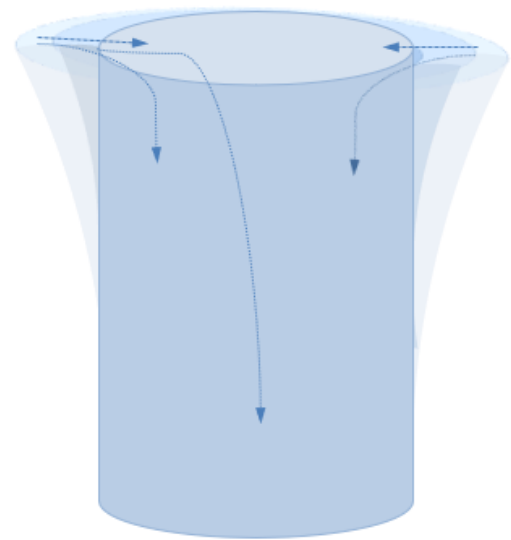


Figure 25 - The depths of Liabilities

This is therefore a great example to illustrate what I mean by the dimension of depth (as opposed to the ‘flat’ issue of LOF). Obtaining a building permit requires, as one of the key documents that needs to be handed in, to have ‘plan & elevation’, which in turn requires the managers to have a specific plot of land in mind, with the plans adjusted to the specific shape of the land, which in turn means that the material-flow of standard factory templates, that have been worked out in previous projects might have to be adjusted. For that to happen, they will have had to find an architect, get a basic understanding of the building rules, and what does and does not work in this country. They will also have to be sure that the building conforms to fire protection standards, which in turn means they will have to speak to the fire brigade and get the go ahead for the plans, presumably establish fire protection measures and double-check with their insurance whether they will insure the building as envisaged. And this only relates to one single document (i.e. plan & elevation) out of the whole range of documents (often up to 10) that are needed to be in a position to hand in a request for a building permit. Starting a greenfield-project however necessitates 20 or 30 such operational processes (from opening a bank account, to producing legal documents for a company formation or to registering for tax and social

security contributions), not to mention internal processes such as an extended IT system or intercompany transfer pricing.

What I am seeking to illustrate with this example (see also Figure 26 - Illustration of a LOP -type problem) is the cascading row of operational problems, and the rapidly rising levels of complexity emanating from this, which for managers are considerably more challenging that LOF- and LOO-type problems. The nature of LOP-type problems also requires information (LOF) and contacts (LOO), but primarily the know-how, skills, resources and organization to work through these. While extant LOF- and LOO-discussions leave the reader with the sense of a ‘flat’ problem that, once solved, is dealt with once and for all, liabilities (and LOP -type issues however in particular) have a depth of their own, based on the multi-stage processes they usually entail.

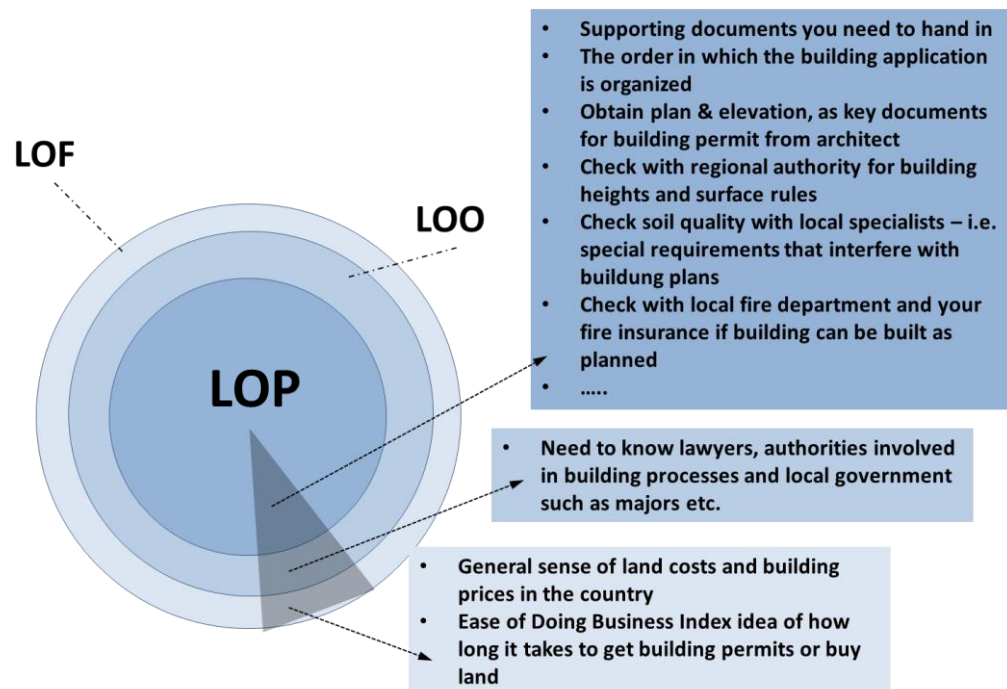


Figure 26 - Illustration of a LOP -type problem

Schotter & Beamish’s (2013 – p. 521) *hassle-factor* and “how troublesome it is for managers” to operate in these countries, is related to practical LOP issues. The picture of an iceberg might therefore be an apt analogy. Only a small part of the liabilities is immediately visible, while the more relevant and bigger part

lies submerged below the line of visibility. Not knowing basic facts about a country is an easily observable challenge, and one typically addressed (albeit in a not always accessible manner) within academic literature. Operational difficulties and the practical day-to-day troubles with specific countries, in contrast, are hardly ever discussed outside close-knit circles of managers which are well acquainted with each other deliberately keeping opinions within these circles.

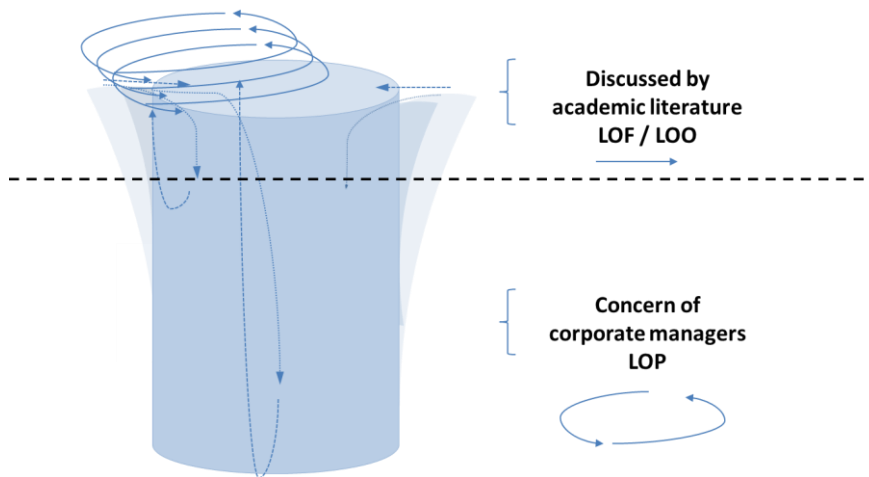


Figure 26 - Discussion of academic literature versus interest of corporate managers

The way corporate managers think about these questions therefore seems very different from the way the debate has been led in academic circles so far. Collecting initial information (LOF) and establishing contacts (LOO) is seen as self-evidently necessary, and many interview-partners would only start to talk about 'liabilities' (i.e. the unknown, the difficulty of operating abroad), when confronted with operational problems of the LOP-type. Operational uncertainties and problems arising from not knowing the local rules can often only be felt when one is in this situation. Researching these situations therefore requires the involvement of study participants right in the middle of, or with extensive first-hand experience of, such projects. With researchers not engaging with managers in that phase and not asking specifically for these problems, it appears unsurprising that we have not yet heard of them, and that LOP-type liabilities have rarely emerged in research.

While information can be provided and introductions can always be made, the real concern for managers, and the way to differentiate yourself as an IPA, is to deal with the more practical problems. There is however a long way from the simple information provision to LOP level facilitation.

7.3.4. Implications this has on our understanding of the IPM-model

As I have outlined above, successive iterations of the IPM-model, i.e. Johanson & Vahlne, (1977, 1990), characterized internationalization processes, as the interplay of market knowledge and market commitment. To describe the levels of 'not-knowing' they developed the notion of Liability of Foreignness (LOF) – dealing with questions of additional costs for foreign investors as compared to domestic ones, as well as aspects of lack of knowledge (see figure 27 - illustration taken from Johanson & Vahlne).

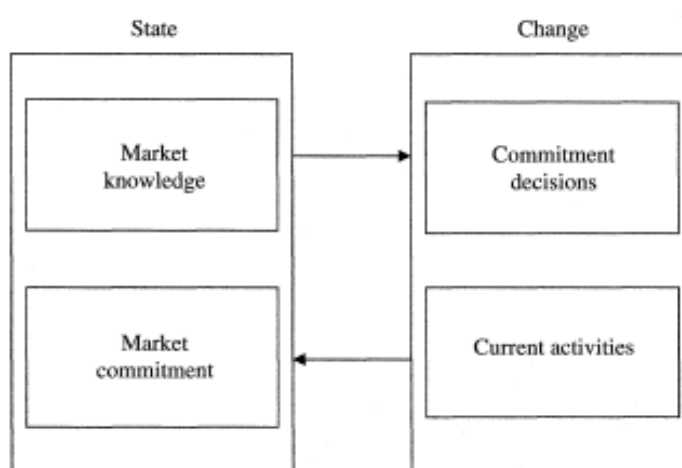


Figure 27 - Initial IPM-model (Source: Johanson & Vahlne, 1977 – p. 26)

Over the years it was found that market commitment and knowledge were insufficient to explain corporate decision-making in FDI situations, and with several examples of SMEs internationalizing into distant countries the notion of the establishment chain was called into question. As was the ease of operating in psychically proximate countries, as demonstrated by O'Grady & Lane (1996) describing a failed internationalization project in an immediately neighbouring country with a seemingly high degree of similarity of business cultures. These

criticisms eventually led to the updated IPM-model, (Johanson & Vahlne, 2009, 2013) which emphasised the need of networks and relationships, or – as academic literature would term the problem encountered by managers - the Liability of Outsidership (LOO), as illustrated in Figure 28.

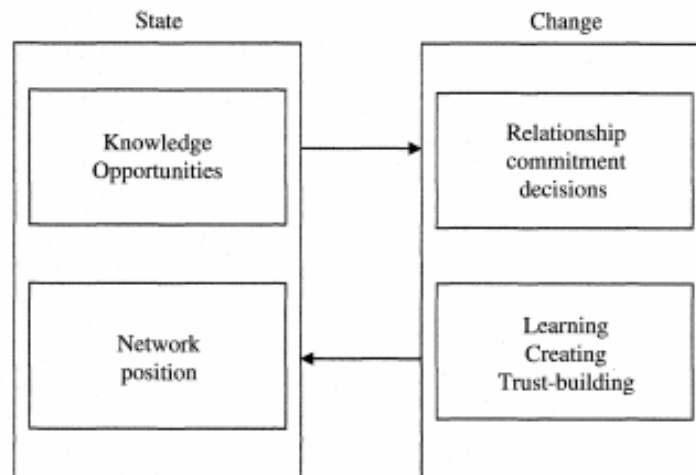


Figure 28 - updated IPM-model (Johanson & Vahlne, 2009 - p. 1.424)

In seeking to understand the role of IPAs, I have looked at the managerial problems and uncertainties managers encounter in greenfield projects. In the context of the body of knowledge of liabilities, I have therefore added a third level of 'not-knowing', namely that of the operationally inspired Liability of Practice (LOP). Looking at the role of IPAs in dealing with practical problems of greenfield-projects, I added depth to our understanding of the J&V-literature, as well as addressed some of their short-comings. In particular:

- a) Johanson & Vahlne tend to speak in highly abstract terms (i.e. firms doing this, knowledge being gained, networks having to be accessed). They hardly ever outline specifics – such as 'who is doing what and why'. This is arguably partly on account of the research-level they employ. By taking a manager-level research approach, and focussing on specific problems and the question how they can be solved, I am taking a diametrically opposite stance than J&V, thereby adding significantly to our understanding of the IPM.

- b) flowing from this derives a second insight – namely that Johanson & Vahlne miss some of the most important aspects of internationalization and thereby project a picture that is, at best misleading, in the worst case, simply wrong. By dissecting specific problems managers encounter, I discovered on multiple instances, that for many problems (i.e. getting a permit) there are no heuristics or short-cuts. The notions of ‘knowledge’ (LOF) and ‘network’ (LOO) are therefore incomplete, as ‘the doing’ and the ‘nitty-gritty’ (LOP), is the third imperative dimension that needs to be addressed in this. Which, linking back to the main theme of this PhD, is where IPAs come into the picture.
- c) Finally, Johanson & Vahlne strongly emphasize the need for learning within the firm or to building network-contacts – essentially referring to firm-specific capabilities or what is known as FSAs. What J&V largely omit, is the possibility of managers getting the necessary knowledge, know-how and access to key-deciders from outside the firm – for example from IPAs. The fact that IPAs are ubiquitous, existing in practically every country on this planet as well as on national and regional levels, points to an importance within the process that such a view completely fails to recognize.

Combining the findings arrived at in this PhD, with the extant models by J&V, we could take a first step in aligning theoretical guidance and practical applicability of IB-theory in the context of IPAs. Developed out of the above cited J&V models, we would chart managerial liabilities in an FDI project – illustrated by the left column - as knowledge-based (i.e. LOF), relationship-based (i.e. LOO), as well as operational problems (i.e. LOP). These managerial liabilities are experienced with different levels of intensity, (and consequently require different levels of IPA support) at various points in time of the FDI project. This is illustrated by the right-hand column of figure 29, which is incorporating the UNESCAP findings already highlighted in Table 3 (p. 84). Tying in the thoughts developed out of Schotter & Beamish (2013), I have highlighted in the middle column, the ways IPAs can address managerial liabilities (LOP, LOO and LOP) via the various IPA support activities, thereby immediately linking the IPM with way of overcoming operationally driven instances of managerial liability.

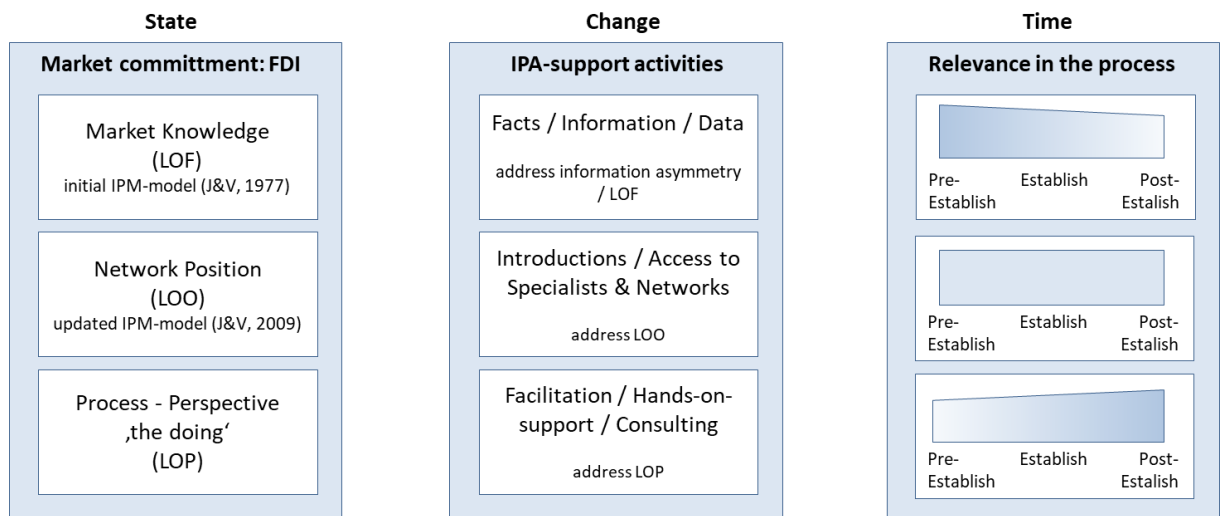


Figure 29 - Role of IPAs in overcoming managerial liabilities in a J&V framework

In the following chapter I will then expand these discussions on how LOP impacts extant discussions on theory and policy.

