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### **Kohdemaan tytäryhtiöiden moninaiset roolit ulkomaisista suorista jatkoinvestoinneista päätettäessä**

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104 sivua, 5 kuvaa, 2 taulukkoa ja 2 liitettä

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Jokainen ulkomainen suora jatkoinvestointi syntyy tilanteessa, jossa päätökseen vaikuttavat paitsi emoyhtiön ja liiketoimintaympäristön yhteensopivuus, myös kohdemaan olemassa oleva tytäryhtiö. Tämä tutkimus yhdistää kaksi aiemmin erillään esiintynyttä näkökulmaa: jatkoinvestoinnin kohdemaan valintaperusteet sekä tytäryhtiön roolin valintaprosessissa. Tutkimuksen tavoitteena on ymmärtää, mikä rooli kohdemaassa olevilla tytäryhtiöillä on ulkomaisten jatkoinvestointien houkuttelussa Suomeen. Roolin lisäksi tarkoituksena on selvittää miten tytäryhtiöt näitä rooleja toteuttavat, eli miten he vaikuttavat sekä suoraan päätöksentekoon että päätöksenteossa huomioonotettaviin tekijöihin. Empiirisessä osiossa on haastateltu viittä suomalaisessa tukiorganisaatiossa toimivaa asiantuntijaa, joilla on kattava kokemus ulkomaalaisten yritysten Suomen tytäryhtiöiden ja ulkomaisten suorien investointien kanssa työskentelystä.

Tutkimuksen perusteella rakentunut viitekehys tuottaa olemassa olevan tutkimustiedon pohjalta uutta tietoa tytäryhtiön rooleista, vaikuttamistavoista sekä investointien kannalta oleellisista tekijöistä, joihin tytäryhtiöillä on mahdollista vaikuttaa. Jo tutkimuksen alussa kirkastui, että kohdemaan tytäryritysten rooli jatkoinvestointien houkuttelussa on moninainen ja määräytyy tilannesidonnaisesti. Tulosten perusteella tytäryhtiöillä ei välttämättä ole roolia prosessissa laisinkaan, tai he voivat toimia lobbareina jo ennen investointiprojektin alkua, investoinnin aloitteentekijöinä, sen tukijoina ja/tai markkinoijina myös yrityksen ulkopuolella. Suomalaisesta liiketoimintaympäristöstä saadut tulokset osoittavat, että kohdemaan tytäryhtiöiden rooleista jatkoinvestointipäätöksessä on paljon opittavaa ja tutkittavaa niin emoyhtiön, tytäryhtiön kuin kohdemaan tukiorganisaatioidenkin näkökulmasta.

## **ABSTRACT**

Lappeenranta-Lahti University of Technology LUT  
School of Business and Management  
Master's Program in International Marketing Management (MIMM)

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### **The Many Roles of Host Country Subsidiaries in Influencing Subsequent Foreign Direct Investment Decisions**

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Examiners: Professor Olli Kuivalainen and Post-doctoral researcher Igor Laine

Keywords: foreign direct investment, subsequent investment, location choice, subsidiary role, multinational enterprise

Every subsequent foreign direct investment is born out of a unique situation, where not only the parent company and the business environment but also the existing subsidiary in the host country has their say. This thesis aims to bridge a research gap in studies that would bring together the viewpoints of subsequent FDI location choice and the role of a host country subsidiary in the process. The purpose is to understand the role that host country subsidiaries have in attracting subsequent foreign direct investments into the Finnish business environment. In addition to the roles that the subsidiaries have in the process, the aim is to shed light on the ways they enact those roles: how do they influence the decision-making as well as the location choice factors behind it. The empirical research turned to host country support organizations and interviewed five experts who have extensive experience with multiple foreign subsidiaries in Finland and foreign direct investments.

This thesis contributes to the existing literature by building a framework that complements the prior knowledge of roles, ways of influencing and factors that host country subsidiaries have the possibility to influence. From early on in the research, it became evident that it is not possible to illustrate a uniform role description for subsidiaries in attracting subsequent FDI into their host country. This research concluded that depending on the case, subsidiaries might have no role or act in the role of a pre-investment lobbyist, initiator, sponsor and/or external marketer. This look into the phenomenon in the Finnish business environment showed that host country subsidiary influence on FDI decisions has plenty of room for learning and improvement in the business context as well as many unsought possibilities for further research.

## ACKNOWLEDGEMENTS

I remember walking into the university campus for the first time as a university student. I loved the feeling and could almost physically feel the inspiration and knowledge surrounding me. Now, after almost ten years and two master's degrees later, I still feel the same way. As I am now closing the cover of this thesis, this chapter of my life has come to an end – but don't be surprised if you find me knocking at the auditorium door yet again sometime in the future.

The years studying at Lappeenranta while building a career in Helsinki have been the busiest yet. It has been rewarding, but I would lie if I didn't admit there have been challenging moments. This degree would not have happened without the love and peer support from my dear friends Amanda, Elina and Susanna. I treasure every road trip, cafeteria lunch and long study night with you. I am grateful that Lappeenranta brought these superwomen into my life.

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Not being a student anymore will feel strange but liberating. What should I do with all this released time and brain capacity? I'm ready to find out!

Helsinki, 15 July 2020

Petra Mursu

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## 1 INTRODUCTION

*“They have an integral role, extremely important role. Without the local support and local lobbying, these large-scale investments would not happen at all.”*

- Amcham representative interviewed for this study about the subsidiary role in subsequent investments into Finland

If we think of the word “subsidiary”, it refers to something of secondary importance. One can imagine that this hierarchical notion in the word has been a directing factor when deciding how to address the companies that are owned by other, more powerful companies. However, as the quote above shows, the power structure is not as simple as the organizational chart suggests on paper, quite the opposite. The subsidiaries seem to have hidden influencing power that is not derived from size or ownership. That is especially when it comes to subsequent investments into a country where the multinational enterprise already has a subsidiary. This became clear to me when I was working with investment promotion for the capital region of Finland. There the many roles of host country subsidiaries in influencing subsequent foreign direct investment decisions were acknowledged and appreciated, but not utilized to the full extent. I felt the field could benefit from a more thorough understanding of the phenomena. As also a look into academic literature enforced that thought, the direction of this study was clear. The role of foreign subsidiaries in attracting subsequent investments is said to be integral, but what is that role, and how exactly do the subsidiaries influence the investment decisions? This study set out to investigate the topic.

### 1.1 Research background

Foreign direct investments (FDI) are one of the cornerstones of today’s international business. In 2019 alone, the value of global FDI flow was 1.54 trillion dollars (UNCTAD 2020). FDI decision-making process has been studied from many angles, such as international business, economics and management (see for example Krugman 1979; Dunning 2000; Faeth 2009; Nielsen, Asmussen, & Weatherall 2017). Researchers have been able to identify long lists of factors that affect the location choice of FDI (Blonigen 2005; Hutzschenreuter, Kleindienst & von

Bieberstein 2011; Johanson & Vahlne 1977; Kim & Aguilera 2016; Nielsen et al. 2017). In those studies, the complexity of the issue has become clear. No one framework can explain the phenomena, as the decision is based on multiple factors derived from multiple viewpoints.

