



**FDI Decision-Making Process
on Additional Investments; a
case study of Singapore
Multinationals in Europe**

Masterthesis Economic Geography
Fleur Derks

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Universiteit Utrecht

Study advisor: Dr. Leo van Grunsven
Utrecht University, Faculty Geosciences



Internship mentor: Linnie Mackenzie
Netherlands Foreign Investment Agency

Preface

For me, this research did not begin in the library or behind my computer; it really began when I started my internship at the Netherlands Foreign Investment Agency in Singapore. Singapore has been called an economic miracle because of how much it has achieved in a short span of time. Many Asian people were drawn to Singapore to find work and a better living. Later many international companies set up in Singapore because of Singapore's favorable business climate. Altogether this makes Singapore a true melting pot of cultures where you can see and taste those cultures in every day life. I expected a cosmopolitan but in the first week I became sick due to suspicious spring rolls, I could not understand the Singlish (Singapore accent) and the smell of durian, the fruit and love of Singaporeans made me sick. Singapore might be a cosmopolitan but definitely an Asiatic one.

Singapore is a dynamic city and my internship enabled me to see all of this. Linnie Mackenzie and Adeline Tan invited me to many business meetings, seminars, exhibitions, luncheons and the Dutch queen's night. Those events were a great experience and much of the theory of the master course became visible in practice. Most clear example was when the prince of the Netherlands visited the International Water Exhibition. Linnie Mackenzie introduced the prince to a company who put their investment on hold for a long time. For a course I read an article about the positive influence of the royal house on attracting foreign investors. And yes, a week after the exhibition the company decided to invest in the Netherlands.

I would like to thank Linnie Mackenzie and Adeline Tan for making me feel at home in a world totally new for me and for fulfilling my curiosity with answers and staying patient despite my direct Dutch mouth. I also would like to thank them for helping me finding interviewees. Through their contacts I had the opportunity to talk to very interesting businessmen. Although they had a multinational to run, they still took time for me. So thank you to all interviewees as well. At last I would like to thank Leo van Grunsven for bringing me into contact with the NFIA and for his assistance during my research.

In the end of my time abroad I was addicted to green bean soup, I could follow a theatre play in Singlish and I was complaining about the hot weather as much as the Singaporeans do. With this master thesis I close my studies, my student life and an unforgettable adventure.

I hope you enjoy reading my thesis.

Fleur Derks

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1. Introduction

This report is the outcome of a research on the decision-making process of foreign direct investments by Singapore multinationals. In this Chapter the background and motives for this research will be explained followed by the formulation of the research question. Then the research method will be explained. For guidance, the last paragraph describes in short the structure of the report.

1.1 Research Background

Different studies showed a great importance of incoming foreign direct investments to a host-country. Foreign companies generate economic growth, substantial direct and indirect employment and keep the national business environment alert. They provide a network of international business which promotes international trade through access to markets. Furthermore foreign investors contribute to the transfer of technology and know-how, in that way they can strengthen the innovation power of the national economy (Aitkenen, 1999; Sturgeon, 2003; Blomström et al., 2000). In the Netherlands these positive effects are notable, not only on the short-term but they generate continuous economic growth in the long run (Ponfoort, 2007; Ministry of Economic Affairs, 2006; Visser, 2005).

For that reason many countries set up an agency to attract new foreign investors towards their country. In that way they are able to influence the investor's decision to locate in one country rather than another. Two empirical studies of Lim (2008) and Morriset (2004) showed that promotion is significantly associated with greater FDI inflows. Competition between countries is growing; a professional marketing strategy is a must these days (UNCTAD, 2001). The Investment Promotion Agency in the Netherlands is called the Netherlands Foreign Investment Agency (NFIA). The NFIA contributes to a sustainable and healthy economy by helping and advising foreign investors, strengthen the investment climate and improve the awareness of the Netherlands as business partner. The NFIA has twenty-one offices worldwide that are part of the acquisition chain. Direct contact with multinational headquarters via overseas offices is a great advantage in providing the support companies need (Netherlands Foreign Investment Agency, 2009).

Whereas first the focus of Investment Promotion Agencies was on the attraction of foreign companies, more and more agencies realized that the benefits to the national economy will be higher the more subsidiaries develop and embed in the region. They interact with many local actors, use services and products from the region and hire local employees. It

is also important to retain the current investors since multinationals become more footloose and relocation of subsidiaries increases (Potter, 2002; Ministry of Economic Affairs, 2006; Wintjes, 2005). Especially with the current economic downturn, when many potential clients put their investments on hold, it is essential to at least keep the current investors in the country. Thus, nowadays investment promotion agencies do not only focus on initial investments but also try to retain current investors and assist companies with the decision on additional investments.

The Ministry of Economic Affairs (2006) included the Investor Development policy (ID-policy) in the report 'In action for acquisition'. By the request of the NFIA, Pieter Tordoir (2008) evaluated the effectiveness and focussing of this policy. In his study he argues that the current policy is not optimal since the ID-policy is only a systematic program of company visits and providing information. He mentioned the importance of the international acquisition chain; the NFIA offices abroad could play an important role in decisions on additional investments by the multinational headquarters. He refers to the strategy of the United Kingdom and Ireland where they use their international offices proactive in ID-policy. He pleads for an integration of investor development and acquisition instead of seeing it as two different approaches. Though, it is not clear where and how FDI decisions are taken. Therefore he also mentioned that the autonomy of the subsidiary should be traced. For this reason the NFIA in Singapore wants more insight into their role in Investor Development practices. In addition to the report of Pieter Tordoir (2008) it is in this research to find out what role the NFIA office in Singapore can play for current Singapore investors.

1.2 Research Question & Objectives

Decisions on overseas investments are very strategic and financially important because they are likely to have a big impact on a company's competitive advantage. The basic idea of promotion agencies is to influence that decision on FDI in order to attract and retain investments. It is this latter point that forms the focus of this research. This research attempts to shed light on how Singapore multinationals make FDI decisions on additional investments in Europe. Moreover, since embeddedness and expansion are important to the NFIA Singapore it is in this research to find out how decisions on additional investments differ from decisions on initial investments. As a result the following research question is formulated:

"Which differences can be observed between the FDI decision-making process of Singapore multinationals on additional investments in Europe and the FDI decision-making process on initial investments in Europe?"

The main objective is to provide more understanding about the FDI decision-making process to help the NFIA Singapore with implementing an ID-policy. It could be useful for them to know which role they can play during the decision-making process on additional investments and whether they should use a different approach than with first investments in Europe. More knowledge on this matter can help them to implement a more efficient strategy and improve their budget allocation among the elements of the promotional mix. For the same reasons, the outcome of the research can also be useful to other overseas NFIA offices and other promotion agencies. Thirdly, the result of the research will also be interesting for companies who are dealing with complex decision processes because they can take advantage of the experience of others.

This research has not only policy relevance but has also scientific value. The FDI decision-making process consists of several sub-decisions taken over a certain period. Often studies focus on foreign direct investments without making a difference between additional and initial investments. To my knowledge, the difference between the decision-making processes of additional investments versus initial investments is never analysed before. The scientific aim of this research is therefore to provide new insights on the subject and provide an opening for future research and discussion.

1.3 Research Strategy

The research is divided in two phases. As a start point, it was important to identify the current Singapore companies with subsidiaries in the Netherlands. Therefore the first phase of the research was to trace down the current investors. The search for those companies gave some difficulties but in the end a company list of 38 subsidiaries was conducted through different resources. With secondary resources and a short questionnaire on the identified Singapore subsidiaries in the Netherlands it was possible to paint a full picture of the Singapore FDI developments. Then the second part of the research consists of gaining understanding about the FDI decision-making process. This is done by a literature review, five interviews with Singapore managers who were involved in the FDI decision in Europe, two managers in charge of a Singapore subsidiary in the Netherlands and finally a short questionnaire by phone by the current Singapore subsidiaries in the Netherlands. The choice for qualitative research is because literature on the subject is limited and therefore detailed accounts of decision-making managers were judged to be the most appropriate. In this way the answers could provide a broader perspective on the decision-making process and the underlying thoughts of decision makers. More explanation about the research method will be given in Chapter 4.

1.4 Structure of the Report

The rest of this report is organized in five chapters. In the next chapter, the overview of existing literature will explain the decision-making process on foreign direct investments in greater detail. In doing so, it tries to identify differences between additional and initial investment decision processes. Before the methodology of the research will be discussed, Chapter 3 will first paint a full picture of the Singapore FDI development. In this chapter will be a focus on Singapore FDI towards Europe and more specific towards the Netherlands. Then the following chapter explains the research method used and the operationalization of the interviews and questionnaire. In Chapter 5 the results from the interviews and the questionnaire are analysed. Chapter 6 conceptualises the FDI decision-making process on additional investments emerging from the findings and draws these insights in a conceptual framework. The conceptualisation also made it possible to formulate some hypotheses for future research. The final chapter summarises the outcome of the research and concludes with some policy implications and suggestions for future research.

2. FDI Decision-Making Process: A Theoretical Model

The foreign direct investment flow moves the borders of companies from the national level to the global level. Much of the changing geography of the global economy is shaped by the multinational through its decisions to invest, or not to invest, in particular locations. In line with the research question it is to find out how the decision-making process is managed related to those foreign direct investments. In doing so it is the goal to identify differences that might exist between the initial and additional investments. This chapter gives an overview of existing literature that will shape the bridge from the research question to the research strategy. Before we can look at how the decision-making process changes over time, the first paragraph will define foreign direct investments.

2.1 Defining Foreign Direct Investments

The OECD (2008) formulates FDI as: "A category of cross-border investment made by a resident in one economy (the *direct investor*) with the objective of establishing a lasting interest in an enterprise (the *direct investment enterprise*) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise. The lasting interest is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise" (OECD, 2008, p.10). They do not only refer to altogether new investments but see FDI also in the form of merger or acquisitions which implies the purchase or sale of existing equity and FDI as an extension of capital. This last form of FDI relates to new investments as an expansion of an established subsidiary. For this research it implies that both additional and initial investments can be in the form of greenfield investment, merger, acquisition or an expansion of capital. Thus, the number of investments is not the same as the number of subsidiaries but has to include expansion investments on existing subsidiaries.

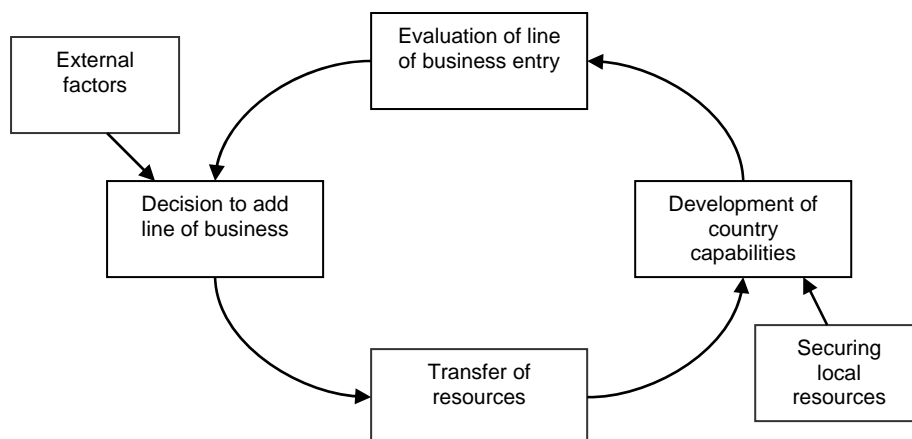
2.2 Stages FDI Decision-Making Process

When a company enters Europe it will not enter with 5 subsidiaries at one time, nor in a few waves, but in a slow sequence over many years. Chang and Rosenzweig (1998) modelled these long-term developments of adding lines of business therefore as a series of loops (see figure 2.1). The process starts with the decision to add a line of business in

the form of a new subsidiary. Then the implementation of the subsidiary follows. The subsidiary will develop and evaluation of the performance of the daughter can lead to an additional FDI decision. In this way the growth or decline of a multinational is an ongoing process depending on the performance of their subsidiaries.

This research zooms in on the decision of additional FDI investments. An FDI decision is usually a rather infrequent, strategic and financially important decision. FDI reduces long-term flexibility since the firm commits capital to production or distribution facilities in particular country locations. Therefore it is a long complex decision process divided in several phases during which several topics must be discussed and where many people are involved in (Brossard, 1998).