Chapter 8

Conclusions

8.1. Contributions to Theory

The contributions flowing from this PhD are two-fold. Given that this is a piece of academic research and therefore deeply wedded to academic thinking and theories, its contributions are firstly and foremostly theoretic in nature, as discussed in this section. Given the very operational-practical approach I have taken in this exploratory piece, I have encountered many opinions, statements and observations, which - also allowed me to make for practical policy suggestions as my second contribution, thereby addressing Shenkar's (2004) call for practical applicability. These will be discussed in the following section 8.2.

As shown in 7.2.1 and 7.2.2 and discussed in 7.3, managers face a great many more problems than are currently captured by extant concepts of LOF and LOO. Their practical problems go 'deeper', that is to say are more operational and less abstract than current research seems to suggest. This entails practical, identifiable problems as well as the issue of complexity, both of which require more than mere information provision. Literature barely addresses this issue, and if doing so – usually fails to move beyond exhortations that the problem needs to be addressed. For instance, calls that “a higher degree of outsidership means there is more complexity and uncertainty that must be addressed” (Hutzschenreuter & Matt, 2017 - p. 1,132) are a good start in that they describe the problem, but still leave practitioners wondering what to do about it. Zucchella & Servais, (2012) and Gorostidi-Martinez & Zhao, (2017) at least move beyond the MNE-heavy focus in research and look at SMEs, are however still totally focussed on firm-level perspectives. Almodóvar & Rugman, (2015 – p. 687) characterize this dilemma best in stating that: “Essentially, it is argued that traditional FSAs can eventually overcome the LOF; thus, the process of internationalisation depends upon an assessment of changing FSAs benefits vs the LOF costs over time”. They continue observe that this is based on transaction cost economics and the resource-based view. All of which however essentially ignoring what I have described as managerial problems and – as I would argue – therefore failing to add any significant insight into these questions.

Inherent in exploratory research which in part is venturing on new ground, is that the questions, as well as the answers given, are usually not neatly tightly packed, but broader ideas and insights are provided which hopefully serve as jumping-off points

for future research. The three broad contributions my research offers in the theoretical sphere are therefore the following:

- Evidence that insights arrived at via *manager-level FDI-research*, have much to offer to our understanding of the decision-making processes that underpin Greenfield-projects.
- A more nuanced, understanding of the liabilities' managers encounter via the introduction of a new category beyond LOF and LOO: *the concept of LOP*.
- *Greater knowledge* about a currently under-researched area of IB – namely the function of *IPAs* (Investment Promotion Agencies).

In the next three sections I will briefly flesh these points out to illustrate where I see my contributions to IB-theory.

8.1.1. Highlighting the need for a manager-level FDI research tradition

As already cited above, “Internationalization theory [...] is a firm-level theory” (Rugman, 2010 – p. 3) and Johanson & Vahlne’s IPM-model has for forty years been framed in a firm-level context. One can only speculate whether IB scholarship not being mentioned in industry publications nor being applied by practitioners (Buckley, Doh & Benischke, 2017) is shunned on account of those acting persons not finding themselves and their experiences reflected in what we write. Despite managers being mentioned at times, they seldomly are chosen as the object of analysis, nor does research dare to venture into the complex and multifarious world of operational tasks. I would argue however that such a change is necessary and that this new perspective is not merely a question of methodological tastes, but in an important addition in closing the gap between our research and the perspective of practitioners. One which has considerable implications. Not least on account of the significantly greater degrees of complexity. We suddenly leave the realm of clean, elegant theories and enter the depths of messiness, complexity and heterogeneity which requires lots of caveats. Managers recognize the short-comings of grand theories, and instead go for small-step, iterative improvements, getting step-by-

step closer to a good (note: not optimal) solution. If we as a field want to retain relevance to those for whose benefit and about who we allegedly write, we might need to get closer to their world-view again. And this invariably means a lower, more operational level of research.

There are good reasons why extant research has shunned manager-level approaches. The outlined difficulties with interviews of getting honest rather than politically correct statements; the difficulty - if not to say inability - to arrive at generalization and elegant theories, and the challenging and time-consuming conduct of manager-based research. It is more difficult to demonstrate robustness of research and, as a PhD-candidate, one adds a level of risk in taking this path. But without doing so, without collecting the views and opinions of managers, I would argue we can only resort to measuring outcomes or work with assumptions. While a fine-grained manager-level research might produce new insights or help us to interpret outcome-related results more realistically. For instance, do research results look different if those interviewed were only CFO rather than Head of Operations or those responsible for setting up production sites abroad? (as discussed in 7.3.1). Schotter & Beamish (2013 – p. 523) also observed that economic theory assumes that “foreign location choice is an exclusively organizational-level phenomenon” but that instead “additional dimensions that influence managers’ cognitive heuristics, biases, and preferences should be included”, i.e. that we can only do if we conduct research at this atomised level.

While there are a number of areas where we find manager-level research, there is relatively little manager-level research in FDI decision making / greenfield implementation. Internationalization theory (Buckley & Casson, 1976) is emphatically a firm-level idea; Johanson & Vahlne have framed their research in firm-level concepts. Only gradually this seems to change; Kano & Verbeke (2019 – p. 117) for instance call for the “inclusion of micro-foundations in its theoretical approaches, beyond focusing mainly on how managers address risk and uncertainty issues. Further, the field would benefit greatly from a nuanced understanding—meaning a situational determination rather than a dispositional one—of micro-foundational assumptions, and of the ways in which these nuances can affect (performance) outcomes”. Practically speaking however, we still see very little micro-foundational research relating to FDI greenfield-topics or IPA literature. In the

M&A context however, there is a relatively broad stream of research that looks at “the ‘human side’ of global mergers and acquisitions (M&As)” (Sarala, Vaara & Junni, 2019 – p. 307). Research which looks at the role of employees in such projects.

By lowering the ‘level of my inquiry’ / ‘research-level’, from a firm-level to manager-level, and by looking at it from a behavioural and procedural rather than out-come related perspective, a number of important insights and contributions have been generated.

8.1.2. Contribution to our understanding of the liabilities’ managers face

As I have outlined above, our current models of managerial-liabilities appear to be insufficient. This is in part owing to the still dominant firm-level conceptualisation of FDI-research as well as the high-level abstractions of LOF and LOO. That literature largely fails to explain greenfield-processes from a managers’ perspective is partly due to the research-level employed, but also the difficulties in obtaining an honest reflection of the situation managers face in greenfield projects. One very interesting observation I managed to make during this process was the “context-dependent, ephemeral and ultimately unstable nature of managerial “truths” imparted in the interviews” as (Hietanen et al., 2014 – p. 295) had already found. That is to say, the tendency of corporate managers to answer with politically correct and innocuous, rather than deeply honest statements. During the course of my interview-taking (which stretched over several years) I have also developed ways of countering the effect of only getting the ‘politically correct’ statements, but instead elicit opinions which were closer to the truth. By operationalizing managerial-liabilities into LOP, I managed to introduce a conceptual framework which allows for a better grasp, why investors prefer certain locations over others, how investment-decisions are taken and how these can be influenced by IPAs.

We might therefore be in a position to address the highly pertinent question raised by Sethi & Guisinger (2002 – p. 225): “if multinational operations incur such liabilities, then why should MNEs still be investing abroad in droves?” or to unpack the observation of Figueira-de-Lemos, Johanson & Vahlne, (2011 – p. 143) that “international managers are facing a paradox that [...] the more

knowledge firms acquire, the greater their perception of the lack of knowledge”, thereby driving our understanding of FDI forward as a field.

8.1.3. Contribution to IPA studies

In terms of IPA research, I have added to our extant body of knowledge a comprehensive overview of the limited literature we have to date. Analysing extant literature, I highlight periods of heightened interest in the subject, sources of research on IPAs (academic vs. I.O.-literature), methodologies used and research outcomes reached.

With IPAs not having been explored in any meaningful depth so far, my descriptions of IPA-structures, working practices and strengths & weaknesses lay the foundations for a more nuanced understanding of IPAs. My research however also locates them in the wider investment-promotion universe of SEZs, Clusters and other FDI support mechanisms. The biggest contribution to our understanding of IPAs, however, is to dissect how IPAs can help managers deal with the operational problems they are having in a greenfield project, linking the academic concept of liabilities (LOF / LOO) with IPAs. In this, my research extends beyond the boundaries of the still deficient knowledge of these structures, for instance by highlighting that they are active in many more fields than extant literature acknowledges. In my first case study I show that IPAs not only deal with inward FDI projects, but also with potential exit-scenarios and how to prevent them or mitigate their effect.

My analysis of IPAs lends itself in particular to a more practical / policy geared side; in that my contributions also include specific policy advice laid out in the following section.

8.2. Contributions to Policy

More than a decade ago Buckley, Devinney & Louviere (2007 – p. 1,070) observed that “the choice of location for foreign investment is a deliberate, if rationally bounded, decision”. As a field, we fail however to understand why managers take certain decisions. As IB scholars, we thus often act rather like rationally bounded managers in their first greenfield-project, feeling our way forward. Buckley, Doh & Benischke’s

(2017 – p. 1,046) observation that “IB scholarship appears to be rarely picked up by popular or industry publications [...] or applied by practitioners” is therefore not surprising. And if we want to live up to Shenkar’s (2004) call to being a field that contributes to solving real problems, we need to provide insights and recommendations, which are practically relevant and born out of the operational concerns of those for whose benefits we allegedly speak.

In terms of IPAs, the key issues that emerged and ones which IPAs did help address (in different ways) included: *Operational legal and regulatory barriers* (i.e. minimum local-content requirements); *the information needed to start a company in a foreign jurisdiction* (i.e. detailed information about processes needed to be completed, a corporate interview partner stated: “national policies are extremely burdensome for multinationals; you need to deal with different national rules in every country and comply with different standards everywhere; wealth creation would be so much easier if you have one level playing-field and one approach throughout”); *general initial information gathering* (i.e. to generate an overall picture (i.e. ‘Is there corruption?’, ‘Can foreigners own land/real estate?’, ‘Do you have a large pool of highly educated workers?’); *very specific questions for project implementation* (‘How long does it take to get the approval?’ or ‘What are the hourly wage costs for a production worker, an accountant, a general manager?’); *registrations, permits and approvals*; *transparency and Speed-Money*; *sub-national locational aspects of setting up a foreign entity* (“you don’t look at the problem as do I invest in the US, but which location do I pick. And it being in the US only being an after-thought”); *finding qualified people*; *overcoming specific cross-border hurdles and the overcoming the otherness of host-countries*.

These practical issues are arguably some of the hitherto overlooked drivers, why extant academic research [e.g. Morrisset & Andrews-Johnson (2004); Charlton & Davis (2007), Lim (2008) and Anderson & Sutherland (2015)] find a positive impact of IPAs on FDI inflows and investor decisions. There is however a second dimension – namely the practicality geared policy contributions of this work.

Below I propose such policy recommendations which are based on the criticisms made by managers, and which aim to address the image of IPAs being institutions that all too often operate below their potential.

8.2.1. Policy Advice – allow for better quality IPAs

Following the many differing comments of managers about their levels of satisfaction with IPAs, I conclude that there are vastly different quality-levels of IPAs. This assumption is supported by some IO-literature (UNCTAD, 1997) as well as tales about IPAs who lack specific knowledge (e.g. the automotive-example in 7.2.2.1). Drilling deeper, it quickly becomes apparent though that the problem mostly is not unintelligent or uneducated staff, but that the difficulties are more complex and often inherent in the ways IPAs are structured, resourced and may depend upon which missions they have been given.

An example of this would be European IPAs, who are tax payer financed public or semi-public entities, and are therefore under strict orders not to compete with private sector firms, in order not to crowd them out of the market. Given the number of times it was mentioned by IPA staff as well as corporate managers, this appears to be quite a widespread phenomenon. The perception of corporate managers in this context is that they speak to an IPA who clearly understands their concerns, they hear from the side of the IPA that “we are there to help you”, only to face shortly thereafter a situation in which the IPA states that they cannot get involved in such operational tasks and instead point to paid-for private sector firms. From the perspective of the corporate manager, IPAs disengage as soon as the conversation reaches the level of the concrete and this therefore calls into question the whole *raison d’être* of the IPA.

Another category of reasons mentioned why IPAs are viewed in a bad light emanates from resource-constraints. These are mostly a problem of developing country IPAs. They usually materialize in a lack of working equipment, understaffed or badly educated staff. The clever and well-informed members of staff often quickly leave the under-paid IPA jobs and start working for incoming firms given they had ample access to such contacts, leaving the IPA even more depleted of manpower and know-how.

The final point is one of working practices and perspectives. While public structures do not tend to over-emphasize speed, it is a particularly critical

aspect for corporate managers. Whether this is because there is the danger of copying the products and time to market is imperative [as described by Spar, (1998) in her Costa Rica Intel case-study], or because time is money and the quicker the subsidiary is up and running revenue can be generated, the speed of implementing the project (and hence obtaining permits, connections etc.) is a major aspect corporate managers would consider when thinking about “how good” an IPA performed.

Heterogeneity being the recurring theme in this PhD, it is difficult to offer a standard answer to the effect of negative perceptions of IPA quality as different circumstances beget different reasons. But while the problems might be quite different, one aspect appears to unite most of them, and that is the need for greater clarity of the IPA-mission and how success is measured. To address these issues, IPAs need to engage with their political masters and make them aware of the potentially detrimental side-effect of ill-devised KPIs.

8.2.2. Policy Advice – overselling

What can be observed in many cases of Foreign Investor–IPA communication is a break-down of mutual understanding. This arguably is predicated on the different ‘world views’ and interests of managers and IPA staff, and strongly influenced by how the IPAs perceive themselves in terms of their tasks and mission. IPAs therefore need to communicate their service portfolio clearly and very early on (even at the risk of them being considered a ‘waste of time’ by some corporate managers), or adjust their service offering to what they communicate. A simple ‘we will help you’ does not suffice as several interviews have shown that this is interpreted in significantly different ways by managers and IPA-staff. In other words, how far does ‘we help you’ go?

A second point is that IPAs seek to market their jurisdiction, and therefore often pursue a story-line of – ‘it is so easy to invest in this country’, rather than to engage in an open and honest debate about risks and potential difficulties (i.e. especially LOPs.)

Managers, on the other hand, might need to adjust their expectations towards IPAs. While they can engage in facilitation / After-Care, it would be unrealistic to expect IPAs to effectively take over the running of the project or solving all the problems of an FDI-decision. A potential idea in this regard would be a clearly defined free of charge base-line service-offering, and an additional paid-for, service element. This will however require a clear vision on the part of the IPA how much support they are willing to provide. This is a discussion which needs an in-depth understanding of what managers might find difficult and where they do and often do not need help. It is a discussion for which my classification of LOPs might serve as a framework to provide specific operational-level insights.

8.2.3. Policy Advice – Think hard about the question ‘who is your target audience?’

The complaints of SME managers about being left alone is one that should give rise for concern. My impression in speaking to managers from large corporations and SMEs was, that they use IPAs in completely different ways as well as at different levels of intensity. MNE-managers, often well advised and experienced in the incentives game, see IPAs as institution administering fiscal and financial incentives. Admittedly there were also those voices that told about IPAs being a valued party when political support was needed or local populations needed to be won over and IPAs were seen as the providers of contact to those stakeholders. SME-managers on the other hand, often lacking the necessary information and especially know-how, looked to IPAs more as consultants, sparing-partners and coaches. This essentially however results in two entirely different approaches how IPAs needed to deal with the respective corporate managers.

