

# A Red Carpet Welcome

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Investment Promotion as a Tool to Attract FDI  
to European Regions

**Master Thesis ‘European Studies’**

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## **Abstract**

Plant or office location decisions of multinational enterprises (MNEs) are largely driven by a combination of economic, infrastructure, host-country policy, and ‘soft’ factor considerations. However, in the past decades European countries and regions have spend increasing amounts of money and employed a large number of staff to encourage FDI into their area through investment promotion measures. While a considerable amount of research into the internationalisation decision of companies and the location determinants of FDI exists, studies in the field of investment promotion techniques applied, especially at the regional level, are scarce. This thesis deals with the marketing techniques and strategies used by investment promotion practitioners at the regional and local level and explores factors contributing to effective communication with foreign investors.

Existing theoretical frameworks of investment promotion, place marketing and MNEs’ plant location choice are scrutinized and modeled into a frame of reference for regional stakeholders’ practice of approaching and communicating with (potential) investors.

Subsequently, in-depth interviews with investment promotion practitioners from two European regions are used to gain an insight into crucial success factors in establishing contact with, responding to information inquiries from and handling conversation with MNEs interesting in locating in the region. Techniques were found to vary according to the phase of the project. Additionally, seven factors, concerning the project facilitation stage, were identified as essential determinants of successful FDI attraction.

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## List Of Abbreviations

<b>BOM</b>	Brabantse Ontwikkelings Maatschappij (Brabant Development Agency)
<b>CBS</b>	Centraal Bureau voor de Statistiek (Central Statistics Office)
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GFICA</b>	Global Foreign Direct Investment Country Attractiveness Index
<b>GTAI</b>	Germany Trade and Invest
<b>IPA</b>	Investment Promotion Agency
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>MNC</b>	Multinational Corporation
<b>MNE</b>	Multinational Enterprise
<b>NFIA</b>	Netherlands Foreign Investment Agency
<b>NRW</b>	North Rhine-Westphalia
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>RDA</b>	Regional Development Agency
<b>SVIR</b>	Structuurvisie Infrastructuur en Ruimte (Spatial Development Strategy Infrastructure and Space)
<b>TNC</b>	Transnational Corporation
<b>UNCTAD</b>	United Nations Conference on Trade and Development

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# Chapter 1

## Background

### 1.1 Introduction

In an ever more globalized world, regions compete not only with their closest neighbours but face worldwide competition. Similarly, the companies they want to attract are not homegrown only, rather investment from abroad is of utmost and increasing importance to a region's competitiveness and prosperity. Since the 1990s, the number of multinational enterprises (MNEs) in the global economy has increased immensely from roughly 18,000 to almost 80,000 operating through nearly ten times as many affiliates all across the world (UNCTAD, 2006). Moreover, the growth rate of foreign direct investment (FDI) has been higher than that of world exports and world GDP, especially since the 1980s (UNCTAD, 2012). Foreign direct investment has also been of immense importance for the European Union who has for a long time been the world's largest FDI recipient. However, the global financial and the European debt crisis have altered this situation to Europe's disadvantage. 2014 FDI inflows into European countries only amounted to one third of its 2007 inflows (UNCTAD, 2014). MNEs, though, are associated with a number of possible welfare-enhancing effects for the host-country. Promoting economic growth and producing externalities to the host economy in the form of beneficial technology transfers, increased employment, skill transfers to local workforce, backward linkages to local suppliers, and productivity increase prevail as common rationales for the desirability of FDI inflows.<sup>1</sup>

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<sup>1</sup>Note that the impact of FDI depends on a variety of factors, such as FDI entry mode, type of FDI, existing host-country structures and conditions etc.. We return to a brief summary of

As governments across the continent rely partially upon increased foreign investments to facilitate economic recovery and future growth, it comes as no surprise that the FDI marketplace has become more and more competitive. Differentiating a place from the competition has as a results become the center of efforts for many cities, regions and countries. A large number of agencies and government departments have been established and provided with funding in order to develop strategies to attract inward investments (Uлага, Sharma, and Krishnan, 2002). Characteristics of an incoming FDI project, however, are an important determinant in both location choice and actual fulfillment of positive promises. A region's success in attracting FDI largely depends on its relative attractiveness in comparison with alternative locations and its ability to satisfy resource demands of the MNE (Burger, van der Knaap, and Wall, 2013; Young, 2005). Requirements of investment projects, however, vary according to the motives of MNEs to invest abroad. The nature of a specific investment project likely limits the number of potential investment locations. Targeting industries and sectors that best match a location's assets reigns as a best-practice approach of investment promotion (Harding and Javorcik, 2011). Most FDI decisions involve projects with a significant setup cost, MNEs are thus likely to carefully compare potential locations to determine which best fits their strategic assets. Additionally, embeddedness of MNEs in the regional economic structure may decrease probability of relocation and increase likelihood of future reinvestments.

Researchers have focused on various aspects of where foreign firms situate their plants abroad. Uлага, Sharma, and Krishnan (2002) summarize three main streams. Research that focuses (1) on how to develop a strategy for optimal plant location choice (Brush, Marutan, and Karnani, 1999), (2) on the factors that make a place attractive to investors (Porter, 1990; Kotler, Haider, and Rein, 1993; Kamath, Agrawal, and Chase, 2012) and (3) on the factors actually used by firms in their decision-making process (Kotler, Haider, and Rein, 1993; Wheeler and Mody, 1992). Place marketing increasingly incorporates a myriad of hard and soft location factors in an attempt to create and market an attractive business environment to potential investors. While various studies have considered investment promotion's effectiveness in a quantitative approach (e.g. Head, Ries, and Swenson, 1999; Harding and Javorcik, 2011; Lim, 2008), few researchers

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these factors in Section 1.3.3 and Section 2.1.

have elaborated on investment promotion techniques and communication strategies of investment promotion practitioners (Ulaga, Sharma, and Krishnan, 2002; Metaxas, 2010b; Wells and Wint, 1990). This thesis contributes to filling the research gap by analyzing regional approaches to strategic attraction of FDI and by collecting success factors in interchange with potential investors.

## 1.2 Research Question

While glossy brochures and promotional videos may generate enough interest to attract a certain amount of tourists, the investment of MNEs is generally cost-intensive. The screening process profoundly scrutinizes advertised locational advantages and experiences of peers of the place as an investment location. Creating a meaningful, strategic approach to investment promotion for a region is thus a necessary but highly complex task. The question to ask is: **how do regions design and implement successful strategies to attract FDI?**

This research question entails two strands along which this thesis is organized.

- Addressing the considerations that influence the strategic planning process of investment promotion, it will be asked: *How are investment promotion strategies designed?* and *What are the different stages of the investment promotion process?* Aim is to scrutinize how regions assess and utilize their assets to attract foreign investors.
- *How are strategies implemented in order to successfully attract FDI?* This relates to the factors that officials identify as essential to realize an FDI project thrivingly. When referring to *successful* the effectiveness of investment promotion is concerned. A separate issue - the rating of specific investment projects in terms of value to the regional economy - is not a focus of this thesis. Nevertheless, this point in question will be briefly explained and discussed in Section 2.3.2.4.

## 1.3 Operationalizing Central Terminology

### 1.3.1 Place Marketing and Investment Promotion

During the past decades, place marketing has arisen as a substantial field in the literature dealing with competition, competitiveness and development of cities, regions and nations (Metaxas, 2010c). It has largely been presented as a strategic planning process with potential to improve a place's competitiveness (Metaxas, 2010c; Kotler, Haider, and Rein, 1993). Place marketing must not be thought of as a tool to increase tourist arrivals only, rather it is a multifaceted approach including a variety of possible target audiences. Places particularly compete for a variety of ends such as residents, income from tourism, new start-up businesses and inward investments (Kotler, Haider, and Rein, 1993). As a result place marketing has become a key element of regional development and regeneration (Metaxas, 2010a). Raising awareness of a place at the national and international level to their preferred target groups is often the starting point. Communicating the uniqueness and suitability of the place so as to attract them and new opportunities, prosperity and a good reputation along, follows. Crucial to place marketing is the identification of target groups whose requirements and needs can be met and the designing of a strategic plan guided by a vision and specific goals (Bramwell, 1998). The image of a place is a complicated, multidimensional feature with the identity and different, distinct aspects of the characteristics being the most important contributors to a place's uniqueness (Metaxas, 2010a). Place marketing can in this respect not exist without the support of other agents. Participation and contribution in the process of all inherent actors of a place can be considered a key factor in developing a successful place marketing strategy. Overcoming negative attributes, nurturing cultural assets, displaying local skills can all be found among reasons to invest in enhancing a place's image (Kotler, Haider, and Rein, 1993).

In this thesis, the focus is marketing a place for inward investment from MNEs. Thus, the target group are foreign companies with an active or latent internationalisation inquiry. Wells and Wint (1990) define investment promotion as a set of tools and techniques used by government authorities or agencies to attract FDI. Preeminent promotion tools include, among others, advertising, direct mailing, investment and trade missions, information diffusion, visit planning, guidance

in obtaining permits and filling in applications and investor servicing activities (Loewendahl, 2001; Wells and Wint, 1990). Aiming at creating a competitive but realistic image of the place as an investment location, tasks of investment promotion extend to a larger variety of responsibilities:

“The life cycle of an IPA can be summarised as follows: (1) image building; (2) investment generation; and (3) linkage promotion. At the same time, the IPA serves two additional functions at each stage of the life cycle: (a) information dissemination and investment facilitation; and (b) policy advocacy.” (OECD, 2005, pp. 3-4)

Regarding investment promotion practitioners as

“acting in the role of a mediator between the host country’s FDI environment and FDI inflows” (Lim, 2008, p. 40)

is suggested by Lim (2008) and will be the underlying assumption of the present study.<sup>2</sup> The terms *place marketing* and *investment promotion* will be used interchangeably and applied to the regional level.

### 1.3.2 A Place = A Region?

When speaking of place marketing, the first question that has to be addressed in order to coherently conduct a study on the phenomenon is: What exactly is the place we study? Is it a city, a region, a country or maybe an entire continent? One thing that seems fairly clear is that a place is associated with a geographical entity. However, there

“seems to be a recognizable gap in the literature regarding the application of the term ‘place’ and its associated vocabulary: location, country, nation, city and region” (Hanna and Rowley, 2008, p. 61).

In line with the topic of this thesis, it will briefly be assessed what precisely is understood when speaking of a place and whether or not it is adequate to refer to a region as a place.

Hanna and Rowley (2008) find in their study that only the use of the term destination marketing allows for direct connection with a specific strand of place

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<sup>2</sup>For more elaborate information on a framework for investment promotion, see Section 2.3.2.



marketing, which is that of tourist destinations. The use of the term place marketing in contrast neither implies a specific target group nor a geographical entity studied. Accordingly, in their 2002 book *Marketing Asian Places*, Kotler, Hamlin, Rein, and Haider (2002), list a variety of historically and empirically relevant connotations of the term *place*:

- “A place is a nation-state, a geopolitical space.
- A place is a region or state.
- A place is a cultural, historical or ethnic bounded location.
- A place is a central city and its surrounding populations.
- A place is a market with various definable attributes.
- A place is an industry’s home base and a clustering of like-industries and their supplier.
- A place is a psychological attribute of relations between people internally and their external views of those outside.” (Kotler, Hamlin, Rein, and Haider, 2002, p. 4)

Regions can, thus, definitely be the subject of place marketing. Nevertheless, it still remains unclear what the term region entails. Hanna and Rowley (2008) find that the use of each of the terms place, country, nation and region indicates a study related to branding and business. Consulting the Oxford English Dictionary various definitions of the term region are presented. The most suitable in relation to this study is:

- “A land; a country; any large portion of the earth’s surface considered as defined or distinguished from adjacent areas in some way, as by culture, government, topography, climate, fauna or flora, etc.”

This underlines a missing coherent application of the term region. In the context of place marketing, literature suggests *region* may refer to any geographical entity from an European region to a metropolitan region to a rural region to a cross-border region (Kavaratzis, 2007; Ulaga, Sharma, and Krishnan, 2002; Hospers, 2004).

For the purpose of this thesis, regions are defined according to government structures, i.e. at the province level in the Netherlands and at the federal state level in Germany.

### 1.3.3 FDI

FDI is a phenomenon that appears in different forms, under different terms and for different reasons. Generally, the literature divides FDI along three main categories: strategy, form and objective.

When internationalizing firms may choose from a variety of designs for their ventures abroad. Commonly it is differentiated between greenfield FDI where a company sets up an entirely new production facility abroad and brownfield FDI where an existing production facility is purchased or leased in order to start a new production facility abroad. Of equal importance are international M&As where two firms registered in two different countries combine their assets and operations (merging) or transfer assets to a foreign firm (acquisition). Traditionally, greenfield investments have been regarded more favorable to host-countries economies than M&As (Kim, 2009). An example of the importance of given circumstances and FDI policy in the receiver country in determining welfare effects are Qiu and Wang (2011). Nevertheless, as a result of the conventional acceptance of greenfield FDI's higher profitability most IPAs focus on the attraction of this type of projects (ECORYS, 2013).

Additionally, two main forms of FDI exists. Vertical FDI means the location of different stages of production in different countries where the production chain is broken up. This may be beneficial due to differences in factor prices but is less favorable if trade costs are high. Contrastingly, high trade costs may encourage horizontal FDI where a firm replicates the entire production process in a foreign location. If the target market in the foreign location is large, then a firm may benefit from low plant-specific fixed costs per sale.

FDI can also be categorized according to the objective of the internationalization. Although a variety of motives for FDI have come up in academic debates, 4 are most commonly mentioned (Dunning, 1998). Market-seeking FDI is associated with horizontal FDI as it aims at serving the local market directly instead of through exports. Especially for non-tradable services this motive is often the only possibility of serving a foreign market. Whether or not a specific location attracts this type of FDI mainly depends on the local demand and the market size. Within the European Union the free movement of goods and services does not only grant access to the national market but also to the single European market. Resource-seeking FDI benefits from locating in areas rich in the resources which

form their most important factor of production. In contrast with market-seeking FDI, efficiency-seeking FDI links to vertical FDI. Cost and specialisation advantages may create potential for efficiency gains through locating different stages of production in different countries. Lastly, strategic asset-seeking FDI refers to investment into locations that are characterized by specific assets such as the availability of high-skilled labour, the quality of the local industrial infrastructure or the presence of advanced technologies from which the MNC intends to profit.