Figure 2.1: A process model of line of business addition



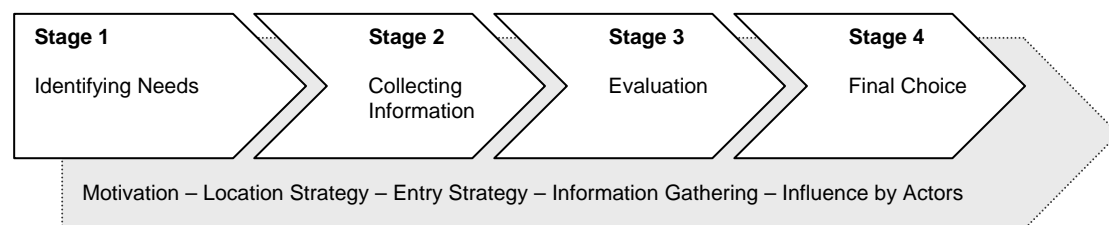
Source: Chang and Rosenzweig, 1998

The decision-making process consists of a several sub-decisions taken over a lengthy period of time. Scientists have identified a few stages of the process but they are not clear-cut (Brossard, 1998; Ekanem, 2005). Four main stages, included in different literature, are: 1) identification of need, 2) collection of information and 3) evaluation of alternatives, 4) final choice. During these stages a few major topics are discussed that are interrelated with these stages of the process. Many studies focused on one specific topic in the decision process. In this report a bundle of this literature is provided which shows insights in the process. My review of the FDI decision-making process suggests the following topic areas offer the greatest breadth of insights into decision-makers behaviour of overseas expansion: motives, location strategy, entry strategy, information gathering and influence by actors. In the first stage the motive to invest will be identified. Then two important decisions have to be taken namely; the location for FDI and the type of entry mode. These decisions will be based on the information obtained and will be influenced by other actors. The general framework on the next page shows the overall research area.

For all stages of the FDI decision-making process the theoretical domains are noted. After every loop a company will start the decision-making process again but then with the experience of previous FDI decisions.

The topics are highly related to each other and can hardly be seen as separate themes. For example, the location must be right for the purpose of the investment so when a company is looking for cost reduction do to low-labour costs it will not invest in a country where labour is very expensive. Another example is that actors who are trying to influence the decision will do this through out the separate stages of the decision-making process and in different corporate levels. Although the topics can not be seen as separate, the following paragraphs will discuss them as so. In this way the differences between the additional investments and the initial investments for each topic can be discussed.

Figure 2.2: General framework of the decision-making process



2.3 Motives for FDI

For many reasons companies move certain activities away from the headquarters to other locations, on national and international level. In the long-run, the most fundamental drive to do this is the reason to make profit in order to survive. Setting up a subsidiary in a foreign country could be more profitable for the firm because the foreign country has location-specific advantages which could not be found in domestic locations (Dicken, 2003). But other than that companies have different motivations to expand abroad. Most studies mention two primary reasons of outward FDI in the context of transport cost and home market; these are the so called market- and efficiency-seeking motives (Hiratsuka, 2006; Dicken, 2003; Root, 1994). A study by Nachum & Zaheer (2005) shows a synthesis of the literature on FDI motivations whereby more specific motives are identified.

Market Seeking

The aim of market-seeking investments is to serve particular markets by local production and distribution, rather than by exporting from the home country or from a third country. One major reason is the imposition by host governments of import barriers on foreign goods and services, which raise the costs of servicing a particular market via export. Some multinationals avoid these costs of international trade by replicating identical business

units across countries. Another factor driving market-seeking investment is the reduction of transaction costs. Such an impetus applies to products that are costly to transport. The negligible cost of transfer over distance excludes the need for foreign local presence for this reason. Further, market-seeking investment is often driven by the need for proximity to actual and potential customers in order to be aware of and be able to better meet their specific needs (Cantwell, 2004, pp. 121; Nachum & Zaheer, 2005; Dicken, 2003; Hiratsuka, 2006).

Efficiency Seeking

Efficiency-seeking investment is driven by the intention to spread value-adding activities geographically in order to take advantage of differences in the availability and cost of factor endowments in different countries. Essentially this is a decision by the company on how best to organize its activities internally, in line with the comparative advantage of different locations. This decision is dependent on the balance between the advantages to be gained by spreading value-added activities in various locations and on the other side the cost of complex communication and coordination over distance, including transportation costs (Cantwell, 2004, pp. 121; Nachum & Zaheer, 2005; Dicken, 2003; Hiratsuka, 2006).

Other Motives

With the growing importance of knowledge as the fundamental motivation for the existence of multinationals the search for knowledge is now recognized as a major driver of FDI as well. Nachum & Zaheer (2005) provided a synthesis of the major investment motivations identified in the literature: market seeking; resource seeking; export seeking; efficiency seeking; knowledge seeking; and competitive strategic motivation. The resource-seeking motivation is driven by a need to access resources not available in the home countries of the investing firms. Export-seeking investment means locating production overseas in order to serve a third market, is undertaken by firms seeking to lower production and transportation costs. Knowledge-seeking investment is driven by the firms' need to access complementary resources, notably various kinds of knowledge, in order to upgrade their own capabilities (Nachum & Zaheer, 2005).

Back to the research question, it is not assumable to think there is a difference in motives between additional and initial investments. After the first investment is made in a foreign country, new motives will arise to invest abroad and therefore new locations will be searched. This could however be any of the motives mentioned. There is no reason to believe that there is a kind of pattern in the motives of initial and additional investments. The second or third investment in Europe can be for market-seeking as well as knowledge-seeking.

Though, it is important to understand why companies choose for their investment in order to understand the decisions that will follow. The different motivations for FDI create dependence between the level of FDI in one country and the characteristics of its neighbours, and this dependence has important implications for the location of FDI across countries. For example when the reason to set up a foreign subsidiary is for market-seeking, it is logical to find a location central to a large consumer market. Or when a company wants to profit from the knowledge of other companies it will find a specialized cluster. Motivation and location choice are very narrow related. This brings us to the next paragraph where will be point out how companies choose the location for their investment.

2.4 Location Strategy

In the paragraph before the motives for foreign investment are explained. It is explained why companies look cross borders and invest in locations other than their domestic location. Thus, there is explained why multinationals exist at all. But how do companies choose the right location? And is the location choice of additional investments influenced by existing operations that stem from earlier investments?

Many international studies confirmed a certain pattern in the internationalization of firms across foreign markets (e.g., Welch and Loustarinen, 1986; Davidson, 1980; Erramilli, 1993; Srivastava and Kim, 1999 from Sim, 2003). The location of an initial investment is most likely in a country where differences in language, education, business practices and culture is minimal. Most of the times are these neighbour countries. The following investments will be in markets with greater psychological distances (Sim, 2003). This tells us that companies find it scarier to invest in a country very different from their country. A possible result could be that Singapore companies will initially choose for the United Kingdom because they are more familiar with their past ruler and the language. When they feel more secure in Europe, barriers to other countries will be lower.

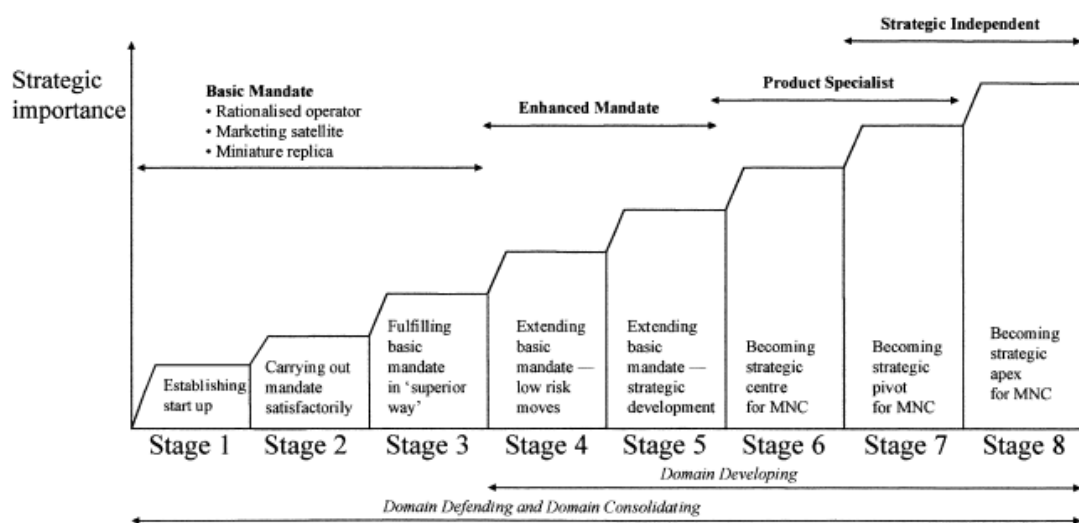
A way to determine the location choice of FDI is to look at specific country characteristics. In general there are a few important location factors (Ministry of Economic Affairs, 2006).

- *Political and economical stability*
- *Market size/ market growth*
- *Infrastructure*
- *Availability en quality of labour*
- *Availability en costs of goods and energy*
- *Agglomeration factor*
- *Government policy*

Depending on the motive of the investment different location factors will be important. As mentioned in the paragraph before, the location is highly related to a company's motivation of investment. It seems reasonable to believe that when companies set up a subsidiary with relatively skilled-labour it would be located in the most skilled-labour countries. The availability of raw material is therefore of less importance. In addition, country characteristics can also explain the spread of different activities over a specific geographical area. Strategic functions such as headquarters or R&D activities could be highly sensitive to the government policy with regard to contracts, licensing, etc., while production plants face a trade-off between low costs of goods and energy and high market access (Markusen, 2002 from Defever, 2006).

Not only country characteristics can explain the location choice of foreign subsidiaries. Because of the high costs of building new activities across countries and the loss of complementarities between firm's activities, sometimes it is more efficient to extend the original subsidiary. Defever (2006) studied the co-location between functions within the same parent company. Shown is that the location of headquarters does not appear to have any attraction effect on the location of any other part of the firm's value chain. Some functions, such as headquarters or R&D centres, are of strategic importance for both multinational firms and host countries. But the results demonstrate that, contrary to R&D centres, headquarters do not act as an attractor. In fact, the findings show that the location of the headquarters has a significant negative effect on the production plant location. Last important result is that the functions R&D and production plants are highly attracted to each other. The other four service functions surrounding production are all attracted by the production location (Defever, 2006).

Figure 2.3: Development of Stages of Subsidiaries



Source: Delany (2000)

As shown in picture 2.3, co-location could also arise when subsidiaries develop their capabilities. Some studies showed that the more a subsidiary develops his capabilities the higher the change for expansion of activity. Subsidiaries can take initiative or they can bargain with the headquarters to achieve more responsibilities. In paragraph 2.7 is explained in more detail how subsidiaries can influence the headquarters. Delany (2000) explains that subsidiaries can develop in a few stages (Delany, 2000). A development of a subsidiary can be either a negative or a positive one. Some subsidiaries stay in stage 1 while others grow towards a strategic independent mandate. However, most surveys report either positive changes or a status quo situation (Dörrenbacher & Gammelgaard, 2006).

This body of literature showed that the decision on the location of additional investments differs from initial investments mainly because the location of the current subsidiary in that area has to be considered. Thus, other than with the initial investments, companies have the option to expand the current subsidiary, to set up a new subsidiary in the same country or to invest in another country. As shown in the literature, the choice for one of those is dependent on the activity of the new subsidiary. Every subsidiary activity asks for different country characteristics. It also depends on the linkages between the subsidiaries and the capabilities of the current subsidiary.

2.5 Entry Strategy

The mode of entry is also an important topic for discussion in the FDI decision-making process. Often there are no second chances. Wrong choices can lead to a lost of market potential and loss of important committed resources such as management time and money. A company must carefully choose the proper mode of entry.

Type of Entry Mode

There are different types of entry modes also not in the form of FDI. A company can contract, license, franchise, export or invest in a foreign company (Root, 1995; Cantwell, 2004, pp.136). Four types of FDI entry modes are distinguished by the OECD (2008):

Merger & Acquisitions: two companies merge into one company/ purchase of a company

Greenfield investment: an altogether new investment

Extension of capital: an additional new investment as an expansion of a business

Financial restructuring: an investment for debt repayment or loss reduction

There are pro's and con's for the company depending on the type of investment. For example a Greenfield investment assures better quality, full control and exploiting full advantages of the target market. It is however time-consuming and therefore cost-

intensive to start up a business all from scratch (OECD, 2008). The most probable advantage of acquisition is a faster start in exploiting the market because the investor gets a going enterprise with existing products, markets and staff. For the same reason, acquisition promises a shorter payback period by receiving immediate income from the subsidiary. With an acquisition the company is rather certain because the success of an acquisition depends critically on the selection of the acquired company. A disadvantage of acquisition is that the transfer of ownership is a complex and time-consuming process that could lead to problems between the two parties. In some countries it is also hard to find a good candidate (Root, 1994, pp. 165; Cantwell, 2004, pp.137).

Power of Control

Another important sub-decision is the power of control. The MNE should decide how much influence they want to have about operational and strategic decisions. Simply, the more ownership the company has, the more control over their investments. With a minimum of 10% ownership there are different types of foreign direct enterprises, namely: quasi-corporations, subsidiaries and associates. A quasi-corporation is an unincorporated business that operates as if it was an entity separate from its owners. A subsidiary is a direct investment enterprise in which an investor owns more than 50% of its voting power. An associate is a direct investment enterprise in which an investor owns directly at least 10% of the voting power and no more than 50% (OECD, 2008). With an entirely owned subsidiary the control is 100%, while the control over minority participation is nil. The distinction of the types of direct investment enterprises shows therefore the level of involvement.