I also seem to have observed that many IPAs tended to concentrate on large projects / large corporations, and – often also owing to resource-constraints – chose to ignore small projects / small corporations. Apart from the lack of sufficient resources, another comment – often phrased very indirectly – was the question of the KPIs by which they would be evaluated by their political masters, namely a pure input (money & staff for the IPA) versus output (jobs created / investment sums) equation. Whether this addressed the commonly

stated argument of a level-playing field, by addressing the market failure of information asymmetry, is another question.

It is probably also fair to say that MNEs – by and large – don't 'need' the IPA in the stricter sense of the meaning. They usually have highly professional corporate development departments with considerable experience how to structure and implement greenfield-projects, tax and transfer-pricing specialists and bought in services from Big4 firms, all of which are arguably often more knowledgeable than most IPA staff. For SME managers, especially those on their first greenfield-project and mostly unaware of transfer-pricing and local content regulations (i.e. the unknown-unknown scenario), IPA support is often crucial to get the project off the ground.

IB as a field – theoretically – knows this (e.g. Fletcher & Harris, 2012; Lauf & Schwens, 2016). Scholars have however failed to elaborate on this in a more operational sense – especially in the under-researched field of IPAs.

Based on the arguments laid out in Kaspar (2017a) and Kaspar (2018), my policy advise would therefore be to IPAs, and especially their political masters, to think hard about the KPIs and targets by which investment promotion is run. Policy makers need to ask: Who would be most in need of IPA attention? This is key, given the fact that we know that “external knowledge sources are especially important for internationalizing firms with limited experience” (Fletcher & Harris, 2012 – p. 644).

8.2.4. Policy Advice - Facilitation is underrepresented

As already pointed out under Research Question 3, and based on my interview-results, one gets the distinct impression that many IPAs perceive themselves primarily as marketing entities, seeing their main mission as raising the awareness and profile of the country. Alternatively, many see their mission in administering incentives (Bauerle-Danzmann & Slaski, 2018). Practical help features relatively seldomly in what IPAs consider to be their key task.

I would argue that focusing on facilitation is one area where they could become more efficient in dealing with managerial-liabilities and be perceived as being

more valuable to corporate managers. A lack of active facilitation or emphasis on this type of support can have many reasons: poorly organized IPA structures or a lack of resources, lacking the manpower to get back to potential investors. According to my interviews as well as to literature, this is a very real problem (see also: Ortega & Griffin, 2009). Other reasons could be that potential investors are not seen as important enough (see 8.2.3) or policy restrictions of not being allowed to engage more actively (see 8.2.1). But - as the French example in first-round interviews suggests - highly active IPAs can swing location decisions when managers get the sense of finding practical, hands-on support there.

As with nearly all aspects of IPA research these statements need to be caveated, in that it very much depends on the specific circumstances of the relevant nation. While the OECD (2018a) study describes Germany's national IPA as an 'Image Builder', this does not constitute a problem in this regard, as Germany also has a strong network of regional-IPAs who provide facilitation / hand-on support (e.g. Invest in Bavaria, Invest NRW) – thereby reaping the benefit of national visibility and local hands-on support. If IPAs however promote the location and immediately thereafter start to disengage, without qualified alternative structures in place to support corporate managers, this can be perceived as Overselling (see 7.2.2.3).

I therefore argue that - if one of the driving principles is to influence investors' location choices towards one's own country it seems strange that many IPAs refrain from even starting to engage in these aspects and merely content themselves with being marketing agencies.

8.2.5. Policy Advice – Strengthen After-Care activities in IPAs

Very much along the lines of facilitation, After-Care appears to be under-represented in IPA activities. The interesting aspect here though is, that it is well documented in research how important already established foreign investors are to host-countries and that they account for a large amount of future investment in the country. While literature speaks of approx. 1/3 of all FDI-investments stemming from already existing investors (Kusek & Silva, 2018)

a number of IPA staff I had interviewed estimated between 50 – 70% of FDI-projects actually coming from extant foreign firms.

Given these figures, the near universal lack of After-Care structures is surprising. As outlined above, few of the interviewed managers seemed to miss the After-Care services much, presumably given that they are rare and only a minority of managers have experienced them.

Hence, I would argue that this is an area IPA needs to be strengthened urgently. As one IPA-interview partner observed, trying to give After-Care / staying-in-touch responsibilities to Key Account Managers doesn't work, as they are always overwhelmed by the more urgent and immediate tasks of 'the next project'. In that sense it seems sensible to form a dedicated After-Care team, whose remit is to contact existing investors at regular intervals to stay abreast of developments within the local entity as well as the group overall and offer their support for expansion projects.

8.2.6. Policy Advice – improve your own visibility

Another finding emanating from the interviews is that IPAs are surprisingly unknown, (or if known, are often viewed with suspicion). This appears to be especially true with SME managers. IPAs therefore need to improve their own visibility and image with target markets. In order that IPAs can help managers overcome managerial-LOF and LOO, they themselves need to be consummate networkers to meet potential 'clients', but also be in a position to provide access and contacts. That they largely fail in getting in contact with their target audience (or only learn about projects long after they have settled in the country) points to serious weaknesses in this regard.

This failure to connect to SMEs is however only partially on account of a failing in communications / contacts, but also on account of strategic decisions. KPIs by which success of IPAs is measured are usually geared towards number of jobs created and investment-sums being secured. Based on these success-measures it makes sense for IPAs to concentrate their efforts on big-ticket projects (securing one OEM or Tier-1 company, rather than 20 small Tier-2). If,

as argued in internationalization-literature, there is a need of governmental intervention owing to the market failure information asymmetry (Zanatta, Costa & Filippov, 2006; Charlton & Davis, 2007), and it is well established that SMEs are suffering disproportionately from this phenomenon (Lauf & Schwens, 2016), IPAs are operating against the very *raison d'être* of their existence. So, in order to improve their own visibility, awareness and credibility, they need to adjust strategic orientation and their efforts to get in contact with managers of these firms.

In terms of the question where such recommendations should be drawn up or published; Given the highly practical nature of the subject as well as the policy recommendations, engagement with governmental / IPA-staff would presumably primarily happen outside the academic realm. This could either be via the author's regular column in the FT publication 'fdi intelligence', via dedicated feature articles, or at FDI conferences (such as AIM Dubai, WEF working-groups or specific IPA events, where the author is a regular speaker / panelist).

Their most rigorous testing, and biggest impact could however be generated in an OECD / World Bank / UNCTAD context, where academic-style research has immediate impact into development and policy decision making, and usually researches governmental decision makers in its most immediate form.

8.3. Limitations & future research directions

8.3.1. Limitations

Despite all its contributions and insights, I recognize that this study has a number of limitations. In fact, some of its greatest strengths are also the cause of some of its weaknesses. Among these are methodological considerations. As an exploratory research-piece that is breaking new ground in managerial-LOF, and which is adding elements that further our understanding of the theory of internationalization, it lacks the statistical robustness of a big-N data-set. This is however a deliberate choice (as discussed in the Methodology section) given the need to first of all discover the patterns which subsequent research might test.

Second, Hietanen et al (2014 – p. 295), described the problem with practitioners' interviews as the "context-dependent, ephemeral and ultimately unstable nature of managerial 'truths'" – which probably best describes the shifting nature of the answers I got in many of my interviews. As described, I have tried to address this as soon as I had discovered the effect. To get beyond the politically-correct, un-controversial and thus often not overly insightful statements, I tried to challenge interviewees with the counter-party position. IPA staff talking about how easy it is investing in their country (and hence how little LOF managers would experience) were confronted with the problem's managers said they encountered when investing in that very country. This phenomenon highlights two problems – and, in that, two limitations of this PhD.:

1. Firstly, that interview-statements often only reflect an idealized situation rather than the reality. Hence, the possible weakness of interview statements is that they are only partially reliable. In terms of seeking to understand the thought-processes and rational of the acting people, I nevertheless felt it preferable to canvas ideas and explanations rather than make outcome-related, generalised KPI-based observations (not least given that so many of these exist already, with most of them failing to produce real insights or arrive at undisputed results).
2. And second, the procedural problem of having to circumvent the apparently purposefully bland statements in some interviews, i.e. the challenging of interviewees with the counter-party position, thus driving the debate to an extent by putting views 'on the table'. It could be argued that this might influence the interview outcomes. The counter-argument to this of course is, that this risk is inherent in all in-depth interviews. Also, the fact that being seen as knowledgeable person / insider to FDI processes – rather than 'merely a PhD student' - was perceptibly making interviewees open up and allow for deeper insights. Again, this is something which only came about by engaging in some sort of dialogue. With carefully seeking to avoid taking a position, and keeping the two-way element of the conversation as open and multidirectional as possible, I worked hard not to

colour the interview statements, but only try to extract as many claims, albeit sometimes contradictory, as possible.

Furthermore, the choice of research design means that certain outcomes are possible, while others are not, especially in terms of the heterogeneity of FDI situations and the implications flowing from these. It has to be kept in mind that this study is merely describing the underlying dynamics, the perspectives of some of the actors and the rationale for their decisions. It is not proving causal relationships. To do so, quantitative measures would – despite all the outlined short-comings and difficulties – need to be employed. In that regard, this research should be seen as a first step, building the foundations of a new and deeper understanding of the liabilities felt by managers and how they influence FDI processes. Exploratory studies are limited in their breadth and are unsuited to cover the wide range of applicable countries, IPAs, managers, firms, industries and investment types – all of which having a significant impact on the FDI-project and decision-making.

In terms of the extreme heterogeneity, the obvious down-side is the resulting difficulty to generalize. What might be crucially important for one manager, may be completely irrelevant to another. Nevertheless, generalisability is an important consideration for academic work. With regards to the possibility of the generalisability of my findings, I would argue that – as pointed out by Kakabadse, Kakabadse & Kouzmin (2002 – p. 106): “On the other hand, social researchers can never guarantee that they have arrived at a ‘true’ statement. Most conclusions in management and social research remain provisional as researchers rarely reach results due to human value choices, norms and institutions, work and traditions, language, thought and communication – all contextual” This corresponds to the observation of Aarikka-Stenroos & Jaakkola, (2012 – p. 23) after gathering extensive data from a range of industries: “The findings are in all probably generalizable [...] We believe that analogous implications could exist for any industry with knowledge intensive customized offerings including unstructured decision and production processes”. That is to say both expecting results to hold a degree of generalisability, although formulating it with extensive caveats, based on the nature of social science primary research characteristics.

One further limitation of this research piece results from the scoping decisions in the initial research design. By focussing this study exclusively on full-control greenfield-projects, managerial liabilities of managers in foreign merger and acquisition projects or joint ventures remain un-researched. The same holds true for FDI related development projects by International Organisations (such as World Bank, IFC), often known as bankable projects. While also foreign direct investment projects in the wider sense, they operate on entirely different principle and are not covered by this research. Either of these constitute large fields of inquiry, both of which warranting a PhD in their own right.

Finally, one potential weakness tied to the overall state of IPA-research is that we are only at the very beginning of understanding this field. Even IPAs themselves mostly lack a robust body of knowledge about many of the dynamics underpinning FDI-promotion, - decisions and -incentives. This is also highlighted in the apparent lack of After-Care structures despite most IPAs anecdotally relating the insight that more than half of all investments stem from investors already in the country. This makes researching the field immensely difficult – in terms of literature to base one's own research on, as well as the general level of sophistication in the field. On the other hand, it clearly signifies a gap and makes these insights all the more important, especially given the large sums that are spent on investment promotion and incentives around the world.

8.3.2. Future research directions

Given these limitations, and the relevance and potential of this topic, future research fields open up in the following areas:

8.3.2.1. Additional research on IPAs

Especially with a view to the extreme heterogeneity of IPAs and the limited extant body of knowledge, additional research on IPAs is clearly needed. Very little is known to date in a comparative sense how organizational structures of IPAs or strategies of investment promotion

/ facilitation impact on their success rate in attracting foreign direct investment, how many IPAs chose one structure over another or how organizational changes impacted on IPA performance.

8.3.2.2. Other FDI-facilitating support structures?

While there is a broad range of structures to support managers in overcoming or mitigating their managerial liabilities when investing in foreign markets (IPAs, SEZs, EOUs, Chambers, private-sector firms), I have limited the remit of this PhD exclusively to looking at the activities of IPAs. This is mainly for practicability reasons, as I needed to define a bounded area of research. Arguably, SEZ or Chambers would prove to be equally interesting areas of research, as would be a comparative research piece between these structures.

8.3.2.3. The role of After-Care?

Operationally the field of After-Care provides an important topic for IPAs and their service-offering. It however also constitutes an important field of future research. How could investors already in the country be better accessed and encouraged? On a conceptual level, we have the notion of dynamic-LOF which suggests that investors in the country gradually lower their LOF and LOO. After-Care and the context within which it is operating is an ideal environment to see if managers do become insiders over time. Indeed, it could also be posited that IPAs that break contact too quickly operate under the assumption that insidership is achieved more quickly than it apparently is. This is indicated by Johanson & Vahlne (2009 – p. 1.414): “it takes time - some data indicate as long as 5 years - and managerial effort to create working relationships” – an insight not taken heed of by IPAs it seems.

8.3.2.4. Interconnectedness of factors

Heterogeneity makes researching FDI decision-making difficult. One such example illustrating this, would be the insights of Bartels & de Crombrugghe (2009) that business-decisions often result from changing

global or regional developments. This inter-connectedness and second-order effects have not really been looked at. This is frustrating as one of the key-insights of this PhD is that corporate managers see FDI-decision as a weighing off of multiple objectives, trying to achieve the maximum overall outcome, where they seek to optimize several aspects rather than only one local maxima. If ever we aim to get these issues captured in a quantitative model, we first of all need to deepen our understanding of what drives corporate managers in this regard.

8.3.2.5. Quantitative approaches of IPA usage

One could argue that one of the weaknesses of this PhD, is the anecdotal nature of its approach. I would counter that this was necessary at this stage to lay the ground-work, but concur that in order to further develop the field and to deepen our understanding of the usage patterns of IPAs, a large-N research piece systematically assessing how many corporate managers use IPAs, of what sub-groups they stem from, why they use them (firm-size, experience, nationality), how IPAs succeed in helping them etc. might enhance our understanding at a latter point.

8.3.2.6. Longitudinal coverage of the subject

Having discovered the gradual change of the types (and depths) of questions asked by managers over time, it would seem valuable to conduct a dedicated longitudinal study to confirm any such model in the sense of the change of questions and the shifting levels of interest, in order to strengthen our understanding of the dynamic aspect of LOF, LOO and LOP.

8.3.2.7. Heterogeneity – how to increase the robustness of outcomes

As highlighted in the Limitations section, this PhD is exploratory in its approach. While I manage to paint a picture of the situation, and started to get into the mind-set of managers, to explain their rationale for FDI-

decisions, this PhD can only be a first sketch of a multifaceted and detailed picture. And while managerial perceptions are nearly impossible to model and even harder to capture, there is a place for outcome-related quantitative studies seeking to verify studies of this kind, which start breaking new ground. In that regard, I imagine this PhD to be one initial step towards a more nuanced discussion of managerial problems and LOF-perceptions by conceptually challenging the current notion of a monolithic LOF.