# Chapter 2

## Theoretical Underpinnings

### 2.1 Why Regions Want MNEs

Objectives in place marketing for inward investment

“may include creating jobs in poor regions, technology transfer, increasing competition, compensating for a weak indigenous base, filling-in supply gaps, developing clusters and providing partner opportunities for local firms” (Loewendahl, 2001, p. 5).

However, the effect of inward FDI may be various depending on both existing conditions in the host country as well as the motive, form, location and size of the inward investment flows. Lipsey and Sjöholm (2004) emphasize that within the literature of host-country effects of FDI there

“seems to be a wide range of empirical results [...], and little signs of convergence.” (Lipsey and Sjöholm, 2004, p. 2)

This subsection presents possible spillover effects from FDI in three areas: (1) the balance of payments of countries, (2) the transfer of factors of production and (3) employment effects.

- (1) For policymakers in the host country, the effect on the country’s balance of payments is an important issue (Kurtishi-Kastrati, 2013). The balance of payments may show benefits or adverse effects of FDI. Generally, any FDI venture in the host country initially leads to a capital inflow into the country which will show on the balance of payments. However, the one-time increase

may be offset in the long term by profit repatriation of the MNE, an issue which many countries try to limit with a restriction of the profit share (Qiu and Wang, 2011). The final outcome also depends heavily on whether the MNE contracts local firms to supply inputs or mainly imports these from abroad (Markusen and Venables, 1999). The latter may result in a current account deficit. If, on the other hand, a MNE uses its foreign subsidiary for sales to other (foreign) markets, this arises as a benefit from FDI. Similarly positive is the substitution of imports through direct sales to satisfy the local demand by the subsidiary in the host country. While for regions these directly observable effects of FDI in the balance of payments play a role, the direct and indirect effects on local workforce and industrial environment are equally important.

- (2) MNEs additionally bring resources to the investment location that potentially otherwise would not be available. Large firms can access financing sources that are usually unavailable to smaller local firms (Kurtishi-Kastrati, 2013). An important effect from which host countries hope to profit is the crowding-in of domestic investment, i.e. FDI may be complimentary to promoting domestic investment. This effect has been observed by Borensztein, De Gregorio, and Lee (1998) for several countries. Of much importance for FDI is the diffusion of technology. MNEs may bring highly developed technologies to the host country. Especially in developing countries the transmission of technological knowledge of the production process or the product itself can lead to great improvements in quality and efficiency as well as environmental friendliness of production (Sinani and Meyer, 2004). Nevertheless, FDI can also lead to crowding-out of domestic investment by displacing local workforce and industries.
- (3) Kurtishi-Kastrati (2013) additionally emphasizes management aspects in FDI spillovers, referring to an

“increase in the stock of knowledge in the host country through labour training, transfer of skills, and the transfer of new managerial and organizational practice.” (Kurtishi-Kastrati, 2013, p. 28)

Local workers employed by MNEs can accordingly experience significant gains

through the training they receive directly within the company and the knowledge they indirectly acquire in the working environment. The idea is that these additional skills are beneficial to the host economy when workers reenter the domestic labour market.

## **2.2 What MNEs Look For**

Considering specifically the situation of foreign companies, two basic choices have to be made: whether to internationalize and, if yes, where to locate the foreign plant or office. Internationalization projects of MNEs often feature specific characteristics in that they are cost-intensive endeavors and the first-hand knowledge of decision-makers about the potential locations may be limited. Nevertheless, the criteria list of MNEs is certainly not unrelated to the general theories about location choice (Dunning, 1980). They, too, consider a mix of public incentives, micro- and macroeconomic factors, and ‘soft’ factors when making a location decision. Kotler, Haider, and Rein (1993) emphasize the role of labour market conditions, costs etc.. While broad categories of location determinants can be considered common denominators of decisions, it is important to keep in mind that specific FDI determinants are often specific to the industry and sector as well as the type of FDI and the broad geographic location of the internationalization effort.

In this subsection, light is shed on the above mentioned two types of choices companies are presented with.

### **2.2.1 Internationalisation Decision and Process**

One of the most widely known theories to explain incentives to go overseas, the organizational form of MNEs and MNE’s location choice is Dunning’s adaptation of the eclectic paradigm, the OLI framework. O (ownership), L (location) and I (internationalization) advantages must be present for a firm to undertake multinational activity (Dunning, 1979). Ownership advantage supposes that firms are a collection of assets. Only if these assets can be transferred to overseas locations without loss of their effectiveness are FDI activities beneficial to the company. Examples include products, design or patents. Locations are characterized by

different endowments which may or may not be beneficial to the firm and the type of multinational activity it is undertaking. Firms are thus likely to select their location according to local assets of the host country that are complementary to the FDI activity they want to carry out. Simple manufacturing activities may require the availability of cheap labour force, while FDI entry to serve a foreign market requires a large customer base in the location. Internationalization advantages refers to a firm's understanding that its ownership advantage is best exploited by establishing an own subsidiary abroad. This is often due to difficulties writing controllable and enforceable contracts with overseas firms when selling such ownership advantages. Firms therefore have an incentive to internalize foreign production to keep intangible assets from diffusing.

Location advantages are highly dependent on

“the motive of investment and whether it is a new or sequential one. Different kinds of investment incentives are needed to attract inbound MNE activity of a natural resource-seeking, c.f. that of a market- or efficiency-seeking, kind” (Dunning, 1998, p. 50).

The idea place marketers follow is to provide information and incentives that help companies to make the most rational decision possible regarding their future location.

Considering the second major choice - where to locate - a foreign enterprise that chose to invest abroad faces, 5 different stages of location determination can be described (Multilateral Investment Guarantee Agency, 2006) as visible in Figure 2.1. Once a project has been defined and its location needs have been determined, the person responsible for the location finding process long-lists up to 20 locations (Multilateral Investment Guarantee Agency, 2006). According to Harding and Javorcik (2011), these locations are likely to belong to one of three main groups: the world's most popular FDI destinations, countries located in the proximity of the investor's current operations, or emerging FDI destinations. The latter is thought to be an opportunity for IPAs of those destinations that would not make the long list under the first two categories. Through matchmaking and comparing the initially listed locations, the locations which have the potential to best fit the project's requirements are singled out. Usually, this process of organizing the potential hosts of the investment is not accompanied by a visit of the locations which makes easily accessible information indispensable (Harding and Javorcik,

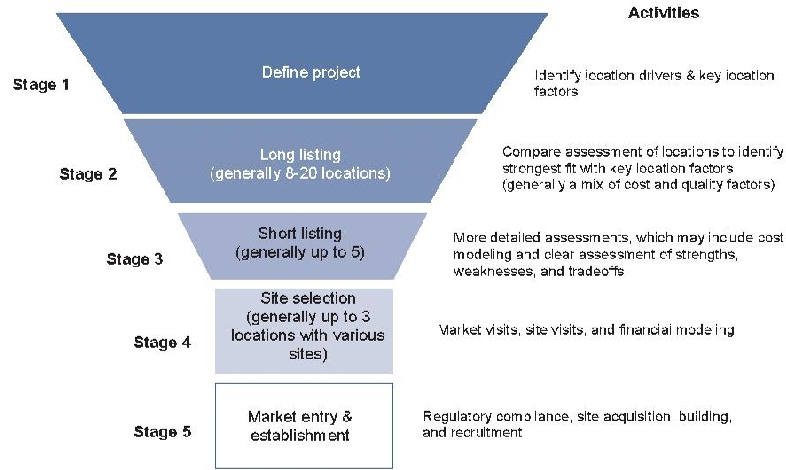


Figure 2.1: The investor’s process for selecting a FDI project location (Multilateral Investment Guarantee Agency, 2006, p. 12)

2011). The up to 5 short-listed locations are subjected to an in-depth assessment (Multilateral Investment Guarantee Agency, 2006). Various sites, in generally up to three locations, are then visited to make a final choice on the future location. Usually, this involves direct interaction with the IPA and thus offers a variety of opportunities for the IPA to

“emphasize the advantages of locating in its country, answer questions, show executives potential investment sites or introduce them to potential local business partners” (Harding and Javorcik, 2011, p. 6).

Once the decision has been made, IPAs usually offer assistance in the establishment process by, among others, preparing information on regulatory requirements, bureaucratic obligations and recruitment.

## 2.2.2 Location Theories

Research has been concerned with factors that influence companies to locate in one place or another. Several theories have been developed to understand how the location choice of enterprises is made. Besides the well-known classical and neo-classical theories that mainly focus on micro- and macroeconomic factors,



behavioural and institutional approaches to location determination allow to incorporate additional important factors (Atzema, van Rietbergen, Lambooy, and van Hoof, 2012). The three former classifications of theories will be briefly explained in the following.

Classical theories often find the origin in Adam Smith's 'The Wealth of Nations'. According to classical theorists the availability and cost of production factors (capital, labour, land) determines the possibilities and actions of enterprises. Entrepreneurs act in line with profit maximization. They attempt to allocate their resources such that they achieve the highest possible output with the lowest possible inputs. This is of importance for location choice as different locations feature different endowments with factors and consequently differ in prices of making them available. Companies are thus bound to choose the location where the production cost, i.e. the total cost of inputs necessary for the production of their good or service is the lowest. Alfred Weber, a German economist, stated that the location of German industrial enterprises was concentrated in areas where important resources such as coal could be exploited (Atzema, van Rietbergen, Lambooy, and van Hoof, 2012). Classical theory is, however, limited by its assumption of perfect competition. This weakness was recognized by neoclassical economists who, in their research, allowed for specific market forms and features. Generally economic agents are assumed to be thriving for optimal gains given all relevant constraints and existing scarcity.

While both classical and neoclassical theory have an immense contribution to what influences companies when choosing a location, they intentionally simplify reality. When looking at enterprises making locational decisions it is obvious they cannot obtain all relevant information for all potential locations. Acting on full and relevant information is in the majority of scenarios not feasible. Behavioural approaches to location theory allow for only partially rational actors (Atzema, van Rietbergen, Lambooy, and van Hoof, 2012). Herbert Simon's bounded rationality makes

“modest and realistic demands on the knowledge and computational abilities of the human agent.” (Simon, 1978, p. 347)

There may be a

“tendency to depend on suggestions, recommendation, persuasion,

and information obtained through social channels as a major basis of choice.” (Simon, 1982, p. 258)

It is, as a result, likely that location decisions do not only depend on easily determinable economic factors but that the final choice is also dependent on the decision-making team, their personal experiences and contacts. Meester and Pellenbarg (2006) postulate that they

“seem to be guided by their subjective interpretation of reality, not so much by reality itself” (Meester and Pellenbarg, 2006, p. 2).

#### **2.2.2.1 Role of Soft and Hard Location Factors**

No clear consensus on a classification of location factors exists (for an extended list of selected location factors see Table 2.1). Nevertheless, the general distinction between soft and hard location factors is widely accepted. Dziembowska-Kowalska and Funck (2000) suggest that

“factors that influence a region’s specific conditions for a certain productive activity having, thus, a direct impact on the net profit rate, and being determined by market forces or through direct market intervention should be treated as hard location factors” (Dziembowska-Kowalska and Funck, 2000, p. 3).

Soft location factors may be considered all other factors that have an indirect influence only. As the impact of such factors does not necessarily translate to economic output, it is sometimes hard to identify which aspects have to be considered soft location factors. Aside from these difficulties, soft location factors are considered to be of growing importance for both the attraction of talented workers and business location choice (Musterd and Deurloo, 2006).

Hard location factors group all factors together that influence production costs in a given region. This includes the local level of prices, especially of material inputs and services, wage rates, rental prices, interest rates. At the same time, also quantifiable measures that reduce a company’s costs should be taken into consideration. Among others, this refers to tax levies, rent subsidies, interest rate reductions and export subsidies.

Soft location factors, on the other hand, are not easily quantifiable. Often they concerns intangible and subjective aspects of a specific location such as the atmosphere, the overall living environment and the availability of desired facilities

Location Determinants		
	<b>Political, legal and social framework conditions</b> Legal certainty Economic and ownership constitution Bureaucracy and Market access regulation Corruption Acceptance of required technologies Environmental regulations Labour market regulations Tax burden Available funding Access to capital and credit markets Religion Image and tradition of a region	
Market access	Conditions of	production
Market size and transport costs between alternative location and market	Infrastructure	Transport connections, means of communication, energy and water supply, research environment and institutions
Market competition	Production factors	Labour market and costs, resource availability, property and facilities, energy
Avoidance of foreign exchange risk, tariff and non-tariff trade barriers	Quality of life	Cultural offers, shopping facilities, environmental quality and landscape, child care facilities, schools and universities, transport connection and public transport, crime rate, existing network, health care facilities, regional purchasing power

Table 2.1: Location Factors, own elaboration according to Berlemann and Tilgner (2006)

(Murphy and Redmond, 2009). Dziembowska-Kowalska and Funck (2000) stress that such soft factors can be influenced by policy makers and public or semi-public institutions. They are thus not exogenously given and stimulating them can

“provide, foster and consolidate the competitive advantage for business activities in a region” (Dziembowska-Kowalska and Funck, 2000, p. 3).

### **2.2.2.2 Role of Agglomerations**

Dating back to Alfred Marshall in the 1890s, the role of agglomeration has been an issue considered of much importance in the allocation of businesses in a particular area. If agglomerations incite economies that are external to individual firms but internal to small geographic regions, then specialization may prove to be an important factor in regional development and competitiveness (Guimaraes, Figueiredo, and Woodward, 2000). Indeed, in the literature various accounts on the potential of agglomerations to attract inward investment are present. Within a considerable number of studies researchers have examined the importance of agglomerations for FDI (e.g. Wheeler and Mody, 1992; Barrell and Pain, 1999; Driffield and Munday, 2000). To adequately assess the influences of factors on location decision, the local and regional level where they apply has to be looked at for reasonable results. Woodward (1992) was one of the first to criticize the use of large areas to determine inherently local developments. Guimaraes, Figueiredo, and Woodward (2000) emphasize, accordingly, that

“external economies are fundamentally an interregional and interurban phenomenon, prevalent within and across cities, towns and localities” (Guimaraes, Figueiredo, and Woodward, 2000, p. 116).

The fundamental concept underlying the considerations are economies of scale. While internal economies of scale may influence the number of locations as they increase through technological advances (Barrell and Pain, 1999), the large majority is concerned with external economies of scale. The basic assumption is that proximity between different firms may reduce costs which in turn may lead to a location becoming cumulatively more appealing to investors.