Although the factors determining the decision on FDI location are a much-researched topic, a high proportion of those studies has focused on the initial entry into the host country, leaving subsequent FDI determinants slightly neglected (Luo, Luo & Liu 2008). As we think about subsequent investments to the same host country, one major distinction to novel FDI comes to mind: it has been done before. MNEs need to take the existing operations into account in their investment decisions. Theories focusing on the foreign subsidiary role in multinational enterprises show, that the subsidiary is an active operator with influence that it obtains through the exchange of knowledge (Andersson & Holm 2010). In subsequent investments, prior study by Johanson and Vahlne (1977) has drawn the process of internationalization and subsequent investments showing that the subsidiary activities can influence the decision-making factors. Moreover, Ghertman (1988) has identified that subsidiaries can have an active role in the decision-making process. However, there is a research gap in studies that would bring together these views of subsequent FDI decision-making and the role of a host country subsidiary in a way that focuses attention to the influencing activities of the subsidiary throughout the whole chain: from subsidiary activities influencing the decision-making factors continuing to the activities they take to influence the actual decision-making.

The influence host country subsidiaries might have on subsequent investments has not been left unnoticed by local investment promotion agencies. In Finland, organizations such as Amcham Finland, Business Finland and Helsinki Business Hub cooperate intensively with local foreign subsidiaries to help them in their endeavors of making Finland a more attractive location for FDI. The motivations of these support organizations likely differ from those of the foreign subsidiaries, but from the point of view of this thesis, they share this same goal: attracting investments into their host country. Although the activities of local investment

promotion organization have been studied quite intensively in the past couple of decades (see for example, Harding & Javorcik 2011; Lim 2008), the point of view of the subsidiaries have been left with less attention.

At this point, it must be noted that subsidiaries cannot be taken as vouchers of subsequent FDI into the focal country just for the sake of supporting the economic growth of the nation. As Chung, Lee, Beamish and Isobe (2010) note, foreign subsidiaries of MNE's can orientate both or either within-country growth and across country operational flexibility. In this study, the point of interest is on the investment within the same host country. Turning to the support organizations for data will allow this thesis to access networks of those subsidiaries who have shown motivation for promoting inward FDI into the focal country in particular.

Finland is an interesting frame for this study as it has been said that Finland hasn't been able to transform the favorable policy framework into significant FDI inflows. Finland has been ranked as one of the most attractive FDI locations in Europe, but nevertheless, is only among the average line when FDI stock is compared to economic size. (Rytter Sunesen 2016) This suggests that at some level, the prerequisites for investments and hence incentive to attract investments are there, but it requires effort from the local parties to get the investments into Finland.

Finally, an additional opportunity for complementing existing research on the phenomena can be found from the study method. Most studies relating to the factors affecting FDI decision-making have been quantitative in nature. They have relied on data sets of realized FDIs without comparing the actual decision processes that lead to a certain outcome. (Tong 2015, 255) Hence, there is also room for qualitative studies that aim to dig deeper into the topic and explore viewpoints that might have been passed on earlier literature.

## **1.2 Research questions and objectives of the study**

The objective of this study is to highlight the host country subsidiary point of view on subsequent FDIs into the same host country. Earlier, the subsidiary has mainly

been seen as a factor among others in the internationalization process and FDI location decision-making. By bridging FDI theory with subsidiary role theory we aim study in what ways the subsidiary could step forth as an active influencer of the subsequent FDI decisions – both the factors and the decision-making process.

This thesis aims to find answers to the following research questions:

*RQ 1. What kind of a role a host country subsidiary has in subsequent FDI decision-making?*

To dive deeper into the topic, an understanding the different factors behind subsequent FDI decisions will be drawn together. In addition, the role of subsidiary and its relationship with the parent company will be examined to gain an understanding of the possible ways it could influence decision-making. The viewpoint will be combined into a framework of the possibilities a subsidiary has to influence the decision-making factors by making the country more attractive for investment. With the guidance of this newly created theoretical framework, this thesis will attempt to answer these sub-questions:

*RQ 2. How do the host country subsidiaries attempt to influence the subsequent FDI decision-making?*

*RQ 3. What kind of things subsidiaries attempt to influence to improve the investability of the country?*

The answers to these three research questions build on prior literature on the role subsidiaries have in influencing subsequent investment decision-making as well as the factors behind those decisions (see Blonigen 2005; Ghertman 1988; Hutzschenreuter et al. 2011; Johanson & Vahlne 1977; Kim & Aguilera 2016; Nielsen et al. 2017). Building a comprehensive framework creates a basis for understanding the big picture of the phenomenon and offers directions for further research on the topic. The novel information created has also managerial

implications for all three parties involved: the parent company, the foreign subsidiary as well as host country support organizations.

### 1.3 Key concepts

To make sure the concepts discussed are clear from the outset, the main ones are shortly defined in this subchapter. *Foreign direct investment* (FDI) is the course of action in which a company from another country establishes a lasting interest in a company residing in another country. The lasting interest means creating a relationship where the company establishing the interest is in a position where it has significant influence over the management of the other company. (Based on OECD 2008, 48) Foreign direct investments range from greenfield investments, where the investing company establishes a new company in the new location to acquisitions, joint ventures and alliances, for example. As mentioned, this study focuses on cases where the company is currently in a situation where it has at least one wholly or dominantly owned company, *a subsidiary*, in Finland. "Affiliate" is used as a synonym for subsidiary. In this scenario, the investing company and the owner of the subsidiary is called *a parent company*. *Headquarter* refers to the administrative center of the global company. In this study, headquarter (also HQ and head office) is used in a similar meaning as the parent company, indicating the owner of and decision-maker above the subsidiary.

Furthermore, *Multinational enterprises* (MNEs) can be defined as companies that have the ownership of and control subsidiaries or other value-adding activities in several national markets (Kim & Aguilera 2016, 133). Many MNEs are active global investors. The initial investment of the parent company into a specific location can be seen as *a platform investment*, as it can function as a basis for reaping additional benefits from the market (Kogut & Chang 1996). *Subsequent investment* refers to additional foreign direct investments into the same country, starting from the second investment onwards.

When studying MNEs and their FDI activities, location plays a big role. It is therefore important to make a distinction between home and host country. *Home country* is

defined as the country in which the parent company is located. *Host country* refers to the country in which the foreign subsidiary resides. Additionally, host country support organizations are meaningful contributors to this topic and study. In this study, *support organization* is used as a term that carries under it the local organizations that work in cooperation with companies including but not limited to foreign subsidiaries in attempt to develop the Finnish business environment. Here, *investment promotion agency* (IPA) refers to public organizations whose mandate is to attract foreign direct investments into a location. Closely linked to IPAs are *regional development agencies* (RDA), who work on a regional level and are tasked with activities driving the economic development of the area. In this study when referring to Finland and the setting of this research, IPA refers to all investment promotion agencies interviewed for this study (Business Finland, Helsinki Business Hub and Business Tampere), whereas RDA only includes the regional players Helsinki Business Hub and Business Tampere.

#### **1.4 Delimitations**

To be able to limit the scope of this thesis to a level where reasonable analysis can be done with the data collected, several delimitation decisions have been made. Firstly, this thesis discusses location choices on a country-level at the smallest. This is even though especially with larger countries, FDI locations are considered on a sub-national level (see for example Kim and Aguilera, 2016). The data of this thesis is collected from Finland only and hence, provides a limited generalizability to other nations and regions.

This thesis also focuses solely on the decision process of whether or not to invest more in the given country. Although this decision cannot be totally isolated from type of investment, size of investment and entry mode of subsequent investment (see for example Luo et al. 2008), these notions have been excluded from the scope of this study for the sake of limitation. Furthermore, this study discusses primarily wholly or dominantly owned subsidiaries when referring to the existing host country subsidiary. Although the variety of possibilities in FDI is acknowledged, this delimitation is done to simplify the theoretical framing of the research.