Quantitative research might add puzzle-pieces by highlighting the influence of difference parameters such as prior experience of managers, different industries or sectors, and firm-sizes. While I have heard in interviews that managers in manufacturing firms worry about electricity link-ups and road-access to their plot of land and managers of service firms are more concerned about qualified labour, and while I can speculate that a manager working for a Tier-2 company in the automotive industry would probably worry less about finding customers than a manufacturer of building materials, it is always only a narrow sub-segment that such qualitative discussions can cover. In conjunction with qualitative research, quantitative studies might provide additional insights into the breadths of factors we are dealing with here.

8.3.2.8. The need for more ‘Manager-level’ research

The question “How do the senior decision-makers within a multinational enterprise (MNE) think through and determine an internationalization decision?” [Maitland & Sammartino (2015 – p. 733)], or phrased more generally, how managers perceive situations in internationalization processes (and hence act the way they do), has hardly ever been discussed in IB literature. While there is a sizeable body of literature looking “at” managers [see Upper Echelons Theory by Hambrick & Mason, 1984, or discussions of Top Management Team compositions (e.g. Nielsen & Nielsen, 2013)] we have very little research looking at IB questions “through the eyes of” managers. Despite this having been observed repeatedly (see Hutzschenreuther et al. (2007 – p. 1,058)

“Managerial intentionality (MI) may not only be the most differentiating, but also the most neglected factor that influences internationalization” or Buckley, Devinney & Louviere even dedicating an entire paper in 2007 to this topic “Do managers behave the way theory suggests? A choice-theoretic examination of foreign direct investment location decision making”) still little research has been conducted along those lines. Arguably on account of a whole number of reasons. Hutzschenreuter et al. (2007 – p. 1,059) observed, this “seemingly chaotic trial-and-error processes require a de novo examination of whether and how managerial intentionality matters in the process of internationalization”.

To see the world “through the eyes of managers”, one needs to engage in qualitative research, questioning managers and understanding their rationale and perspective. Qualitative research does however lack scientific credentials and only has “a marginal presence” (Welch & Piekkari, 2017 – p. 716) in academic literature, and in particular top-academic journals. “In a doctoral consortium held in 2004, Lorraine Eden (2004) (later a JIBS editor-in-chief) provided an honest assessment of the state of play. One of the top ten “don’ts” she shared with participants on getting published was doing a case study, which she described as “a “red flag” – hard to get published in most top journals” (Welch & Piekkari, 2017 – p. 716). In quantitative research, researchers can often fall back on relatively conveniently accessible data (BOP-data, firm-level data in Orbis, etc.) and quantitative research being considered rigorous and robust, there is widespread “scepticism towards qualitative research” with manager “reviewers rejecting a study simply because it used a qualitative approach” (Ibid). Given that we are lacking the important 'human factor' and the insight that managers do not act on strictly rational lines of thinking, (Buckley et al., 2007) I decided to run the risk of engaging in a qualitative research piece and seek to explore in particular these aspects.

In conclusion I think it is fair to say that at the moment our extant body of knowledge about this field is primarily characterized by the degree of not-knowing (a situation of unknown-unknowns) which even precludes us to a large extent from formulating the right questions, let alone build models for this. But given its point of intersection between the key themes of IB – LOF, FDI and managerial decision-making, an insight into whether IPAs manage to reduce managerial-liabilities and thereby succeed in influencing managerial decisions is of paramount importance for the field.

I hope that I have provided one piece to the big puzzle of understanding this important area of IB.

Appendix A -

Overview of extant Literature on LOF / PD

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
Acad	Li & Guisinger (1991)	Journal of International Business Studies	Comparative Business Failures of Foreign-Controlled Firms in the United States	- Terms: Liability of Newness and Cultural Distance – no definition - compare business failures of foreign- vs domestically owned role of entry mode in failures	- Failure of firms - organisat. suffers LoN		Dunning's Ownership advantages		X	1,470 non-financial firms under bankruptcy, 94 of which w. foreign-owned	Exit as indication of LOF / PD proxy argument
Acad	Zaheer (1995)	The Academy of Management Journal	Overcoming the Liability of Foreignness	- Liability of foreignness = the cost of doing business abroad results in competitive disadvantage" - Looks at whether firms face LOF and how to overcome it	- MNCs Sub-Units try to overcome LOF		- International Institution theory - LOF (Hymer, Kindleberger)		X	- exploratory study, observations & interviews; followed by 2 surveys - Regression analysis	Weakness: small sample
Acad	O'Grady & Lane, (1996)	Journal of International Business Studies	The Psychic Distance Paradox	- PD = factors preventing or disturbing the flow of information between suppliers & customer - operations in psychically close countries are not necessarily easy to manage		managers have greatly under-estimated the difficulty	- Psychic distance theory / Hofstede - Uppsala theory		X	(1) Qual. Research via literature review & case studies (10) (2) Survey 369 Canadian & 338 US managers	- different values in "proximate" countries (US / Can) - intra-Canadian differences (French / English-speaking)
Acad	Zaheer & Mosakowski (1997)	Strategic Management Journal	The Dynamics of the Liability of Foreignness: A Global Study of Survival in Financial Services	develop hypotheses on the consequences of firm-level competitive advantage on LOF over time	tests whether foreign firms face systematic LOF		- early LOF theory (Hymer, Kindel.) - Dunning - Uppsala		X	sample of 2667 market-making trading rooms in 47 countries worldwide	find LOF changes over time
Acad	Morosini, Scott, & Harbir, (1998)	International Business Studies	National Cultural Distance and Cross-Border Acquisition Performance	- National cultural distance = the degree to which the cultural norms in one country are different from those in another. - positive association between national cultural distance and cross-border acquisition perform	Firms are unable to develop certain routines.	Write about interviewing managers, but relate most theory to the firm	Cultural Distance (Kogut & Singh)	X	X	- Questionnaire was sent to 400 companies (cross-border acquisition in Italy - 1987 and 1992); 64 responded but only 52 could be used.	Interesting observation by a research piece that started out as quantitative in nature that interviews need to gain understanding and context
Acad	Lu & Beamish, (2001)	Strategic Management Journal	The Internationalization and Performance of SMEs	LOF = global entrepreneur may incur higher costs than local (host country) competition	that the knowledge and	managers in SMEs should focus on learning	early liability of foreignness theory (Hymer, 1976)		X	sample of 164 Japanese SMEs listed on the Tokyo stock exchange that had fewer than 500	positive impact of internationalization on performance primarily

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
				discusses the effects of internationalization on strategy of SMEs / firm performance	capabilities that an SME	from early experience	Dunning			employees. (but from 19 different industries)	stems from the extent of a firm's FDI activity
Acad	Zaheer (2002)	Journal of International Management	The liability of foreignness, redux: a commentary	is cost of doing business abroad (CDBA) concept similar / the same as LOF?	n/a	n/a	- Cultural Distance - Early LOF theory	n/a		Article is an intro / commentary on a series of articles for a special edition of the Journal of International Management on Liability of Foreignness	
Acad	Evans & Mavondo (2002)	Journal of International Business Studies	Psychic Distance and Organizational Performance: An Empirical Examination of International Retailing Operations	- PD definition changed – from factors preventing flow of information to factors preventing firm's learning. - broaden conceptualization / operationalization of PD	firms perceive a market / firms undertake research	A few mentioning's of "Managers may identify a market as close"	- Johanson & Vahlne's on internat. And psychic distance - PD paradox			- Sample = randomly selected food retailers - Questionnaire distributed to senior executives	PD is a summary construct which explains the variance in financial performance ; disaggregation increases explanatory power
Acad	Sethi & Guisinger (2002)	Journal of International Management	Liability of foreignness to competitive advantage: How MNEs cope with the international business environment	- LOF = cost of doing business abroad - extant research conceives LOF in foreign subsidiary–local firm dyad = too static and constricted	LOF is the aggregated effect of the firm's interaction	<i>Occasionally mentions managers in passing</i>	Hymer	X		Descriptive / conceptual with examples illustrating points (US firm in Sweden, LOF when investing in Norway)	Also discuss Liability of Newness versus Liability of Foreignness
Acad	Hennart, Roehl & Zeng (2002)	Journal of International Management	Do exits proxy a liability of foreignness? The case of Japanese exits from the US	- LOF = foreign firms in a foreign country face additional costs compared to local competitors - investigates whether exits are a reliable measure of LOF	foreign firms do face LOF		theory of the MNC / Hymer's initial LOF idea	X		Descriptive / case study like = 32 exits of Japanese manufacturing firms from the US	In less 50% of cases exit attributable to LOF
Acad	Calhoun (2002)	Journal of International Management	Unpacking LOF: identifying culturally driven external and internal sources of liability for the foreign subsidiary	- LOF = all additional costs for the foreign entrant - Some costs are clear, others cannot be objectively quantified (problem of measurement)	a source of liability for the foreign firm		- Hymer & Kindleberger - LOF theory - Transaction cost - Dunning Eclectic Paradigm	X		Conceptual, drawing very much on previous research	- Focusses heavily on the topic of corruption - inability to describe and measure LOF presents problems"
Acad	Luo, Shenkar & Nyaw (2002)	Journal of International Management	Mitigating liabilities of foreignness: Defensive versus offensive approaches	- LOF = extra costs incurred by a company entering foreign market which local firm would not incur - proposes mechanisms to overcome LOF	MNEs venturing abroad suffer LOF	mention managers in discussing counter-measures	primarily descriptive elements		X	- Data, questionnaire sent to Sen. financial managers of MNE subsidiaries in China - Regression analysis	•
Acad	Miller & Richards (2002)	Journal of International Management	Liability of foreignness and membership in a regional economic	- LOF = differential treatment by host governments, consumers .. - examine the performance of foreign vs. domestic firms as	"...to overcome LOF [...]"		- Theories of the MNE - Hymer and Kindleberger		X	Financial data for 957 banks (700 are host country banks and 257	- find evidence of LOF for foreign banks in EU - find foreign banks can overcome LOF

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
			group: Analysis of the European Union	evidence of a LOF (foreign firms underperforming domestic f.) evidence LOF can be overcome	MNEs need to..		LOF research			- are foreign) data - Fitch - IBCA BankScope database - relative efficiency of firm computed	
Acad	Petersen & Pedersen (2002)	Journal of International Management	Coping with liability of foreignness: Different learning engagements of entrant firms	- LOF = composed of different barriers; these are susceptible to management control - previous research focussed on how firms create FSA to offset LOF; this research focuses on how firms reduce their LOF		consequence of managerial discretion ..	- Hymer & Kindleberger - LOF theory - Uppsala theory	X	X	- Conceptual model how learning influences LOF - data = mail survey - companies with more than 20 staff & internat. Operations - total sample of 494 companies	LOF will decline over time
Acad	Mezias (2002)	Strategic Management Journal	Identifying Liabilities of Foreignness and Strategies to Minimize their Effects: The Case of Labour Lawsuit Judgements in the United States	- LOF is largely a knowledge deficit with respect to understanding legal and cultural norms - study indicates that foreign subsidiaries face more labour lawsuit judgments in the US - confirming LOF for foreign firms	foreign firms face disadvant. /experience more LOF	But mentions managers a great in discussing how to deal with this	Hymer and Kindleberger LOF theory		X	486 British, German, and Japanese subsidiaries in the U.S. - Regression analysis	Not only looks at understanding LOF but also how to deal with it – here managers are presented as key actors
Acad	Mata & Portugal (2002)	Strategic Management Journal	The Survival of New Domestic and Foreign-Owned Firms	- Touches on LON and LOF - compares survival of domestic and foreign-owned firms. Determinants are ownership advantages, growth strategies, size & industry characteristics	Very strongly focussed on the firm		- LOF theory - resource based view - ownership advantages		X	authors follow set of firms created in Portugal between 1983-89	Foreign and domestic firms differ widely (size, legal structures, industries) – hence other influencing factors
Acad	Kwon & Hu (2004)	Journal of Global Marketing	Influences of Liabilities of Foreignness on Firm's Choice of Internationalization Process	Local firms have better access to information about economy, culture, etc., than their foreign competitors. Thus, foreign investors incur higher operating expenses = lower profits	firms choose pattern of internationalization / firms incur LOF		- Hymer and Kindleberger - LOF theory Internationalisation Theory - Transaction cost		X	sample of 112 Korean multinationals (questionnaire)	this study takes no cognizance of internal factors of the firms in question
Acad	Dow & Karunaratna, (2006)	Journal of International Business	Developing a multidimensional instrument to measure psychic distance stimuli	the paper develops and tests a range of potential distance stimuli (culture, language, religion, education and political systems)		Within which managers form their perceptions	- early LOF / PD research (up to Hofstede) - Uppsala		X	A multiple regression model developed on a set of 627 country pairs randomly selected from a population of 1.303	
Acad	Chen (2006)	Journal of Business Research	Liability of foreignness and entry mode	liability of foreignness arises fr. geographic & psychic distance	Very strongly		Hymer's and Kindlebergers early ideas	X		Three in-depth case studies of Taiwanese	

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
			choice: Taiwanese firms in Europe	examine Taiwanese firms in Europe with linkages to local resources being the LOF	focussed on the firm		Firm-specific advantages			firms investing in Germany or the UK	
Acad	Sousa & Bradley, (2006)	Journal of International Marketing,	Cultural Distance and Psychic Distance: Two Peas in a Pod?	- PD is a concept measuring an individual's perceptions and should thus be conducted on an individual level - CD is defined as the degree to which cultural values are different and should be measures in a country basis		For PD aspect – values can only be derived on individual basis	- Cultural / psychic distance literature "classics" such as Hofstede, Schwartz or Kogut & Singh			- Data = questionnaire with 301 out of 874 responses - Psychic distance measure – to what degree is Portugal different from other countries + - Regression analysis	Values are based on only one country (possible country specific effects)
Acad	Drogendijk & Slangen, (2006)	International Business Review	Hofstede, Schwartz, or managerial perceptions? The effects of different cultural distance measures on establishment mode choices by multinational enterprises	- CD = defined as the extent to which the shared norms and values in one country differ from those in another - examine & compare the effects of 5 cultural distance measures on the choice by MNEs	MNEs has experience with establishment mode/MNEs obtains tacit knowledge		Classical cultural index research - Hofstede, 2001; Kogut & Singh, 1988		X	- Data = secondary source and mail survey of senior managers of 821 - Of 246 expansions—127 greenfields - 119 acquisitions	
Acad	Cuervo-Cazurra, Maloney & Manrakhan (2007)	Journal of International Business	Causes of the difficulties in internationalization	- LOF, of Newness & of Expansion - study the causes of difficulties of firms internationalizing		managers at HQ lacked internat. experience	- Resource-based view - Firm-specific advantages	X		Highly conceptual - theoretical article with a few example to illustrate points	
Acad	Hosseini, (2008)	The Journal of Socio-Economics	Psychic distance, PD paradox and behavioural economics:	behavioural economics have a great deal of relevance to FDI and can describe the concepts of PD and the PD paradox		very much perspective of manager	- Uppsala theory - Psychic distance paradox	X	X	Conceptual in nature – but tries to explain his argument couched in the langue / concepts of quants	
Acad	Elango (2009)	Journal of World Business	Minimizing effects of 'liability of foreignness': Response strategies of foreign firms in the United States	- LOF = "additional costs a firm operating in a market overseas incurs that local firm would not" - understand strategies foreign firms use to cope with LOF - foreign firms under-perform domestic firms	foreign firms will undertake strategic postures...	Chapter managerial implications / managers seeking to reduce LOF	- Hymer & Kindleberger - recent LOF theory (Mezias, Zaheer, etc.)		X	sample of 3861 foreign firms in the U.S. / regression model	weakness - one industry / one country – generalizability ?
Acad	Johanson & Vahlne, (2009)	Journal of International Business Studies	The Uppsala internationalization process model revisited: From liability	Outsidership, of networks, rather than PD is the cause of uncertainty	Strong on 'the firm' but, ...	.. recognize managerial decision	- mostly their earlier resrarch - partly RBV / OLI	X		general conceptual description, making reference to existing literature	