Why the phenomenon can reasonably be assumed to influence location decisions

of MNEs can be deduced from theories that explain the emergence of agglomerations. Ottaviano and Puga (1998) provide a detailed portrayal of reasons for agglomeration which can be summarized in three main categories associated with the new economic geography strand: backward and forward linkages between customer firms and supplier firms, knowledge-spillovers between firms and advantages of concentration in obtaining production factors (e.g. specialized labour). When considering these beneficial aspects that may lead to the appearance of agglomerations, it becomes obvious that for FDI, as it is associated with significantly higher costs than local investment, the agglomeration effect may partially offset these costs (Caves, 1996).

Results of empirical research suggest that the link between location decision of MNEs and industry agglomerations is indeed robust. Florida et al. (1994) find a preference of Japanese automobile manufactures to locate their overseas plants in the United States in close proximity to suppliers. Similarly, Barrell and Pain (1999) find statistically significant association between FDI location decision in a number of OECD host countries and agglomerations. Guimaraes, Figueiredo, and Woodward (2000) emphasizes two different type of externalities. Localization economies are manifested through the size of an industry in a particular area, while service agglomerations consider the potential to reinforce productivity and through this attract more firms. In their study on inward greenfield FDI in Portugal they find both types to be important, with service agglomeration showing a slightly stronger effect. An intriguing differentiation is made by Barry, Görg, and Strobl (2003). In addition to conventional factors, they acknowledge, and find significant, demonstration effects of agglomerations. Existing agglomerations may signal to potential investors the reliability of the host country. As MNEs generally experience much higher uncertainty, this is expected to influence location decision. The research of Barry, Görg, and Strobl (2003) is closely related with the role of cluster reputation and the potential to influence location decision of following MNEs through demonstrating positive investment climate with well-developed and recognizable agglomerations.

## 2.3 What Place Marketers Can Do

Marketing of a region requires an overarching strategy. While colloquially often associated with promotion, region marketing incorporates many more aspects, among which spatial activities and organizational measures (Ashworth, Voogd, et al., 1990). Most governments regard investment promotion and facilitation as an integral part of their policy framework (Lim, 2008). This section summarizes existing research on the investment promotion process. Literature comes from two angles: place marketing research with a sub-focus on inward investment (e.g. Kotler, Haider, and Rein, 1993; Rainisto, 2003) and studies focusing exclusively on techniques for or effectiveness of attracting FDI. For a summary contributors to the latter, see Table 2.3.

### 2.3.1 Actors and Targets in Place Marketing

Actors in place marketing come from very different levels and may be both public and private actors (Kotler, Haider, and Rein, 1993). This is coherent with place marketing being a phenomenon that can be observed at city, regional and even national level. Kotler, Haider, and Rein (1993) summarize which actors may have influence in the place marketing process at the various levels in Table 2.2.

Place marketing has become an important tool of regional actors to ensure prosperity. However, if the designed strategy is to make a powerful impact, then it needs to be target-specific (Harding and Javorcik, 2011). Of the target groups described by Kotler, Haider, and Rein (1993) - visitors, residents and workers, businesses and industry, and export markets - this thesis focuses on businesses and industry, specifically on inward investors from abroad. Important in this context are IPAs, a common term under which institutions dealing with inward investment and its challenges have been summarized. Detailed knowledge about the specific region is required to carry out the activities which

“has often led to the development of sub-national IPAs, which promote regions, provinces or states within a country.” (UNCTAD, 2001, p. 6)

Place marketers must first understand how international businesses make location decisions, which businesses are a match for the regional assets and which companies could be of added value for the region. Place marketers naturally

Local Actors	PUBLIC SECTOR ACTORS	1. Mayor and/or city manager, 2. Urban planning department, 3. Business development department, 4. Tourist bureau, 5. Convention bureau, 6. Public information bureau, 7. Infrastructure managers
	PRIVATE SECTOR ACTORS	1. Real estate developers and agents, 2. Financial institutions, 3. Electricity and gas utilities, 4. Chamber of commerce and other local business organizations, 5. Hospitality and retail industries, 6. Tour packagers and travel agencies, 7. Unions, 8. Taxi companies, 9. Architects
Regional Actors		1. Regional economic development agencies, 2. Regional tourist boards, 3. County and state government officials
National Actors		1. Political head of government, 2. Various ministries, 3. National unions
International Actors		1. Embassies and consulates, 2. International chamber of commerce

Table 2.2: Actors in Place Marketing (Kotler, Haider, and Rein, 1993, p. 34)

strive to attract investment with a value added to the regional economy. Certain kinds of industries, i.e. characterized by high pollution, regions explicitly want to avoid. In contrast, modern, high-tech businesses are welcome almost anywhere. Creating and maintaining a business-friendly climate is key to retaining current companies, attracting new investors as well as the surrounding services they need. The following section merges existing investment promotion literature into a framework of FDI promotion, listing stages and elements of the process.

### 2.3.2 Elements of the Investment Promotion Process

With its broad and complex nature but often unique and specific design it makes it difficult to identify a precise chronology and number of stages that are common to the investment promotion process. As a results the number of stages identified and the elements part of each of the stages tends to differ from moderately to significantly depending on the researcher (e.g. Matlovičová, 2008; Kotler, Haider, and Rein, 1993; Loewendahl, 2001). Generally, however, literature points to certain elements that are present in the process. This allows for a certain degree of

generalization. First, places must assess the status quo. The main question to answer at this stage is: *What is the current situation the place is in?* Second, based on the initially obtained information a vision and a strategy must be set that substantiates general objectives of place marketing to the specific needs and offers of the place. *Where does the place want to get? Which means are suitable to reach the goal?* Third, the strategy has to be fit into an action plan and implemented accordingly. *Which specific steps have to be taken to reach the established goal?*, is the accurate question to ask here. Finally, the last phase consists of tasks such as control, monitoring and evaluation of the implemented strategy. Asking *which steps have been taken towards the goal, what was the success rate of the means used, which areas have to be further developed to be considered successful* may point place marketers into the right direction concerning further development and future improvements to strategies and implementations. An in-depth description of the elements and tasks of each of the stages will follow. For the purpose of further analysis, the stages will be labeled (1) Situational analysis, (2) strategy development, (3) lead generation and/or project facilitation and (4) evaluation and after-care. This is depicted in Figure 2.2.

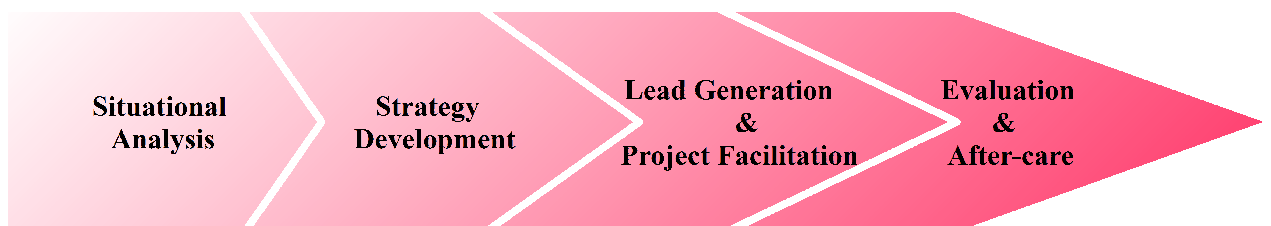


Figure 2.2: Elements of the Investment Promotion Process



Author(s)	Level	Activities	Major Findings
Wells and Wint (1990)	National	Image building, investment generating activities and investment services	Positive relationship between IPA activities and FDI inflows
Young, Hood, and Wilson (1994)	National	Policy formulation, investment promotion and attraction, assistance and after-care	Policy-advisor function is essential
Head, Ries, and Swenson (1999)	National	Country promotion and information dissemination	Existence of an IPA office did not have a statistically significant influence on FDI location choice (for Japanese investment in US states, 1980-1992)
Wells (1999)	National	Image building, investment generating and investment services, and policy advocacy	-
Loewendahl (2001)	National and Regional	Strategy and organization, lead generation, facilitation and investment services	IPAs can influence attractiveness of their location and benefits to local economy
Uлага, Sharma, and Krishnan (2002)	Regional	Image building, regional promotion, information provision and communication	Needed information and communication techniques vary depending on firm characteristics and size.
Morisset and Andrews-Johnson (2004)	National	Following Wells (1999)	IPA spending has a positive influence on FDI inflows.
Multilateral Investment Guarantee Agency (2006)	National	At long listing stage: information provision and inquiry handling	Developing country IPAs often do not provide high-quality services expected by investors.
Harding and Javorcik (2011)	National	Following Wells and Wint (1990)	IPAs reduce information asymmetries and bureaucratic burdens. Positive association with higher FDI inflows for developing countries only.
Rota and Salone (2012)	Regional	FDI promotion, FDI aftercare, trade and tourism promotion, foreign investor embedding, local development	IPAs adopted largely standardized mix of techniques, only partially tailored to specific assets and needs of the regional economy.
ECORYS (2013)	National	Image building, lead generation, investor servicing, aftercare	Generic messages fail to reach investors, targeted approaches are needed.

Table 2.3: Summary of Previous Studies on IPA Activities

### 2.3.2.1 Situational Analysis

An initial assessment should be the first step after a community decides to initiate any kind of investment promotion activities (Kotler, Haider, and Rein, 1993). Considering that the task at hand is both time- and money consuming, the assessment of the current situation should not aim at simplification. Rather constructing an in-depth picture of a place's complexities serves the purpose of designing a unique and fitting strategy better.

“Systematic examination of a place's economic/demographic characteristics, followed by an attempt to sort them into competitive strength and weaknesses, followed by an effort to relate them to opportunities and threat,” (Kotler, Haider, and Rein, 1993, p. 81)

thus constitutes the first stage of the process.

Parts of this stage relate to the identity, brand and image of a place. Identity of a place has its foundation in physical, cultural, personal, relational and controlled elements (Graby, 1993). The way outsiders perceive a place is influenced by both the identity of the place and the brand that has been developed for it. As a result the brand image may be considered the sum of both or, in other words,

“the set of beliefs or associations relating to that name or sign in the mind of the consumer” (Anholt, 2009, p. 7).

This final image is both intentional and unintentional. Intentional in the way that place's do try to influence through the designing of a brand and a variety of marketing techniques and unintentional in the way that perception is widely dependent on the observer (Matlovičová, 2008). Brand and brand image are in so far important in this first step as strategies applied in a region differ according to existing images. As Kotler, Haider, and Rein (1993) suggest, places with weak images that are not widely known due to lack of attractions, non-existences of marketing activities require completely different methods than places with negative images or overly attractive images.

Additionally, places must establish their position in the competitive landscape of regions. By observing their surroundings in near and far continuously, a place can identify its current and potential competitors (Kotler, Haider, and Rein, 1993). The probability of a place achieving success in its endeavors does not only depend on the successful positioning of its own strengths, but also on whether or not the

established strengths are enough to outperform competitors. Benchmarking one's own efforts against the experiences and achievements of competitors can lead to best practices and inspiration as to the design of one's own strategy.

The inspiration from and incorporation of best practices into a self-designed strategy requires the collection of soft and hard data to profile the place. A greater challenge is presented by conducting a meaningful SWOT analysis to support the creation of a marketing strategy. Kotler, Haider, and Rein (1993) emphasizes the necessity to not only observe characteristics but having the ability to accurately classify them. Strength may be major or minor, weaknesses may or may not be influenceable. Accordingly, a place may establish opportunities and threats. A minor strengths may be less of an opportunity than a minor weakness that has great potential to be improved upon.

Once a place has collected and analyzed all the data to come to sensible conclusion, they will have to fine tune their analysis during the next stage.

#### **2.3.2.2 Strategy Development**

Formulating individual goals and planning a strategy is the subject of the next stage, as

“to be without a vision is to be without direction and motivation”  
(Kotler, Haider, and Rein, 1993, p. 91).

The single activities within the place marketing process are determined by the complexity and nature of the final product a place wants to achieve. Based on the results of stage one, a place thus must come to a conclusion concerning the aim and the target group of its efforts. Market segments may be evaluated to assess their potential which is composed of the size and growth of a market segment, the structural attractiveness of a segment's sources and the targets of a place. Different target groups will require different marketing strategies. Sending tailored messages to pre-selected target sectors is seen as more effective than general approaches applied across a variety of industries (Harding and Javorcik, 2011). For reasons of resource scarcity many place develop a concentrated strategy aimed at one selected segment. Goals lead to an overall broad strategy. Identifying the means to achieve the objectives within the given budget is the main challenge here.

Decision have to be made concerning the type of industry that would complement the community’s existing business environment, whether to spread efforts among a variety of industries or concentrate on just one, whether or not specific types of FDI are preferred, and if there is a role for investment incentives.

“Targeting the most appropriate inward investors for the designated areas can help to optimize local impacts” (Potter and Moore, 2000, p. 1309).

Thus identifying the best fitting industries for a region is an integral part of strategy development. Loewendahl (2001) develops a sector evaluation matrix, see Figure 2.3, which classifies sectors according to three factors. Sectors that feature a large number of FDI opportunities. These are generally industries that are growing and mobile across borders. The competitive position of the place within the sectors that offer FDI opportunities determines whether a location has enough competitive strength in a sector to allow for successful investment attraction. Lastly, potential sectors of interest are evaluated according to their po-

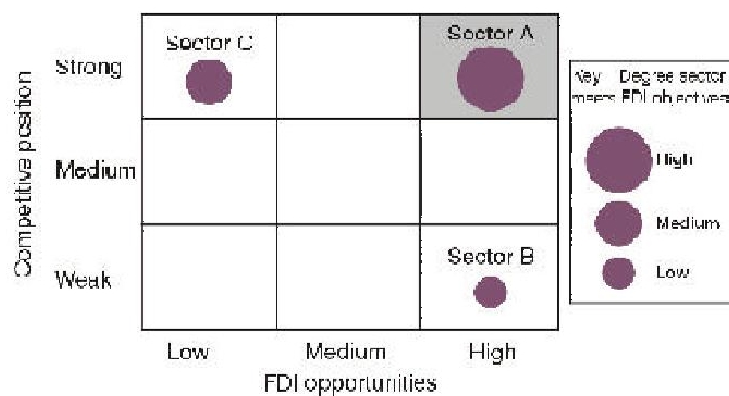


Figure 2.3: Sector evaluation matrix (Loewendahl, 2001, p. 11)

tential to satisfy the objectives a community wants to reach. Likewise, a sector’s potential to complement regional assets and thus contribute to sectoral embeddedness may offer insights into its suitability (Brand, Hill, and Munday, 2000).