When discussing decision-making in international business, it must be accepted that the decisions are ultimately done by humans. Fruitful viewpoints for this area are offered by Aharoni (2011), who states, based on decades of research on the topic, that a number of potential concerns are associated with assuming decision-making is rational. However, in order to limit the scope of this thesis, the decision-making will be examined on a company level and behavioral factors concerning the decision-makers will be excluded from the scope. In addition, the focus is only on investments targeted at the host country of the subsidiary, although in some cases those companies might oversee operations in several locations and hence aim to influence investments made also outside their host country.

Lastly, as noted in the background for this thesis, investment promotion agencies are tightly linked to the discussion of FDI, not to mention the subsequent investment in the same host country. Nevertheless, their activities in attracting FDI that are not conducted in cooperation with foreign subsidiaries were decided to be left outside the scope of this limited space based on the lower novelty value they have on this specific topic. Nevertheless, these support organizations have obtained valuable knowledge on the topic on the widest possible level in the Finnish context and hence, offer a fruitful data source.

## **1.5 Research strategy and structure of the study**

In order to gain an in-depth understanding on the topic of subsidiary role in subsequent FDI in the Finnish context, qualitative methods were chosen as the research methodology. Main data was collected via semi-structured theme interviews. The interviews were held virtually. The data consists of 5 interviews with people from investment promotion agencies and other local support organizations, who have worked with a large number and variety of foreign parent company subsidiaries in Finland and helped them in their efforts of influencing the factors that make Finland an attractive target for subsequent investments. In addition, a memo of subsidiary discussions and a survey conducted for the subsidiaries by Amcham will be used to complement these expert interviews (Amcham 2019, Amcham 2020). This approach allows this thesis to gain a relatively large contact point into the ways

different subsidiaries aim to affect FDI decisions and set the stage for more extensive studies on the topic with different and more targeted datasets.

Following this introduction, this thesis continues with a theoretical approach. Before diving into the role that a subsidiary plays in the continuing internationalization of a company, it is important to understand the basis for foreign direct investment to begin with. Therefore, the second chapter will decode the motivations pushing companies towards investing abroad through foreign direct investment, as opposed to options such as exporting or licensing, as well as the factors affecting the location choice in foreign direct investment. A view on studies on subsequent FDIs will complement these factors. The third chapter reveals the common aspects of subsidiary-parent company relationship and explains some of the existing literature on the host country subsidiary role in subsequent FDI. In the fourth chapter, these viewpoints will be combined into a framework of the possibilities that a subsidiary has to influence FDI decision-making by making the host country attractive for investment.

The fifth chapter presents the qualitative methodology and data collected for this study, introducing the interviewed organizations. How the data is analyzed as well as notes on data liability and validity will also be presented. The sixth chapter illustrates the empirical results and findings drawn from the data in relation to the theoretical framework. Finally, the seventh chapter concludes this thesis by discussing the theoretical and managerial implications of this study and pointing out the limitations and ample directions for further research.

## 2 FOREIGN DIRECT INVESTMENT

International trade has been an important driver in business for centuries. Given the lengthy history of international business, foreign direct investment (FDI) has become the focus of research only rather recently. Pushed by researchers such as Krugman with his New Trade Theory in the 1970s, FDI has since interested many and it has been explored through lenses such as international business, economics and management literatures (see for example Krugman 1979, Dunning 2000, Faeth 2009, Nielsen et al. 2017).

OECD (2008, 48) defines foreign direct investment as follows: *“Foreign direct investment reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise.”*

This definition implicitly states that in FDI, the direct investor, i.e. the parent company, seeks to extent power over another geography specifically, meaning the target being in another country is a factor in itself. This is supported and extended by Dunning (1977), who has molded the OLI framework, which directs us to look at the advantages from the points of view of ownership, location and internalization when determining whether FDI is the choice for an enterprise. The OLI framework doesn't provide a theoretical model to support scientific research setups but opens the stage for a comprehensive view into finding the *why* behind FDI.

Multinational enterprises (MNEs) can be defined as companies that have the ownership of and control value-adding activities in several national markets (Kim & Aguilera 2016, 133). Ownership advantages question what are the firm-specific assets that enable some but not all enterprises to go abroad and become multinational. This viewpoint has likely inspired works such as Helpman, Melitz and Yeaple (2004), who showed that only the most productive firms do FDI as they afford

the associated fixed costs. Also, Blonigen (2005, 384) states that R&D intensity is nearly always linked to a multinational company.

As this study looks into additional FDI, we already know these companies have what it takes to become an MNE. However, it is still worthy to understand this basis and question whether subsidiaries have the possibility to influence the birth of additional FDI decisions. For this, the most relevant viewpoints lie in the location and internalization.

Location advantages examine the factors of the target country, such as market size and comparative advantages over home country (Nielsen et al, 2017, 65). As a driver of the initial decision to become a multinational enterprise, it refers to the factors that drive the company to look outside their home market for something the home market is unable to provide. Historically, the location-based motivation for FDI has been to seek lower-cost location for operations, new markets and natural resources (Kim & Aguilera 2016, 134). In the last couple of decades, that view has been extended to the search of opportunities for learning and knowledge-intensive assets (Dunning 2000). From the point of view of FDI location selection, these will be looked at in detail in the next sub-chapter.

Internalization determines how the enterprise decides to operate in the target country. Choosing foreign direct investment over exports or collaborative options might stem from the potential of market failure, i.e. failure to obtain full value of owned assets through arrangements with external parties. Companies might also shy away from even effective collaboration if they see a risk of hold-up issues, where they might lose bargaining power to the other party and consequently weaken their profits. Also concern of breakages in information flow between the company and its partner in the host country has been identified as a push factor for FDI, as identified by the agency theory. (Blonigen 2005, 384) These internalization motivations also support the definition by OECD (2008), which includes “significant influence” on the host country operations.

Moreover, in the OECD definition, the target is defined as an enterprise, which might lead to think of mainly mergers and acquisitions (M&A). Although much of foreign direct investment consists of M&A - 2/3 from 1987 to 2001 - traditionally FDI literature has focused on greenfield investments (Head & Ries 2008, 2-3). However, in the cases of acquisitions, the target enterprise characteristics should naturally not be overlooked. At times FDI might be motivated by a will to access target enterprise-specific assets, such as knowledge or technology (Blonigen 2005, 384). Here again, the matter of influence comes to question. OECD (2008, 48) sees that an ownership of 10% or over on the voting rights can be determined as a situation in which the parent company holds significant influence. However, it could be argued that it is not a sufficient proof of influence, as the power may stem or be hindered by personal relationships, organizational roles and knowledge transfer between the companies.

Also, trade costs have been raised as one factor in early internationalization decision. However, researchers have been unaligned on whether high trade costs encourage companies to internationalize and become multinational enterprises through horizontal FDI, which means replicating activities in another country, or - as more recent arguments claim – inhibit FDI (Markusen 1984; Nielsen et al. 2017, 64-65). For vertical FDI, which can include for example offshoring or establishing sales subsidiaries, the reasoning has been drawn from linking complementary production factors in lower-cost countries as activities such as marketing and management can service these subsidiaries without locating in the same nation (Helpman 1984; Nielsen et al. 2017, 64-65).

These studies show only a fraction of the existing FDI research but hold a base for the different viewpoints that need to be taken into account when moving to examine the decision-making factors when choosing a location for FDI.