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
			of Foreignness to Liability of Outsidership	Emphasizing the importance of knowledge and networks		playing a role					
Acad	Kronborg & Thomsen (2009)	Strategic Mgmtent Journal	Foreign Ownership and long-term Survival	- MNCs in a foreign country incur addit. costs (lack knowledge of business conditions & policy discrimination) - examines the survival rate of foreign firms; survival rates change over time (declining LOF)	Written very much from a firm-based perspective		- Hymer & Kindleberger - LOF theory - Theory of MNC		X	data of foreign owned firms in Denmark over a 110-year period (1895 – 2005) / matched domestic c sample	- domestically owned companies have a two times higher exit risk. - foreign survival rate declined over time
Acad	Barnard (2010)	Journal of International Mgmtent	Overcoming the liability of foreignness without strong firm capabilities — the value of market-based resources	- LOF —the costs of doing business abroad - how do firms with inappropriate capabilities overcome LOF (esp. emerging market MNCs in high regulation host countries?)	firms suffer from a liability of foreignness		- Hymer & Kindleberger - LOF theory - Resource-based view - Transaction cost		X	quantitative data through mail survey of emerging multinationals in the US – weakness – very low response rate / bias through non-response	LOF = different; emerging market MNCs struggle with compliance requ.; developed country MNCs - difficulty with lack of infrastructure
Acad	Nachum (2010)	Journal of Mgmtent	When Is Foreignness an Asset or a Liability? Explaining the Performance Differential Between Foreign and Local Firms	- assets / liabilities that distinguish foreign & local firms can be a net asset or a net liability - LOF isn't always the same - foreign firms in big cities do not experience additional costs associated with LOF	Views the topic very much through the lens of “the firm”		theory of MNE (Caves, Hymer).		X	- qualitative interviews (understanding) - Quantitative data - matched samples of foreign / local firms in London;	- seek to isolate the impact of foreignness - Weakness - sample bias of “surviving firms only”
Acad	Hakanson & Ambos (2010)	Journal of International Mgmtent	The antecedents of psychic distance	- PD is seen as close relative to CD - investigates potential drivers of psychic distances to foreign countries - Assess PD of 25 countries		managerial perceptions of foreign countries..	- Psychic distance & cultural distance theory - Uppsala theory		X	1608 responses to an Internet based questionnaire using a ranking procedure	- throws into doubt use of CD as proxy for PD - Talk a lot about managers perceptions / managers decisions
Acad	Hutzschenreuter Voll & Verbeke (2011)	Journal of Mgmtent Studies,	The Impact of Added Cultural Distance and Cultural Diversity on International Expansion Patterns	Some MNEs internationalize at a stable rate, others rapidly & then slow down. The article assumes this to be on account of the Penrose effect		Look a lot at managerial resources & constraints	- Cultural Distance - Penrose		X	- longitudinal data on the expansion of German MNEs; - panel of 91 firms listed in the HDAX 1985 to 2004	x
Acad	Denk, Kaufmann & Roesch, (2012)	Journal of International Mgmtent	Liabilities of Foreignness Revisited: A Review of Contemporary Studies & Recommendations for Future Research	drivers of LOF unfamiliarity / discrimination / relational hazards	Relatively strong on the firm but, ...	..recognizes that managers play a role	- overview of LOF lit - Institutional th. - Resources based view	X		Literature review of top IB and gen. Management Journals – 27 papers	There are prevailing shortcomings in LOF research (e.g. limited understanding how LOF affects MNCs;

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
Acad	Asmussen & Goerzen (2013)	Global Strategy Journal	Unpacking Dimensions of Foreignness: Firm Specific Capabilities and International Dispersion in Regional, Cultural & Institutional Space	- Cultural outsidership / institutional outsidership and regional outsidership - Argues we need 3 additional levels of looking at LOF: Inter-regional LOF, Intercultural LOF, Interinstitutional LOF.	firms make a variety of location choices / LoF faced by a firm.	<i>Occasionally mentions managers in passing</i>	- Literature on global strategy / global firm - Theory of the MNE - LOF theory		X	survey of the subsidiaries of Japanese corporations listed on the Tokyo stock exchange	Three concepts are uncertainty, discrimination and complexity
Acad	Moeller, Harvey, Griffith, & Richey (2013)	International Business Review	The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: An examination of the 'liability-of-foreignness'	- LOF is the cost of doing business abroad; result in competitive disadvantage for an MNC subunit....broadly defined as all additional costs a firm operating in a market overseas incurs that a local firm would not incur - Looks at country-of-origin effect	Very specifically the LOF of organizat. (even several headings in the article)		- Extensive discussion of LOF theory - Stakeholder theory - Literature on country-of-origin COO	X		Highly conceptual drawing on different strands of theories	
Acad	Qian, Li & Rugman, (2013)	Journal of International Business Studies	Liability of country foreignness and liability of regional foreignness: Their effects on geographic diversification and firm performance	- Liability of country foreignness and Liability of regional foreignness (NAFTA, EU, ASEAN) - Managers have to estimate the costs of doing business within and across regions before they make internatdecisions;		..it depends largely on experience & capabilities of firm's managers	Late LOF research (Zaheer 1995, 2002)		X	- Data = 167 Canadian manufacturing firms, operating in at least 6 countries - Prior to regression model case study to verify	Looks especially at the influences and potential inter-connection of LCF and LRF
Acad	Hutzschenreuter Kleindienst, Lange, (2014)	Journal of International Magement	Added Psychic Distance Stimuli and MNE Performance Performance Effects of Added Cultural, Governance, Geographic, and Economic Distance in MNEs' Expansion	- distance refers to the inverse of the degree of closeness between two entities with regard to one or several dimensions - question the unconditioned argument that distance increases complexity and seek to explore specific types of distance		a manager's perception of psychic distance will influence his or her choices	- Uppsala theory - Psychic/cultural distance theory		X	panel dataset of 91 German MNEs	generalizability of the findings may be limited due to the nature of our sample (large publicly-owned German MNEs)
Acad	Magnusson, Schuster, Taras, (2014)	Magement International Review	A Process-Based Explanation of the Psychic Distance Paradox: Evidence from Global Virtual Teams	- PD = individual's perception of the differences between home country & foreign country - Studies the effect of team-level PD on global teams - Integrates PD lit. & lit on team diversity & performance		even if firm is unit of analysis, it is m.gement team that takes the decisions	- Uppsala theory - Kogut and Singh /Hofstede - PD = managers' perceptions (Evans & Mavondo, 2002)		X	A total of 1,006 students studying in 20 different countries	Weakness: responses from students rather than operative managers. Value of the study might be debatable

Source	Author	Journal	Title	LOF/PD Definition	LOF / PD firm	LOF / PD manager	Theories used	Qual	Quant	Methodology	other considerations
Acad	Zhou & Guillen (2015)	Strategic M.gement Journal	From Home Country to Home Base: A Dynamic Approach to the Liability of Foreignness	- Dynamic LOF: = dynamic distance between the home base and the host country, which changes as the firm expands internationally - Dynamic aspect (learning / overcoming LOF based previous internat. experience)	the firm has accumulated operational experience		- Resource based view - Learning theory - Institutional theory - Vernon's product cycle theory		X	- sample of 1,935 firms - Reviewed annual reports of these firms for data - Calculate time-weighted average distance - Models based time of activity in country	- firms are exposed to LOF in different ways depending on the size and diversity of their global footprint - Weakness – sample from only one home country (China)
Acad	Lopez-Duarte, Vidal-Suarez & Gonzalez-Diaz, (2015),	International Journal of M.gement Reviews	International Business and National Culture: A Literature Review and Research Agenda	Literature review (top journals) of National Culture / Psychic Distance on Internationalization		analyse the impact of managers' / influences managerial decisions	- Established a taxonomy of research - Echelon theory - All LOF theory - FDI / MNC	X		Broad lit review – no empirical samples or research	Focusses on the managerial aspect in previous research and the role managers can play
Acad	Popli, Akbar, Kumar & Gaur (2016)	Journal of World Business	Reconceptualising cultural distance: The role of cultural experience reserve in cross-border acquisitions	- objective measures of cultural distance must include the perception of managers - study looks at how cultural differences influence deal abandonment in cross-border acquisitions	Still argues very firm centric but...	Place more importance on the internat. experience of manager	- Cultural distance / LOF theory - Organizational learning theory - Cultural friction perspective		X	use cross-border M&A data of Indian firms checking how many cross-border deal attempts have been abandoned (approx. 25%)	High-light the criticism of cultural distance (Shenkar, 2001; Tung & Verbeke, 2010).
Acad	Hutzschenreuter Kleindienst & Lange, (2016)	International Journal of M.gement Reviews	The Concept of Distance in International Business Research: A Review and Research Agenda	- distance = refers to the extent of differences between country pairs. Underlying assumption is - these differences prevent / disturb the flows of information between firm & market - effects of distance arising from country differences	firms' market selection / firms' entry mode choice	greater distance encourages managers to learn / managers are often risk averse	- Cultural dist. (Hofstede, Kogut & Singh) - Entry mode studies - LOF/PD studies)	X		- Literature review of existing Lit & framing of future research questions - Limited to 23 top-tier journals	Distance "dimensions" = cultural, institutional, geographic, economic, psychic and other distances
Acad	Gorostidi-Martinez. & Zhao, (2017)	Journal of Advances in Management Research	Strategies to avoid liability of foreignness when entering a new market								

Appendix B

Overview of extant Literature on IPAs

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
IO	Wells & Wint (1990)	MIGA	Marketing a country: promotion as a tool for attracting foreign investment	Image building, investment generating, & investment services (pre-investment decision, post-investment service)	Positive - Found that investment promotion is significantly correlated with the level of FDI per capita	Looks at managers and their role in this game	Establishes the Wells & Wint framework (at this point only the 3 stages, without Policy Advocacy)	X	X	Highly descriptive: small quantitative part; Regression analysis to test whether existence of IPA has affected FDI inflows	Find there is a positive relationship between IPA's existence and FDI inflows
IO	Wells & Wint (1991)	MIGA	Facilitating foreign investment	Still in screening & monitoring world-view of FDI; first aspects of investor support	Positive with focus on best practice such as one-stop-shop	No	little or no theory	X		survey / case study of existing IPAs	Very conceptual outlining possible options
Acad	Woodward (1992)	Southern Economic Journal	Locational Determinants of Japanese Manufacturing Start-ups in the United States	State investment promotion offices opened in Japan are positively correlated with investment	Positive - finds that the presence of State IPAs in Japan is positively correlated with investment flows	No 1 mentioning but no conclusions or other remarks	Statistical model, little or no theory		X	- investigation using data on Japanese investment into US States 540 new projects (1980 -1989)	Feels dated; talks about the drying up of loans in the 80s: most of the structures don't exist anymore
Acad	Wint (1992)	International Journal of Public Sector Management	Public Marketing of Foreign Investment: Successful International Offices Stand Alone	Investment Promotion represents those efforts to communicate to foreign investors the nature of the countries investment climate and persuade & assist them to invest	Positive : "Eleven of the 50 managers I interviewed indicated that the promotional activities had a significant impact on their investment decision"	interviewed 30 managers + data about promotion activities from IPAs	Briefly touches on Well & Wint; other than that descriptive with a focus on structure of foreign presence	X		Case study analysis through interviews with 11 IPAs (Britain, Canada, Ireland, Scotland, Singapore, Costa Rica, Jamaica, Malaysia, Thailand, Dom. Rep. Indonesia)	The stand-alone office / overseas network type is more successful in promoting investment
IO	Wint (1993)	Transnational Corporations	Promoting transnational investment: organising to service approved investors	Looks primarily at how government provide "after sales" or "post-approval services"; question of After-Care / Facilitation arises	No specific stamen about negative or positive; but given the tone of voice it just presupposes that IPAs work	Never talks about managers	No theory; just descriptive paper looking at After-Care services	X		Case study analysis through interviewing government officials	The most effective post-approval services are provided by strong invest. Authorities → feels very dated

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
Acad.	Kotabe (1993)	Journal of Business Research	The Promotional Roles of the State Government and Japanese Manufacturing Direct Investment in the United States	Seems to reduce investment promotion very much to incentives	Negative - The very activities designed to attract Japanese FDI may not be effective at all	No mentioning of managers	Briefly considers other locational factors and agglomeration effects of keitretsu; then regression analysis based on data		X	3 regression models to show the effectiveness of various forms of investment inducement - Data is based on stats of Japan Economic Institute and US. Bureau of Census	state government's export promotional activities are effective, investment promotion is not
IO	Young & Hood (1994)	Transnational Corporations	Designing developmental After-Care programmes for foreign direct investors in the European Union	So far, After-Care is neglected by IPAs. Seeks to propose a framework to establish, organize & evaluate After-Care	No specific statement about negative or positive; but given the tone of voice it just presupposes that IPAs work	Managers are never mentioned	Highly conceptual article; no theory			Conceptual contribution, therefore no data, model or the like	Despite its age, article still feels fresh and relevant today
Acad	Young, Hood & Wilson (1994)	European Urban and Regional Studies	Targeting policy as a competitive strategy for European inward investment agencies	Tasks: Policy formulation, invest. approval, incentives, assistance & After-Care	Negative – targeting of IPAs is insufficiently precise to ensure good results	Tangentially discusses m. (managers change firms frequently)	Tour d'horizon of research to date as background read – no specific framework	X		Descriptive; seeks to improve IPAs targeting via techniques in Marketing; applying rankings to segments	The policy-advisor function is most important among IPA roles
Acad	Mariotti & Piscitello (1995)	Journal of International Business Studies	Information Costs and Location of FDIs within the Host Country: Empirical Evidence from Italy	Doesn't talk directly about IPAs, but about information costs and their impact on location decisions	n/a	Mention managers in passing; no analysis on manager level	Dunning's 'eclectic theory' 1980,93 Theory of industrial location Economic theory of information cost		X	Cross-region multiple regression analysis based on data of cross-border take-overs of Italian firms 1986-91	Despite not addressing IPAs specifically the information provision task of IPAs is described
IO	UNCTAD (1997)	UNCTAD	Survey of Best Practices in Investment Promotion	Structured on Wells & Wints, Image building, Investment Generation, Facilitation...First research that looks at hassle costs	Positive / takes IPAs as a given: less an analysis if good or bad, but more an exploration how they can become better / more efficient	research direction = managers concerns	Based on Wells & Wint – other than that no theory = descriptive / "how-to" guidance docs on policy	X		Born out of a meeting of IPA officials and followed up by a questionnaire of UNCTAD State IPAs	Probably the first research / study that looks into best practises / operational processes
Acad.	Brossard (1998)	Management International Review	Importance of Organizations for Investment Promotion during an Investment	objective of IPAs: prospect international markets, market the location, attract foreign investors, and help them to make their	Positive – found high importance being attached to information services Effectiveness of IPAs is	Managers are mentioned several times as influence	Established their own framework in the interviews and tested this via the questionnaire – no	X	X	10 In-depth interviews with investors, 18 with IPAs and 3 consultants & 197 questionnaire Regression analysis on questionnaire answers to	Key tasks for IPAs - Reduce the level of uncertainty surrounding the investment decision process;