Furthermore, within the focus industry or industries an initial choice has to be made whether any project belonging to this industry will be supported (Loewendahl, 2001). Investment promoters may choose to only work on those projects that serve certain positioning purposes such as the establishment of knowledge centres or strong players for industry clusters, or the completion of unfinished supply chains in the local economy.

Careful modeling of a strategy on basis of the SWOT analysis and considering the set objectives should lead to what are called unique selling points for key sectors and types of projects which differentiate the location from its competitors and can be used by project managers when communicating with potential investors (Loewendahl, 2001).

### **2.3.2.3 Lead Generation and Project Facilitation**

Putting the broad strategy developed during stage two into practice requires place marketers to list specific techniques and tasks to be carried out at specific times. Such an action plan entailing precisely the actions, responsibilities and corresponding costs needed to achieve objectives, has, according to Kotler, Haider, and Rein (1993), four general advantages: actors involved know what has to be accomplished, satisfactory implementation can be monitored more easily, and expenses can carefully be watched so that less important actions may be canceled if the budget is used up.

When attracting FDI generating leads is indispensable. This is especially challenging for places with weak or negative images. Awareness, peer experiences, and indication of good business climate are key factors in listing potential investment sites. Through various marketing communication strategies, place marketers have a chance to position their place to enable contacts with potential investors. Creating positive awareness of the location is necessary to achieve this goal. Attempts to influence the image through a positively associated, internationally recognized brand may bring about future investments from abroad, however, making potential investors acquainted with the place consist of more complex and varying strategies (Loewendahl, 2001). Most literature on the activities of IPAs, see Table 2.3, classifies them along the findings of the 1990 study carried out by Wells and Wint (1990). They identified various investment promotion techniques that support the aims of RDAs and IPAs. Image-building techniques include basic

advertising, presence on specific trade fairs, industry-specific promotion as well as production and distribution of promotional material and brochures among others. More specific activities, so-called investment-generating techniques focus on the acquisition of investors by, e.g., establishing personal contact, investment seminars, investment missions to source countries with clear focus on certain industries or sectors. Finally, agencies in the investment promotion area also offer investment-servicing activities which include assistance for administrative procedures such as processing of permits and applications, investment counseling as well as after-care (Wells and Wint, 1990). Investment promoters may want to target specific companies as a means of identification of potential investors. The development of good, long-term relationships with potential future investors is important to put a place on the map once a MNE has a FDI project planned (Ulaga, Sharma, and Krishnan, 2002). A interconnected, well-maintained network is crucial to this (ECORYS, 2013). Loewendahl (2001) urges not to push pre-identified investment wishes but to appreciate the potential investor and his needs. Giving due diligence to matching the region's offers with the requirements of the investment project is of utmost importance.

Another factor of marketing for inward investment is the handling of specific projects. Naming a responsible project manager is often the setup of choice (Loewendahl, 2001; UNCTAD, 2001). The duty of the project manager is the handling of the investment project. Above all complete and correct understanding is necessary to fully appreciate an investment projects's needs and requirements. Information should then be supplied according to the costumer's needs and requests (Loewendahl, 2001). Analyzing a set of national IPAs, the Multilateral Investment Guarantee Agency (2006) identified four factors in successful project handling: good availability and contactability of the project manager, responsiveness to the potential investor's request, quality of the response and customer care. When a potential investor visits the place,

“the professionalism of the agency in preparing an itinerary [...] can be crucial in winning the investment, especially because the executive from the investor is likely to have a senior position in the company” (Loewendahl, 2001, p. 24).

From this section emerges clearly that winning FDI projects for a region is a dual effort of successful lead generation and effective project handling which implies

the importance of both tasks respectively.

#### **2.3.2.4 Evaluation and After-care**

Implementation has to be monitored and evaluated, the results of which should lead to development and improvement of the strategy (Kotler, Haider, and Rein, 1993). Assessing precisely the accomplishments and failures of the chosen strategy will help improve a location's competitive advantage further through carving out its uniqueness and raising its attractiveness. Kotler, Haider, and Rein (1993) suggest an annual report should be issued to discuss both failure and accomplishments. Effects of attracting FDI are various and depend on a variety of factors. Therefore a consistent evaluation mechanism is problematic. Numbers of investment projects and amounts of invested resources do not allow for an unambiguous judgments on FDI effects and their value for the regional economy. This underlines the necessity of carefully controlling the effects of attracted FDI projects to be able to make adjustments to the chosen strategy if necessary. Below a selection of activities that aim at increasing probability of positive effects.

Investors already present in a place have shown a noticeable demonstration effect, that is they may act as a magnet for future investors (Barry, Görg, and Strobl, 2003). Offering services to existing investors may also encourage them to carry out follow-up investment project or expand their current investment. Loewendahl (2001) points to policies that improve the embeddedness of current investors into the local economy into to maximize host-country benefits from the investment through improving linkages between foreign and local firms. Additionally, embeddedness may root businesses in the area and avoid relocation. Subsequent cycles may benefit from intense after-care of current investment projects.

Consequently, the linear investment promotion process, as depicted in Figure 2.2, repeats itself using feedback from previous cycles in an attempt to keep current investors and improve the case for further FDI projects.

## Chapter 3

# Research Design and Methodology

### 3.1 Research Approach

This thesis has developed a framework for the research based on results of selected existing studies on location attractiveness and factors that multinational firms use in their decision-making process as well as studies on activities and success factors of IPAs, in particular. To what extent place marketing can be effective in the attraction of FDI depends largely on the match of the design and implementation of policies with what actually makes places attractive and with their ability to influence the decision-making process. Understanding the approach of different stakeholders in the place marketing process of a region can add to the existing stock of literature on the role of investment promotion in FDI attraction and offer an insight into successful implementation means of IPA officers. The idea is to select two European regions and depict their concept of investment promotion and deduce indications of what constitutes successful marketing for inward investment. The regional approach is inspired by the increasing competition between regions for FDI and the increasing role of regions in economic development (Burger, van der Knaap, and Wall, 2013) and the involvement of regional IPAs or RDAs in decisive stages of the location finding process of MNEs (Loewendahl, 2001).

Rather than seeking generalizable results, this research takes an explorative approach. According to Babbie (2013), it is best applied when the problem at hand



is in a preliminary stage and/or the necessary data are difficult to obtain. In relation to the specificity of the research question and the sensitivity to exogenous circumstances, a case study research design has been chosen. Case study research has gained in popularity in recent years and judging

“by frequency trends, case study research may be having an increasingly prominent place in everyone’s portfolio” (Yin, 2014).

Built on qualitative case study methodology, this thesis investigates a phenomenon of current interest, the attraction of FDI to regions, within the context of certain set of conditions, their causes and their effects. The idea is to construct an in-depth picture of the use of investment promotion tools to attract FDI to a region. To allow for an investigation of differences within and between cases, a multiple case study approach has been chosen. Since the aim is to understand strategies of investment promotion in the selected regions from the perspective of a variety of actors involved in the place marketing process, the primary, a priori identified criterion for inclusion in the sample was the involvement in the regional investment promotion process. The data collection consists of two parts. First, a desk research including the review of relevant literature and the building of a theoretical framework as well as the obtaining of basic documents and information on the selected cases. The second part concerns the qualitative investigation of the units of analysis with regard to place marketing and attraction of inward FDI.

## 3.2 Case Study Design

A case study design has been selected to obtain practical information from stakeholders in the FDI attraction process. According to Yin (2014), a case study research design is best suited to conduct research with *how* or *why* research questions. A case study then offers the unique opportunity to study the phenomenon of FDI attraction in detail. When setting up a case study, two major decisions have to be made: which and how many cases to study. Both questions are closely related to each other and play a major role in the design of any case study. Because of the specificity of case selection in qualitative research, several writers have criticized to use of the word *sampling* when it comes to choosing cases (Yin,

2014; Emmel, 2013). The reason is that case studies, in their opinion, do not, or should not, aim to obtain generalizable findings that extent to a whole population the way empirical studies do. Rather Yin (2014) suggests to view the case as

“the opportunity to shed empirical light about some theoretical concepts or principles” (Yin, 2014, p. 40).

It also confronts the researcher with another choice: how many case to select. Two factors should be given thought to by the researcher: the level of certainty the case study should establish and the strength of rival explanations (Yin, 2014). To account for different approaches of different regions towards the subject, two cases in the frame of a multiple case study design have been chosen. This multiple case study design allows to investigate differences within and between cases.

### **3.2.1 Case Selection**

The question is now, when selecting a certain amount of cases in a multiple case study, which to select. As the purpose of the study is to compare the approach of regions to investment attraction in detail, two regions have been chosen as subjects of analysis. Random sampling will not be applied to the selection of the units of analysis as this is neither necessary nor desirable (Yin, 2014). Rather, the cases are chosen based on their value added to the topic studied. *Purposeful sampling* is characterized by Emmel (2013) to mean very different things depending of the researcher. He exposes two deviating approaches: One being the understanding of purposeful sampling as a way of focusing sampling in grounded theory, while the other refers to the selection of information-rich cases in order to best supply central findings (Emmel, 2013). Since the purpose of the study is to determine practices of place marketers as well as challenges and factors of success of the promotion process, regions are selected among EU member states that attract a considerable amount of FDI. This is done in resonance with the latter reasoning for purposeful sampling. A variety of FDI indices indicates the most successful mainland European countries in attracting inward investment are Germany and the Netherlands (e.g. GFICA, 2014). The European Cities and Regions of the Future report 2014/15 identifies Top 10 regions for a variety of indicators related to the business environment. Both selected regions - North Rhine-Westphalia for Germany and North-Brabant for the Netherlands - were scored in the Top

10 for FDI strategy by the FTI research report, see Figure 3.1. Even though,

<b>TOP 10 EUROPEAN REGIONS – FDI STRATEGY</b>		
<b>RANK</b>	<b>REGION</b>	<b>COUNTRY</b>
<b>1</b>	Scotland	UK
<b>2</b>	Brabant	Netherlands
<b>3</b>	Copenhagen	Denmark
<b>4</b>	Greater Stockholm Region	Sweden
<b>5</b>	Nordrhein-Westfalen	Germany
<b>6</b>	Northern Ireland	UK
<b>7</b>	Wallonia	Belgium
<b>8</b>	Greater Zurich Region	Switzerland
<b>9</b>	Tuscany	Italy
<b>10</b>	Val De Marne	France

Figure 3.1: European Regions - FDI Strategy, Source: FDI Intelligence, European Cities and Regions of the Future Report 2014/15, p. 60.

the purpose and accuracy of rankings can be disputed, the inclusion is a clear indication of both regions' experience in the area of FDI attraction. This is considered sufficient to justify their selection for this research as the interest is in their operational practices. For a brief comparison of the regions studied refer to Table 3.1, for a more detailed account on regional characteristics see Section 4.2 for North-Brabant and Section 4.3 for NRW.

	North-Brabant	North Rhine-Westphalia
Country	Netherlands	Germany
Capital	's-Hertogenbosch	Düsseldorf
Inhabitants	2,463,686 (2012)	17,571,856 (2014)
BIP (in bln. €)	95.958 (2013)	599.75 (2013)
IPA	BOM Foreign Investments	NRW.invest
Foreign Investment (number of projects)	31 (2014)	169 (2014)
Top industries	aerospace/maintenance, automotive, biotechnology, chemicals, design, food, IT, medical technology, pharma, semiconductors, and solar	automotive industry, biotechnology, chemicals, energy, environmental technology, food, healthcare, information and communication technology, logistics, mechanical engineering, media, new materials and plastics

Table 3.1: Selected Regions in Comparison, Source: Centraal Bureau voor de Statistiek (CBS), Statistisches Bundesamt, Land NRW, NRWinvest, BOM Foreign Investment

### 3.3 In-Depth Interviews

In-depth interviews have been conducted with a variety of stakeholders in the process of FDI attraction in both regions as interviewing is considered a core method to obtain qualitative data for research (Bryman, 2012). All interviewees were selected from public or semi-public organisations and invited to participate in the study via email. Willingness to contribute to the research was mixed. Per region, five interviews have been conducted lasting between 30 minutes and two hours. Depending on the preferences of the interviewees, interviews were either conducted personally, via telephone or via video call. Certain issues addressed by Bryman (2012) concerning non face-to-face interviewing such as relative shortness and inability to observe body language were found to be unrelated to this research. Due to the development of strategies in FDI attraction and factors of success in FDI attraction - the main foci of the research - being non-personal issues, observation of body language was considered to not influence the results. Two interviewees requested to respond in written due to time restrictions which was accepted. All other interviews were recorded and later transcribed for analysis. One interviewee did not consent with taping of the conversation. In that case notes were taken instead and, additionally, the interviewee provided a document with main points he felt comfortable sharing for research purposes. For a list of participating interviewees and the interview guide in both Dutch and German, please see the appendix.

To deepen the understanding of factors in FDI attraction participants felt were important, semi-structured interviews were conducted. Semi-structured interviewing

“tends to be flexible, responding to the direction in which interviewees take the interview and perhaps adjusting the emphases of the research as a result of significant issues that emerge in the course of the interview” (Bryman, 2012, p. 470).

It enabled the adaptation and refinement of the interview guide as the interviews progressed and allowed for opportunities to probe unclear answers as well as flexible response to interviewees’ specific experiences in the field. Additionally, participants were encouraged to express their own thoughts on the subject. As

“semi-structured interviews unfold a conversational manner offering

participants the chance to explore issues they feel are important”  
(Longhurst, 2003, p. 103),

participants’ individual views on and experiences in FDI attraction were a central feature of the conversations.

### 3.4 Data Analysis

All interviews were transcribed to facilitate the analysis. Because the study did not venture into the personal realm of people, it was not considered necessary to provide an exact literal transcription of the recordings. Instead, for most parts of the conversations, natural transcriptions - providing better flow and eliminating irrelevant information - were considered suitable. In no case, however, was the speech of interviewees paraphrased or meanings sacrificed. Note that all but one of the interviews were not carried out in English. Offering the option to interview in the participant’s native language did increase willingness to participate and was considered appropriate.<sup>1</sup> Therefore, direct quotations provided in the analysis section are for the majority the author’s translation. Questions of language use and meaning were taken into consideration but not found to influence the analysis negatively.