The internationalization theory indicates that the greater the difference between home- and host-country, the more uncertainty and risk there is for the company. In terms of entry mode, this means that the initial entry is typically in some form of a low commitment mode like a minority acquisition. The first investments will be followed by progressively higher levels of commitment such as majority acquisition or Greenfield investment. Similarly, commitment in terms of the level of power in different markets is correlated with their psychic distance (Sim, 2003). Interestingly the research of Sim (2003) among Singaporean multinationals showed a greater use of wholly owned subsidiaries in the more culturally distant countries like the United States and Europe. This choice for high control in high psychic distance countries is in contrast to internationalization theory. Sim (2003) declares the findings with the assumption that Singapore multinationals insist to keep control over the production processes or in the management.

Another research of Rajan (2000) suggests that Singaporean multinationals are not influenced by their general international experience in their choice of high control entry modes but strongly influenced by the degree of experience they had in one particular host country. His explanation is that managers go down the learning curve in each country since each country is different (Rajan, 2000).

Similar to the decision on the location for FDI, a company has to deal with country differences. Following the internationalization theory and the outcome of the research of Rajan (2002) there can be said that companies do learn from previous investments and their entry mode of following investments in a familiar region will contains more risk.

2.6 Information Gathering

The location choice and mode of entry choice is based on a lot of factors as shown in the last two paragraphs. To know all country characteristics a lot of information is needed. The investor's perspective on the different choices he has depends on the resource providers. During the process of collecting information a mix of information sources are used. Brossard (1998) identified 15 information sources used by foreign investors during their FDI decision-making process. See the table on the next page.

Table 2.1: Classification of information sources used by foreign investors

Sources	Personal	Impersonal
Commercial	PA's Representative	PA's advertising
	Site Visit Organized by PA	Booklet published by PA
	Investor Presented by PA	
	Seminars Organized by PA	
Non-commercial	In-house network	Study published by consultants
	Subsidiary abroad	Association's publications
	Investor not presented by PA	Regions' rating
	Outside company's contacts	Articles in specialized reviews
	Outside consultant	

Resource: Brossard (1998) PA = promotion agency

The findings of his empirical research on information resources during investment decisions suggest that impersonal sources are considered less important than personal sources. Impersonal sources seem more likely to be used during the earlier stage of the decision process. Out of all variables "site visit" and "in-house network" are preferred by the respondent. His research reveals also the importance of outside consultant, investor presented by PA and outside company contact (Brossard, 1998).

In this research it is important to consider the specific culture of Singapore since different studies showed that ethnic networks and relationships play a key role in the internationalization of Asian firms. Cooperative activities in such networks are based on personal relationships which are usually ethnically linked. Their similar cultural and historical background encourages the development of trust and cooperative behaviour. Asian actors often use their networks and ties to provide knowledge and access to local markets and potential business partners. The case study of Sim (2003) among Singapore multinationals confirmed the importance of ethnic networks and relationships (Sim, 2003). This shows the importance of personal, non-commercial contacts during the decision-making process of Singapore managers. However, Carney (2005) argues that because Asian actors are in the last years increasingly enrolled into global networks, that this in turn will reshape how these Asian actors conceive and operate their business (Carney, 2005).

FDI decisions are characterised by a high level of uncertainty and multiple influence, an extensive negotiation, a long decision process and an important purchase. Therefore many resources and information will be analysed before making a final decision. The difference between additional and initial investments is comparable with some research on information gathering. Reve & Johansen (1982) mention that companies with a complex buying transaction have to undergo a more detailed evaluation involving more important actors in the organization as the organization tries to minimize the risks (Reve & Johansen, 1982). The novelty and frequency does not matter in this case. Bunn (1993) analysed the difference in information research between routine buying, simple modified rebuy, complex modified rebuy and strategic new task. When comparing additional and initial investment with complex modified rebuy and strategic new task, Bunn (1993) did not find a difference in the search for information. Because both buying situations are characterized as very important companies will in both cases search for a great deal of information. Complex modified rebuy are seen as less uncertain than strategic new tasks but this has not an influence on the search for information. The importance of the decision motivates a high level of effort and high levels of search, analysis, planning and control (Bunn, 1993).

Information gathering in order to make a FDI decision is a process of gathering through different resources, talking with many people and analysing the information. Because both additional and initial investments are highly important to the company it is expected that during both decision-making processes an extensive research will be held. It could however also be that companies learn from previous experience and are more selective during decisions on additional investments. Due to the experience and the knowledge that they have gained in previous investments, they will not go through all the resources any more but rather select the resources they need.

2.7 Influence by Actors

Traditionally the MNC is organized as a hierarchy with headquarters controlling a range of subsidiaries. By the late 1980s, the literature began to consider the possibility of a more heterarchical organisation and power was much more dynamic than previous studies suggested. Either way when it comes to important decisions as foreign direct investments, the headquarters remains his power. Yet there are actors that can influence the decision. Two main influencers are subsidiaries and governments. Governments for example are trying to attract foreign investors because they can create wealth for the nation state. Subsidiaries need to secure corporate ownership advantages and make sure they get the opportunity to develop their capabilities (Dicken, 2003). In doing so, they could influence the headquarters in such a way that a co-location could arise. In this paragraph will be discussed why and how these two low-power actors interact with the headquarters and how this may differ between the decision-making process of initial and additional investments.

Subsidiaries and governments can do two things to gain influence over the multinationals decision. They can challenge the status quo or they can enter political games. To challenge the status quo actors can take proactive initiative to build and develop their organization. Or they could enter the political arena of the multinational and try to influence through bargaining. In order to do this they need some value to add to the company, otherwise the headquarters has no reason to listen to them. Bouquet & Birkenshaw (2008) call three objectives for low-power actors that they need to achieve in order to gain influence.

Achieving legitimacy

The first objective of low-power actors is to take actions that increase their legitimacy with parties important to their existence and mode of functioning. It is by achieving legitimacy with people in positions of authority that low-power actors can acquire some degree of salience, which can then be used to exert influence over corporate decisions. Without legitimacy, actors will be taken for granted by the MNC and sit at the periphery of the firm system with little influence on corporate decisions (Bouquet & Birkenshaw, 2008)

Controlling Resources

Another need of low-power actors is to find ways to control resources that are needed by the people that they seek to influence. It is important that the resources are important or special to those from which power is being sought. The critical resources that governments have are the locations specific advantages and policy instruments. Subsidiaries can influence the decision with the possession of their achievement of corporate objectives and the capacity to provide knowledge on local markets (Bouquet & Birkinshaw, 2008).

As subsidiaries develop over time and build their own resources and capabilities, they develop stronger relationships with the headquarters. In the start-up phase the subsidiary has to build relationships with local actors. When a subsidiary matures it will obtain more unique resources that are valuable for the headquarters (Drogendijk, 2005).

Gaining Centrality

Power tends to flow to actors that are in control of critical resources, particularly those that may help others better cope with uncertainty, it is equally important to consider how well connected the actors are to other units within the firm system. Actors need to be interlinked to gain power, because it is their centralities that make their resources valuable, not necessarily the possession of resources per se. Actors that are centrally located within the firm system generally have better conduits at their disposal to control the flow of resources that may be needed by others (Freeman, 1979; Mizuchi & Potts, 1998). Thus, in this social network perspective, the third critical objective of low-power actors is to find ways to gain centrality within categories of strategic networks in which the MNC are embedded (Bouquet & Birkenshaw, 2008).

The three discussed objectives are not independent. Resources can be seen as the fuel that is subject of bringing power and influence to those who do not have them. But actors without legitimacy or centrality will find it difficult to deploy resources in upper circles of influence. A difference between the decision-making process of additional and initial investments could be that during the additional investment the existing subsidiary can become a great resource. While during the initial investment there is no subsidiary yet in the region. Implications for governments will be a shift from contact with the headquarters to subsidiary level.

In this theoretical model is described which themes are part of the FDI decision-making process and which factors could influence the difference between initial and additional investment decisions. Although not many studies investigated the specific topic, the literature enables to make a start from here. The next Chapter will outline the development of Singapore FDI. Then in Chapter 4 will be discussed how the research is operationalised.

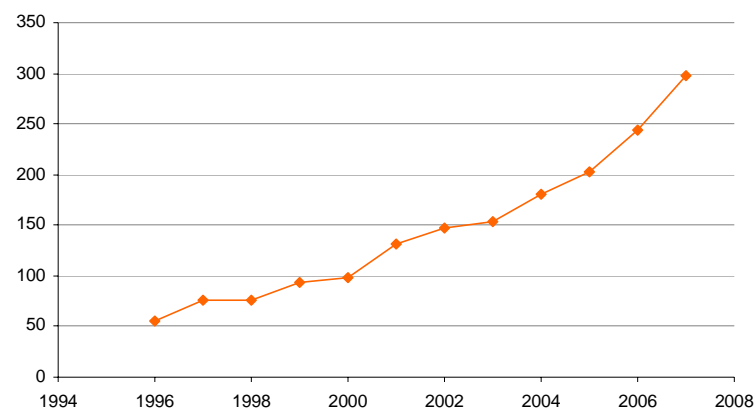
3. Mapping Singapore FDI

Among East Asian developing economies, South Korea and Taiwan have been major sources of outward FDI, and in recent years, Chinese firms are extending their production and sales networks overseas. These facts show that East Asian companies are innovative. Singapore is not an exception to this phenomenon. This chapter maps out the developments and characteristics of Singapore FDI. Starting with the first paragraph on the global level the following two paragraphs will focus on the outward FDI to Europe and the Netherlands.

3.1 FDI Development

Singapore's economy has grown at an enviable pace and this is also notable in the outward FDI statistics. The stock of direct investment abroad amounted to \$297.6 billion as at end 2007, an increase of 22.1 percent compared to amount invested as at end 2006. Over the period 1996 to 2007 the average growth of outward FDI was 16.9 percent.

Chart 3.1: Singapore Development of outward FDI
(Stock in billion dollars as at year-end)



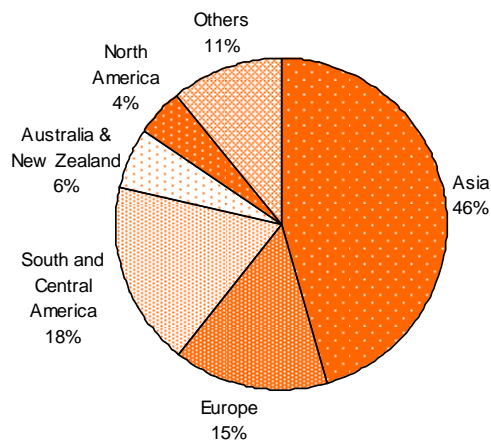
Source: Singapore Department of Statistics (2009)

Rajan (2000) declares this strong growth mainly due to far-sighted government policies and hardworking people. The Singapore government, in its regionalization drive, has provided strong encouragement and guidance to local Singaporean firms in taking the first steps abroad (Rajan, 2000). According to UNCTAD's World Investment Report, 11 firms from Singapore made it to the list of top 100 multinationals from developing countries.

Among Singaporean's top 11 multinationals, 6 were partly owned by the Singaporean government through its main holding company Temasek. Government linked-companies are the most active overseas investors for Singapore. The role of Government linked-companies in Singapore's regional and global investment continues to be dominant (Panamond, 2008).

Singapore multinationals, whether they are big or small, are expanding their wings beyond their borders. Due to geographical proximity, Singapore companies first expanded to neighbouring countries with cultural similarities and where they have a comparative advantage in finding a market and the availability of cheap labour. Then they go to China, the United States and Europe, wherever they can find new markets (Hiratsuka, 2006). Asia remained Singapore-based investors preferred destination for investment as at end 2007. About half (\$136.3 billion) of Singapore's total direct investment abroad was hosted in Asia. Other major destinations of Singapore's overseas investment were South and Central America and Europe (Singapore Department of Statistics, 2009).

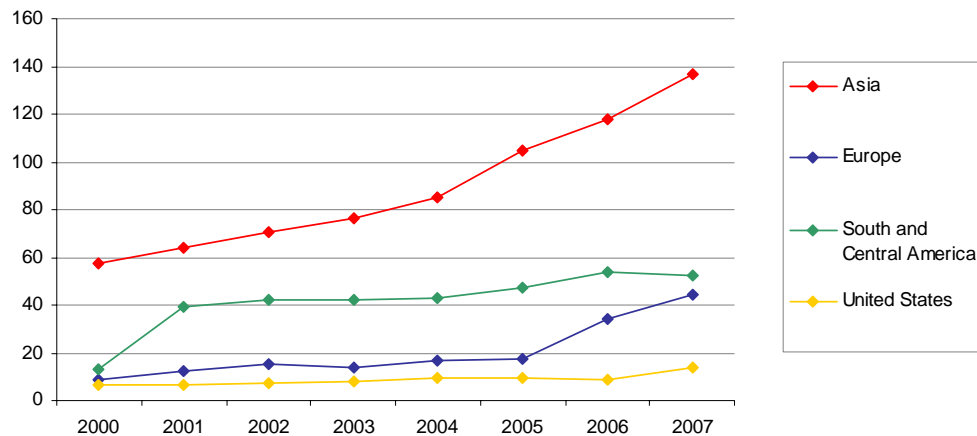
Chart 3.2: Singapore Direct Investment Abroad by Region in 2007
(Stock in billion dollars as at year-end)



Source: Singapore Department of Statistics (2009)

There is seen a decrease of outward FDI to South-East Asia and East Asia. Share of outward FDI from Singapore to South-East Asia decreased from 32.2% in 1994 to 21.9% in 2003, and the same figure to East Asia decreased from 56.4% to 47.0%. Diversification in direction of outward FDI implies that Singapore multinationals expand their business more on a global scale as they grow (Hiratsuka, 2006).