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
			DecisionProcess: An Exploratory Study	establishment in the region easier	deeply linked to the structure of the IPA		particular theory background			determine efficiency of IPAs	
IO	Spar (1998)	FIAS / World Bank	Attracting High Technology Investment Intel's Costa Rican Plant	Detailed description of the co-ordination and Facilitation tasks of CINDE (IPA)	Highly Positive: prime example how an IPA / government can turn the fortunes of a country around	Discusses also very much on the level of people	No theory being mentioned; strictly descriptive case study	X		Detailed case study and step by step description of the role of the IPA in attracting Intel	One of the few / only case study on the level of individuals
Acad.	Head, Ries & Swenson (1999)	Regional Science and Urban Economics	Attracting foreign manufacturing: Investment promotion and agglomeration	Effectiveness of US promotion with Japanese investors 1980-1992 IPA = Disseminating information/foreign offices	Negative: Unilateral stop of promotion = losing substantial amounts of FDI, but given all States match each other's promotion = insignificant effects	Managers play no role on their argument – purely financial model	Place great emphasis on importance of agglomeration		X	Regression analysis – based on data of 760 Japanese manufacturing firms	Foreign offices useful Other: • Agglomerat. • Incentives • Tax rates
Acad	Brown & Raines (2000)	Book chapter	The Changing nature of Foreign Investment Policy in Europe. From Promotion to Management	Explores the growing importance of regional vis-a-vis national IPAs; describes procedures and incentives as deciding aspects	Neutral: in principle IPAs appear positive, but depends very strongly on the IPA in question. (e.g. critical of NRW structure)	Managers are never mentioned	No theory references – purely descriptive piece	X		Purely descriptive article, using two regional-IPAs as case studies	feels dated , due to discussing policies of the 90s & describing IPAs no longer in existence
IO	McMenamin & Hill (2000)	UNECE	Survey of performance of investment promotion agencies	One of the earliest surveys of IPAs, charting the tasks, structures and issues of the first IPAs	Positive: seeks to paint an objective picture of IPAs, but has a positive attitude towards them	Purely looking at IPAs as entities	No theory – purely write up of survey results			Report written on the basis of a postal survey (in 1997) of 26 IPAs	Interesting as a benchmark / comparative to compare how IPAs developed
I.O.	Wells & Wint (2000)	FIAS	Marketing a country: promotion as a tool for attracting foreign investment	Framework of Wells & Wint (1990) – image building, investment generation and investor services - added the 4 th dimension “advocacy”	Positive - “an efficient investment promotion program can attract certain types of investors”		No specific theory is cited other than Wells & Wint framework for looking at IPAs	X	X	Highly descriptive in nature with a few minor regression models to test the effectiveness of IPA and investment promotion	Results of 1990s are reconfirmed, with minor adjustments
Acad.	Loewendahl (2001)	Transnational Corporations	A framework for FDI promotion	Tasks of IPA: Lead Generation, Facilitation and Investor Services - strong emphasis on	Positive - the article highlights the importance of	refers to project- or local-manager	No theory is cited – established a similar framework to Wells and Wint	X		Descriptive piece with case studies / vignettes to illustrate the relevance of	looks at incentives & the structure of IPAs After-Care should be key policy element

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
				Targeting / sector specific positioning	investment promotion for attracting FDI"	(8 times)				the structure of IPAs and incentives	
IO	UNCTAD (2001) - ASIT Advisory Studies	UNCTAD	The World Of Investment Promotion At A Glance: A Survey of Investment Promotion Practices	Comprehensive inventory of IPAs, their structures, budgets, foreign offices and techniques	Generally positive (increasingly sophisticated) but also pointing to operational weaknesses (lack of evaluation)	Managers are never mentioned	No theory is mentioned; only survey of the status quo	X		Partly descriptive piece; data is based on a survey of 123 IPAs in 109 countries	
Acad	Wint & Williams (2002)	International Journal of Public Sector Management	Attracting FDI to developing countries: A changing role for government?	Not mentioned directly, only conceptually referred to as "...investment policies, differentiated or divergent promotional programs..."	Neutral / negative - the more countries engage in investment promotion the more effectiveness decreases	Looks at governments not managers	Reference to OLI / eclectic paradigm		X	Regression analysis using interest rates, GNP p. capita, etc. / based on questionnaire sent to experts	"Quantitative analyses tend not to be the most effective was of assessing effectiveness of promotion"
I.O.	Kumar (2003)	Asia Pacific Development Journal	Changing role of the public sector in the promotion of foreign direct investment	Outlines sequential stages of FDI attraction (a) Liberalization, (b) actively market country, (c) target foreign investors and (d) promote invest	Positive - stating that merely opening the door isn't enough any longer	Partly takes managers into consideration	relies very heavily on IO sources; hardly any acad. theory mentioned – focuses on IO observation	X		Descriptive, outlining IO positions	Primarily write about FDI in general, crowding-in /-out effects, etc.
Acad	Fuller, Bennett & Ramsden (2003)	Environment & Planning	Organized for inward investment Development agencies, local government and firms in the inward investment process	compares & contrasts IPAs of England, Wales and Scotland – with a view to the impact structure has on promotion success	Positive: Inward Investment Promotion remains a central aspect of local economic development	Never mentions managers; research on national basis	No reference to theory; descriptive in nature – focusses strongly on IPA structure	X	X	Descriptive in nature; Stats only to describe observations	-
IO	Sader (2003)	FIAS	Do 'One-Stop' Shops Work	Discusses the merits of OSS (one-stop-shop) to help investors navigate the many permits	Neutral – less a discussion of IPAs as such, but more which structure might be most useful to investor		No theory	X		Analytical-descriptive of the situation of OSS, explaining why it rarely works; reference to EDB, IRD & MIDA	Due to internal turf wars and fear of other ministries OSS rarely possible
IO	Piontkivska & Segura (2003)	The Bleyzer Foundation Publication	Survey of International Foreign Investment Promotion Practices	Image building, investment generating, & investment services – create a positive image	Positive - IPA represent the nation and help to attract investment	Managers are not mentioned	Went & Wills framework	X		Descriptive with a small survey of IPAs in terms of their remit and services	Also talks about the importance of the structure of the IPA

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IO	UNIDO (2003)	UNIDO	Guidelines for Invest. Promotion Agencies: Foreign Direct Investment Flows Developing Countries	Handbook to describe the practical steps of investment promotion, organization of IPAs, developing a positive investment climate	Positive: FDI plays an important role in the economic development of countries and IPAs / investment promotion are the way to achieve	Described processes very much form a managers perspective	No direct mentioning of any theory; but partly structured along Wells&Wint			"how to do" handbook with practical trips to create and manage an IPA	Looked at today, it feels very outdated
IO	Morisset (2003)	World Bank Research	Does a country need a promotion agency to attract foreign direct investment?	Less a description of what ideally should be the remit (only in Annexe W&W) but looks at efficiency of IPA	Neutral - Investment promotion is effective in a country with good investment climate. With poor investment climate, promotion can be counterproductive	Managers do not play a role in their argument	Apart from the framework of Wells & Wint (1990) no other theory is cited		X	Survey data from 58 countries as basis for model to measure IPA effectiveness Model based on a range of assumptions	successful IPAs have access to political elite (president or prime minister) and links to private sector
Acad.	Rajan (2004)	Economic and Political Weekly	Measures to Attract FDI: Investment Promotion, Incentives and Policy Intervention	Well & Wint framework – Image Building & Investor Facilitation & Investment Generation & Policy Advocacy	Neutral / Positive – points to success stories such as Singapore, but only if IPAs manage to get operational level right	Managers are not discussed	No theory is cited – works within the framework of Wells & Wint (1990)	X		Descriptive piece; using Singapore as example to illustrate points.	Big focus of article also on incentives and their role in FDI attraction
IO	Morisset & Andrews-Johnson (2004)	FIAS	The Effectiveness of Promotion Agencies at Attracting Foreign Direct Investment	Analysis of effectiveness of IPAs on the basis of the Wells & Wint (1990) and especially the revision of (2001) framework (incl. Policy Advocacy)	Positive; highly positive relationship between resources spent on IPAs and FDI Promotion and FDI inflow	Tangentially discusses managers	Other than the Wells & Wint framework little theory – very much concerned with practical measures	X	X	Qualitative analysis backed up by models, based on data of a survey of 114 IPAs (response rate of 66%) – focusing on IPA resourcesf)	in-depth analysis of the efficiency of IPAs. Strong emphasis on the importance of Policy Advocacy
IO	Enderwick (2005)	Transnational Corporations	Attracting" desirable" FDI: theory and evidence	Focusses exclusively on "targeting" within the activities of IPAs	Neutral / Positive – while not focusing on the efficiency of IPAs positive tone prevails	Managers are not discussed / tangentially mentioned	Dunning's framework; internationalization theory as back-ground	X		Descriptive / conceptual piece, outlining possible frameworks	Highlighting differences betw empirical/conceptual research
IO	MIGA (2005)	MIGA	Competing for FDI – Inside the operations of four national investment promotion agencies	Less a description of what ideally should be the remit but instead what practically happens	Neutral – outline the positive aspects of IPAs but never come up with a "verdict"	Looks at topic from corporate & IPA manager perspective	Descriptive portrait of different IPAs outlining what works best in this context	X		best practice report, heavily descriptive with in-depth case study based	Very nuanced and multi-facetted picture of IPAs and what works

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IO	OECD (2005)	OECD	Global Forum on Internat. Investment "Putting the Policy Framework for Investment into Action"	Conference proceedings taking stock of the status quo & sources (MIGA, OECD)	Positive – while strongly focusing on “what should” be / clear that they are positive about IPAs	Managers are not mentioned	Very practically oriented –offering checklists on incentives & case-studies on IPAs	X		best practice report, heavily descriptive with checklists, case studies to illustrate best practice	non-academic literature / how-to guide
IO	UNCTAD (2006)	UNCTAD	A Survey of Support by Investment Promotion Agencies to Linkages	Analyses the Status Quo and Best practices of Linkage programmes	Positive with regards to Investment promotion in general; less positive about status quo of linkage programmes	Managers are not mentioned	Survey of the status quo of linkage programmes and highlighting best practice examples	X		Survey of 123 IPAs & Case studies of Ghana Hungary, Thailand, Minas Gerais and Czech Republic	
IO	OECD (2006)	OECD	Policy Framework for Investment: A review of good practises	Based on best good practices the Framework is meant to be a guidance	Positive: The rapid growth in the number of IPAs reflects the importance governments ascribe to investment promotion	Managers are not mentioned	practically oriented / recipe –offering checklists and Q&A on investment promotion	X		best practice report, heavily descriptive + links to other policy resources for Invest Promotion	Very high level (also dealing with Tax, Competition and Trade Policy)
IO	Zanatta, Costa & Filippov (2006)	UN Policy Brief	Foreign direct investment: key issues for promotion agencies	Countering the market failure in terms of information	..it depends - role of IPAs varies (limited to “information kiosks” to responsible for relation with foreign investors)	Managers are never mentioned	Reference to targeting	X		Purely descriptive / use of case studies (Czechinvest, Hungary & Poland)	Very nuanced analysis – pointing to the capabilities of IPA in terms of success in FDI attraction
Gen.	Sachs (2006)		The importance of investment promotion in poorest countries	Deploying sectoral teams to analyse the business needs of each specific sector	Very Positive – example MIDA / Investment promotion matters a great deal	Managers are never mentioned	Reference to targeting and the development stage of the country.	X		Description / case studies	Invest. promotion depends on sectors & development stage of the country
IO	MIGA (2006)	MIGA	Investment Promotion Agency Performance Review 2006	Looking at information content on Website and inquiry handling – much like a corporate would	Massive differences in the quality of IPAs in terms of info content and handling of investor inquiries	Managers are never mentioned	No theory – strictly based on practical considerations	X		IPA Performance Review via a mystery shopping approach in Website usability and inquiry handling	Often surprisingly weak IPA, bordering in disinterested
Acad	Capik (2007)	Place Branding and Public Diplomacy	Organising FDI promotion in Central–Eastern European regions	Establishes a new framework – “Place Product Perspective / Target Group Perspective Competition Perspective / Image Perspective”	Positive - but also sees fierce competition btw IPAs and the limiting effect this has.	tangentially touching on managers	Refers to/ sits within the “place” marketing literature (which mostly focusses on tourism)	X		Descriptive – looks at three case studies and compares factors along his own framework	Comments on the different organizational structures of IPAs

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IO	Harding & Jarvoric (2007)	World Bank Research	Developing Economies and International Investors – Do Investment promotion Agencies bring them together	Analyses the effect of / effectiveness of investment promotion on FDI inflows	Overall Positive: but effectiveness depends on a number of aspects such as sector targeting, quality, etc.	Managers are not mentioned	Wells & Wint framework		X	Model based on the 2005 IPA Census of the World Bank (IPAs of 109 Countries)	Also looks at impact of characteristics of IPAs / Caveat: causality in targeting
Acad	Lozoda & Kritz (2007)	Journal of International Business Research	Investment Promotion Agencies on the Internet: Evaluating Promotion tactics and Web presence	Provide potential investor with information; article looks at how various IPAs manage to do that via their websites	Positive: the popularity of IPAs; “governments are genuinely funding investment promotion”	Managers are not mentioned; look only at IPA websites	Wells & Wint; content analysis of websites	X		Descriptive: looks at websites via a pre-set group of metrics	Given the speed of development in this sector paper feels very outdated
IO	Cass (2007)	Transnational Corporations	Attracting FDI to transition countries: the use of incentives and promotion agencies	General promotion activities of IPAs and especially incentives are the main themes	Neutral – no preference / doubt expressed	Managers are not discussed	Descriptive – reference to Well & Wint’s framework / focus on incentives	X		Descriptive – relying on analysis of websites and surveys by EY and PWC	Articles looks primarily at incentives and IPAs in FDI in transition economies
IO	UNCTAD (2007) – Investment Advisory Service	UNCTAD	Aftercare A Core Function in Investment Promotion	Defines aftercare as activities from post-establishment services to developmental support to retain and encourage follow-on investment	Neutral/Positive – Although to stated expressly – the context makes clear that investment promotion is considered beneficial	In sections describes Aftercare from manager perspective	No theory – provides recipe for how to organize After Care	X		Descriptive – looks at current status quo of Aftercare and provides best-practice / examples for how to organize After Care	Survey of Status Quo at IPAs
Acad.	Charlton & Davis (2007)	The Berkeley Electronic Press	Does Investment Promotion Work?	Assess whether IPAs increase inward FDI flows Solve market failure in terms of information match-making investors and local supplier	Positive – investment promotion is associated with higher FDI inflows	Managers are not mentioned once	Seek to confirm previous research on efficiency of Invest Promotion		X	- Evaluate causal effect of investment promotion on inward investment flows; - Analysis - difference-in-difference based on targeting IPAs	Point to problems with quantitative models (endogeneity / causation)
Acad	Riddle, Brinkerhoff, & Nielsen (2008)	Public Administration and Development	Partnering to beckon them home: public - sector innovation f. diaspora foreign investm. promotion	Promote country advantages, investment generation through contact, Facilitation & Policy Advocacy	Positive: “IPAs now play a key role in economic development in many countries”	Managers are not mentioned once	Limited use of theory; utilizes Wells & Went framework	X		Conceptual paper that applies the Wells & Wint framework to diaspora community investment	Focusses strongly on the sub-section of diaspora investment: Generalizable to FDI?