## **2.1 Determining the location**

As we see above and Faeth (2009, 165) aptly argues, no single theory of FDI exists, and hence, the determinants of FDI should not be analyzed through a single theoretical model. Moreover, Nielsen, Asmussen and Weatherall (2017, 63) state

that the study of determinants of FDI location choice is reaching a rather mature level and the field benefits from a systematic review of the sources available. In this subchapter, a few of these studies that have outlined existing FDI research into a digest are brought together to form a comprehensive idea of the possible FDI factors. This thesis builds on researches that have reviewed multiple studies and aimed to draw a consensus from their findings: Nielsen, Asmussen and Weatherall (2017), Blonigen (2005) as well as Kim and Aguilera (2016). These reviews have been selected in this theoretical background, as they approach FDI from different perspectives and are rather recent. Their notions will be complemented with relevant viewpoints from other studies.

Nielsen, Asmussen and Weatherall (2017) evaluated 153 quantitative studies and identified that FDI predictors can be theoretically sorted under six different headings. The first four focus on the attributes of the target country. *Pure economic factors* focus on financial performance through factors that affect cost and revenue of the future subsidiary. It includes demand, tax rate, wages, physical infrastructure and human capital. *Institutions* refer to the nature and quality of the host country institutions, which shape the environment by providing opportunities for or constraining the economic activities. They also mention Special Economic Zones as attractors of FDI, which are not a factor in the case of Finland and are left outside the theoretical framework. (Nielsen et al. 2017, 65)

*Intra-Industry agglomeration and industrial clusters* refer to the number of firms and operations from the same industry are operating in the location. Moreover, *Inter-Industry agglomeration and global cities* look into the concentration of companies in general despite the industry, in hopes of knowledge spillover and innovativeness. (Nielsen et al. 2017, 66-67) It is not clear whether the spillovers would originate from host country companies or fellow MNE's. Crespo and Fontoura (2006, 410) note that empirical literature is relatively aligned on the superiority of MNEs' productivity over domestic firms. Both viewpoints are taken into account in this study. In addition, Nielsen et al. (2017) hypothesize that the more companies from the same home country there already exist in the location, the more likely a company from that same home country would be to make a favorable FDI decision to that location. Blonigen

(2005, 392) too has noted in his literature review that a target location concentration of foreign subsidiaries from the same home country adds to the likelihood of more FDI from the same home country. As the final factors in this theory group, global cities are firstly seen as an attractive FDI target as they have abundant advanced producer services and are highly interconnected to local and global markets. On the other hand, they bring along diseconomies in the form of high rents or wages as companies compete to locate close to the city center. (Nielsen et al. 2017, 67)

The fifth theory category, *Resource-based view*, brings the parent firm characteristics into the picture. Even though we are looking at the location choice, the location itself should not be seen as a generic resource, but its value depends on the enterprises capacity to identify and create value from the resources of the location (Zaheer & Nachum 2011). Outside the productivity needed to be a MNE in the first place, the resource-based view sees that firms' intangible assets, such as technology or brand(s), might direct the company to invest in locations that are "unattractive" by the factors described above in the first four categories. This is because they feel they can compensate for them with their internal resources and hence have upper hand on the competition. Contradicting view is that companies with strong intangible assets are drawn to attractive locations with sufficient resources to benefit from. The resource-based view pertains also a learning aspect, where companies with more international experience have accumulated knowledge on the internationalization and could hence invest to riskier locations than less experienced MNEs or first-timers. (Nielsen et al. 2017, 67-68)

The sixth and final theory category, *Liability of foreignness*, includes location-firm dyad characteristics and intuitively comes closest to the meaning that an existing host country subsidiary could hold. It includes location-specific experience from host country culture, among others, as well as home and host country distance. The distance is seen rise to go hand in hand with cost of doing business as a foreigner, that consists of trade costs and frictions from cultural differences, to name a few. (Nielsen et al. 2017, 68) It should be noted that Nielsen and his research group have clearly looked at first-time investments in a given location, and therefore, this view needs to be slightly adapted to fit also the inspection of additional FDI in the same

host country. For example, the location specific experience does not mention existing subsidiaries, nor does the liability of foreignness discussion take into account whether companies with existing subsidiaries in the host location feel less of a need to compensate the cost of doing business abroad with superior competitive advantages.

All of these factors described above gained much support but were also rejected by some studies reviewed by Nielsen and fellow researchers (2017, 72). This goes to show that although these are factors that companies take into account when making FDI decisions, the way in which they direct the decision should not be taken for granted. Especially some of the Pure-economic factors received mixed support. For example, high tax rates gained even unexpected support contrary to the hypotheses that they would lessen the interest towards FDI. They could be analyzed as an acceptable factor when linked to other more favorable factors that came along with the high tax environments. (Nielsen et al. 2017, 72) For the purpose of this study, the focus is on what the factors are, and the effects of each factor can be on most parts left outside the scope. However, it must be noted that nearly all the studies examined by Nielsen, Asmussen and Weatherall (2017) rely on secondary data and therefore cannot be granted full trust in their ability to surface the true determinants behind the decisions. The relevant factors from their overview for this study are presented on Table 1.

Blonigen (2005) too has examined existing literature on FDI decisions. His focus was on the macroeconomic factors – or the pure economic factors as Nielsen and his group describe them. Blonigen's review supports the factors of taxes and institutions. Moreover, three additional factors were identified: *exchange rate effects*, *trade protection* and *trade effects*.

*Exchange rate effects* refer to the exchange rate between the countries as well as in the exchange rates' volatility. The papers reviewed by Blonigen hypothesize and have found evidence that appreciation of home country currency and depreciation of host country currency increase FDI, especially if the FDI is driven by an acquisition of intangible assets. (Blonigen 2005, 385-386) It should be noted that

these papers mostly concern rather short-run factors, as opposed to the OECD (2008) definition that included a notion of a lasting interest. In addition, they cover mainly inbound and outbound FDI to/from the United States and do not concern sudden large swings that have happened during financial crises (Blonigen 2005, 392).

*Trade protection* implies that higher trade protection in the target location attracts FDI over trade. The concept refers to so-called “tariff-jumping” FDI, where the parent company seeks to avoid the costs of trade production through FDI. *Trade effect* in turn refers to the progression from exports to affiliate sales from FDI once the market demand allows to lower the variable costs associated with trade. (Blonigen 2005, 390-391) According to Blonigen (2005, 391), the most common motivation for FDI was to substitute exports with FDI. They look at previous trade as a factor for FDI more from the cost saving perspective, whereas Nielsen, Asmussen and Weatherall (2017) also highlighted the meaning of learnings from that previous experience in lowering the liability of foreignness. In this study, trade protection and effects are taken into account in the economic factors to see if subsidiaries are trying to influence those factors somehow. From the liability of foreignness perspective, earlier trade is less relevant for this study, as the focal companies of this study already have an affiliate in Finland. These factors identified by Blonigen (2005) that are relevant for this study have been collected to Table 1.

Kim and Aguilera (2016) have reviewed 137 publications on FDI location choice through the lens of international business. They found support for the institutions factor, emphasizing also the special character of emerging markets and the institutional void they might have that can direct enterprises elsewhere. Also, Kim and Aguilera’s (2016, 147) notion of companies seeking strategic assets fits into the existing factors of *Industrial Cluster* and *Cross-Industry Agglomeration* from Nielsen, Asmussen and Weatherall (2017), as they highlight the spill-over from supporting and related industries.