Chart 3.3: Singapore Development of outward FDI by Region, 2000-2007
(Stock in billion dollars as at year-end)



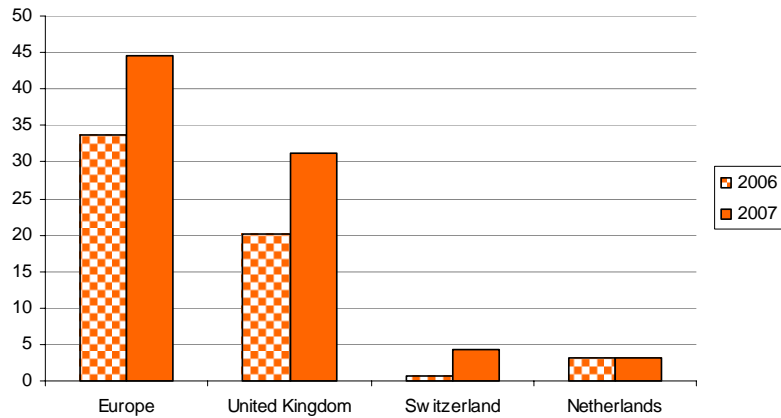
Source: Singapore Department of Statistics (2009)

3.2 FDI towards Europe

Over the years there is been a strong growth in EU-Singapore trade, reaching an average annual growth rate of about 9.5% for the period 2003-2008. This is higher than the growth in Singapore's trade with Malaysia, Japan and the United States. In 2008 EU-Singapore overall trade amounted to \$746.6 billion which makes Europe Singapore's largest trading partner. At the end of 2007, the total stock of Singapore's FDI in Europe stood at \$44.6 billion, which accounts for roughly 10% of Singapore's total FDI stock abroad. For Europe, Asia is the second largest investor after the United States. Singapore ranks sixth overall among external investors in the European Union and of all Asian FDI to the EU second after Japan (European Union, 2009). Because the strong growth of Singapore, EuroStat (2008) ranks Singapore third in largest partner to the EU according the growth rate between 2004 till 2007.

Most Singapore investors located in Western Europe are market- and efficiency-seekers. Market-seeking investors are also attracted to the East European countries for distribution towards Western Europe as most of their products are exported to that region. With low cost production and an educated workforce they can serve the West European markets (Woon, 2003; Sim, 2000). By 2007, the bulk of Singapore's investment in Europe was in United Kingdom. The second and third major European destinations of Singapore's overseas investment were Switzerland and the Netherlands.

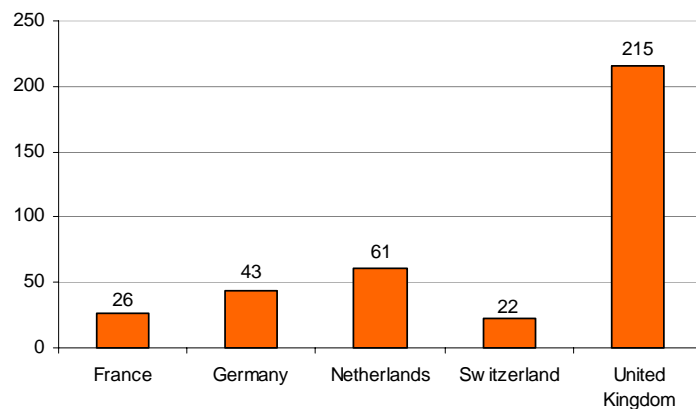
Chart 3.4: Major Destinations of Singapore Investment in Europe
(Stock in billion dollars as at year-end)



Source: Singapore Department of Statistics (2009)

Where Switzerland ranks higher in the amount of dollars for inward FDI from Singapore, the Netherlands has more Singapore affiliates established. Even Germany and France have more affiliates than Switzerland. Overall is the United Kingdom the major destination for outward FDI from Singapore. According to the statistics there are 215 Singapore enterprises based in the United Kingdom.

Chart 3.4: Number of Affiliates¹ set up in Europe in 2007



Source: Singapore Department of Statistics (2009)

¹ An affiliate is a direct investment enterprise in which an investor owns at least 10% of the voting power.

3.3 Singapore Multinationals in the Netherlands

According to the research of the Singapore Department of Statistics (2009) there are 61 Singapore affiliates with a minimum of 10% ownership in the Netherlands. The database of the NFIA accounts 38 subsidiaries in the Netherlands with a minimum of 50% ownership. The figures in this paragraph stem from these 38 subsidiaries.

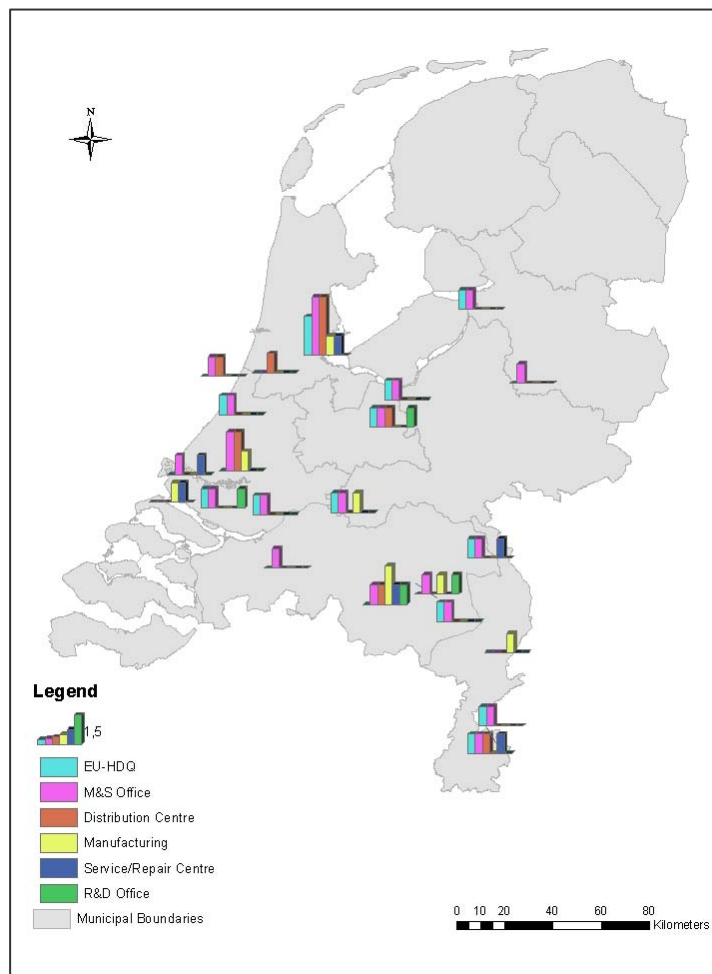
Map 3.1: Location of Singapore Subsidiaries in the Netherlands (2009)



In 1992 the first Singapore subsidiary was set up in the Netherlands. Since then the number of subsidiaries was growing consistent. Then in 2007 the number started to grow more fast, 18 companies set up their business in the last three years, this is almost 50% of all current subsidiaries. The 38 subsidiaries are mostly concentrated in the provinces South-Holland (12), North-Holland (11) and North-Brabant (7).

M&S offices and distribution centres are the two main activities of the Singapore subsidiaries in the Netherlands. Of all subsidiaries 25 have an M&S department and 18 have a distribution centre. Nine subsidiaries function as European Headquarters. Only 2 have a R&D department. As shown in Map 4.2 the manufacturing plants are concentrated in the north of the Netherlands.

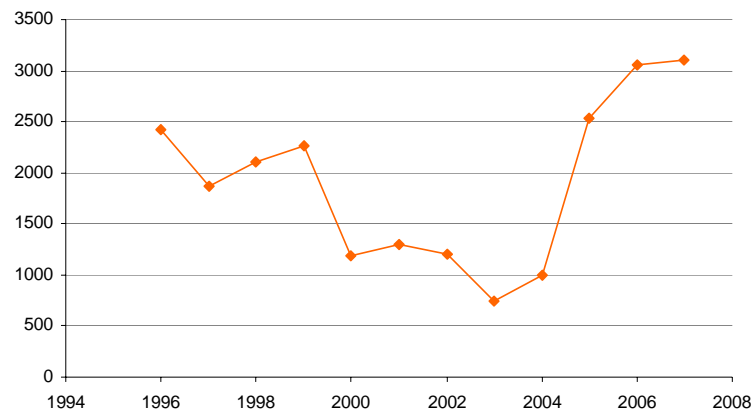
Map 3.2: Singapore Subsidiaries in the Netherlands by Activity (2009)



Singapore investors own the Dutch subsidiary pre-dominantly with a share of 100%. Only 10% of the companies own the subsidiaries respectively 80, 80, 70 and 51 percent. This is similar to the research of Sim (2003) that showed the preference of Singapore multinationals for wholly owned subsidiaries in Europe. The findings of the questionnaire do not show a significant preference for acquisition or Greenfield investments. 51% of all subsidiaries were acquired and the other 49% were Greenfield investments.

The figures show that the Netherlands has a strong position in Europe when it comes to Singapore FDI. As shown in Chart 3.5, the development of Singapore investments towards the Netherlands is quite irregular but there can be seen a growth from 2003.

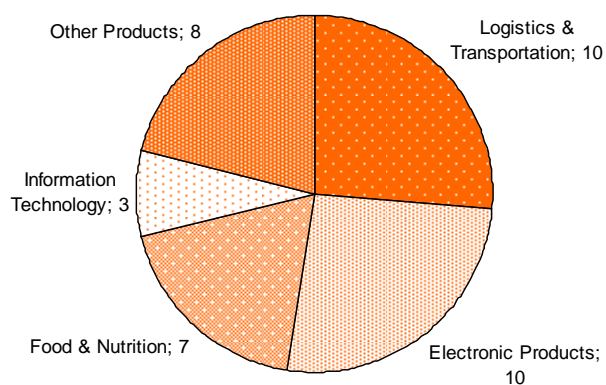
Chart 3.5: Singapore Direct Investment to the Netherlands, 1996-2007
(Stock in million dollars as at year-end)



Source: Singapore Department of Statistics (2009)

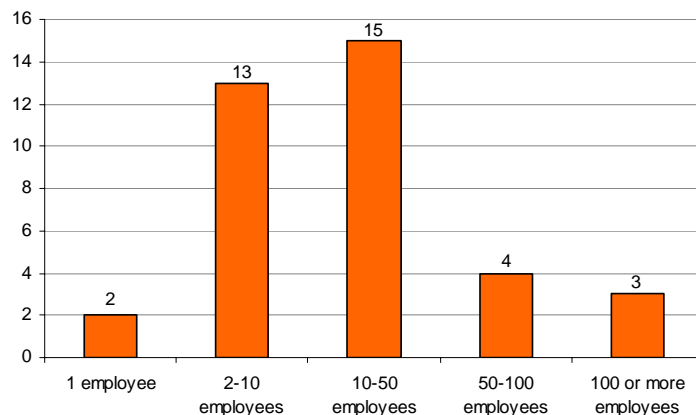
The Singapore companies with presence in the Netherlands are active in different industries, namely: logistics & transportation, electronic products, food & nutrition and information technologies. The other 8 subsidiaries are working in the retail industry with different products, see the chart below.

Chart 3.6: Singapore Subsidiaries by Industry 2009



In Chart 3.8 is the number of employees shown of the subsidiaries in the Netherlands. The average of the number of employees is 33 and as you can see most companies have about 2 to 50 employees working in the subsidiary. Two companies have only one person working in the Netherlands; these two persons are both from Singapore. 7 companies have more than 50 employees with one outlier of 350 employees. These companies do all manufacturing activities.

Chart 3.8: Subsidiaries by Number of Employees in 2009 (1 case missing)



Of the subsidiaries, 9 have a Singapore expatriate supervising in the Netherlands. One company also mentioned that they had a Singapore expatriate in the past but at the moment not anymore. Two companies have 6 and 10 foreign expatriates working in the Netherlands and another company has a Malaysian expatriate in charge of the Dutch subsidiary. Interestingly, the number of employees for acquired subsidiaries is much higher than companies who made Greenfield investments. In total 974 people work for the acquired subsidiaries while only 246 people work for subsidiaries that are set up by the Singapore multinationals. When comparing the presence of a Singapore expatriate, subsidiaries from Greenfield investments have more often a Singapore expatriate in charge of the subsidiary. 15 subsidiaries from Greenfield investments have an expatriate managing the subsidiary while only 3 acquired subsidiaries have a Singapore manager.

Half of all subsidiaries have no sister subsidiary or only one sister in Europe. Four subsidiaries have only a sister in the Netherlands. Most sisters are located in the United Kingdom (11) and in Germany (9). Other locations of sister subsidiaries are Swiss (6), France (6), Spain (4), Poland (2) and Belgium (2). Subsidiaries that are acquired have more sisters in Europe than subsidiaries from greenfield investments.