To extract the most important data concerning the success factors in the different phases of the investment promotion process, interviews were coded (or indexed), i.e. general categories were assigned to specific parts of the transcribed interviews (Bryman, 2012). Data was first categorized according to the pre-identified phases of the investment promotion process. Due diligence was given to potential deviation from the literature which is noted in Section 4.1. Within the various phases, data was thematically sorted in consonance with the topics raised.

After completing this process, the analyzed data was reviewed with an eye to possible explanations and connection with previous research and existing literature. For more considerations influencing the writing up process and presentation of data see the following section, Chapter 4.

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<sup>1</sup>For potential consequence of cross-lingual interviewing see Fersch (2013).

## Chapter 4

# Research Findings

After thematically sorting the data, clear patterns concerning factors influencing success in investment promotion that divided the obtained data along the elements of the investment promotion process were detected. Generally, answers of participants concerned factors that influenced the favorable outcome, i.e. the generation of new inward investment from abroad, either before a specific lead was generated or after contact with a potential investor had been established. Overall, the topics raised by the interviewees corresponded to the stages - situational analysis, strategy development, lead generation and project facilitation, and strategy evaluation and after-care - common to an investment promotion process as identified in the theory section, Section 2.3.2. The weighting, however, differed considerably. Interviewees were more concerned with practical considerations to enable investment projects than with the strategic planning process. An unexpectedly large amount of answers concerned the facilitation stage of the project. Project handling was a clear focus of all agencies interviewed. This is in line with Loewendahl (2001) stating that

“no matter how effectively an agency markets its location and generates leads, this is unlikely to result in actual projects unless there is effective project handling.” (Loewendahl, 2001, p. 23)

In order to underline the prominent place of this aspect in the interviews, the seven categories that have been derived are treated as a separate subject in the results sections, Section 4.2.3 and Section 4.3.3. The categories varied from relatively general factors applicable to any investment project analogously to specific determinants with possibility for large varieties of approaches in accordance with

the project at hand. Accordingly, the classification chosen replicates the degree to which each element can be generalized to apply to any investment project. Strategic factors are those that concern strategic choices of the agency in dealing with investment projects and can be applied universally to all investment projects. Operational factors regard the everyday operations of the agency and the success thereof. Similar to strategic factors, operational factors usually do not require large adjustments to specific projects. Contrarily, individual factors entail the necessity to be adapted to each project and create a favorable climate for ongoing discussions and ultimately project success customized for each project partner individually. In each category, reasons why interviewees attached importance to the factors are explained. The findings will be presented separately for the two regions to allow for a clearer picture of each case's individuality. Subsequently, similarities and differences will be presented.

## **4.1 General Information and Findings**

All interviewees came from public or semi-public organisations that deal with economic development and investment promotion. Scope and staffing of the agencies/departments varied considerably from 2 to 40.

Generally, the smaller the agency the less focus was placed on investing time and funds in actively pursuing acquisition. However, even the small agencies tended to look for foreign investors using existing connections such as city partnerships and other political, cultural or historical relations.

By and large, the themes were not equally important for all the interviewees. Larger agencies were more concerned with the role of competition and competitiveness. Smaller actors did acknowledge there was competition for inward investment, especially on the sub-regional level and between neighboring areas/cities. However, this was considered friendly competition as acquisition away from neighboring areas and even other provinces/federal states was considered off-limits.

Similarly, strategy meant different things to the different interviewees. The larger agencies considered both a time before and a time after lead generation within the strategic planning process. While smaller agencies were mostly only involved after the lead had been generated, with the exception of above mentioned local promotion and acquisition programmes.

Effective project handling and competent communication with foreign investors at the project facilitation stage, however, was a focus for all interviewees, even though the larger the agency the more scenarios had to be considered in relation with the larger variety of source countries and industries.

## 4.2 North Brabant

The most southern province of the Netherlands, North-Brabant, offers high value-added to the Dutch economy. The Structuurvisie Infrastructuur en Ruimte (SVIR) 2012 (in English: Spatial Development Strategy Infrastructure and Space) identifies both the region of Midden- and West-Brabant and the region around Brainport Eindhoven as a urban region of national interest where certain top-sectors are concentrated (SVIR, 2012).

North Brabant borders to its south with Belgium, to the north the waterways of

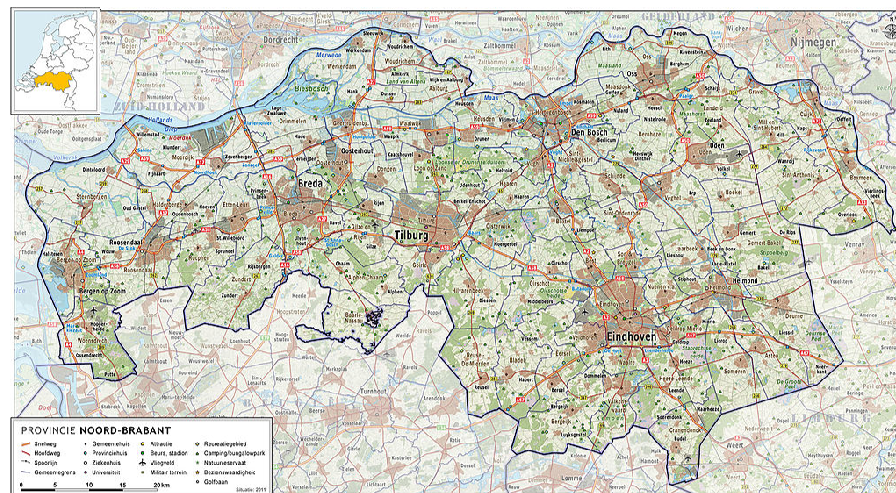


Figure 4.1: North Brabant and its location in the Netherlands, Source: Van Aalst, Jan-Willem, Provincie Noord-Brabant (2010). Digital Image. Wikimedia Commons. April 20, 2015

the Nieuwe Merwede and the Hollands Diep delimit it to the provinces of South Holland and Gelderland. The Scheldt-Rhine canal in the west marks the border



with Zeeland while to the east it borders with the province of Limburg. It is the second largest province of the Netherlands. The Brabantine City Row includes the five largest cities of the province: Breda, Eindhoven, Helmond, Tilburg, and the province's capital 's-Hertogenbosch. The total of 66 communities forming North-Brabant count a total of 2.47 million inhabitants and produce a GDP of €95.958 billion. The region's economic structure is heavily influenced by its geographic location between the ports of Rotterdam and Antwerp, the Brainport in Eindhoven, a recognized high-tech cluster, and the Belgian industrial clusters across the Dutch-Belgian border. With its strong international profile and interconnectedness with neighboring country Belgium as well as the geographical closeness to important transport hotspots, Brabant offers high value to the Dutch economy. Together with the provinces of North- and South-Holland (18% and 21%, respectively), North-Brabant (15%) contributes to more than half of the Dutch GDP as appears from CBS figures.

Both Schiphol international airport in Amsterdam and Düsseldorf international airport in Germany can be reached in just over an hour from all major cities in Brabant by car or train. Additionally, Eindhoven airport serves a variety of European destinations. Education facilities are Tilburg University and Eindhoven University of Technology as well as various universities of applied sciences. Research and development can thus be supported and a potential for talented workers exists.

The focus of the region is best captured by its most present industry clusters: aerospace/maintenance, automotive, biotechnology, chemicals, design, food, IT, medical technology, pharma, semiconductors, and solar.

Concerning the attraction of foreign enterprises, the agency in charge for the province of North Brabant is the Brabantse Ontwikkelingsmaatschappij (Brabant Development Agency) or BOM, located in Tilburg. BOM Foreign Investments is one of the four departments of the agency and actively acquires foreign investments, provides information to them, guides through the site selection process and introduces new investors to their network of businesses. BOM was founded in 1983 by the Province of North-Brabant and the Ministry of Foreign Affairs and is to the day financed through them. In 2014, a total of 31 multinational enterprises located or expanded in North-Brabant, investing a total of €154.2



Figure 4.2: International Brand Brabant Logo, Source: Brabant Smart Solutions Logo, Digital Image, Provincie Noord-Brabant. Web. April 16, 2015.

million.<sup>1</sup> Additionally, the five major Brabantine cities all have departments of economic development who, in cooperation, guide companies through the location finding process as well as other agencies who focus on particular subregions of North-Brabant, such as Brainport Development, Midpoint Brabant and NV REWIN.<sup>2</sup>

#### 4.2.1 Investment Promotion: Situational Analysis

Most interviewees did not make any specific comments about this stage. Three interviewees briefly mentioned the phase of assessing the place's strengths and weaknesses. However, it was clear from their following statements that this assessment was a stepping stone for their further strategy development as well as an information source in contact with potential investors.

“Above all, you look at who are we and what are we good at.” (Interview 7, translation TAF)

As equally important place marketers identified establishing which specific kind of companies, branches or industries could add to the existing economic structure of the region.

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<sup>1</sup>see Brabant blijft geliefde vestigingslocatie voor buitenlandse bedrijven, Werklocaties Actueel, Provincie Noord-Brabant, retrieved April 14, 2015 from <http://www.brabant.nl/Dossiers/Dossiers-op-thema/Economie-en-werk/Ruimte-voor-bedrijvigheid/Werklocaties-actueel/Nieuws-werklocaties-2015/Brabant-blijft-geliefde-vestigingslocatie-voor-buitenlandse-bedrijven.aspx>

<sup>2</sup>Information for this subsection was retrieved from [www.cbs.nl](http://www.cbs.nl), [www.foreigninvestment.eu](http://www.foreigninvestment.eu), [www.brabant.nl](http://www.brabant.nl) and [www.nfia.nl](http://www.nfia.nl).

### 4.2.2 Investment Promotion: Strategy Development

Four important factors in developing a successful strategy were mentioned. The first had to do with bundling activities with closely related agencies that have the same goal. Interviewees felt that working together with a partner strengthened their case. Furthermore, it was important to divide companies by the activity they want to carry out as different activities required different strategies. Targeting smaller groups also had the advantage that customized messages could be transmitted. Concerning the question which sectors and activities to target, opinions were twofold. On the one hand, focusing on a specific sector that was already present could allow for synergy effects with domestic companies. On the other hand, diversifying could help overcome times of crisis as it was considered unlikely that all sectors suffer breakdowns at the same time.

Another focus that occupied place marketer's minds was the choice of countries where they would actively pursue acquisition. This was mainly determined by the degree to which the region's asset matched the needs of the country of origin, by the amount of connections that already existed with the source market, by the number of companies from the country already established in the region, and by the degree to which place marketers anticipated future potential from the market. Determining focal points was considered key to successfully attract MNEs.

“Don't try to focus on everything, if you're looking to market access, we focus on 8 or 9 key markets which we visit regularly.” (Interview 1)

The last factor can be summarized under the term *continuous evolvement*. Various interviewees stressed the need to constantly be searching for new ideas and new potentials. Following the same strategy that has been in use for a prolonged amount of time was associated with stagnation and limited or no future improvements.

### 4.2.3 Investment Promotion: Lead Generation and Project Facilitation

Image-building activities were not a prime focus for any of the interviewees, even though they did comment on the impression that potential investors had on the region. All agencies engaged in a variety of investment-generating techniques

such as direct mailing, visiting trade fairs, organizing investment dinners and travelling on investment missions, though to different degrees. Additionally, the increasing use of social media and blogs in promoting investment locations was mentioned. These techniques were considered to be of higher value than general marketing activities through advertising. Nevertheless, having an easily accessible website with up-to-date information was named as a precondition to communicate a broader message to a broader audience and ensure that potential investors could easily access contact information. Mostly though, place marketers relied on a well-developed network to generate new leads.

“It’s all network. Because if we just place an advertisement saying everyone should come [here] because it’s so great to be located here with your company, then nobody comes.” (Interview 10, translation TAF)

Investment services were briefly mentioned by the interviewees. Though they acknowledged they could not force companies to stay in the region, they engaged in various activities to avoid relocation and encourage reinvestment through expansion and potentially profit from the company’s home-country network. In the following, specific factors concerning the project facilitation - and to a small extent also lead generation - phase of the process are listed separately to give due diligence to their outstanding role during the conversation with the interviewees.

#### 4.2.3.1 Strategic Factors

- All interviewees stressed the importance of a **well-developed and well-maintained network** in order to successfully operate in the area of investment promotion.

Mentioned were both the network with institutions and organisations also involved in the attraction of foreign companies at the national, regional and local level as well as a network with other stakeholders that may take part in the process of guiding a company through the location finding process, e.g. real estate agents and local consultancies. Regarding all networks the importance of putting effort into maintaining the connections was stressed. In that respect, interviewees showed awareness that a network should not only represent a certain quantity of contacts but also a high quality. One

interviewee mentioned the importance of not competing with services provided by the stakeholder's network but being open and clear about the value the interviewee's organisation could add to their offer.

“Also [we are] trying to make them understand that we're not competing with their services, we're adding value to their service.” (Interview 1)

Interviewees pointed out several advantages from good networking activities which were mainly associated with obtaining new leads for future investments and effective information provision to ongoing projects. Gaining the trust of your network was recognized as a deciding factor in making the best possible use of your network's knowledge. Furthermore, the organisation's own reputation was identified as critical for the largest network would become distrusting with deterioration of reputation.

“The moment that it circulates within our network that we give wrong advice, that it went wrong there, that this guy ended up in the wrong place [...]. Then you could just as well stop doing it.” (Interview 10, translation TAF)

Keeping your network informed about the services you provide to foreign investors was another factor considered to be influential. Due to different aspects of the place marketing process assigned to different agencies and duties divided between organisations at different levels, the information loop back to the institution responsible was considered important to foster. Additionally, provision of the same information by different organisation or even contradicting information due to bad communication with the immediate network was scrutinized as undesirable and detrimental to project success. In case of the immediate network, interviewees agreed that working closely together strengthened the case of all parties involved and improved chances of success.

Finally, the networking with current investors was considered a step towards either current investor development or information of leads through the company's network.

- This category dealt with **characteristics of the IPA's staff** and their contribution to success. Broadly speaking interviewees stressed the service-

providing nature of their job.

Experience of the responsible project manager in terms of familiarity with the network, knowledge of potential customers and ability to respond intuitively to presented situations was a factor considered important. However, an interviewee raised that in some cases the opposite could be beneficial as inexperience may lead to out-of-the-box thinking and solutions.