In addition, Kim and Aguilera (2016) highlight three complementary factors that fit the scope of this study: *Networks*, *regions* and *offshoring*. What Kim and Aguilera

(2016, 148) call *Networks*, meaning relationships with, for example, buyers and suppliers, can be seen as a close neighbor of the *Location experience* factor, as it too deals with mitigating the so called “outsidership”. For the sake of separating knowledge from existing linkages, *Networks* can be considered a factor separate from *Experience*. *Networks* as a factor was supported also by Chen and Chen (1998). They divide the networks to internal and external networks, and further to external strategic linkages and external relational linkages. This further separation is meaningful, as strategic linkages that aim to acquire knowledge motivate FDI, while relational linkages being the helpful hand in overcoming entry barriers facilitate FDI (Chen & Chen 1998, 463). Another worthy thought is whether these networks are formal and structured, such as government-led, or organic (see for example Chetty & Blankenburg Holm 2000).

*Regions*, which Kim and Aguilera (2016, 147) define as “supranational groupings of proximate nation-states”, become a factor in FDI decision as they are economically integrated, and the firm’s assets are better interchangeable within their home region. This tends to drive companies to invest in foreign locations still within the same region. Contractor (2007) too sheds light on regionality of companies, questioning why many MNEs are regional rather than global in their geographical coverage. This factor is somewhat linked to the *Global city* factor but extends the scope on a much wider level. It is also tightly linked to the *Distance* factor but brings more specific angle to it. For example, a membership in the EU could be this kind of a regional factor in the case of Finland that might not be revealed if only looked through the *Distance*.

In Nielsen’s study group’s review (2017), Firm-Location level factors were linked to home country and the enterprise as a whole. *Offshoring* factor brings an additional viewpoint to the Firm-Location level, as it considers how the situation-specific actors, such as the nature operations being outsourced and customer’s expectation on those activities interact with the location specific factors. (Kim & Aguilera 2016, 148) The factors relevant for this thesis from the study of Kim and Aguilera are included in Table 1.

As an addition to the parent firm level factors, Kim and Aguilera (2016, 145) note that a company having its origins in an emerging economy might be a factor in itself. *Emerging economy multinational enterprise* (EMNE) might not have the ownership advantage that is traditionally seen as a must for FDI. For them, also non-market factors such as government ownership might play a big role in the decisions. EMNEs have been seen to apply FDI in relatively early phases of internationalization to access assets and invest in relatively risky location to exploit their assets. However, as this is not something that a subsidiary can influence, it will be not examine as a part of this study. In addition, they noted a factor of *New economic geography*, which refers to sub-national level mechanisms and is therefore left outside this thesis.

## **2.2 Subsequent FDI in the same host country**

As we now have an idea of the factors behind making a decision on the location for FDI, we should turn our focus to additional FDI in the same country. What makes it interesting, is the fact that these previously mentioned factors have already once been on the location's favor. How might the decision factor differ on subsequent investment decision on the same host country? Following the advice from scholars to accept the complexity of international business, the theoretical framework will not be narrowed to cover only the FDI literature reviewed above, but it will be complemented with studies that have looked into additional investments. Both sides are needed, as assuming that subsequent FDI would happen without considering the general FDI factors would likely lead us astray.

Although shadowed by initial investments, additional investments into the same host country has interested researches in the past decades. The focus on the early studies have been on building capability through sequential FDI, the importance of industry over region of origin in sequential foreign market entry and additional FDI's better likelihood of survival than first-time investments (see Chang 1995; Chang & Rosenzweig 1998; Shaver, Mitchell & Yeung 1997 respectively).

Additional FDIs are a meaningful step in a company's internationalization. Already Johanson and Vahlne (1977, 23-34, 27) saw the internationalization of a company

as a series of incremental decisions, known as the Uppsala model. The model illustrates that assuming the company strives for growth at a low risk, it will commit to markets in which it has already committed resources and from which it has already gained knowledge.

Directing factors in these decisions are, firstly, the degree of commitment through integration as well as resources already committed to that particular market. Johanson and Vahlne (1977) call this factor *Market Commitment*. Partially, it can be seen to align with the Network factor by Kim & Aguilera (2016) introduced earlier in this thesis. However, the resources committed, be they investment in marketing, organization, personnel or others, were not taken into account in that view and will be added to that factor.

Secondly, Johanson and Vahlne (1977, 27-28) mention market knowledge as the second factor impacting the commitment decision. Building on what Nielsen, Asmussen and Weatherall (2017) concluded about the Location experience, the Uppsala model gives more value to experiential knowledge gained through activities in the location in question, as they enable identifying of opportunities and problems in the market, which can in turn be answered with more activities on the location (Johanson & Vahlne 1977, 28). For the framework of this thesis, Johanson and Vahlne's notions of the market knowledge will be taken into account in the *Location experience* factor. Johanson and Vahlne's model of internationalization is illustrated in Figure 1.

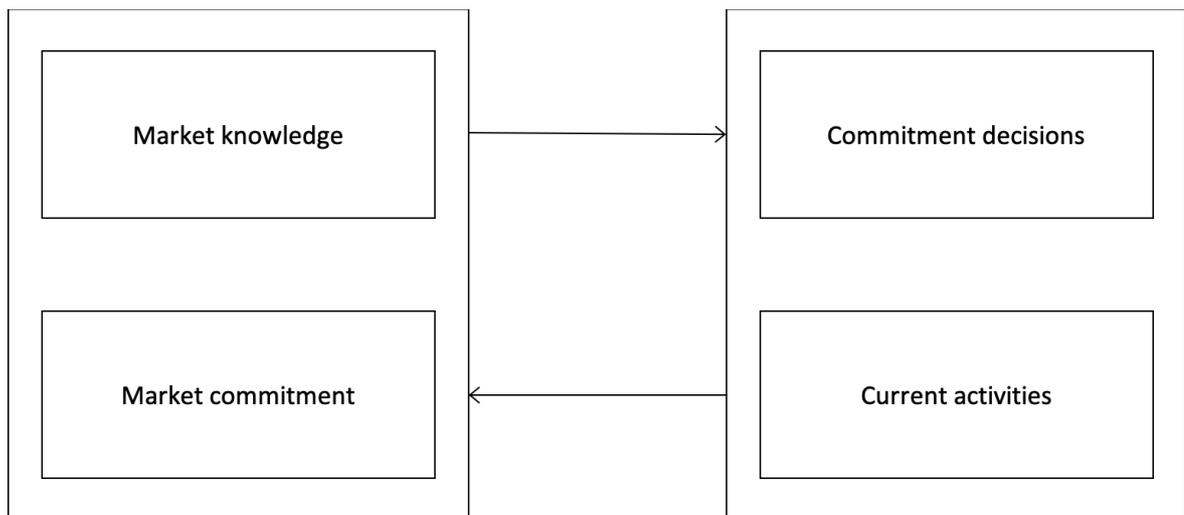


Figure 1. The basic mechanism of internationalization (Johanson & Vahlne 1977, 26)

Although the Uppsala model for internationalization does not take into account all possible modes of internationalization and does not focus solely on foreign direct investment, the approach does fit the study of subsequent FDIs. The factors presented by Johanson and Vahlne (1977) resemble the factors found in more recent reviews, which leads us to concur that they are still relevant in modern day international business decisions. However, it could be questioned whether the flow of information in the case of FDI between parent company and subsidiary is as undisrupted as the model assumes.