This chapter showed general statistics of Singapore's foreign direct investments abroad, in Europe and the Netherlands. The next Chapter describes how the research on FDI decisions is conducted.

4. Methodology

This Chapter includes an overview of the approach that is used in conducting the research. It provides a detailed description of how the research method is chosen, how the necessary data is collected as well as the limitations of the research. The methods used will provide an answer to the central research question.

4.1 Qualitative Research Approach

Since literature on this specific subject is limited, the research takes on an explorative, inductive character. Inductive research draws general conclusions out of observations (Bryman, 2008). Therefore a qualitative methodology, based on detailed accounts of decision-making managers, was judged to be the most appropriate. Qualitative research in the form of interviews highlights a greater generality in the formation of initial research ideas. Qualitative research also provides rich and detailed answers and greater interest in the perspective of the interviewee while in quantitative research the interview reflects only the concern of the researcher (Bryman, 2008). This research will not only study where the firm is located, but will mainly study the relationships and interconnectedness of actors that are involved in the decision-making process. Interview analysis makes sure that the behaviour and actions of managers will be analysed as they occurred. Further research could use the data for more extensive research and testing of hypotheses.

4.2 Identification of Companies

As a first step, the search started for multinationals whose subsidiary was based in the Netherlands. Because multinationals change their foreign investments very quick and no database is complete there is no complete list available. The Singapore Department of Statistics is a governmental organisation and they have probably the most complete list since they gather the information through a survey. Their data is however completely confidential so they are not allowed to provide any company information. As no exhaustive list of recent Singapore investors in the Netherlands exist, investors were identified through the following resources: (1) the existing database of the NFIA, (2) the existing global company database of Bureau van Dijk (Bureau van Dijk, 2009), (3) the company list of Singapore International top 100 (DP Group, 2008). For each case the annual report was checked to gain the most up to date information. The final list in this research consists of 38 Singapore subsidiaries based in the Netherlands.

4.3 Company Interviews

The second step was to select companies for the interviews. In order to study the differences between initial and additional investments, the companies should have at least more than one subsidiary or have made an additional foreign direct investment to their current subsidiary in Europe. Another criteria was that the managers should have been directly involved with the investments over time. The companies that remained, together with contacts of the NFIA, the Singapore Business Federation (SBF) and International Enterprises Singapore (IE Singapore) were approached for an interview. SBF and IE Singapore were asked to send a flyer with an introduction of the research to relevant company contacts. As a result, five managers in different sectors who were directly involved with a foreign direct investment in Europe responded. From the companies that were directly approached for an interview no positive response was received. The low response is probably due to extensive and confidential information, the infrequently occurring of FDI and the fact that only managers could give the interview. Nevertheless, the small amount of interviews gave interesting insights and enabled to analyse the investment decision process.

During the interviews it became clear that the role of the subsidiary in Europe was of great importance. To provide a critical complementary perspective on the role of the subsidiary, two additional interviews were conducted at subsidiary level in the Netherlands and a questionnaire was held among the Singapore subsidiaries in the Netherlands (see paragraph 3.3). In total managers of 5 headquarters in Singapore were interviewed and 2 managers of Singapore subsidiaries in the Netherlands (as shown in Table 3.1). The firm with the first entree in Europe was in 1995 and the youngest entree was in 2007. All subsidiaries in Europe are owned with over 90% ownership of the Singapore headquarters. Firms 3 and 5 have not yet set up a second subsidiary but are now in the decision-making process of a new additional investment. Firm 1 and 2 do not have a presence in the Netherlands but share an interesting insight in their decision on FDI in Europe.

The method involved in-depth, semi-structured interviews using an interview questionnaire. The choice for semi-structured interviews is for the reason that the results of the interviews are comparable, no important information can be forgotten and no time will be misused on irrelevant information. From the theoretical framework an interview questionnaire was conducted (see Appendix A). The company information is held strictly confidential so respondents were allowed to speak freely and could talk in their own terms. All interviews are recorded and took average about 1 hour per visit. The interviews were spread over a period of 6 months.

4.4 Questionnaire Singapore Subsidiaries

Additional to the interviews a questionnaire was taken by phone by 38 Singapore subsidiaries based in the Netherlands. The aim of the survey was to collect data in order to paint a full picture of Singapore subsidiaries in the Netherlands and on the other hand to collect data in addition of the interviews. The questionnaire consisted of questions on several general facts followed by four questions on their role in FDI decisions of their Singapore mother (see Appendix B: abstract of phone questionnaire). By phone the managers within the organization was identified and asked to cooperate with the short questionnaire. Five subsidiaries did not want to cooperate which made the total response 33 respondents. The outcome of the general facts of Singapore subsidiaries are presented in the next chapter completed with some secondary research on Singapore FDI.

4.5 Limitations of the Research

Data of the research should be interpreted taking a few limitations in account. First, there should be acknowledged that the interviews reflect just the view of the interviewee. The decision of FDI however is never taken by only one person. So the findings only reflect the interpretation of the interviewee. Second, the research did capture only two interviews on subsidiary level. Since the subsidiary has an important role during the FDI decision-making process, the small sample on subsidiary level limits the research findings. Finally, although the interviews provided a broad examination of the FDI decision-making process, the empirical base of 7 sample companies is obviously limited. As mentioned before the attempt is therefore not to generalize the findings but provide new insights on the subject and new openings for further research.

Table 3.1: Profile of Case Study Companies

Company	HDQ/Sub. level	Sector	Turnover (2008)	Year of entree EU	Nr. of EU Sub.	Location of Sub.	Activity of Sub.	Entry Mode	Ownership percentages
1	HDQ	Electronics and information communications	310 \$m	2007	6	France United Kingdom Germany Sweden Spain Italy	Quasi Corp. M&S M&S M&S M&S M&S	Acquisition (incl) Acquisition (incl) Acquisition (incl) Acquisition (incl) Acquisition (incl)	93% 93% 93% 93% 93% 93%
2	HDQ	Paper, food, textile, cigars, real estate	-	1995	4	Estonia Estonia Estonia Estonia	Manufacturing M&S, Distribution Manufacturing Distribution	Acquisition Greenfield Greenfield Acquisition	100% 100% 100% 100%
3a 3b	HDQ Subsidiary	Packing and Transportation	75,2\$m in 2007	2006	1	Netherlands (future: Italy)	DC, M&S, Service (M&S, Service Centre)	Greenfield (Greenfield)	100% (100%)
4	HDQ	Electronics packaging materials	-	2000	5	France France Netherlands Sweden United Kingdom	M&S Quasi Corp. M&S M&S M&S	Greenfield Acquisition (incl) Acquisition (incl) Acquisition (incl)	90% 100% 100% 100% 100%
5	HDQ	Electronics services provider	3,784\$m	2001	1	Spain (future: Germany/Netherlands)	R&D, Service, M&S (M&S)	Greenfield (Greenfield)	100% (100%)
6	Subsidiary	Food & Nutrition	29,145\$m	2004	8	Netherlands Netherlands Germany Germany Spain Spain Ukraine Russia	EU-HDQ, M&S, R&D Manufacturing, DC M&S Manufacturing, DC M&S Manufacturing, DC Man, DC, M&S Quasi Corp.	Greenfield Greenfield Acquisition Greenfield Greenfield Greenfield Greenfield Acquisition	100% 100% 100% 100% 100% 100% 100% 50%

5. Result Analysis: Decision-making on Additional Investments

The interviewees gave a good perspective on the decision-making process of their foreign direct investments in Europe. All companies had different backgrounds, characteristics and different experiences. They all came to Europe to expand their distribution channel but they all followed a different path. For each company the outcome of the interviews are described in the next paragraphs. In paragraph 5.7 the outcome of the short questionnaire is included.

5.1 Interview: Company 1

Company 1 is a wholly owned subsidiary of a Singapore leading provider of electronics and information communications solutions. The multinational has customers over 60 countries worldwide. The interviewee is Senior Vice President and responsible for the European market. He often travelled to Europe since nearly 2002 to find new customers.

Company 1 has their main interest in Europe because of the large consumer market. Before the first investment they did not have any customers in Europe. In order to get customers in Europe, Company 1 chose to acquire a company so they could sell their products through their European subsidiary. Therefore they were looking for companies to buy; these companies could be just companies, partner companies or even suppliers from their network. They looked around and only a few companies were interesting to buy: "There needs to be some chemistry with the company you buy, otherwise it's not going to work. Then the next step off course is to agree with the price". They bought a subsidiary in France which produces and sells their own products. This subsidiary had already five marketing satellites spread through Europe as well. Two years after the acquisition they send a Singapore expatriate to one of the subsidiaries in the United Kingdom. He is there to lay his hands on between Singapore and the European subsidiaries. He is building a relationship and exploring the European market and looking for new companies to acquire. They choose to send an expatriate because local research is seen as more efficient. In the future they can sell their products through their network. Their strategy is basically to look for companies to buy in whole Europe, as long as there is some chemistry between two parties; location is not important.

Company 1 did build subsidiaries in Asia on their own but in Europe and the USA they usually acquire companies: "It is easier to sell the product through a company who already has many customers and knowledge of the European market. Generally we avoid Greenfield because it takes too slow". They are aware of the negative side of acquisition and they tried Greenfield in the USA but they found it much tougher to set up a subsidiary than buying a company that is already running. The reason that they do not obtain their subsidiaries with a 100% share is because the entrepreneur who established the subsidiary does not want to lose total control yet. Interestingly, for this company there is no difference in entry mode between initial and additional investments.

During the decision-making process on the initial investment the Headquarters in Singapore gave orders to the business development department to find opportunities in Europe. The business developer uses as much information resources as possible and mainly talks with people through networking and business contacts. This could be contacts from anywhere; from tradeshows and other companies in the same industry. They talk with other companies in the industry to share experience. The idea is to talk with many people and then just hear a company is for sale. They do not talk with governments a lot. They find that governments do not have specialised knowledge of their specific market. They do not understand them as good as other contacts in their industry. They do however meet them and join events once in a while. With the acquisition in Europe the role of the government was not there. Like Company 1 said: "It was an agreement with the French company and us".

Based on the report of the business development team the board will decide if the proposal can go to the higher board. FDI decisions always go to the highest level for permission. The board makes the decision solely on the information written in the paper. The business developer can not bargain with the board but should have done his homework already. Sometimes the board can ask to investigate it some more, but they can not negotiate when they read the report.

5.2 Interview: Company 2

Company 2 is active in several business sectors – manufacturing and marketing of food, paper and textile and real estate. In 1995 they set up a production plant in Estonia and after many developments they now run 4 subsidiaries in Estonia, the port to Europe. The interviewee is Managing Director of Estonia for many years and set up the first business in Estonia by himself.

Before the acquisition they served their customers in Europe through their factory in Indonesia. The motivation to produce in Europe was so they could be closer to their customer to serve their niche market with quality goods and just in time delivery. Their global strategy is not to have one big plant in one location but small plants at multiple locations. From Estonia they can deliver goods in Europe in 24 hours. Exporting from Asia to Europe takes a lot of time and has a price. An extra important reason for them was to overcome trade barriers for their products. By producing in Estonia they could avoid a lot tax and they did not had to deal with quota. Last reason was to be near the raw material. Uzbekistan is one of the largest cotton producer in the world.

When Company 2 decided to manufacture in Europe they had no idea what the best location would be. They ended in there search for the location in the Baltic States because production costs were good, distance to their customers in Western Europe were good but most of all the production of their industry was concentrated in that area. Countries such as Poland, Czech and Hungaria were not specialized in their industry so they were not a good location since workers would need education first. Russia was also an interesting location only they were much slower in the privatization process whereas in the Baltic States there were ready available factories for sale. The choice for one country in the Baltic States was based on experience. They acquired different plants in the Baltic States and they found some countries less comfortable to do business than in other countries. Other countries were more corrupt and things took longer time to be done. In Estonia they had a good experience and it was much more organized. In the years, they made a lot of additional investments in Estonia to modernise the factory and increase capacity. They also started a manufacturing plant in a different industry. Estonia became the port to Europe, from there Western Europe and Scandinavia are easy accessible. There is no need for them to have a subsidiary in Western Europe since business is going well from Estonia.

In the time they bought the first subsidiary in Estonia, the Baltic States just broke up with the Soviet Union and were therefore privatizing their economy. The conditions for acquiring were therefore very lucrative. Many cheap factories were easy to buy, the government supported acquisitions by foreign investors. The interviewee was send to Moscow and set up a small marketing and sales office. In doing so it was easier to find the channels for information on how to set up or acquire a production plant. One year after the first investment they set up their own plant so they could build the factory exactly the way they wanted to. The interviewee reported all the findings to the chairman. At the moment the company has not only Singapore expatriates in Estonia with responsibilities but also local managers with greater responsibilities. Local research is seen as easier then research from Singapore.

To find out the best location in Europe they checked all their machinery suppliers. These suppliers knew exactly where they sold which equipment and how many. That's how they found out where the industry was concentrated in Europe. The interviewee mentioned that the suppliers were the best source of information and most information came from them. They were very open because they trusted them and they wanted to help their customer as well. They also used information of the Singapore association of their industry. Through them they knew where the places of the main global cotton plantations were located. When they decided to set up a business in Russia the interviewee moved to Moscow. In those days it was time consuming and difficult to find the right information in Russia. He went to many different offices to gain information and often they were not willing to provide any information. That's why he used the suppliers again as a trustworthy resource. Other than Russia, in the Baltic countries the governments were keen to bring in foreign investors and were of great help and offered plants for sale. "The minister of Economics once said to me: "Come with me, I will show you something else which will be interesting for you".