Involving outside specialists to obtain information and services necessary that the place marketer's organisation itself cannot provide, was looked at as a necessary ability to cater the best service possible to costumers.

Employing staff that features certain intercultural competences was said to positively influence working together with MNEs in several ways. First, staff fluent in the native language of an investor may facilitate the project handling. Second, staff with experience living in a specific country or studying its culture may show increased sensitivity to its cultural peculiarities. Additionally, an interviewee stressed the potential benefits of working in a multicultural team for improving the understanding of intercultural differences and communication.

“You cannot know for every culture how to work with it, we try to partially overcome this through building a multicultural team.”  
(Interview 6, translation TAF)

Furthermore, a great amount of flexibility was required. As was the capability to deal with failures in a proactive and positive way to improve future results.

“You put a lot of effort in every lead [...]. So anytime it goes wrong it feels like a knock-out [...]. So you have to be able to bring up your energy again and look what went wrong. So every time you have to analyze what didn't go well, what that's based on and what you can do differently the next time, you have to continuously look for improvement.” (Interview 6, translation TAF)

Generally, place marketers attributed long-term success of themselves and their staff to obtaining joy from their work and showing passion executing their tasks.

Finally, the service-oriented nature of the tasks at hand called for a customer-first attitude. This included dealing with customer's request in a precise and timely fashion and obtaining detailed information about the specific project's needs. Avoiding to subconsciously decide what the optimal solution for a customer is and, instead, providing them with the tools to make an informed decision themselves, was key.

“Don't start judging or acting already or pretending [you know] what's good or best for the company.” (Interview 1)

#### 4.2.3.2 Operational Factors

- All interviewees doubted the significance of general information, rather they insisted that **information needed to be targeted and customized** to fit the specific investment project at hand. As a result asking questions to obtain a clear and precise picture of the business case of the potential investor before providing information was identified as essential.

“It's not about what I know, it's what they want to know.” (Interview 1)

“We don't start out telling why it's good that they consider our region but we try to first identify what the business case exactly is [...] and often you can then help with a couple of things they don't know the answer to or don't yet know it to.” (Interview 10, translation TAF)

Cooperating with the immediate network to obtain concise information and communicate it timely and precisely to the potential investor was another factor of importance.

Thinking ahead and preparing for questions that had not yet been asked was also considered a necessity. This showed both interest in the customer's business case as well as improved response time to the customer's requests for information.

One interviewee made it a point to stress the importance of accuracy and honesty when providing potential investor's with information to avoid negative repercussions.

“There’s no sense in attracting something where you know you can’t offer anything, it will always go wrong.” (Interview 10, translation TAF)

- All success in attracting foreign companies to the place marketer’s region depended on **good communication** with the project partner. While all interviewees shared this opinion, the aspects of communication mentioned in relation to place marketing success varied widely.

At the bottom of it lies the fact that all communication in the location finding process is between people even though it is about the plant/office location of a MNE.

“We can talk about companies but it’s people’s business [...]. Entrepreneurs are people employed by a company and [you need to] see how you can support them.” (Interview 1)

Connected is the thought that good communication is based on a thorough understanding of the project and its specific requirements. Asking all question to get the full picture should, according to two interviewees, be the starting point of all good communication. Communication may be facilitated by trying to connect on common ground. Different foreign markets allow for different connections to be made that may come from a variety of angles such as sports, literature or culture. These should be found and used to establish communication.

If using a translator, it was stressed that the translator needed to be able to understand the region. Literal translation would risk losing important subtle information that needs to be communicated to the potential investor in order to improve probability of project success.

“You sometimes need a technical translator but you also need a translator that understands your region.” (Interview 6, translation TAF)

All communication also depended on following-up on all meetings attended and connections made and following through with promises made.

“Often you have a lot of appointments and then they are not followed-up well but then you may as well don’t make any appointments.” (Interview 6, translation TAF)



#### 4.2.3.3 Individual Factors

- This dimension dealt with the **place marketer's relationship with the customer**. Building and developing that relationship on the basis of trust was considered important by the interviewees. Though they stated that not all projects allowed time or space for building a trust relationship, they viewed it as improving success chances significantly. When the final customer was not known to the place marketer and the project was handled through middlemen and consultants until the late stages of completion, practitioners had to adapt to this situation.

Two essential aspects of building such trust relationships were mentioned by different interviewees. First, the ability to handle projects and ongoing discussions confidentially was cited as indispensable to build trust. To not leak any information, including to local politicians, the company does not wish to become public was a precondition for a good working relationship.

“There is always a tension between the local politicians who want to know very badly which parties are involved [in the ongoing discussions] and the confidentiality aspect.” (Interview 7, translation TAF)

Place marketers thought that as a trusting relationship between the project partners evolved the goodwill factor increased leading to higher success rate. Additionally, the trust relationship was considered a source of information about the project unlike the traditional sources, it was described as an opportunity to discover the potential investor's real needs.

“What you see is that a lot of things can be on paper, but there's always something not on paper. There's always something in the back of mind of people that if you build a trust relationship they will share.” (Interview 1)

- **Accounting for intercultural differences** formed another category of IPA success in direct contact with the customer. Showing respect for other cultures and their habits was treated as self-evident in the field of investment promotion. Therefore place marketers recognized the need to invest resources in accommodating intercultural differences and providing solutions if problems occurred in this area.

Though English was considered a convenient way of communicating, it was stated that handling contacts with firms through a native or near-native speaker often proved more efficient. Employing multilingual staff and, if possible, staff native to the countries determined as their major source countries helped both with language barriers and cultural understanding.

“The moment we are in contact with a Chinese company, we have a Chinese [employee] who takes care of the contact for us.”  
(Interview 10, translation TAF)

“If you employ people [from another background], it makes it easier to discuss and understand intercultural differences.” (Interview 6, translation TAF)

If a translator was needed it was important that he or she could grasp the region attracting the FDI project as well as the cultural background of the investor in order to best mediate between the two parties.

One interviewee stressed that cultures and ways to do business evolve, thus requiring constant awareness of subtle changes.

“Even if at a certain moment you understand a culture that doesn’t mean you’ll always be right. Cultures can change too.”  
(Interview 10, translation TAF)

- “You know foreign investments it’s the same if you buy a house or an apartment. The final thing whether you do it or don’t do it, it’s still emotion.” (Interview 1)

Recurring in the interviews was the thought of *emotion and the right feeling*. In connection to this, several interviewees emphasized that customers needed to feel confident that the best solution was presented to them. A variety of soft factors was considered to be influential in helping create that relation between the potential investor and the location, including the availability of international and expat facilities. It was suggested that the comparably smaller size of cities in the Brabantine City Row that still offered a large variety of such facilities may facilitate integration. Potential for satisfactory integration of staff that the company brings in from abroad was stressed.

“For the international community it is very nice that we are a bit smaller. Because it also means that an international may faster feel like at home [...]. There is a lot to do [...] but it’s still a small world, so that you inevitably meet each other again.” (Interview 7, translation TAF)

In order to try to establish that emotional connection between the investor and the location, place marketers considered it important to set triggers so that the decision-maker would visit the region.

“It’s also letting them come to your region, experience: Seeing, feeling, smelling, tasting what you have to offer is much more powerful than [what is] on paper.” (Interview 6, translation TAF)

#### **4.2.4 Investment Promotion: Strategy Evaluation**

Evaluation of the strategy was only implicitly mentioned and no details were given on the form of evaluation. However, the constant strive for improvement was underlined.

“Above all, you must not do what has been done for a hundred years [...]. You can continue the same way but if you didn’t succeed the way you worked then, then there’s no guarantee why it should get better. Then you have add something, or take something away, or change something in the equation.” (Interview 6, translation TAF)

### **4.3 North Rhine-Westphalia**

Situated in the far west of Germany, North Rhine-Westphalia is one of 16 federal states. With approximately 17.5 million inhabitants it is also the largest by population. To the north and northeast it is bordering with Lower Saxony, to the east with Hessen and to the south with Rhineland-Palatinate. In western direction international borders with Wallonia, Belgium, and the Dutch provinces of Overijssel, Gelderland and Limburg delineate this federal state. Important geographical landmarks include the 44 rivers that flow through the federal state, with the Rhine and Ruhr being the most economically important. The Rhine-Ruhr area, one of the European Union’s largest conurbations features various large and medium-sized cities and towns. The most relevant of this area and

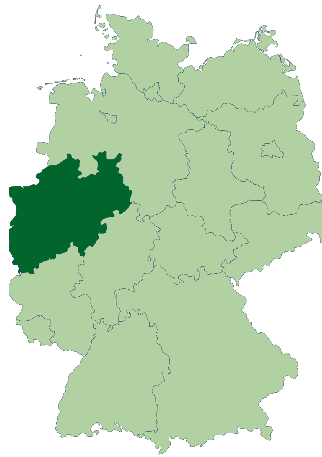


Figure 4.3: NRW's location within Germany, Source: Land Nordrhein-Westfalen in Deutschland. Wikicommons. Web. April 16, 2015.



Figure 4.4: Map of North Rhine-Westphalia, Source: Karte NRW, Ministerium für Schule und Weiterbildung des Landes NRW. Web. April 20, 2015.

NRW otherwise being Aachen, Bochum, Bonn, Cologne, Dortmund, Duisburg, Essen, Münster, Wuppertal, and the state's capital Düsseldorf.

With a GDP of €599.75 billion North Rhine-Westphalia is the federal state with the largest contribution to the German GDP. A variety of both traditional and future-oriented industries are present in the region. Clusters that are specifically promoted in the area are automotive industry, biotechnology, chemicals, energy, environmental technology, food, healthcare, information and communication technology, logistics, mechanical engineering, media, new materials and plastics. Transportation infrastructure with two major international airports - Düsseldorf Airport and Cologne-Bonn International Airport - connect the region to all major destinations both within Europe and worldwide. Additional airports with inner-European connection complete the availability of air transportation in the state. Access to important European seaports are ensured through motorway connections and mainly through the river Rhine which allows for waterway connection with Europort Rotterdam. The port of Duisburg is the world's largest inland port and allows for efficient shipping. Presence of twelve state universities as well as various universities of applied science allow for the local development of talent workers and the availability of knowledge and research facilities.

Concerning the attraction of investors from abroad, the state development agency NRWinvest supports potential investors on their journey towards plant/office location in NRW. The sole owner of the agency is the state of North Rhine-



Figure 4.5: Brand Logo North Rhine-Westphalia as investment location, Source: Standortkampagne NRW. NRWinvest. Web. April 13, 2015.

Westphalia. It was first founded in 1960 as the *Rheinisch-Westfälische Industrieförderungsgesellschaft mbH* to counter the crisis of the mining industries and has over the years developed into an agency which promotes the federal state as an investment location. NRWinvest is headquartered in the state's capital Düsseldorf and operates ten overseas offices in China, India, Korea, Russia, Turkey, the USA, and Japan.<sup>3</sup> In 2014, a total of 169<sup>4</sup> investment projects were carried out. Figure 4.6 displays an overview of main FDI source countries. With that, North Rhine-Westphalia is the largest receiver of FDI among the German federal states.

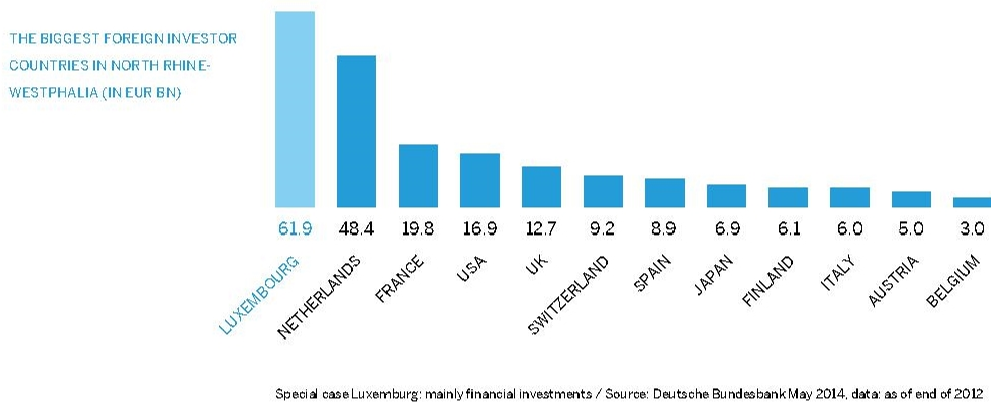


Figure 4.6: Biggest sources of FDI into North Rhine-Westphalia in 2012, Source: NRWinvest, Location Brochure 2014, p.16

<sup>3</sup>Information in this subsection was retrieved from [www.nrwinvest.com](http://www.nrwinvest.com), [land.nrw](http://land.nrw) and <http://www.gtai.de/GTAI/Navigation/DE/invest.html>.

<sup>4</sup>see <https://land.nrw/sites/default/files/asset/document/topnrw.pdf>

### **4.3.1 Investment Promotion: Situational Analysis**

Auditing the place to determine its strength and weaknesses was an integral part of the strategic planning process in the region. An issue raised, the view on competitors' role in it, varied in importance. One interviewee argued that it was best to concentrate on one's own strengths instead of that of competitors. On the other hand, another interviewee stressed the importance of benchmarking one's performance against that of competitors. Knowing competitor's strengths, according to this interviewee, helped to develop suitable arguments to support one's own region. In relation to this, it was mentioned that assessment could vary widely between industry sectors and different markets and should be carried out carefully. As for the situational analysis, a supply-demand approach was suggested. Part of the supply-side analysis was the evaluation of the region's own strengths, its most developed industry sectors and its supply chains in order to identify which offers can be made to foreign investors and which gaps may be suitable for bridging with investments from abroad. The demand-side was concerned with determining source markets with potential and assessing the degree to which they could complement the region's industry sectors.

“[The question is] how can you satisfy the demand with your offer or how can you present your offer, so that companies react to it.”  
(Interview 3, translation TAF)

### **4.3.2 Investment Promotion: Strategy Development**

Factors that contributed to successful strategy development depended first and foremost on designing various strategies. Different source countries should not be addressed through the same strategy was the predominant opinion. Within a strategy for a specific source market, place marketers viewed success as associated with the ability to use existing connections in the contact with potential investors from the source market and the extent to which the source industry sector's needs matched the home industry sector's wants and offers. Additionally, from the interviews three elements in a strategy that contributed to success could be derived. First, place marketers put emphasis on the attraction and working-relationship with multipliers. Second, the building of a community of enterprises from important source markets was considered an essential component. Lastly,

clusters and their incorporation in the strategy played a large role. Outgoing, place marketers tried to connect to source market clusters and establish a good relationship with them. Inbound clusters stood for the excellence of the region in the specific industry sector.