The Uppsala model cannot be considered an ever-increasing circle of value creation; Hutzschenreuter, Kleindienst and von Bieberstein (2011) bring forth the separation between different subsequent FDIs and the value they create. The initial investment of the company into a specific location can be seen as a platform that forms a basis for reaping benefits from that location (Kogut & Chang 1996). Hutzschenreuter, Kleindienst and von Bieberstein (2011) argue that generally, the subsequent FDI builds on that platform and, hence, does not provide an equal set of value as the original investment. Unless the parent company chooses to invest in a different business or industry, the value effect of subsequent FDI decreases as the extent of operations increases in the host country. They conclude that the incremental benefits of an additional, non-platform investment into the focal host

country lower whereas the coordination, agency and transaction costs increase disproportionately. Turned into a factor for FDI decision-making, this should be taken into account when prior market commitment is considered.

Another complementing view on the Uppsala model is offered by Vahlne and Ivarsson (2013), who studied the globalization of Swedish MNEs. They argue that when truly global as opposed to international companies are in question, the Uppsala model should be developed to include the dynamic competencies of the company, including the capabilities in developing opportunities, networking, developing technology and globalization. These thoughts on the dynamic capabilities can be fitted into the factors intangible assets and international experience mentioned already by Nielsen et al. (2017).

Luo, Luo and Liu (2008) have studied the entry modes in subsequent FDIs. Although the entry mode is not in the scope of this thesis, their study highlights a few interesting viewpoints also on the FDI decision-making related to the factors already identified in this chapter. They hypothesize that the higher the proportion of foreign employees is on the entry investment, the higher the proportion of subsequent investment will be. They base this on an idea that having MNE home country employees brings along management skills and techniques, increases performance, alleviates trust issues and protects the investment from being transferred (Luo et al. 2008, 109). Although an interesting thought, it should not be taken for granted. One might also argue that bringing in foreign employees does not root the company into the new market as deeply as having local employees with existing networks and contacts. The data of the study is from inbound FDI to China and cannot be applied as is to other markets without further investigation. However, the viewpoints offered by the study can be noted under the relevant factors.

The factors illustrated in these previous subchapters under 2.1 and 2.2 will form the basis for the FDI decision-making factors section of the theoretical framework for this thesis research. See Table 1 for a combined list of factors that will be further studied in relation to the host country subsidiary role and its influence on the factors.

Table 1. Possible factors affecting the choice of location for (subsequent) FDI

Level	Theory	Location Choice Factors	Based on
Destination Location	Pure Economic Factors	<b>Demand:</b> Demand for the company's products or service	Nielsen et al. (2017)
		<b>Tax rates:</b> Rate of corporate tax and other taxes paid by companies	Nielsen et al. (2017); Blonigen (2005)
		<b>Wages:</b> Wage level to hire the talent required	Nielsen et al. (2017)
		<b>Physical Infrastructure:</b> Advanced level of the infrastructure	Nielsen et al. (2017)
		<b>Human Capital:</b> The level of education and skills of talent	Nielsen et al. (2017)
		<b>Exchange rate effects:</b> exchange rate between the countries as well as in the exchange rates' volatility	Blonigen (2005)
		<b>Trade protection:</b> Costs of trade production	Blonigen (2005)
		<b>Trade effects:</b> demand allows to lower the variable costs associated with trade	Blonigen (2005)
	Institutions	<b>Governance/Institutions:</b> Nature and quality of formal institutions	Nielsen et al. (2017); Blonigen (2005); Kim & Aguilera (2016)
	Intra-Industry agglomeration and industrial clusters	<b>Industrial Cluster:</b> Concentration of firms in the same industry	Nielsen et al. (2017); Kim & Aguilera (2016)
Inter-Industry agglomeration and global cities		<b>Cross-Industry Agglomeration:</b> The concentration of firms in general	Nielsen et al. (2017); Kim & Aguilera (2016)
		<b>Foreign Firms:</b> The concentration of foreign firms	Nielsen et al. (2017)
		<b>Home country Firms:</b> The concentration of firms from the same home country	Nielsen et al. (2017); Blonigen (2005)
		<b>Global City:</b> Abundant advanced producer services and highly interconnected to local and global markets	Nielsen et al. (2017)
		<b>Congestion cost:</b> Diseconomies from competition on proximity to city center, such as high rents and wages	Nielsen et al. (2017)

Parent Firm	Resource-Based View	<b>Intangible Assets:</b> Intangible assets possessed by a firm	Nielsen et al. (2017); Vahlne and Ivarsson (2013)
		<b>International experience:</b> Previously gained international experience of a firm	Nielsen et al. (2017)
Firm-Location	Liability of Foreignness	<b>Location experience &amp; market knowledge:</b> The experience a firm has in a given foreign location	Nielsen et al. (2017); Johanson & Vahlne (1977)
		<b>Networks &amp; Market commitment &amp; additional value-creation potential:</b> relationships with, for example, buyers and suppliers, integration and resources committed to the market, lowering incremental benefits of non-platform investments	Kim & Aguilera (2016); Chen & Chen (1998); Chetty & Blankenburg Holm (2000); Johanson & Vahlne (1977); Hutzschenreuter et al. (2011)
		<b>Distance:</b> The distance between the home and host country, frictions from cultural difference	Nielsen et al. (2017)
		<b>Regions:</b> Supranational groupings of proximate nation-states	Kim & Aguilera (2016); Contractor (2007)
		<b>Offshoring:</b> Interaction of situation-specific actors, such as the nature operations being outsourced, with the location specific factors	Kim & Aguilera (2016)
		<b>Foreign employees:</b> The portion of foreign employees from the home country	Luo, Luo & Liu (2008)

### **3 FOREIGN SUBSIDIARY'S ROLE IN A MULTINATIONAL ENTERPRISE**

This chapter focuses on the role a foreign subsidiary plays in a multinational enterprise. A subsidiary is defined as a company that is controlled by another company through an ownership of over 50% of its shares (OECD 1993, 81). It being foreign means that the subsidiary is located in another country than the parent company, i.e. the main owner. An understanding of the relationship and power balance between the MNE and its foreign subsidiary is first drawn through a concise look at four common theoretical approaches: contingency theory, agency theory, resource-based & evolutionary theory as well as business network theory. This is followed by a subchapter focusing on the host country subsidiary role in the specific situation of subsequent foreign direct investment decision.

#### **3.1 Power play between HQ and subsidiary**

Andersson and Holm (2010) have studied the roles within multinational corporations and align in their book observations that contemporary research has made within the past couple of decades. They bring forth that subsidiaries cannot be seen as the "extended arms" of their parent company anymore, but rather they stand on their own feet and build their own competences. For this reason, the HQ-subsidiary relationship entails much complexity and cannot rely on the hierarchical power and control.

The complex nature of international business demands again a multisided look into the phenomenon at hand. Andersson and Holm (2010) discussed different theory families that have often been applied in MNE research, and in all of them, knowledge was mentioned as the source of power for the subsidiaries. Regarding the contingency theory, which suggests that corporations should aim to build a strategic fit between their organizational capabilities and the business environment, they align with Bartlett and Ghoshal's (1989) view on a transnational solution. It suggests the way to manage a company spread across multiple environments is to integrate subsidiaries into a cooperative corporate network and allow them to become

important partners of the HQ, as they control critical competences and resources (Andersson & Holm 2010, 10).