5.3 Interview: Company 3 & Subsidiary 3

Company 3 provides a returnable packaging solution through the renting or hiring of a returnable container that is designed for packing and transporting bulk cargo. They operate globally in over 40 countries. The young multinational is set up by the interviewee, the manager director. They decided to go to Europe to be near their customers. Main reason for the initial investment was to find new customers in Europe and to provide services to their existing customers which are impossible to manage from Singapore. They already had customers in Europe but they wanted to expand in Europe and when sales started to grow it was more efficient to set up near the customers. That's why they set up an M&S office in the Netherlands.

The location of their initial investment is based on a consideration of location factors. They set up a business on their own and considered different locations in Europe. Company 3 chose the Netherlands as the location for their subsidiary for a few reasons; the friendly tax system, the infrastructure including the seaport and highways, and the law system. The location was also a strategic central point for their existing customers. A last indirect reason for the location was the fact that the manager had a Dutch friend in Singapore: "Social contacts are very important, even in business. So if I would have any problem I could always turn to my Dutch friend for help. Now I do not have to deal with bureaucracy because I know somebody". They also looked at other countries in Europe but after comparing the alternatives the Netherlands came out the best. A disadvantage was the high labour costs. But they could minimize these costs by hiring Polish workers.

The interviewee does not believe in acquisition but prefers to invest in Greenfield: "When you buy a company you do not have complete control and you do not know the people and customers. Many acquisitions have failed because there are many problems involved. So that's why we choose for Greenfield, so we can build our own culture and hire our own people". All their investments are therefore Greenfield investments.

To collect all information they have a business development department. They arrange everything considering setting up the business. They do the premiering work and they will report about the possibilities and all optional countries. They discuss together but the CEO makes the final decision. Their research is based on a lot of information from different resources. They talk to clients, embassies and their suppliers and transportation companies. They also made some trips to Europe. They do not really use seminars, tradeshows or government institution in their research because their business is much specialised. The Dutch government was very active in helping, they came and explain everything. The personal tie with the Dutch friend has however nothing to do with the location choice because the development team came up with the Netherlands as well.

When they decided to set up in the Netherlands they send before the actual investment one expatriate to the destination of their choice to make a start from there. In this way the expatriate could find a good investment by doing some local research and networking. The expatriate wrote a report about the findings for all board members. Company 3 finds local research of setting up a business easier than from Singapore. The expatriate started in Amsterdam and from there he found the best location in the South of the Netherlands. Then 2 other expatriates came to finalise the subsidiary and now there is one left to manage the subsidiary. The Amsterdam office reported to the Singapore headquarters about where best to go and based on that report they decided to set up in the South of the Netherlands. At the same time the Amsterdam office started an M&S division which is now also located in the South.

The additional investments of company 3 will be more customer-driven than the first investment in Europe since the first investment was more strategic because of the central role they play. Europe is therefore too big and too diverse to set up in only one country. Now business in Eastern Europe is growing so it will be more efficient to be closer to the customer. Therefore they hired a Polish manager who is responsible for setting up a business in Poland. The Dutch subsidiary is responsible for the Polish manager and they work together where possible. The Polish manager is hired from Singapore because it is important that employees are involved.

The interviewee of Subsidiary 3 told that for doing research he uses internet a lot and contacts like suppliers, and customers. Even if their contacts have no answers to their questions, they will ask their contacts. Staff will visit exhibitions for making contacts and connections, but not particularly for FDI opportunities. He finds the government is much slower and bureaucratic than personal contacts. Therefore he will ask the government only for help if he can not obtain the information via his own contacts. Recently he contacted IE Singapore in Russia for some information. He also had contact with NFIA Singapore for practical information on living in the Netherlands.

5.4 Interview: Company 4

Company 4 is a provider of total industrial solutions serving the semiconductor, data storage, electronics and biomedical industry since 1982. They have 35 international branch offices strategically located around the world. In Europe they have two subsidiaries in France and one in the United Kingdom, the Netherlands and Sweden.

Company 4 did not yet have customers in Europe when they made their initial investment. Their motivation to start an M&S office in Europe was therefore to find new customers and introduce their brand in the European market. They see the distance to customers not as a reason to invest in that particular country since Europe is so small, they can easily travel to their customer. Although the initial investment was a Greenfield investment, they prefer in general acquisition. They prefer to acquire existing companies because it is faster and cheaper than Greenfield investments. Since they could not find an interesting company to buy, they saw the opportunity of a friend in France who was keen to set up a marketing and sales office for them. The location choice of this investment was based on the residence of the friend, not on location factors. This company sees trust as an important factor and that's why they choose for the friend as business partner. The opportunity of a trusted friend who was motivated to work for them was their strategy for the location of the subsidiary. The additional investment that is made was based on the same strategy. They acquired a company and did not care about the location of that company much, but whether it was a value adding company. They basically look for opportunities in whole Europe, as long as there is some chemistry between two parties. "Initially we wanted to start in the UK. Speaking of the language, France is not really the best location to go to, in theory. But we not always follow the theory. It is hard to find an interesting company that fits into your company. When the opportunity is there, location is not that important", says the interviewee of Company 4. The reason that they own their initial investment with only 90% is the same as for company 1. The entrepreneur and friend who set up the subsidiary also want some control over the subsidiary.

During the decision-making process of the initial investment the interviewee did the research and he was trusted to open up the subsidiary in France. Since the company has a preference for acquisition he was looking for interesting companies to buy. When the first subsidiary was running the French expatriate had the responsibility to find new companies to buy. He found a company for sale in France. Perhaps because he lives in France he will find opportunities in France more easily but he's job is to find opportunities in whole Europe. Then the Singapore Headquarter went to France to talk with the company and to negotiate. They also talked with the Singapore government because maybe they could provide some grants for encouraging overseas investments. We always talk with the Singapore government to see what they can do for us. They did not have any contact with the French agencies because that was just between them and the French company. After the second investment they send an expatriate to the United Kingdom to assist with the communication between France and Singapore. They found out that the French friend does not understand Singapore as good as the expatriate.

Company 4 looks for opportunities in Europe from both the European subsidiary and the Headquarter in Singapore. That's why they found now a new investment in Sweden directly from Singapore. The company they are most likely going to buy is a R&D company with lots of patents. They prefer to keep the R&D concentrated in Singapore but this is an opportunity so they are interested to bring the Swedish knowledge into the company. Final decisions on FDI have to be in consensus with the board members in Singapore.

5.5 Interview: Company 5

Company 5 is a global electronics services provider who offers a combination of management, world-class technical capabilities, innovative manufacturing technology, reliable testing capabilities and state-of-the-art facilities. Founded in 1984, they cover about 40 companies with global clusters worldwide. At the moment they have an operation in Spain and are now in the decision-making process for a second investment. The interviewee is responsible for setting up a new European M&S office in the nearby future. He will move to Europe to set up the subsidiary.

For Company 5 the location was purely chosen because of the nearby large customers that they already had in Spain. They went to Spain so they could serve their customers better and because the amount of customers was enough to make such a large investment. The locations for their subsidiaries are dependent on the customers, when the amount of customers in one particular country is growing; it is interesting to set up a business there. It is more efficient to be closer to the customer. The location of the new investment is not chosen yet but the last alternatives left are Germany and the Netherlands. At the moment there is no high concentration of customers in one particular country in Europe. The

interviewee mentioned that therefore the availability of a good infrastructure and the presence of the Singapore government are also some important location factors. For that reason the interviewee is thinking of setting up in Germany. The Singapore government in Frankfurt can support him with anytime and they have a lot of contacts. The airport of Frankfurt has also good connections with Singapore. The interviewee sees the Netherlands more for logistics operations and not so much for an M&S office. And the Singapore government is not located there. In this case the interviewee will set up the future subsidiary in Europe. He has a preference for Germany, the country where he ones studied abroad and where he is familiar with the language and culture. This could be a great underlying location factor. His manager worked for Phillips and has a good feeling about the Netherlands.

Company 5 choose in both cases for Greenfield investments because their subsidiaries were not such a big investments and easy to organize it themselves. With the initial investment it was pretty straight forward, the customers were there and we needed to be there. A business development team did some ground work but the location in Spain was already decided. A Singapore expatriate went there and used the Spain customers as resource. Then the headquarters wanted to expand in Europe so they appointed the subsidiary in Spain to find new customers. The subsidiary in Spain run an M&S office for a while but it did not develop. This was due to the language and cultural differences of the Spanish employees and the rest of Europe. That's why they decided to set up an additional investment from Singapore now and send a new expatriate to Europe.

The interviewee uses as much information resources as possible. He mentioned that all information will help in order to make a decision. Information comes through customers, internet, site visits, investment promotion agencies, Singapore government and his personal network. He also uses his friends from his study period in Germany. The interviewee will write a report about his findings and will discuss this with his manager. If he agrees they will make a presentation for the CEO. Only the CEO makes final decisions on such matters.

5.6 Interview: Subsidiary 6

Subsidiary 6 is the European headquarters of a leading provider in the agribusiness. The operations of the multinational are located in more than 20 countries across four continents. They are now active in the entire value chain of the agricultural commodity processing business, from processing to the branding, merchandising and distribution of a wide range of agricultural products. One of the three managers was willing to share his insights of the company.

Subsidiary 6 started to manufacture their goods in Europe to overcome trade barriers. Since they are operating in the food and nutrition industry they need to manufacture their raw material in Europe to ensure durability and quality of their products. Another important reason is also because they can avoid import costs. The locations of their subsidiaries are highly dependent on the activity. The marketing and sales offices are strategically spread through Europe because of cultural distances in Europe and the need to be near the customers. The manufacturing plants are spread through Europe for cost efficiency in transportation costs. In doing so, they can deliver different countries from nearby production plants. These plants are near large harbours, since the raw material arrives by boat from Asia. "Before we invested in Europe we exported only the raw material to Europe. Then we started to manufacture the raw material ourselves. We are pro Greenfield because then we have full control over our investment; own location, own staff, everything should be perfect. We do however look for all opportunities and therefore we bought a manufacturing plant in Russia recently. They were already a business partner and it is a small company which is easy to bend in our direction. Bigger acquisitions are more difficult because the older and bigger the company the less flexible and dynamic."

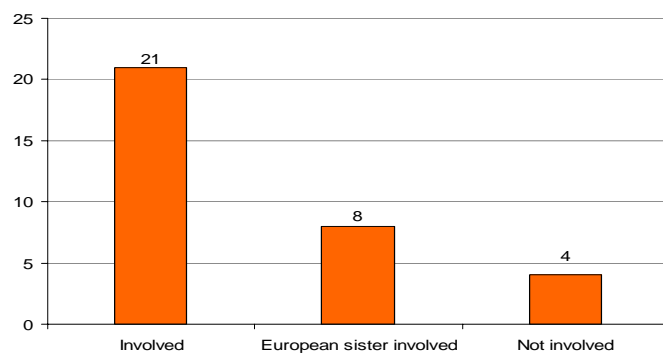
During the decision-making process they use different resources and mainly via their own contacts. Outside company contacts as clients, mouth to mouth, specialists, competitors within their industry are very important. Of course internet is very important as well. The managers do not have time for events; therefore they send staff to seminars and exhibitions to look for opportunities. They knew about the acquisition in Russia because they were their clients who bought raw material from them. When they heard the company was for sale we saw it as an opportunity to enter the Russian market with some people who knew the market and language well. We do a lot with our own engineers and builders we always use for our plants. They do not talk with governments or Investments promotion agencies a lot because they can do it themselves and their knowledge is often to general; "We have a large network which we use".

Final decisions on FDI are always made in Singapore but the EU-HDQ and Singapore work closely together. They often fly over to Europe for meetings and visits. The managers in the Netherlands and Singapore have daily contact. At the moment there is one Singapore expatriate based in the Netherlands but also local managers with greater responsibilities. Expected is that in a few years, only Dutch managers will be running the activities in Europe. FDI decisions need always approval of the board. Based on the report of the subsidiary, the board of six managers in Singapore will make a decision. The interviewee mentioned that the board in Singapore have not much time so reports should be short and in detail. When Singapore gives green light, the subsidiary will roll it out. This quick process based on experience and trust gives them a great competitive advantage since they are flexible and good in changes.

5.7 Questionnaire Singapore Subsidiaries

All interviewees mentioned the important role of the European subsidiary during the decision-making process on additional investments. The outcome of the questionnaire confirms this important role of the subsidiary as information resource for the Headquarters. Of the 33 respondents, 21 subsidiaries do support the Singapore Headquarters when it comes to FDI decisions in Europe. Another eight subsidiaries said that the sister subsidiary plays a role in the decision-making process of new investments in Europe. In these cases they referred to the role of the European Headquarter. So, from all the subsidiaries only 4 said the decision-making process of FDI is entirely managed in Singapore. These subsidiaries mentioned they would not be involved in these processes and that the Headquarters takes initiative and makes decisions on foreign direct investments.