“Clusters [...] are an interesting contact point for me because I can feed them information that will be spread [...]. If I establish a good contact with the cluster, then maybe in one or two years they will contact me because they have an enterprise that wants to internationalise on the German market.” (Interview 3, translation TAF)

“Clusters represent your region, if it has not been created artificially but developed naturally. [...] Then it radiates authenticity.” (Interview 9, translation TAF)

Nevertheless, practical considerations, as pointed out by one interviewee, may require flexibility and deviation from the initially established strategy may be necessary to yield improved results.

### **4.3.3 Investment Promotion: Lead Generation and Project Facilitation**

Two interviewees explicitly mentioned image-building techniques and the importance of activities to improve the outsider’s perception of the place. The majority of activities that the place marketers engaged in, however, were investment-generating and investment-servicing activities. The former included in all cases the visiting of important trade fairs associated with inward investment and the industry sectors where foreign investment had been determined as favorable to the home economy. Additionally, activities such as investor seminars and investment missions were considered important. Especially deciding, however, was considered a well-developed network both in the home country as well as with the foreign offices of the development agency abroad and, subsequently, their connections in their country of operation. In the area of investment-servicing, all agencies offered customized investor guidance through the location-finding process which varied from help with finding suitable staff to the assistance with establishing a GmbH. Often this occurred in cooperation with each other.



Ensuing the approach in Section 4.2.3, factors of influence specific to the facilitation stage of the process have been categorized separately in accordance with their leading role during the interviews.

#### 4.3.3.1 Strategic Factors

- **Networking** was considered important in various areas. First, a strong network with other development agencies at different levels was mentioned as it allowed to keep information flowing and facilitated working together. Smaller agencies emphasized the need to feed organisations at the higher levels with information in order to obtain leads.

“Also by the people in charge for placing investments, we try to positively become visible there and be a focus through being especially striving or especially fast [...]” (Interview 5, translation TAF)

Additionally, the building and maintaining of a wider network including a variety of stakeholders such as higher education institutions, employment services and research centers should, according to interviewees, be a priority. Close contact with the managers of the various cluster initiative in NRW meant a lot to the agencies interviewed.

“We are very closely interconnected with the cluster initiatives [...] who may present capacities and possibilities from their point of view.” (Interview 2, translation TAF)

“If I, as a project manager, am at my wit’s end [...], then I can easily involve the cluster manager because he is also interested and then we advise the company together.” (Interview 3, translation TAF)

In a similar fashion, various interviewees mentioned the importance of a network to timely get information on question they could not answer themselves.

- “You really have to want it and really have to be persistent [...]. I think it is also the passion of the staff.” (Interview 5, translation TAF)

**Staff should possess certain characteristics** and apply themselves and show enthusiasm for what they are doing and the service they are providing. This includes providing the customer with precise information that he requested within the time frame he indicated and following-up on promises made. In order to grant the best service for the individual customer, employees may need to think of out-of-the-box solutions to accommodate a potential investor's requirements. The interviewees agreed that experience helps project managers greatly in effectively dealing with the challenges an investment project may present to them and making suitable decisions to solve problems.

“You, of course, get a feeling for which information should be provided to which investor during which phase. [...] It is always difficult to determine how often to be in contact with an investor, if you are afraid to put him off, if you're too pushy or if he wants and expects just that.” (Interview 3, translation TAF)

Positively indicated was also the knowledge of construction law and planning as well as experience with writing and implementing a business plan.

#### 4.3.3.2 Operational Factors

- The information provided to potential investors should not be a standard package but **information customized according to branch and country of origin**. Asking the right questions and answering them in a timely manner was named a key to successful information flow to companies with an interest in investing in the region. Having information stored and sorted to avoid starting from scratch with each investment project was suggested to reduce response time when companies requested information.

“We have a lot of information present within our organisation, otherwise we wouldn't be able to do this, and then we can use this information and individualize it for the specific investor.” (Interview 3, translation TAF)

Rapid response was not to be considered an aim in itself. While it was considered desirable, even more important was the accuracy of the information provided and the preparation of background information to be able

to answer questions that had not yet been asked.

“I try to give answers before the questions are asked.” (Interview 2, translation TAF)

“Imagine you call the decision-maker to react to his announcement of interest [in the European market] and he asks you five questions that you don’t yet know the answers to. Then you are ill-prepared.” (Interview 3, translation TAF)

- **Communicating** with a person not a company was the starting point of this category. Getting to the bottom of what the investor really wants is necessary to communicate a fitting solution to him. When first coming into contact, having something in common can ease into communication. This can be sharing certain cultural values, showing interest in each others culture, history or similar things. As the project handling evolves it is important to communicate information directly to the person responsible for the location finding process, if possible, and avoid communicating through other people.

“In the end, it is like Chinese Whispers [if you don’t figure out who is in charge]. You communicate the information to one employee who carries the message through several levels and in the end you don’t know what really reaches them.” (Interview 3, translation TAF)

Briefly mentioned was the importance of not letting communication fade out and making an effort to keeping communication lines open and actively be involved in the ongoing discussions. This included following up, among others, on meetings and contacts made during trade fair visits and investment missions.

#### 4.3.3.3 Individual Factors

- Though acknowledging the importance of **relating to the investor** briefly, only two were explicitly commenting on the importance of a trusting relationship. They stressed that only then, it was possible to ascertain hidden needs and requirements of investment projects, which factors are weighed

most heavily and personal preferences. Once the importance and positive influence of honesty about the location's assets was mentioned.

“You can twist all factors so that [we] in the end compare favorably, but you notice that you can be successful [...] if you honestly address weaknesses [...] because it conveys credibility.”  
(Interview 3, translation TAF)

- To **accommodate intercultural differences** and alleviate potentially present language barriers, most agencies employed staff which possessed of specific knowledge about language and culture of their main source countries. Identifying their view and perception of German culture was considered important to find a way to connect. Knowing what specific cultures value was an important way to determine how to communicate with people. Examples of project partners who predominantly preferred to be approached in their own language where East Asian cultures, especially China. As a result, three of the interviewed agencies employed a Chinese native speaker to simplify making contact with Chinese companies and generally preferred to employ multilingual staff.

See appendix (Interview 8, translation TAF)

One interviewee profoundly deviated from this standpoint, stating that intercultural factors should not have any influence on negotiations with foreign businesses. Specific measures to accommodate communication barriers were consequently seen as not necessary due to the role of English as commonly accepted language of business communication.

“Who doesn't know that [English], is not yet ready for internationalizing his business activities.” (Interview 9, translation TAF)

- Generating positive feelings within the potential investor and **establishing an emotional connection** with the location was acknowledged as important. Interviewees engaged in a variety of activities to organize a memorable visit of the location and to make the guest feel comfortable, including organizing a reception with local politicians or free-time activities such as city walks if the potential investor had sufficient time. Emphasis of all the

activities was to create a lasting memory that had the potential to set the region apart from other regions with similar offers.

“A welcoming approach, that I convey a sense, a sense of the location, to the investor, because that has to be positive too.” (Interview 3, translation TAF)

“That we convey that the red carpet is just a little thicker and just a little redder [than at the alternative location] and that we show the company: you are important to us.” (Interview 2, translation TAF)

#### **4.3.4 Investment Promotion: Strategy Evaluation**

Evaluation of their own performance was only specifically scrutinized by one interviewee. The process was described as rather difficult due to the fact that projects often did not come through but no straightforward reason could be determined. Also raised were concerns about the measurement of success of an agency which was described as depending heavily on the definition applied to the analysis.

“There are a lot of different approaches to evaluating foreign investments [...]. It is difficult because you can say I had a lot of projects but it didn’t create employment. Or you say I created employment but only had a few projects. What is better? And what kind of employment did you create?” (Interview 3, translation TAF)

Other interviewees were, however, also concerned with evolvement and improvement of their current approaches which indicated a certain amount of preoccupation with performance evaluation.

## Chapter 5

# Comparison, Discussion and Recommendations

Approaches to investment promotion did not vary widely between the two analyzed cases. This subsection, however, will be used to point out small differences and discuss the overall findings presented above.

### 5.1 Comparison

Both regions started from the general point of assessing their strengths and weaknesses and establishing which industry sectors from which potential source countries were most suited to their offer. All place marketers planned promotion strategies per country and industry. Generally, developing one's own information channels and building on the information channels of the national IPA was considered important. A large difference that has to be considered is the existence of ten offices abroad through which NRW acquired leads from their most important source countries.

When asked about success factors in strategy development, the provision of target-specific information was as important as individual guidance in project handling. Image-building techniques were largely neglected as a topic of discussion, mainly due to the fact that promotional activities which concerned place improvements did not fall under the responsibilities of the interviewees. The overall approach was fairly simple as place marketers tried to identify potential customers through the various channels of information and their network. Sub-

sequently, they focused on providing the type of information that the customer sought. Interviewees were surprisingly focused on the project facilitation process, rather than the strategic planning process. Practical problems and their solutions occupied more of their time and effort than the development of a specific strategy for each source market. This is presumably related to the fact that smaller agencies did not perform a large amount of active acquisitions and often became involved during later stages of the location finding process. Within the project facilitation stage, seven topics which interviewees felt had most influence on successful attraction of businesses were identified and categorized according to the need of individually adjusting them per investment project. Interestingly, the factors did not vary significantly between the two cases. All categories were to some extent relevant in the promotion practices of both regions. Networking activity was the predominant factor in both regions and was considered essential for successful investment promotion and project handling. So was the provision of tailored information to the individual customer and the ability to set triggers to make the potential investor visit the region. This was considered the opportunity to persuade the investor of the suitability of the region for his project. The largest differences between the two regions were identified with regards to communication and relationship building as well as the interconnectedness with the network. Interviewees in NRW were significantly more concerned with the question of who was in charge of the investment project and the decision-making process through which the foreign enterprise would determine its final location decision. On the other hand, investing in a trusting relationship with the customer was more of a focus point in North Brabant. Networking was a priority in both regions, with hierarchies within the partner network more noticeable in NRW than in North-Brabant.

Summarizing, the discrepancies between and within the two cases were minimal. One case of striking within-case deviation was noted in the realm of intercultural competencies. Despite this exception, the overall similarity of results led to grouping results from both section into a joint discussion section. A brief summary of success factors in the project handling phase, that emerged as the stage where regional agencies were most involved, is given in Figure 5.1.

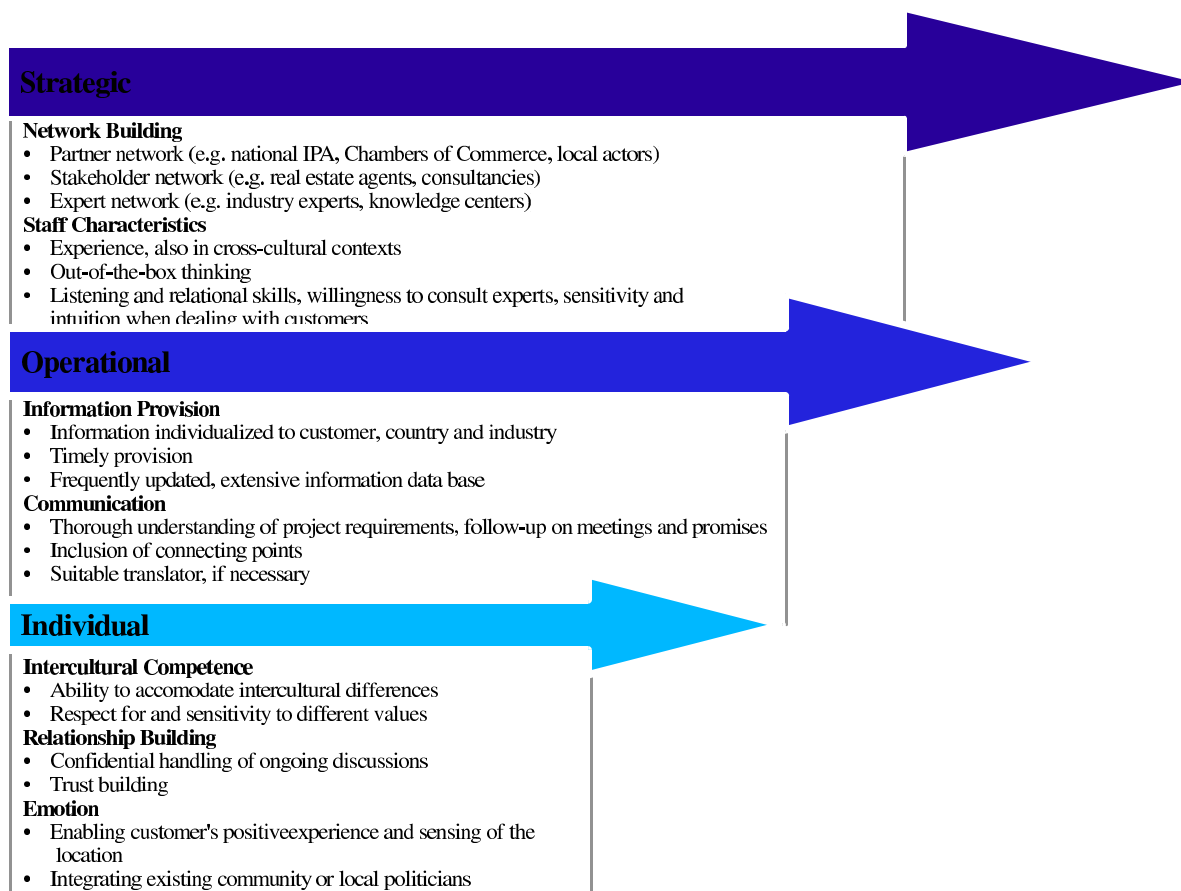


Figure 5.1: Success Factor in Handling Investment Projects

## 5.2 Discussion and Practical Implications

The starting point of this thesis was the increased involvement of regions in economic development and, thus, investment promotion. Studies concerning the specific role, activities and success factors of regional investment promotion were found to be scarce. A closer look has therefore been taken at this level of analysis. This section provides an overview of the main findings of which factors were considered important by investment promotion practitioners. Separate tables include a selection of topics based on the factors that were recurring in most interviews. Additionally, these factors are discussed in relation to existing studies.