This is complemented by knowledge-based literature, such as the resource-based view, which grants that subsidiaries possess the best knowledge of which of their capabilities offer strategic advantage in the given market. Another interesting point on this is offered by the evolutionary theory. It considers valuable tacit knowledge to flow the easiest inside social communities, such as socially well-embedded companies. Powerful subsidiaries would harm the flow of information by becoming too separate from the common identity. (Andersson & Holm 2010, 12-14) Pulling together these viewpoints on knowledge, subsidiaries possess vital knowledge that should be utilized in operational decision-making, and to secure flow of that information, headquarters would need to socially integrate subsidiaries into their community thus limiting the independence of the subsidiary.

Another theory applied continues on a similar note. Agency theory addresses information symmetry and opportunism between two parties, a principal and an agent. As noted in the previous chapter, agency theory applied to the relationship of a company and its external partner has been identified as a push factor for FDI (Blonigen 2005, 384). Nevertheless, the challenges identified in agency theory cannot be escaped in MNE-subsidary relationship either. Andersson and Holm (2010, 11) note that HQ's dependency on subsidiary-specific knowledge might hindrance effective decision-making, but HQ are not able or willing to grant decision-making rights to subsidiaries, as they are wary of local interests not being in align with company-level goals.

Lastly, we'll look at the business network theory that centers around relationships both internal and external in the case of MNEs. Foreign subsidiaries build a network of relationships inside and outside the company, on a both local and international level. This network-building role is important for the MNE's ability to gain novel knowledge, but on the other hand, especially strong external networks dilute the corporates ability to influence the focal subsidiary's activities. (Andersson & Holm 2010, 15; Forsgren, Holm, & Johanson 2005) However, a strong network alone does

not grant the subsidiary power within the organization. Only coupled with high importance of the subsidiary in providing value, such as technology, within its organization they can be seen as a source of influence. It has also been noted that HQ's knowledge of these networks can help balance this power the subsidiary would have over decision on investments, for example. (Andersson, Forsgren & Holm, 2007)

Theories appear to unite over that subsidiaries add the most value when they are embedded in their environments and less controlled by the HQ. The balancing act begins once this freedom no longer serves the big picture. Andersson and Holm (2010, 5) conclude: "We obtain a picture of HQ being involved in multifaceted subsidiary relationships; sometimes being dependent on the subsidiaries' knowledge for their own decision-making and sometimes being influenced by subsidiaries in its own decision-making". This observation implies that subsidiaries have a say in the MNE decision-making through the knowledge they obtain, whether the parent companies appreciate it or not. It seems that the subsidiary role in a multinational enterprise is marked by an interaction where knowledge is exchanged for power. Next, the thesis will explain this relationship in a more specific situation: the subsequent FDI decision-making.

### **3.2 Host country subsidiary role in subsequent FDI decision-making process**

As we can comprehend already from the complexity of the environment and relationship network in which the foreign subsidiaries operate, the role they play is not a static one. According to Birkinshaw, Hood and Jonsson (1998), the position in which subsidiary's role is set at a given moment can be seen to be influenced by three simultaneous mechanisms: head office assignment, subsidiary choice and local environment determinism. The head office assignment implies that HQ allocates activities to the subsidiary and is supported by models such as the internationalization process by Johanson and Vahlne (1977). Subsidiary choice refers to the activities the subsidiary itself decides to overtake and is aligned with, for example, the business network theory. Local environment determinism holds

that environmental factors affect the decisions both HQ and subsidiaries make on the subsidiary role. These include the attractiveness, both opportunities and challenges of the host country business environment as well as the local development agencies and the incentives they offer. These mechanisms change their guidance over time, causing also the role of the subsidiary to evolve.

The possible roles a host country subsidiary can be given – or take – in the subsequent FDI decision-making can be illustrated through a decision-making process. Early model from Ghertman (1988) provides a take on the investment decision-making process as an iterative path that involves both the parent company as well as the subsidiary. The process includes three consecutive steps:

- First comes *Initiative*, where an early scouting proposal is made.
- In the second phase called *Impetus*, where an internal sponsor is found, likely from the parent company level, and starts to drive forward the initiative.
- In the third and final step, *Trial*, the investment is examined by management and is either rejected, approved or returned back to the second phase for more preparation.

The model includes two levels of actors. One that attempts to influence the second, who throughout the process keeps its freedom to make the decision at the end. The initiator of the Initiative-phase can be on either one of the levels. The model allows for competition, as there can be more than one influencer, such as subsidiaries from different location, competing for the investment. In the early studies reviewed, the final decision was always done above the subsidiary level. (Ghertman 1988, 51-52) Model of the Standard Hierarchic Process is presented in the Figure 2.

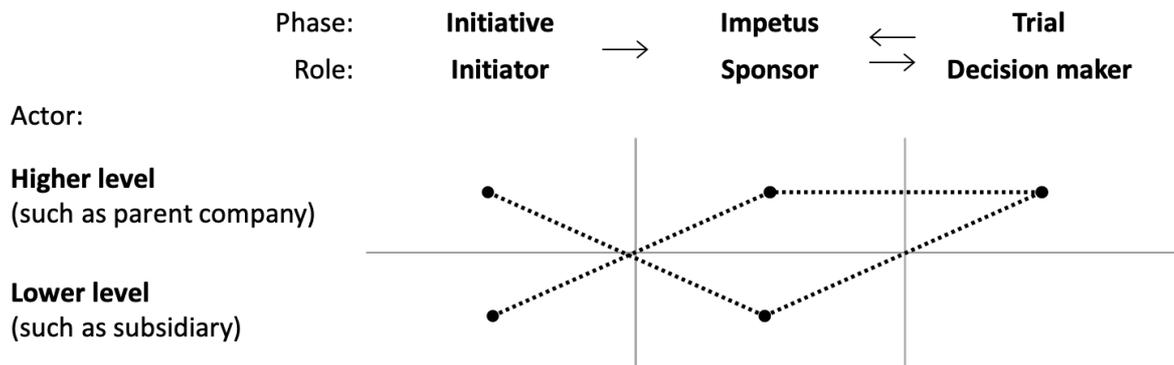


Figure 2. Model of the process of investment decision-making (Based on Ghertman 1988, 50-51)

This process provides a view on the possibilities of a subsidiary in subsequent FDI decision-making. It grants a subsidiary both the role of an initiator and a sponsor but sees that the final decision-making lies on the level above the host country subsidiary. In other words, a subsidiary has influence over the decision, but cannot make the decision itself. On the other hand, Brauer (2006, 350) has noted in his study on corporate and divisional manager involvement in divestitures that at times the decision of a divestiture became as a surprise to the subsidiary. Although the context of a divestiture differs highly from the subsequent investment, it cannot be ignored that in some cases, a subsidiary might not have a role at all at the decision process of the investment.

Birkinshaw, Hood and Jonsson (1998) have identified similar roles for subsidiaries as Ghertman (1988) in the case of further investments into the focal host country. While studying the capability and charter change of foreign-owned subsidiaries, they noted that in parent-driven investment the decision is preceded by negotiation and deliberation between the HQ and subsidiary, in which the subsidiary's role is to lobby – possibly in cooperation with the host government – the HQ to make the decision in the favor of the subsidiary. In some cases, the subsidiary is to participate in a bid against other subsidiaries. In subsidiary-driven charter extension, the subsidiary first seeks and develops new business opportunities and builds its own capabilities before pitching the opportunity to the headquarter. Birkinshaw, Hood and Jonsson (1998, 786) see this process to be highly politicized as it relies on “the subsidiary-

level champion” to seek support from the HQ, the success of getting their voice heard being often tied to personal relations. In addition to the quality of parent-subsidary relationship, also a good track record of the subsidiary in catering to the expectations of the parent company as well as the entrepreneurial orientation of the subsidiary employees in identifying new opportunities can influence the evolution of subsidiary towards gaining more charter along with a subsequent investment. This view complements Ghertman’s model, as it suggests that a subsidiary can take the roles of both initiator and sponsor in a single process, leaving only the decision-making to the parent company.