Chart 5.1: Singapore subsidiaries in the Netherlands involved in the decision-making process of FDI



A vast majority of the subsidiaries who are involved in the decision-making process of FDI are responsible for Europe and is active in developing the European market. They take own initiative and ask approval in Singapore. Many do this by writing a report for the Singapore headquarters. Five companies said they are only a source of information when it comes to foreign direct investments but that Singapore is in charge of FDI and will organise the process. Also the initiative is in these cases in Singapore.

Although the result showed great importance of the role of the subsidiary the autonomy remains in Singapore. All the 33 respondents confirmed that the Singapore Headquarters makes decisions on foreign direct investments in Europe. Even the quasi-corporations who operate individually mentioned that large investments always need approval from above.

6. Towards conceptualisation of the FDI Decision-Making Process

Analysis of previous literature suggests that investment decisions involve five main themes: motives, location choice, entry strategy, information recourses and influencing actors. In the interviews is analysed how these topics change after every investment in Europe. In this chapter the difference between the initial and additional investments will be conceptualised and some hypotheses for future research are formulated.

6.1 Conceptual Framework

Firms start with an initial investment and from there additional investments will most likely follow. After the first direct investment is made in a foreign country, the line of business will be evaluated and new motives will arise to invest abroad. With any foreign direct investment the decision process starts all over again and that process can change the more loops a company has been through. The growth or decline of a multinational is therefore an ongoing process.

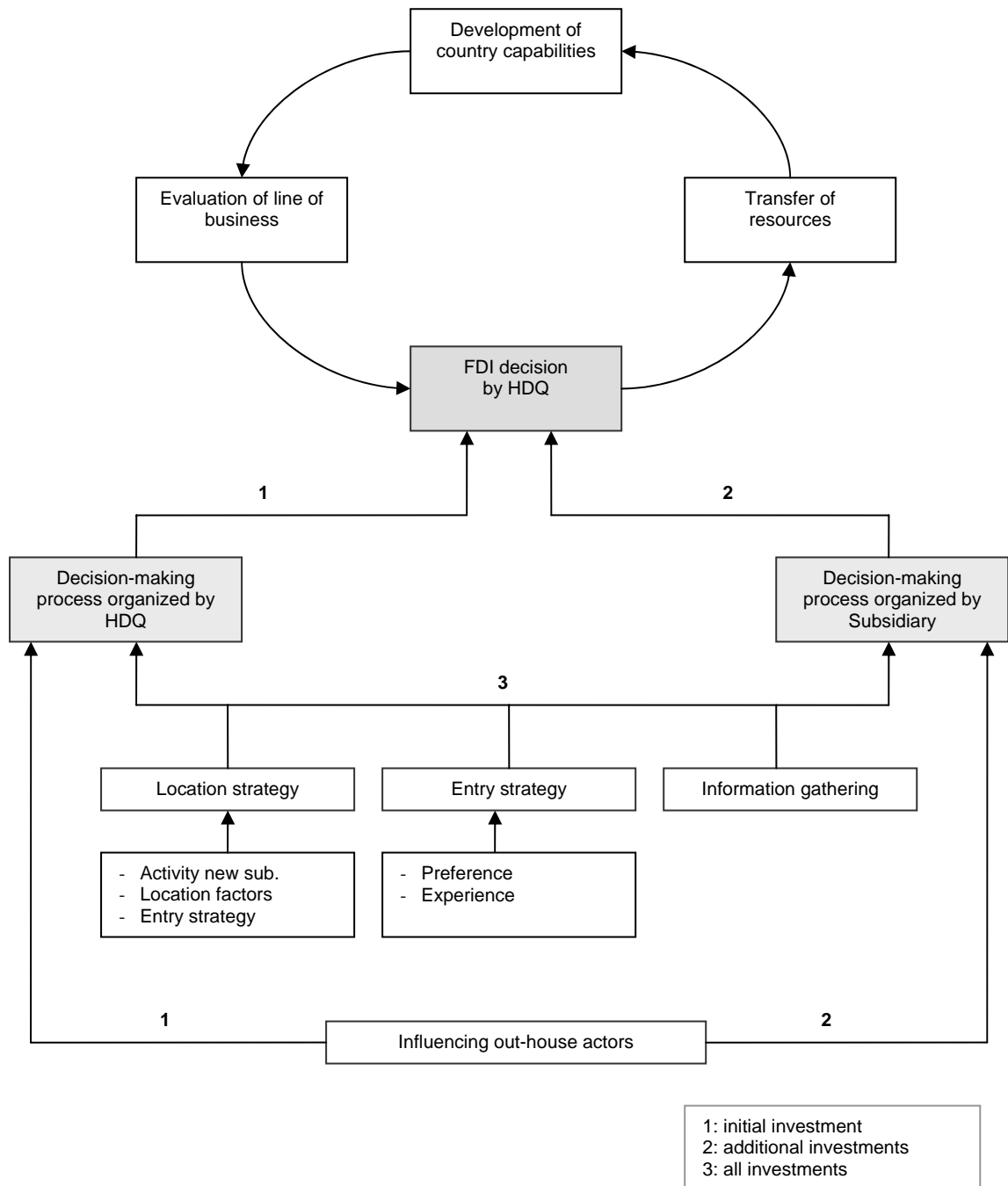
Before a syntheses of the information will be made, at first there needs to be sad that according to all the interviewees there is no vast way to do business, opportunities can rise from everywhere. Companies can deviate from there initial strategy and sometimes decisions are not based on pure theory. This is important to realise since this means that there are always exceptions on this matter.

To structure the body of information, a model of the decision-making process is drawn. In this framework gives coherence to the research question:

“Which differences can be observed between the FDI decision-making process of Singapore multinationals on additional investments in Europe and the FDI decision-making process on initial investments in Europe?”

The research question wonders about the differences between the additional and initial investments. However the findings of this study show also a few important similarities between the two decision-making processes. That’s why the conceptual framework does not only show the differences between the additional and initial investments (line 2 and 1) but also the important aspects that stay the same after every loop (line 3).

Figure 6.1: A model of the FDI decision-making process on additional investments



6.2 Shift from HDQ-level to Subsidiary-level

The headquarters remains the control and will make the final FDI decisions for initial and additional investments. But a great difference here is that the decision-making process will shift from the headquarter-level towards subsidiary-level. This means that for the identification of needs, information gathering and evaluation of the alternatives there is a shift from HDQ-level to Subsidiary-level.

Local research is seen as more efficient and the subsidiaries are trusted with such responsibilities. During the decision-making process on initial investments the headquarters in Singapore points somebody or a business development team to do the premiering work. With additional investments they use the subsidiary in Europe as a main source of information. They have Singapore expatriates managing the subsidiaries in Europe who are trusted to find new operations in Europe. Those expatriates are continuously exploring the European market and they have a great network in Europe. Based on the report of the subsidiary, the headquarters in Singapore will make a decision. Though, even with initial investments local research is seen as easier. Many companies that set up the subsidiary themselves send after they decided the FDI location one expatriate to the destination to make a start from there. This shift causes also a movement for out-house actors towards European subsidiaries. Since the subsidiary does local research the out-house actors will become more important to the subsidiary. The headquarters want the subsidiary to report on the developments and opportunities in Europe and does not need information from out-house actors (see line 1 and 2 in framework).

The resource function of the European subsidiary explains the last difference between the decision-making processes. The research on additional investments will be done in Europe. Therefore the subsidiary could influence the decision of additional investments since they hold important knowledge that the headquarters need. Moreover they possess a certain legitimacy and centrality which makes them a central influencer on the final decision. FDI decisions always go to the highest level for approval. It is those board members or CEO's who make the final decisions. They could be influenced by the one who writes the report because usually the decision is based on only that report. Influencing actors are therefore more effective on subsidiary-level than headquarter-level. The main finding of the research is thus the shift of the entire FDI decision-making process from Singapore towards Europe. The following hypothesis could be formulated:

Hypothesis 1:

"The decision-making process of additional investments is takes place in Europe while the decision-making process of initial investments takes place in Singapore"

Line 3 in the middle of the framework shows the factors that do not change over time. These factors are for both additional and initial decision-making processes the same. So both the headquarters and subsidiaries use these aspects the same way. In the next paragraph each aspect will be discussed.

6.3 Location Strategy

The decision-making process on the location seems to be dependent on the entry mode. There are companies who prefer acquisition and by doing so they have no location strategy at all. They look for interesting companies to acquire and in doing so they do not care so much for the location. As long as there is some chemistry and trust between the two parties; location is not important. Decisions on additional investments of those companies are based on the same strategy.

On the other hand there are companies who prefer Greenfield investments. They strategically choose the location for all their subsidiaries in one particular region. Because of country differences, different subsidiary functions and proximity to customers they spread their subsidiaries in a way they think it's the most efficient. Europe is therefore too big and too diverse to set up in only one country. The location of their initial investment is based on a consideration of location factors. The locations for their additional subsidiaries are dependent on the customers, when the amount of customers in one particular country is growing; it is more efficient to set up a subsidiary there. The capability of the subsidiary seems to have no influence on the location choice of additional investments in another country but rather with the cultural differences in the region. The current subsidiary can expand their activities independent from additional investments in other countries. Additional investments in other countries are dependent on location factors, just as the decision on initial investments. Thus, whether companies prefer acquisition or Greenfield, the decision-making process on the location of additional investments is the same as with initial investments. These results assume the following hypothesis:

Hypothesis 2:

"The decision on the location of additional investments is not dependent on the location or capabilities of initial investments but is dependent on the activity of the new subsidiary, location characteristics and the entry mode"

6.4 Entry Strategy

The literature suggests that the entry strategy of additional investments changes to a more progressive decision. Other than with the initial entry strategy, the entry will involve a higher level of ownership and commitment. This is due to the experience that companies have in the geographical area. They have more knowledge about the markets and the actors in it, so they are more able to predict the results of the investment. The experience and knowledge achieved from the initial investment decreases the risks on additional investments. Contrary to the literature, this study showed that there is no difference between the ownership percentages of additional and initial investments. Companies seem to prefer an ownership of 100% and full control. The reason that some companies do not obtain their subsidiaries with a 100% share is because some entrepreneurs of the acquired subsidiaries do not want to lose total control yet. Sometimes in a later stadium entrepreneurs are willing to sell more shares and therefore the ownership percentages can grow over time. During the decision-making process of both additional and initial investments the point of departure is to own a subsidiary with a 100% share.

With the type of entry mode this is almost the same story. If you look at the strategy and preference of companies there is no difference between the entry mode of additional and initial investments. Companies do investigate both options during the decision-making process but some companies just prefer acquisition, while other companies have a preference for Greenfield investments. The companies who prefer to acquire companies find it easier and more efficient to sell their products through a company that is already running and that has a lot of knowledge about the European market. Companies that invest in Greenfield locations prefer to set up a subsidiary from scratch so they can have full control and they can build their own culture. These companies have most of the times already a certain amount of customers in Europe before the initial direct investment. This preference is also related to the experience of companies. Companies with a bad experience in acquisition tend to prefer Greenfield and the other way around. The following hypothesis is formulated:

Hypothesis 3:

“During the decision-making process on additional investments companies tend to choose for the same entry mode as with initial investments”

6.5 Information Gathering

With both additional and initial FDI decision-making processes companies use as much information resources as possible. All information will help in order to make a decision, also during the decision-making process on additional investments. This is consistent with the research of Bunn (1993) who did not find a difference in the search for information between important new buying and rebuying situations because they are both characterized as very complex decision-making processes. Information comes through networking on tradeshows around the world, other companies in their industry, suppliers, customers, internet, investment promotion agencies, site-visits and foreign embassies. Consistent with the literature on information resources, companies see personal, non-commercial resources as most important. Outside company contacts for example clients, suppliers, specialists or competitors within their industry are therefore the main resources during the decision-making process. In general they prefer to speak to people who understand their specialized industry. They talk rather to people in their industry who understand the industry as well as they do. Also these information sources are more reliable and trusted. Governments instead are seen as less important. There is no difference in the kinds of resources between initial and additional investments.

7. Conclusion

When a company enters Europe it will not enter with 5 subsidiaries at one time, nor in a few waves, but in a slow sequence over many years. These long-term developments of additional investments could be seen as a series of loops. Since the difference between the decision-making processes of additional investments versus initial investments is never analysed before the research took an explorative, inductive character. In total managers of 5 headquarters in Singapore were interviewed. And to provide a critical complementary perspective on the role of the subsidiary, two additional interviews were conducted at subsidiary level in the Netherlands and a questionnaire was held among the Singapore subsidiaries in the Netherlands. All with the purpose to answer the research question:

“Which differences can be observed between the FDI decision-making process of Singapore multinationals on additional investments in Europe and the FDI decision-making process on initial investments in Europe?”

This research enabled to conceptualise the findings in a general framework of the FDI decision-making process. In the previous chapter are the findings of the research conceptualised and by doing this the answer to the research question is already given. The findings showed not only differences between the two investment decisions but also remarkable similarities.