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IO	UNCTAD (2008a) – Investment Advisory Service	UNCTAD	Evaluating Investment Promotion Agencies	looks at why IPAs should be evaluated, and which data and which methods to use for that	Positive: IPAs are potentially key institutions for delivering increased levels of welfare through FDI.	Only looks at IPA managers not corporate managers	no theory– largely only methodological discussion of IPA evaluation	X		conceptual piece discussing the problems and challenges of evaluating IPAs & constructing way to do so (methods)	
IO	Grieg-Gran & Edlund (2008)	WAIPA publications	Attracting FDI that contributes to sustainable development: A review of current IPA practice	focus on “image-building” & investment generation	Neutral – less focus on whether IPAs is successful in attracting FDI, but on “image building” in terms of sustainability of nation	Managers are not mentioned once	Descriptive – operates within the Well & Wint framework / focus on what makes IPA work	X		survey of information provided on the websites of IPAs – limitation “only what’s on website” / only English websites.	Heavy focus also on incentives and sustainable policies of a country
Acad	Lim (2008)	International Business Review	How investment promotion affects attracting foreign direct investment: Analytical argument and empirical	Information provision of low-cost / high-cost information being the most important task	Positive (IPA positively affect the attraction of FDI)	Managers are never mentioned	Transaction cost – in terms of information search		X	Model-based approach - structural equation analyses with maximum-likelihood estimations; GDP proxy for host market attractiveness	Broad ranging lit review on the field; MNCs exposed to uncertainty which IPAs can counter
IO	UNCTAD (2008b) – Investment Advisory Service	UNCTAD	Investment Promotion Agencies as Policy Advocates	Policy advocacy (a) shapes the investment climate; (b) allow greater benefits from FDI; (c) it builds national competitiveness	Neutral / positive: IPAs are context and never questions, only discussion of best/ most efficient structure	Managers tangentially mentioned but not researched	Tangentially mentions Wells & Wint framework	X		practical guide to help IPAs set up P.A. / best practices and case studies. Feels very much like a recipe	Feels the most theoretical of the Investment Advisory Service Series guides
Acad	Drahokoupil (2008)	Europe-Asia Studies	The Investment-Promotion Machines: The Politics of Foreign Direct Investment Promotion in Central and Eastern	ad-hoc groupings of self- interested parties – gather around an IPA – which are extremely effective in promoting the interests of investors	Very negative - success in attracting investment may not be worth the expense – countries lobby too hard for FDI, at the expense of their citizens	Tangentially mentioned IPA managers, not however corporate managers	No specific theory framework; uses the case studies to set the scene and draw his conclusions from it	X		Uses case studies to illustrate the process of attraction of foreign direct investment (FDI) to the Czech Republic and Slovakia.	i.e. sees them as effective but not as acting in the interest of the people; very critical of IPAs
IO	Guimon (2009)	United Nations University Working Paper	From Quantity to Quality: Challenges for Investment Promotion Agencies	Most IPAs now seek to attract high ‘quality’ FDI, (R&D centres, HQs or knowledge intensive industries – ICT, bio or nano-tech) This	Positive: establishing an IPA has become the most popular approach in.... The positive impact of an IPA can also be	Talks about interviews with managers, talks about	Free of theory. Observed shift in FDI types and advises on how to deal with that. Conceptual	X		Paper looks at management challenges and policy-oriented literature, we develop approach for IPAs of what	

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				requires a different approach	through its policy advocacy role	management challenges				to do to ensure 'quality' in promotion	
IPA	DTZ & Scottish Enterprise (2009)	DTZ (Consultancy)	Inward Investment Evidence Review – Final Report	Independent review of the investment promotion activities of Scottish Enterprise and SDI looking at general rationale & effectiveness	Positive: to address market failure and reap positive benefits IPAs are a worthwhile investment.	General discussion of principle. No manager level analysis	Hymer, Product Life Cycle, Internat. theory, Eclectic Paradigm, etc as backdrop to analysis	X		general rationale for invest. promotion, how performance can be measured and what are best practice – highly conceptual	Highly unusual fundamental research of operating IPA that is publically accessible
IO	Ortega & Griffin, (2009)	World Bank	Invest. Promotion Essentials: What sets the world's best investment facilitators apart from the rest	IPAs remain far behind their possibilities, outlines 14 best-practice approaches that emerged from World Bank study (GIPB)	Positive about IPA / Negative about their performance: many are failing to provide investors with accurate & timely information	Only looks at IPA managers, not at corporate managers	No theory at only – only reference to GIPB report and best practices	X		practical guide to help IPAs improve their performance. Very much like a recipe	
IO	UNCTAD (2009) – Investment Advisory Service	UNCTAD	Promoting Investment and Trade: Practices and Issues	Discusses the Pros and Cons of merging Trade and Investment Promotion	Neutral / positive: IPAs are context and never questions, only discussion of best/ most efficient structure	Managers are not mentioned	Dunning's market-, resource, efficiency seeking categories; Wells & Wintian framework	X		Analysis via web-review: 58% exclusively promote foreign investment, 42% also promote trade.	
Acad	Guimon (2009)	Journal of Technology Transfer	Government Strategies to Attract R&D intensive FDI	Looks at IPAs targeting R&D intensive FDI and the need to reconfigure services towards more After-Care	Positive: depending on IPA, highlights IDA as one of Ireland's most important economic institutions	Managers are not mentioned	Doesn't really cite theory; much more on IO research side	X		Conceptual – more in terms what ought to be	Very strong on innovation policy – looks at what role IPAs can play in this
IO	OECD (2010)	OECD	One-Stop-Shop: An Overview of Best Practises related to Three Key Issues	Status Quo & best practise overview of One stop shops related t to (1) communicating services, (2) facilitating land purchase & (3) coordination w. ministries	Neutral: reports of Status Quo of OSS structures out there and what needs to be done to make them work	Managers are not mentioned	No theory; looking briefly at lit on OSS, but largely a Status Quo of what happens out there in terms of OSS	X		Based on World Bank and IFC cases in Egypt, Turkey, Burkina Faso, Colombia, Azerbaijan, Jamaica, Russia, Serbia, and Mauritius	

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IO	Benacek (2010)	ECLAC United Nations Publications	Is the Czech economy a success story? The case of CzechInvest	Charts the development of CzechInvest and its policies over the past two decades	Positive: citing OECD “the success of CzechInvest...” and calls it pathbreaking and highly influential	Uses quotes of former CzechInvest CEOs but looks only at organization	Hardly any reference to theory / primarily descriptive	X		Descriptive, tracing the development of the agency; narrowly describing events	
Acad	Deichmann (2010)	Comparative Economic Studies	Foreign Direct Investment in the Czech Republic: The Role of Origin Effects and Government Promotion Abroad	Discusses the importance of foreign IPA offices for FDI promotion on the examples of Czech Republic	Positive – especially with regards to the impact of a foreign office on FDI flows.	Managers are not mentioned	examines country-of-origin effects for Czech Republic’s FDI inflow		X	regression model to measure the role of CzechInvest and other independent variables on FDI inflows from 2000–2005	offices abroad take invest.- promotion to new level; locations with foreign office stop FDI lists
Acad	Harding & Jarvorcik (2011)	The Economic Journal	Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows	High-lights the information provision of IPAs in the long-listing / short-listing stages and the detailed support with dealing with red tape in the final stages	Positive - investment promotion = cost-effective way to increase FDI inflows in developing countries	Mentions managers in passing but does not place strong emphasis on them	Reference to existing body of thought – IPAs reduce transaction cost (by providing information)		X	- Model based on IPA Census Data of World Bank - Testing for effectiveness of inv. promotion in developing and developed nations	IPAs are most efficient in countries with red tape; invest. promotion works in developing countries but not in industrialized
Acad.	Kuncic & Svetlicic, (2011)	Eastern European Economics	Who's Who in Foreign Direct Investment Promotion	Focusses primarily on the attitudes towards incentives within IPAs and isolate 2 groups (the Neo-classical & Keynesians)	Neutral / None – article focusses on attitude towards incentives rather than the efficiency of IPAs in general	Managers are not discussed	role of “informal institutions” in new institutional economics (rules of the game)		X	Model based on the results of quantitative and qualitative result of a survey; (however return rate to survey only approx. 7%)	examines the beliefs of in the FDI promotion industry as people in IPAs influence the policies for FDI.
IO	Rota & Salone (2012)	Write-up of STAF Conference on Regional Development Agencies in book chapter	Aims, strategies and practices of European investment promotion agencies	Discusses the three stages of Investment promotion – liberalization, attraction and now selected targeting & embedding	Neutral: importance of FDI in developing a nation; IPAs are recipients of more functions and tasks.	Managers are not discussed – purely on agency level	Very light on theory; brief reference to Well & Wint and a few previous research pieces	X		Looks at 11 regional / municipal IPAs and how they are structures and operate; descriptive; citing UNCTAD publ.	With focus on regional-IPAs & operational perspective much closer to working level
Acad	Guimon & Filippov (2012)	Institutions and Economies	Competing for High-quality FDI: Management Challenges for	purpose of IPAs is to increase visibility of nation and offer tailored facilitation services	Positive: positive impact of IPAs is taken as a given; only discusses further	Discusses the need to establish contact btw	Very little theory – only refers to Wells & Wint framework	X		Highly conceptual article	Policy shift of IPAs to attracting “quality” FDI rather than quantity & resulting

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			Investment Promotion Agencies		development to a higher level	executives and IPA staff					policies & measures used
Acad	Kachwamba & Saebo (2012)	African Journal of Business Mgmt	Internet-based information & foreign direct investment (FDI) location decision making	Looks at how ICT (websites) can reduce the information cost for foreign investors; whether all categories of info needs are served	Neutral: IPAs are not questioned, and it fundamentally seems to indicate they work.	Managers are not mentioned; focusses on websites	LOF (Zaheer) Transaction cost	X		Qualitative research on websites Looks in particular at Tanzania and Zanzibar	Remains vague whether it helps investor ("... can reduce part of the information cost")
IO	Filippov (2012)	UNU	European Investment Promotion Agencies vis-a-vis multinational companies from emerging economies	Primarily looks at the Website languages and offices abroad locations in BRIC countries of European IPAs	Neutral / None – article focusses on Website languages and IPA office locations, rather than efficiency of IPAs in general	Tangentially discusses managerial capabilities	No theory, other than a broad literature review & notion of FDI promotion being justified on account of the market failure	X		Descriptive / analytical; Survey of the website of the chosen IPAs as well as counting the foreign offices by the author	Briefly touched on targeting & need to have a specific approach to emerging market MNCs
Acad	Sir, Garvey & Gallagher (2012)	International Business Review	A quantitative approach to guiding the promotion efforts of IPAs in emerging markets	IPAs concentrate efforts on image building & investor generation; effectiveness depends on perception of potential investors	Positive: promoting investment has become recognized as an essential aspect of attracting inward investment	Managers are not mentioned	Wells & Wint'ian framework		X	Looks at High-Frequency data in the case of Bolivia to continuously monitor political risk	Article primarily deals with risk of expropriation; IPAs seem to be "stuck on"
IO	UNCTAD (2013c) - The IPA Observer	UNCTAD	Optimizing government services: a case for joint investment and trade promotion	Discusses the Pros and Cons of merging Trade and Investment Promotion	Highly Positive: Investment promotion has exploded. There is an economic case for having an IPA	Managers are not the discussed / research at IPA level	No theory – looks at experiences of combining IPAs and TPOs	X		Case studies and examples of Sweden, UK and New Zealand	
IO	UNCTAD (2013d) - The IPA Observer	UNCTAD	Investment Promotion in an Era of GVCs:	Growing role of IPAs in Linkage building of foreign investors to local firms	Positive: IPAs are crucial for activating benefits from FDI for their country	Managers are never mentioned / at IPA level	No theory – outlines recipe / step-by-step guide of what to do	X		Case studies and examples of Uganda, Argentina and Vietnam	
IO	UNCTAD (2013e) - The IPA Observer	UNCTAD	Skills and foreign direct investment promotion: What Can an Investment Promotion Agency Do:	To promote their country IPAs need to deal with low skill availability in their jurisdiction	Positive: efficiency or IPAs is not questioned. Focus is on how IPAs can achieve even "greater success"	Managers are not the discussed / research at IPA level	No theory – charts a conceptual path for the role of IPAs in skill building	X		Case studies and examples of Costa Rica, Lithuania and Malaysia	IPAs not expected to develop skills of worker but to use their role

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Acad	Harding & Jarvoric (2013)	CESifo	Investment Promotion and FDI Inflows: Quality Matters	Higher quality IPAs (i.e. which are more professional / have better websites) create more FDI inflows	Generally positive: but difference in IPI quality is having a significant impact on their efficiency	Managers are not mentioned	Transaction cost (information provision)		X	Model based on data of the GIPB projects of 2006, 2009 and 2012 as well as World Bank indices	
Acad	Hayakawa, Lee & Park (2013)	Asian Economic Journal	Are Investment Promotion Agencies effective in Promoting Outward Foreign Direct Investment? The Cases of Japan and Korea	Looks at the role of IPAs in promoting outward FDI in the case of Japan and Korea	Neutral / Negative: setting up an IPA office in a country may or may not be effective in increasing investments into that country	Managers are not mentioned	Only very limited reference to theory; focus on model		X	FDI data for the models is based on Overseas Japanese Companies Data and the Korean Business Directory 2007/08	Only partially relevant as it deals with outward FDI
Acad	Miškinis & Byrka (2014)	EKONOMIKA	The Role of Investment Promotion Agencies in attracting Foreign Direct Investment	Information provision is not enough; focus needs to go in After-Care, looking after existing investors	Cautiously positive – although points to current weaknesses and points for improvement	Managers are not mentioned very much on IPA level	Cites previous theories but is strongly on the analysing of practical metrics	X		Descriptive / analytical review of literature and using two case studies of Lithuania and Lviv to make their points	Offers several best practice guidelines and emphasizes the importance of After-Care
Acad	Wilson, Baack & Baack (2014)	Marketing Management Journal	Foreign direct investment promotion: using advertising to change attitudes and behaviors	examines how advertising influences managerial perceptions of countries (image building aspect of promotion)	Positive: Investment promotion can increase inflow. Takes IPA / Investment Promotion as a given and only discusses how to improve it	Focuses strongly on managerial perceptions and views	Dunning's OLI model Wells & Wint framework FDI / IPA Literature	X	X	online survey were managers were exposed with 2 ads from different countries seeking to attract FDI / coded as base data for a regression model	managers can be influenced by ads, which suggests that they are not only rational but also influenced by emotion
IO	UNCTAD (2014) - The IPA Observer	UNCTAD	Skills and foreign direct investment promotion – what can an Investment promotion Agency do?	Skilled labour is one of the key deciding factors for location choice; IPAs need to get involved in up-skilling	Article only discusses what IPAs need to do to improve chances for inflow. Base assumption of article is that IPAs work	Managers are never mentioned	No theories; only practical suggestions	X		Conceptual / descriptive – therefore no stats or classical methods	Emphasis strongly on skills, less on “typical” IPA discussion
Acad	Anderson & Sutherland (2015)	Journal of World Business	Developed economy investment promotion agencies and emerging market foreign direct investment	Image building, investor facilitation, investment generation and policy advocacy	Positive (Strong statistical evidence / significant increase in investment)	Contemplate managerial relevance but research is primarily on firm level	Transaction cost Liability of Foreignness Psychic distance		X	Model based on value of Chinese FDI, and number of projects – with cumulative IPA years as measure / proxy for IPE efforts	Developed economy IPAs located in China improved likelihood of FDI