Concerning the **initial assessment** of a region's assets, findings in the present study were limited. Considering that main literature on investment promotion



Do's	Don'ts
Assess the region's qualities and determine matches in FDI source countries.	Put your own goals above the results of the match-making process.

Table 5.1: IPA Practices Do's and Don'ts I: Situational Analysis

and place marketing stresses the importance of identifying one's own strength (Kotler, Haider, and Rein, 1993; Loewendahl, 2001), this is likely due to the fact that the interviewees took this step for granted. This is supported by the unambiguous manner in which they used results of this stage to build on during later stages of investment promotion. Nevertheless, the usefulness of continuously observing changes and analyzing the effects for investment promotion strategies has to be stressed.

Do's	Don'ts
Develop a target-specific strategy, customized according to industry, sector and source country.	Ignore intercultural differences and approach potential investors across industries with the same standard.

Table 5.2: IPA Practices Do's and Don'ts II: Strategy Development

Developing a target-specific approach to different industries and sectors is respected as a best-practice of IPAs (Harding and Javorcik, 2011; Loewendahl, 2001). Mostly, practitioners do not believe in the effectiveness of general marketing messages and prefer taking a direct, individualized approach, budget permitting. As sector targeting is a choice of the IPA it is important that it is rooted in the situational analysis. While including industries which offer value-added to the home regional economy is desired, resources should only be invested in promotion if the region's assets can match important needs of the FDI source. In their choice, the UNCTAD (2001) supposes,

“the focus of IPAs mirrors the importance of a region as a source of outward investment” (UNCTAD, 2001, p. 19).

While a factor, the results of this study have shown that regional and local actors are much more focused on markets where they can easily make a connection. This is why the importance of city partnerships as well as general connecting points was a recurring theme. It is reasonable to assume a relation with foreigners' lack

of awareness of sub-national regions in FDI destinations abroad. Especially in North Brabant, but also among the smaller actors in North Rhine-Westphalia this factor was not to be underestimated. Interestingly, interviewees stressed the importance of country-specific policies. This theme is generally not covered extensively in this existing literature. Nevertheless, it can be observed that it certainly does play a role in everyday operations of IPAs.

Do's	Don'ts
Develop complex evaluation mechanisms that go beyond the number of projects and amount of money invested.	Attribute projects that did not come through solely to external factors.

Table 5.3: IPA Practices Do's and Don'ts III: Strategy Evaluation

Strategy evaluation emerged as the most challenging phase for investment promotion practitioners. When asked about learning from their failures, several interviewees were reluctant in their answers referring to difficulties to assess their role in the lack of success of the project. As they, however, acknowledged difficulties in establishing a suitable evaluation mechanism and also the importance of constant thrive for improvement, the reluctance may be attributed to insecurity about a definite answer rather than of negligence of the possibility of partially own responsibility. As literature underlines the necessity of a working evaluation process (Multilateral Investment Guarantee Agency, 2006; UNCTAD, 2001), this can be considered an area where further improvement is desirable and necessary. Following are the seven categories of project handling considered important by interviewees.

Do's	Don'ts
React in good time to investor's inquiries.	Deliver low-quality information due to reacting fast without prior research.

Table 5.4: Project Handling Practices Do's and Don'ts I: Information Provision

Information provision has been considered the primary role of investment promotion practitioners (Uлага, Sharma, and Krishnan, 2002; Multilateral Investment Guarantee Agency, 2006). The basic challenge is to satisfy the different informational needs of each individual customer with high-quality information and

Do's	Don'ts
Ask the right questions to understand what the project really is about.	Make premature judgments about what is best for the investor.

Table 5.5: Project Handling Practices Do's and Don'ts II: Communication

Do's	Don'ts
Employ staff that possesses important key characteristics and intercultural competences.	Ignore the customer-first attitude required.

Table 5.6: Project Handling Practices Do's and Don'ts III: Staff Characteristics

do so in a timely manner. Interviewee's occupation with this topic matches the importance the existing literature attaches to it. Ulaga, Sharma, and Krishnan (2002) postulate that here lies a critical success point of investment promotion as business customers generally prefer provided information that best caters to their needs. A statement which has been confirmed by our interviews. As suggested by the Multilateral Investment Guarantee Agency (2006) actors try to hold pre-prepared information available which is then customized as concrete projects emerge.

Asking the right questions was the basic requirement both in existing literature (Multilateral Investment Guarantee Agency, 2006) as well as among our interviewees for good communication. While Kindra, Strizzi, and Mansor (1998) view the crucial role of communication in transmitting the image of a positive investment climate to the potential customer, its influence goes far beyond that. It extends to the short-listing stage where place marketers may influence whether or not the location is included on the list by supplying accurate, detailed and up-to-date information about the potential of the location. Clearly, interviewees were aware that effective communication strategies played a key role during the entire investment promotion process, both before and after lead generation.

Ulaga, Sharma, and Krishnan (2002) already emphasized the potential of developing

“strategic partnerships with their business customers. The partnership involves joint plant development effort, information exchange, and carefully developed location agreements” (Ulaga, Sharma, and Krishnan, 2002, p. 400).

Similarly, interviewees pointed out the importance of trusting relationships that developed over a period of time. Though they did not explicitly venture into the area of a fully developed strategic partnership, efforts in this direction were made by various interviewed agencies.

The staff profile was described as an important success factor by interviewees. Knowledge of multiple languages, experience, flexibility, perseverance and ability to think out-of-the box were all expressed as desirable characteristics. That

“investment promotion is a rather specialized activity and [that] it takes a few years to get to know the job” (UNCTAD, 2001, p. 11),

implies the importance traditionally attached to experience. As the competition for inward investments gets stiffer, unusual approaches and out-of-the-box thinking may grow more appreciated, a trend which was alluded to during the interviews.

Networking appears in many studies on investment promotion as a side note

Do's	Don'ts
Develop a strong network with stakeholders in the investment promotion process.	Compete with other stakeholder's services and lose your trusting network.

Table 5.7: Project Handling Practices Do's and Don'ts IV: Network

(UNCTAD, 2001; Ulaga, Sharma, and Krishnan, 2002). Our results, however, stress the indispensability of well-developed networks as a strategic asset and good networking ability in the day-to-day operation of investment promotion. While Loewendahl (2001) mentions the importance of cooperation between the national and sub-national level of investment promotion and Ulaga, Sharma, and Krishnan (2002) stress that place marketers should reach out to outside specialist to provide the best solutions possible to potential investors, these comments do not do justice to the importance of the place marketer's network. Networking is key to success of any stage of the promotion process and has influence on almost any other success factor, according to the interviewees.

The increasing importance of soft location factor in both the location choice of multinational companies and talent workers is has been manifested clearly by researchers (Musterd and Deurloo, 2006). The right feeling is, thus, a factor that place marketing practitioners are also concerned with. Experiencing a potential

Do's	Don'ts
Encourage investors to visit potential site location to allow for experiencing.	Assume that hard factors alone win projects.

Table 5.8: Project Handling Practices Do's and Don'ts V: Emotion

investment site can be a deciding factor in the location choice, which is why potential investor's visit is considered desirable and a unique opportunity to display a place's strength.

Do's	Don'ts
Invest in long-term partnerships based on trust with potential sources of inward FDI.	Disclose confidential information about ongoing discussion to third parties.

Table 5.9: Project Handling Practices Do's and Don'ts VI: Relationship Building

An important aspect during the interviews was the cross-cultural factor in the

Do's	Don'ts
Make an effort to gain understanding of the investor's culture and its way of doing business.	Underestimate intercultural differences and potential language barriers.

Table 5.10: Project Handling Practices Do's and Don'ts VII: Culture and Language

working relationship with MNCs both concerning a potential language barrier and intercultural differences. Sensitivity to these issues was stressed by all but one interviewee. Even more than regarding understanding of cultural differences themselves as a success factor, they described the lack thereof a sure contribution to failure. In the literature reviewed in Section 2.3, the cross-cultural dimension of the activities that investment promotion practitioners perform played no explicit role. Nevertheless, managing the cross-cultural situations both in on-line or telephone communication as well as in face-to-face interaction could, as pointed out by several interviewees, render all other efforts unnecessary if not handled with due attentiveness. Considering the large amount of literature on cross-cultural situations in international business, it should not come as a surprise that investment promotion is also influenced by it. Especially, in an environment where effectively communicating with the project partner is of such fundamental importance it should be considered vital to approach this issue with due diligence in both the practical and scholar realm. This should be considered necessary as

successful information provision and general project handling will not be possible unless the two parties gain understanding of each other. To illustrate this point we may cite Gulbro and Herbig (1996):

“When two people communicate, they rarely talk about precisely the same subject, for effective meaning is flavored by each person’s own cognitive world and cultural conditioning. When negotiating internationally, this translates into anticipating culturally related ideas that are most likely to be understood by a person of another culture. Discussion are frequently impeded, because the two sides seem to be pursuing different paths of logic. In any cross-cultural context, then, the potential for misunderstanding and talking past each other is great” (Gulbro and Herbig, 1996, p. 236).

In the interviews various points concerning this difficulty were raised. Solution approaches as employing multilingual staff and working in a multicultural team to better be able to discuss possibilities and pitfalls of the cross-cultural factor in communication with foreign investors were suggested.

Overall, the regional and local actors interviewed were much more concerned with the project handling than any other phase of the investment promotion process, the smaller the agency the more obvious was this focus. This may be due to their partial reliance and dependance on the higher level agencies for lead generation. Another contributing factor is most likely the large amount of budgets which goes into lead generation. It is therefore of utmost importance to diligently improve the project facilitation stage as to minimize all internal reasons that may cause project failure.

# Chapter 6

## Concluding Remarks

### 6.1 Limitations and Future Research

Having chosen two regions which are widely considered frontrunners in the world of investment promotion and attraction, the results of the present study can only shed light on best-practice patterns. The number of interviewees from the sub-regional and local level was limited in comparison to the amount of actors present which holds potential for not-captured variability at these levels. What this study cannot provide is, additionally, a stand on whether the good results of these regions stem from the identified success factor or must be attributed to external reasons. The degree of dependance of the described factors on external circumstances has not been assessed as a part of this thesis. Thus, no conclusion can be drawn on the suitability of these success factors for other regions. Though this seems intuitively likely, the methodological approach this study has taken does not allow definite judgment. Lastly, the study only includes interviewees from public or semi-public institutions. To obtain a fuller picture further research into the involvement of private sector actors at the local and regional level and the contribution of success or failure is therefore necessary. The limitations of the present study, however, open opportunities for future research into the area of IPA communication and cross-cultural negotiation in the context of investment promotion.

Various directions seem worthy of pursuing. Extending research on success factors in the project handling phase of place marketing to other regions, including regions with a less stellar track record in FDI attraction, may give an insight

whether these agencies value the same topics or differ noticeably. Another topic which has emerged as essential is the cross-cultural nature of the investment promotion process. Researching this topic further may offer explanations as to the importance of intercultural differences in investment promotion and identify further solution approaches. Moreover, the process should be evaluated from the perspective of the customer.

*What do potential investors value when guided by an IPA through the location finding process?*, appears as a promising research question in the future. As does: *How do intercultural differences influence the investment promotion process and how can these be accommodated?*

## 6.2 Conclusion

Aim of this thesis was the identification of elements of the investment promotion process on the regional level. Through the lens of investment promotion practitioners success factors in handling investment projects were pinpointed. The seven described categories were classified according to their scope and features as strategic, operational and individual. This thesis has also sought to disclose the reasons why interviewees attached importance to the listed factors. A general theoretical review of the literature in the area of investment promotion had shown to be scarce concerning the involvement of regional agencies and actors and their role in successfully attracting FDI. Therefore, the research question investigated in this thesis was: *how do regions design and implement successful strategies to attract FDI?*

The main empirical findings were presented separately for the two regions that were subject of the analysis in Section 4.2 and Section 4.3. North-Brabant and North-Rhine Westphalia had been chosen due to their established position as frontrunners in attracting MNEs. No large deviations in the factors of successful FDI attraction could be determined, rather best-practice approaches fitted into a common framework. Two aspects were developed on: (a) the elements and stages of the investment promotion process and (b) the factors that influenced winning investment projects.

- (a) Synthesizing the findings concerning (a), the general framework for investment promotion corresponded to the delineated scope of existing research.



Situational analysis, strategy development, lead generation and project facilitation, and strategy evaluation and after-care were present to a certain extent in all interviews. However, a clear focus on project facilitation could be derived. Most likely this arises from the underlying context of responsibilities and activities of regional actors in investment promotion. In general, the smaller the agency the less focus was placed on actively pursuing acquisition in source markets. Thus, regional actors were often involved at a later stage, only after the country had been long listed as a potential receiver of the FDI project.

- (b) This was reflected in the findings concerning (b). Factors designated as success factors, i.e. with a large contribution to enabling smooth handling of a project, were largely related to the project facilitation stage. Feedback loops to other stages were, however, present and influenced behaviour and performance. Interviewees stressed the importance of a variety of individual factors - intercultural awareness, relationship building, and emotional connection - that had to be uniquely adapted for each investment project. While other factors represented strategic and operational choices of the agency that required specific adjustment only to a lesser degree.

The theoretical review in Chapter 2 has shown that analysis of practical success factors is often limited. Paying attention to the cross-cultural realm emerged as an important topic. Intercultural differences and potential language barriers imply that evidence from research on cross-cultural negotiating may be of value to IPAs and RDAs. This and above mentioned factors have been emphasized in this thesis as influencing successful project handling and, consequently, the likelihood of a MNE to locate in the IPA's region.

In spite of the large amount of studies that focus on the operations and performance of national IPAs, the regional contribution to FDI attraction must be acknowledged. This thesis contributes to studies of investment promotion at the regional level.

The benefits of paying attention to the individuality and uniqueness of each investor have emerged prominently from this analysis. Paired with a strong strategic background in form of a well-developed, well-maintained network and well-selected staff that possesses of certain characteristics as well as attention to

influence of operational factors, i.e. information provision and communication techniques, a set of vital factors in project facilitation have been described.

The statement of Loewendahl (2001) that while

“TNCs usually long-list countries rather than regions, it is at the sub-national level that TNCs draw up a short-list of investment locations for in-depth evaluation and the policies and facilitation of regional agencies often play a critical role in determining who wins a mobile investment project” (Loewendahl, 2001, p. 4),

summarizes the relevance and significance of regional IPAs’ performance in successful FDI attraction.

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# Appendices

Appendices to this thesis are confidential, for more information please contact the author.