The main difference was the shift of the decision-making process from the headquarter-level towards subsidiary-level. This means that for the identification of needs, information gathering and evaluation of the alternatives there is a shift from HDQ-level to Subsidiary-level. Local research is seen as more efficient and the subsidiaries are trusted with such a responsibility. Also there are often expatriates in charge of the European subsidiary who are given full responsibility of the European activities. This shift causes also a movement for out-house actors from headquarter level towards subsidiary level. Since the subsidiary does local research the out-house actors will become more important to the subsidiary. The headquarters just want the subsidiary to report on the developments and opportunities and does not use out-house actors as information resource. The resource function of the European subsidiary explains the last difference between the decision-making processes. The difference between initial and additional investments is that the research for additional investments will be most of the time be done in Europe. Therefore the subsidiary could influence the decision of additional investments since they hold important knowledge that the headquarters need. Moreover they possess a certain legitimacy and centrality which makes them a central influencer on the final decision. FDI

decisions always go to the highest level for approval. It is those board members or CEO's who make the final decisions. They could be influenced by the one who writes the report because usually the decision is based on only that report. Therefore it is also this person or team that must be influenced by other actors and not the decision-making person at headquarter-level. To influence the Singapore Headquarters is therefore the best by influencing the man in charge located in Europe.

There are also important similarities found. The location strategy stays the same when it comes to additional investment decisions. In both additional and initial FDI decision-making process companies evaluate locations with the same strategy. The location is dependent on the activity of the new subsidiary, location factors and entry mode preference. Other than the literature assumed locations of additional investments are not dependent on the capabilities of the current subsidiary in the region. A subsidiary can grow due to the development of capabilities but this is independent from additional investments in other countries. Another similarity is the entry strategy of companies. Both with initial as with additional investments companies tend to stick to one entry strategy instead of changing over time. Also, with every foreign investment companies' preference is to have full control over their subsidiaries. The literature suggests that the entry strategy of additional investments changes to a more progressive decision, but the findings suggest that both additional and initial investments are based on the same strategy.

From the findings the following hypothesis could be formulated:

- 1) "The decision-making process of additional investments is takes place in Europe while the decision-making process of initial investments takes place in Singapore"
- 2) "The decision on the location of additional investments is not dependent on the location or capabilities of initial investments but is dependent on the activity of the new subsidiary, location characteristics and the entry mode"
- 3) "During the decision-making process on additional investments companies tend to choose for the same entry mode as with initial investments"

7.1 Policy Implications

The findings of this research make it possible to give some policy implications to the NFIA Singapore. The NFIA Singapore is developing a strategy to implement the Investor Development Policy into their current activities. This means they want to keep in touch with Singapore headquarters that are operating already in the Netherlands. A few lessons

can be learned here. First, the shift from information gathering from headquarter- to subsidiary-level and the preference for local research tells us that investor development activities are more effective at subsidiary-level. Since subsidiaries organise decisions on additional investments in Europe and are controlled by Singapore expatriates with great trust and responsibilities it is those subsidiaries to influence. Although headquarters make final decisions on foreign direct investments, contact with the headquarters seems ineffective. Therefore the NFIA office in Singapore should focus on acquisition activities and less focus on investor development. Investor Development activities are therefore more efficient from the Netherlands and other European NFIA offices. The NFIA headquarters could interact with current investors and European NFIA offices could interact with European headquarters who are in the decision-making process of a new additional investment in Europe. For example, Singapore subsidiaries based in the United Kingdom could organise additional investments in further Europe. Second, subsidiaries grow independent from other sister subsidiaries in the region. Investor Development practices should therefore focus on the development of the current subsidiary and should not bargain between other FDI developments in the multinational.

Third, the findings show certain patterns in entry strategies of companies. When the initial investment was a greenfield investment the chance is high that additional investments will also be greenfield investments. It is maybe good to identify the company's preference before putting a lot of energy in the company. Companies who prefer acquisition are not only of less value to the Dutch economy but also do not care much for the location. Those companies do not choose for the Netherlands but they choose for the interesting company for sale.

During the research on the differences between additional and initial investments other interesting insights are mentioned. These insights did not answer the research question but the NFIA could take these findings into account as well. Companies use mostly non-commercial and personal information resources. Governmental institutions are therefore not the most popular resource. Companies find the information of promotion agencies to general and will contact the NFIA when having general questions about subsidies, costs of setting up and living in the Netherlands. It is important to communicate to companies that you have a great network of contacts. Companies should know that you can put them into contact with people from their industry as well. Second, many companies were customer-driven. It could be efficient to help companies with making a list of potential customers since that will give them knowledge about their options and market potential.

Finally there should be sad that according to all the interviewees there is no vast way to do business, opportunities can rise from everywhere. Companies can deviate from their initial strategy and sometimes decisions are not based on pure theory. This is important to realise since this means that there are always exceptions on this matter and there should be some flexibility from your side as well.

7.2 Suggestions for future research

As mentioned earlier, this research has a few limitations. The findings only reflect the interpretation of the interviewee while the decision of FDI is never taken by only one person. Also, the small empirical base of 7 sample companies and only two interviews on subsidiary-level has limited the research findings. The objective here was to give a direction towards conceptualization and is not meant to be the final word on the topic. This research is a definitive step towards creating a better conceptualization of the differences between the decision-making of additional and initial foreign direct investments. It also showed that these differences are worth to acknowledge. Much further work, both conceptual as well empirical is required to develop the current process framework to a more comprehensive theory. Important insights can be developed from empirical investigations on the entry strategies of companies. The findings of this research assume that companies tend to stick to one type of entry mode because of preference for one and another. Empirical data could acknowledge this hypothesis. Furthermore, this paper concentrated on the difference between additional and initial investments in Europe without taking experience in other regions into account. The experience in for example the United States could also explain companies' strategies. Second, this paper concentrated on the role subsidiaries play during decisions on additional investments. This paper did however not investigate which subsidiaries support the headquarters and if there are dependencies. It could be interesting to investigate in more detail which subsidiary supports the headquarters on such matters. There could be a relation between the activity of the subsidiary and the role they play with decisions. European headquarters for example are often controlled by Singapore expatriates who are trusted with such responsibilities. But it can also be that the linkages between subsidiaries and the proximity to those subsidiaries play a role. Finally, maturing subsidiaries build stronger networks in the region and stronger relationships with their subsidiaries. More in-depth research in the way subsidiaries gather information for additional investments could be interesting.

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Appendix A: Abstract of Interview Questionnaire

CURRENT FDI IN EUROPE

Sub.	Year Est.	Country	% of Ownership		Activity ¹	Entry Mode ²	Expansion ³	Decision-maker ⁴	Involved ⁵	Singapore Expats	
			Initial	Current						Initial	Current
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											

DISINVESTMENTS IN THE PAST

Sub.	Year Est.	Year Dis.	Country	% of Ownership	Activity	Reason
1						
2						
3						

- ¹ Activity = manufacturing, marketing & sales, distribution, EU headquarter, finance, service centre, other
- ² Entry mode = greenfield, merger, acquisition, joint venture, other
- ³ Expansion = any large investment as an expansion of the subsidiary (expansion of markets or subsidiary activity)
- ⁴ Decision-maker = ultimate holding company, headquarters, subsidiary, other
- ⁵ Involved = involved in the FDI decision-making process yes / no

FOREIGN DIRECT INVESTMENT

1

- LOCATION -

1a. Which factors played a role in the choice for location X? *(Please check all that apply)*

- Interesting company for Sale
- Political and economical stability
- Market size/ market growth
- Wages
- Infrastructure
- Availability and quality of labour
- Availability and costs of goods and energy
- Presence of an agglomeration
- Government policy (incentives, tax, etc.)
- Culture (language, habits, etc.)
- Personal ties
- Living environment
- Other:

1b. Which factors were most important? *(Please rank from 1 – 3)*

- 1)
- 2)
- 3)

- ENTRY MODE -

2a. How were you active in Europe before the direct investment?

- Export
- Licensing
- Franchise
- Not yet
- Other:

2b. Why did you choose X as mode of entry?

2c. Why did you NOT choose for an alternative mode of entry?

- **RESOURCES** -

3a. Who in the decision-making team collected information?

3b. Which resources were used during the decision-making process? *(Please check all that apply)*

- In-house network
- Outside company's contacts
- Investor with experience
- External consultant
- Singapore Government Agencies
- Foreign embassies
- Investment Promotion Agencies (IPA)
- Site visit (organised by IPA)
- Internet
- Business Publications
- Region's rating
- Articles in specialized reviews
- Investor with experience (represented by IPA)
- Seminars
- Exhibitions
- Other:

3c. Which resources were most important? *(Please rank from 1 – 5)*

- 1)
- 2)
- 3)
- 4)
- 5)

FOREIGN DIRECT INVESTMENT 2

- DRIVERS -

4a. Who came up with the idea to expand in Europe?

- Headquarters
- Subsidiary in Europe
- Other:

- LOCATION -

5a. The additional investment is an expansion of:

- An existing subsidiary in Europe
- A new subsidiary in the SAME country as the existing subsidiary
- An new subsidiary in ANOTHER country than the existing subsidiary

5b. Could you explain why you choose for this option?

5c. Why is not chosen for one of the other options mentioned in question 5a?

5d. IF you choose for a new subsidiary instead of expansion of the existing subsidiary; did the location of the current subsidiary played a role in finding a new location? How?

5e. Which factors played a role in the choice for location X? *(Please check all that apply)*

- Existing Subsidiary
- Interesting company for Sale
- Political and economical stability
- Market size/ market growth
- Wages
- Infrastructure
- Availability and quality of labour
- Availability and costs of goods and energy
- Presence of an agglomeration
- Government policy (incentives, tax, etc.)
- Culture (language, habits, etc.)
- Personal ties
- Living environment
- Other:

5f. If a subsidiary has tried to influence the location choice, WHY and HOW did they (tried to) do it?

- ENTRY MODE -

6a. Why did you choose X as mode of entry?

6b. Why did you NOT choose for an alternative mode of entry?

- RESOURCES -

7a. Who in the decision-making team collected information?

7b. Which resources were used by the headquarters during the decision-making process?

(Please check all that apply)

- Subsidiary in Europe
- In-house network
- Outside company's contacts
- Investor with experience
- External consultant
- Singapore Government Agencies
- Foreign embassies
- Investment Promotion Agencies (IPA)
- Site visit (organised by IPA)
- Internet
- Business Publications
- Region's rating
- Articles in specialized reviews
- Investor with experience (represented by IPA)
- Seminars
- Exhibitions
- Other:

7c. Which resources were most important? *(Please rank from 1 – 5)*

- 1)
- 2)
- 3)
- 4)
- 5)

FOREIGN DIRECT INVESTMENT

3

- DRIVERS -

4a. Who came up with the idea to expand in Europe?

- Headquarters
- Subsidiary in Europe
- Other:

- LOCATION -

5a. The additional investment is an expansion of:

- An existing subsidiary in Europe
- A new subsidiary in the SAME country as the existing subsidiary
- An new subsidiary in ANOTHER country than the existing subsidiary

5b. Could you explain why you choose for this option?

5c. Why is not chosen for one of the other options mentioned in question 5a?

5d. IF you choose for a new subsidiary instead of expansion of the existing subsidiary; did the location of the current subsidiary played a role in finding a new location? How?

5e. Which factors played a role in the choice for location X? *(Please check all that apply)*

- Existing Subsidiary
- Interesting company for Sale
- Political and economical stability
- Market size/ market growth
- Wages
- Infrastructure
- Availability and quality of labour
- Availability and costs of goods and energy
- Presence of an agglomeration
- Government policy (incentives, tax, etc.)
- Culture (language, habits, etc.)
- Personal ties
- Living environment
- Other:

5f. If a subsidiary has tried to influence the location choice, WHY and HOW did they (tried to) do it?

- ENTRY MODE -

6a. Why did you choose X as mode of entry?

6b. Why did you NOT choose for an alternative mode of entry?

- RESOURCES -

7a. Who in the decision-making team collected information?

7b. Which resources were used by the headquarters during the decision-making process?

(Please check all that apply)

- Subsidiary in Europe
- In-house network
- Outside company's contacts
- Investor with experience
- External consultant
- Singapore Government Agencies
- Foreign embassies
- Investment Promotion Agencies (IPA)
- Site visit (organised by IPA)
- Internet
- Business Publications
- Region's rating
- Articles in specialized reviews
- Investor with experience (represented by IPA)
- Seminars
- Exhibitions
- Other:

7c. Which resources were most important? *(Please rank from 1 – 5)*

- 1)
- 2)
- 3)
- 4)
- 5)

Appendix B: Abstract of Phone Questionnaire

Introduction

1. General facts:
 - Year of establishment
 - Activity of subsidiary
 - Percentage ownership of Singapore HDQ
 - Greenfield / acquisition / merger
 - Number of employees
 - Number of Singapore expatriate
2. Did you in the past support the Singapore HDQ or would you support the Singapore HDQ when a new subsidiary in Europe is going to be established? Do you play a role in such matters?
3. If not, would a sister subsidiary in Europe support the Singapore HDQ in such matters? When yes, what is the activity of that sister subsidiary?
4. How did/would you support the HDQ? (information, making contacts, write report ect.)
5. Who makes the final decisions on FDI? The European subsidiary or the Singapore HDQ?