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
IO	Gómez-Mera, Kenyon, Margalit, Guilherme-Reis, & Varela (2015)	World Bank	New Voices in Investment: A Survey of Investors from Emerging Countries	Information provision and facilitation are the most positively rated; After care is one task but seems to get lower ratings	Positive / Negative: IPA are often unknown and get poor ratings; Those who use them tend to be positive or very positive about them	discusses managerial skills and perspectives	Briefly touches on Dunning's OLI to explain FDI, other than that without reference to theory	X	X	Models based on survey of 713 firms in Brazil, Korea, India and South Africa Regression on use and evaluation of IPAs	IPA chapter is only one aspect of a study that focusses on location aspects of investors
Acad.	Kersan-Škabić (2015)	Periodica Polytechnica	The Role of Investment Promotion Agencies in Attracting Foreign Direct Investments in the Southeast European Countries	IPAs are important because support foreign investors with adequate information, knowledge and help, and thus attract FDI inflows	Positive about IPA (invaluable) / Negative about performance The results inadequate & unexploited potential of IPAs.	Not mentioned	Cites relatively recent IPA research such as Deichmann (2010) and Kunčić & Svetličić (2011), otherwise not referring to theory		X	Model based on a mix of survey data (survey with multiple choice / Likert scale questions) and panel data.	
Gen.	Ni (2015)	Osaka University Discussion Paper	Are Investment Promotion Agencies Doing the Thing Right? Evidence from China	Econometric study on effect of IPA, does not look into remit or quality of IPA	Positive – IPAs are more efficient in increase the inflow of foreign high-tech firms compared to others but in general positive	Managers are not mentioned	Morisset (2003), Morisset & Andrews-Johnson (2004), Charlton & Davis (2007) Harding & Javorcik, (2007)		X	Micro-level data to analyse the importance of IPAs on investment (also with existing and new firms / high- and low-tech firms)	
Acad	Pietersen & Bezuidenhout (2015)	The Journal of Applied Business Research	South African IPAs Attracting FDI: Investment Promotion Strategies	Perception building, targeting investors, IPA structure and incentives as main themes	Positive (the provincial IPAs of South Africa play an important role to attract FDI	Managers are not mentioned but investors which could be manager or firm	Descriptive – based on Well & Wint's framework & Dunning's market entry-reasons	X		Descriptive piece with surveys on structure of IPA, relevance of incentives etc.	Article looks primarily at incentives and IPAs in FDI in the context of S.A.
Acad	Ciobanu (2015)	Annals of Economics & Public Administration	Decisive Role of proactive FDI promotion policies (FDI Promotion Agencies)	Follows very closely existing frameworks – (Wells & Wint)	Positive: refers to Harding & Javorcik and Morisset & Andrews-Johnson to document positive effect	Briefly mention managers	Descriptive – summary of research on IPAs and tries to set results in the context of Moldova	X		Purely descriptive citing previous research	
Acad	Grasmik & Nesterov (2016)	Studies on Russian Economic Development	Corporation for development as a tool to attract foreign investment	tasks of IPAs include development of a pos. image, search investors and provide services to them & influence policy	Positive: found that the existence of IPAs positively affects the number of FDI-projects	Briefly mention managers and their perspective	Seeks to evaluate effectiveness of IPAs; descriptive element of best practices.	X	X	Descriptive in nature; used stats to illustrate points made and try to determine effectiveness of regional-IPAs	

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
Acad	Ni, Todo & Inui (2017)	Japanese Economic Review	How Effective are Investment Promotion Agencies? Evidence from China	Using firm and city level data, rather than national data to see if IPAs have an impact on attraction of FDI	Negative – for attraction of foreign firms; Positive – for attraction of re-invest. of existing firms	Does not look at managers but city level data	No IPA theory; develops mathematical model		X	Model is based on website data and data from Chinese Statistical Yearbook	Stresses the quality of an IPA as a key factor
IO	UNCTAD (2016)	UNCTAD	Global Action Menu for Investment Facilitation	Outlines in detail aspects of facilitation and what to do to improve this function (a “recipe”)	Positive (promotion as such); Facilitating FDI is of fundamental importance for growth & development	Managers are never mentioned	No theory – this is a practical step-by-step guide	X		No research of the past / specific methodology, but merely a “cook-book” how to approach this topic	-
Policy Doc	Moloney & Octaviani (2016)	Ivey-Lawrence National Centre for Policy and Management	Investment Attraction: Learning from “Best Practice” Jurisdictions	Compares best practises of the United States national IPA, and State of Utah, Mexico, Hong Kong & Singapore	Positive (principally positive, only see shortcomings with IPAs of Canada)	Managers are never mentioned	No theory – this is a practical step-by-step guide	X		No research of the past / specific methodology, but merely a “cook-book” how to approach this topic	
Acad	Campisi & Sottolotta, (2016)	Rivista Italiana di Politiche Pubbliche	Unfriendly or Unwanted? Reflections on FDI Attraction Policies in Italy	Discusses Italian Investment promotion – on a macro-economic level; (failings of Italian IPAs such as incoherent messages, structural fragmentation)	Positive: with regards to the institution of IPAs per se; very negative with regards to the Status Quo of Italian IPAs	Article remains on institutional level looking at IPAs	Briefly mentioned Dunning’s resource seeking, efficiency seeking theory – other than that refers to Wells & Wint framework	X		Descriptive in nature; used a few statistics to illustrate its point; compares the Italian IPA structures to French and Spanish IPAs	Puts a lot of emphasis on structural questions of IPAs
IO	El Banna, Hamzaoui-Essoussi, Papadopoulos (2016)	Conference Proceedings of the International Business Development Association	The role of investment promotion agencies in nation branding for foreign direct investment	Nation branding for the purpose of attracting FDI	Positive: IPAs have come to be a critical institution in national efforts to attract investment; IPAs are popular choice f. govts	Managers are never directly mentioned	Make a few references to Wells and Wint, but generally provide a broad overview of extant IPA lit.	X		Descriptive overview of IPAs – very much looked at from a nation branding perspective and seeking to integrate this into the extant debate.	Looks at it very much from a nation branding / marketing / advertising point of view and misses the rest
IO	UNESCAP (2017)	UNESCAP (United National Economic and Social Commission for Asia and the Pacific)	Handbook on Policies, Promotion and Facilitation of Foreign Direct Investment for Sustainable Development in Asia and the Pacific	Chapter on IPAs (in FDI heavy publication), seeking to chart organizational structure and procedures of IPAs as a kind of recipe-list to follow	Positive: FDI have moved from villain to saviour for many countries & investment promotion is seen as the way to improve situation	Investors only looked at firm- level manager mentioned only in IPA context	Heavy use/focus of location consult. working templates; briefly mentioning IO research – but strong recipe/ operational orient.	X		Descriptive overview of location consultants models, case studies of many countries and their investment laws Purely descriptive / lists of best practise tasks	

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
IO	OECD (2018a)	OECD	Mapping of Investment Promotion Agencies in OECD countries	Descriptive survey of OECD IPAs (budget, foreign offices) Classing them as Image Builders, Facilitators	Takes a verxy neutral stance Aim is to map the status quo and work out the different approaches:	Looks at managers only in the context of IPA manager	Looks at previous research (mostly IO). Based on Wells & Wint framework	X		Data based on prior OECD IPA network meetings and an extensive survey of 32 OECD countries	Comprehensive mapping of OECD countries. Latin American sample to follow
Acad	Lim (2018)	Emerging Markets Finance & Trade	Determinants of the Performance of Investment Promotion Agencies: Evidence from a Mix of Emerging Economies	Whether IPAs operate efficiently depends on the resources available, the service functions of the IPA and the organizational structure of the IPA	Underlying view = Positive – research taken from a position that IPAs work, and merely explores under which conditions they are more efficient	Research on institutional level (IPAs). Managers aren't the focus of the research	Takes a resource-based perspective; links back to Dunning 1996 and the Wells & Wint framework		X	Survey data of 97 IPAs on environment, resources, functions and governance of IPAs. Use the data in a multivariate regression model	Finds that more resources lead to more promotion, but surprisingly that combined /trade and Invest) IPAs are less efficient
Acad	Volpe-Martincus, Carballo & Blyde, (2018)	ETSG	How Effective is Investment Promotion Firm-level Evidence	Researche impact of IPAs activities on MNCs' investment decisions.; difference-in-differences estimations for Costa Rica and Uruguay	Positive. investment promotion is effective in attracting affiliates of multinational firms	Manager aren't mentioned; research on firm-level basis	Looks at previous research; but essentially only quantitative model based on Costa Rica & Uruguay		X	Use firm-level data; Data source: D&Bs World-Base and data from CINDE & Uruguay XXI (IPAs)	Invest promotion is ubiquitous but apart from a few aggregate studies, little is known whether they affect firms' decisionsl
IO	Loewendahl (2018)	IDB – Inter American Develop. Bank	Innovations in Foreign Direct Investment Attraction				Uses frameworks & prior research Wells & Wint, Morisset to set the frame	X		Illustrates best-practice based on six case studies of top performing IPAs in FDI attraction	
Acad	SupJung & Kyungil, (2018)	Journal of Advanced Research i Dynamical & Control Systems	The Evaluation of the Investment Promotion Agency (IPA): Focusing on Invest India	Looks at the basic functions of an IPA based on the case study of Invest India	Positive: investment promotion activities are known to be effective in attracting foreign direct investment (FDI)	Managers aren't mentioned	Briefly skims previous research (largely IO research) Based on Wells & Wint framework	X		Descriptive; comparison of basis IPA functions between UNESCAP (2017), ITC (2014), Krakoff (2015) Wells & Wint (1990, 2000)	Focus is support in lowering the "information cost" for firms.
IO	WAIPA (2019)	WAIPA	Overview of Invetment Promotion	Records the status quo of IPAs in terms of budget, structure and organizational set-up	Positive: IPAs play an important role in attracting investment	Managers aren't mentioned	Uses Wells & Wint frameworks, other than that not theory	X		Descriptive, based on a survey of WAIPA members; descriptive statistics used	Pure stock-taking of status quo; brief outlook

Type *)	Author	Journal	Title	Investment Promotion Agency content (tasks / remit)	Investment Promotion Agency (positive/negative)	Mentions managers	Theories used	Qual	Quant	Methodology	Key finding / other considerations
Acad	Crescenzi, Di Cataldo & Giua (2019)	Institute of Global Affairs (LSE)	FDI inflows in Europe: does investment promotion work?	Emphasis on sub-national IPAs and their ability to help. Looks at different types of IPA in various countries	Positive: FDI responds especially to sub-national IPAs. Impact biggest were institutional failure	Not mentioned always only speaks of “investors”	Bases its ideas heavily on Harding & Javorcik, 2011 and 2013. Survey of extant lit		X	Difference-in-difference model that seeks to determine the impact of IPAs’ strategies	Importance of sub-national IPAs compared to national IPA to address problems

A = Academic article; IO = Article from International Organisations such as World Bank (IFC, MIGA, FIAS), OECD, UNCTAD or other policy related entity such as Foundations

IO-type publications, which only mentioned IPAs tangentially while discussing other topics (for example UNCTAD, 1998 – FDI inflow into Africa and top locations in Africa such as Botswana, Uganda, or Tunisia) are not included in this list. Similarly (Mortimore & Vergara, 2004) who primarily provided a brief description of Costa Rica’s IPA CINDE attracting Intel (instead see Spar, 1998 for a much more holistic analysis)

Academic and non-academic research pieces which – in the widest sense - have only briefly mentioned IPAs or dealt with Investment Promotion structures, and which were thus not included in the list were:

- Szent-Ivanyi, (2017), Sauvart, (2012), Costa & Filippov, (2007), Morisset & Lumenga-Neso, (2003), Hanson, (2001), Lall, (2000) and Coughlin & Segev, (2000) on account of focusing on FDI or even investment promotion in a more general sense, only briefly mentioning IPAs. Similarly, OECD (2018) which, while highly pertinent is primarily concerned with the definitions of the terms, investment promotion and investment facilitation rather than the activities of IPAs
- Zhou, Delios & Yang, (2002) due to only dealing with SEZs and OCCs,
- Sirr, Garvey & Gallagher, (2012) due to their near exclusive focus on expropriation and political risks,
- Jarzembowska (2000), because it focusses primarily on domestic image building and less on classical IPA tasks, Phelps & Wood (2006), on account of only looking tangentially at IPAs in the much wider context of promotion efforts of the nation
- Phelps & Wood (2017) and Phelps & Wood (2018), despite being thematically highly relevant we have not included them given that they focus in Location Consultants (third party specialists who work with IPAs but are not IPAs themselves)
- Cotula & Toulmin, (2008) on account of their exclusive focus on the role of IPA in securing land purchase in Africa,
- Bobonis & Shatz, (2007) and Head & Ries, (1995) due to their focus on agglomeration and incentives rather than IPAs,
- Bauerle-Danzmann & Slaski, (2018), Banno, Piscitello & Varum, (2014); Cantwell & Mudambi, (2005); Lim, (2005), Cantwell & Mudambi, (2000); Morisset & Pirnia, (2000); Raines, (2000); Bergman, (1999); UNCTAD, (1996); Shah, (1995). Guisinger, (1992) due to their focus on incentives; and World Bank (2018) due to its emphasis on the effects of FDI on national economies and the role incentives play in attracting FDI (Chapter 1 – Kusek & Silva critically discussing IPAs). Similarly, IFC-World Bank Group (2010) with only Chapter 7 addressing IPAs, while the rest of the publication looks at Investment law and Incentives,

- Head & Ries, (2010) and Wilkinson & Brouthers, (2000) due to their focus on trade promotion rather than investment promotion

*) "Transnational Corporations" is classed as I.O. and not as an academic journal, given that it is a publication of UNCTAD; i.e. Cass, 2007; Enderwick, 2005
Loewendahl, 2001; Wint, 1993

*) "Asia-Pacific Development Journal" is classed as I.O. and not as an academic journal, given that it is a publication of UNESCAP - the Macroeconomic Policy and Development Division of the United Nations Economic and Social Commission for Asia and the Pacific: this concerns Kumar (2003).

Appendix C

1 st Order Concepts / Comments by interview partners other sources	2 nd Order Themes	Aggregate Dimension
• Can foreign firms own company / parts of company (often depending on sector) • China's 'Negative Lists' of restricted sectors and the need to enter into Joint Ventures ◦ Where / how do managers find out about these rules? ◦ Where / how can JV partners be found • Are there special approach processes foreign firms need to complete • Can foreign nationals be directors in the company • limits non-Russian investors in the extraction of minerals and oil, the aerospace industry or all activities in hydro-meteorological and geothermal processes (Article 6 of the federal law FZ-57; Invest in Russia – Legislation) • part limits on ownership of land transportation of non-Mexicans	Foreign Ownership Rules	
• "Brazil has never signed Investment Protection Agreements – but has never had a problem with FDI inflows [...] On the other hand Venezuela & Ecuador, countries with a long history of instability – them pulling out of Investment Agreements – had the effect of investors shying away from them" • "It isn't easy to start out here. Whenever you thought you knew the rules, there seemed to be new regulations crawling out from the bushes"	Investor security	Operational, legal and regulatory barriers
• NAFTA rules on the automotive sector stipulate that 62.5 percent must originate from NAFTA region to qualify for preferential tax • INOVAR Auto means that OEMs have to ensure a local content ratio of 65% • "in Brazil we have extremely strict local content rules"	Local Content	

• "often enough the businesses around aren't good enough, hence you simply have to bring goods in from abroad" ○ are there suppliers (e.g of high-grade plastics granulates) so one localize production; managers talking about the iterative process of weighing up local content versus overall cost • Tier-2 suppliers facing pressure by OEMs (as they themselves need to increase their local content and thus seek to buy locally, ideally from known suppliers)	Local Content	
• Do you get Visa's for home-country specialists to set up production / train workers • Do host country workers get Visa's to travel to corporate HQ for extended periods for training • Can female workers work at night (i.e. is a 24/7 – 3-shift pattern possible)	Work rules	

Exemplary data structure outline to illustrate the aggregation of interview data and secondary source material to managerial liabilities; adapted from Gioia et al., 2012 – p. 21

1st order concepts are statements collected during interviews, descriptions of what they struggled with, and/or secondary data interview partners referred to during the interviews. These were collected and collected to themes. These "more abstract, 2nd-order theoretical level of themes" (Gioia et al., 2012 – p. 20) are areas of narrative / issues that emerge again and again. These were then aggregated to the main managerial liabilities used throughout the PhD

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