Another view on the development of subsidiary role and mandate to initiate investments is offered by Delaney (1998). The researcher suggests an 8-step journey for subsidiary mandate building, starting from basic mandate, moving on to more specialist role and finally to strategically independent unit:

1. Establish start-up
2. Carry out the basic mandate satisfactorily
3. Perform the basic mandate in a superior way
4. Extend the basic mandate with low risk moves
5. Extend the basic mandate with strategic development
6. Become a strategic centre for the MNE
7. Become a strategic pivot for the MNE in key activities
8. Become a strategic apex for the MNE

Similarly as in the studies presented earlier, the value-add of the subsidiary grows along with the mandate and independence from the parent company. Also, the subsidiary mandate to initiate subsequent investments grows during the journey. It could be argued that initiating investments is not a part of the mandate before steps 4 or 5. For this reason, investment promotion agencies have utilized this model as guidance when offering their aftercare services to foreign subsidiaries already established in their location. They offer support for the subsidiaries to ensure that the subsidiary is able to build its role and mandate towards influencing subsequent investment decision-making. (UNCTAD 2007, 13) This is a valuable point of view for this study as it from one angle illustrates the meaning of a dynamic environment,

one of the mechanisms for subsidiary role determination identified by Birkinshaw, Hood and Jonsson (1998). Also Holm, Malmberg and Solvell (2003) have revealed that host-country business environment affects the competence development of foreign-owned subsidiaries, hence, has a fundamental impact on the possibility of the subsidiary to attract subsequent investments into the host country.

The processes described by Ghertman (1988), Birkinshaw, Hood and Jonsson (1998) and Delaney (1998) provided an important piece on the framework for studying this topic of subsidiary influence in subsequent FDI decisions but do not provide detailed answers on how the subsidiaries fulfill their possible roles. Not much focus has been paid on the subsidiary's actual activities to influence on the decision itself. However, some theoretical notions can be drawn from the literature on subsidiary initiatives in general.

Although the issue still pertains today, already Birkinshaw, Hood and Jonsson (1998, 223) have highlighted that past research has been able to gain a better understanding of the context of subsidiary activities than the internal happening of the subsidiary. Their study focuses on the subsidiary's contribution to firm-specific advantages of MNEs and brings light to the subsidiary's viewpoint as one of the few studies. Sharing the thought with Ghertman's (2008) process, Birkinshaw, Hood and Jonsson see that their study brought the least provisional evidence on that subsidiaries can be the drivers of value-creation as opposed to being mere passive contributors. However, they revealed that a high number of the subsidiaries did not take initiative. As a possible reason for this, they mention that parent companies might interpret subsidiaries initiative as an attempt to act in their country's best interest as opposed to their companies'. This is in line with what Andersson and Holm (2010, 11) noted on HQ's unwillingness to grant decision-making rights to subsidiaries, as they fear local interests are not aligned with company-level goals.

One explanation for the low initiative could be offered by the study Drogendijk and Holm (2010), who examined the effect of power distance in subsidiary-HQ relationships. Power distance means the grade of acceptance of power inequality in the given society. The researchers suggest that in case there is a high acceptance

of the use of power in the subsidiary country, they might expect a more controlling behavior from the HQ. Expanded to the situation of subsequent FDI, subsidiaries might want or expect the parent company to take control over the full course of the decision-making process and see initiative from the subsidiary side culturally unaccepted behavior.

A more recent study by Gorgijevski, Holmström Lind and Lagerström (2019) on the importance of initiative selling tactics for headquarters acceptance of subsidiary initiatives starts by giving some support for the concerns of parent companies about subsidiary opportunism. They observed that subsidiaries take initiative with the end goal of expanding their own responsibilities or mandate (see also Delany 2000). Gorgijevski and his research group (2019) look into the *how* of selling initiatives to headquarters. Although they look at initiatives on a wide scale and to some extent go to behavior level that is left outside this thesis, some of their findings can be seen relevant to understanding what kind of possibilities subsidiaries have in influencing parent companies. They found that the better the subsidiaries prepared, such as collected information, before submitting the suggestion the more likely the initiative was to be accepted by the headquarters. Also, the packaging of, in other words, the way of presenting, the suggestions had a positive, significant relationship to initiative acceptance.

The playing field for subsidiaries in relation to affecting MNE decision-making is proven to be a vast one full of possibilities but little certainties. As seen in the previous chapter, Andersson and Holm (2010, 19) paint a picture of subsidiaries as powerful influencers, also when it comes to investments. They state that subsidiaries' influence, be that support or opposition, through the control of knowledge can go as far as complicating HQ's ability to follow their strategic aspirations. On the other end of the spectrum, subsidiaries only work towards fulfilling their basic mandate and might not have any knowledge over the upcoming investment before the decision has been made. However, even that does not mean a subsidiary could not aim to improve the chances of subsequent FDI into the host country through its current activities. Moreover, as mentioned in the beginning of this subchapter, the role of the subsidiary might evolve over time. It is important to

recognize that the role a subsidiary might change not only from company to another but situation to another, making generalizations challenging. This thesis sets out to reveal the variety of possible roles a subsidiary has and the variety ways in which it enacts those roles to influence subsequent FDI decision-making and factors. A theoretical framework for this is compiled in the next chapter.

#### **4 BRIDGING TOGETHER THE THEORETICAL FRAMEWORK FOR SUBSIDIARY ROLE IN SUBSEQUENT FDI DECISIONS**

To understand the activities a subsidiary does to influence the additional FDI decision requires a combination of viewpoints from literature on the process of continuing internationalization, FDI decision-making, foreign subsidiary-parent company relationship and subsidiary role in investment decision-making. Chapters 2 and 3 presented an overview of these theories. In this chapter, they are tied together to build the framework for answering the research questions of this study.

*RQ 1. What kind of a role a host country subsidiary has in subsequent FDI decision-making?*

Following the strategic decision-making model by Ghertman (1988) and notes from Birkinshaw, Hood and Jonsson (1998), subsidiaries can take the role of an initiator by introducing the idea of an investment to the parent company or a sponsor/lobbyer by promoting a decision in favor to them towards the decision-maker. The parent company as the investor of resources is seen to be the decision-maker. This thesis utilizes it as a guidance in further evaluating what these roles mean in practice and if there is more to the phenomena than this model holds. The thesis seeks to find out how the subsidiaries enact these roles they take or are given. This is supported by the following sub-questions.

*RQ 2. How do the host country subsidiaries attempt to influence the subsequent FDI decision-making?*

Moving deeper behind the curtains of the subsidiary role in subsequent FDI decision-making, the first sub-question questions how the subsidiaries attempt to influence the decisions. Theoretical approaches show two levels for this influence: either influence on the decision-making directly or the factors taken into consideration in the decision-making. Andersson and Holm (2010) have concluded that subsidiaries influence the decisions through their knowledge. Hence, this thesis will look into how the subsidiaries aim to build knowledge and what kind of

knowledge subsidiaries aim to provide to the parent companies depending on their role. Moreover, as Johansson and Vahlne (1977) have noted, subsidiaries' current activities can influence further investment decisions by adding market commitment and market knowledge, i.e. some of the decision-making factors. This thesis will examine what activities subsidiaries do when aiming to influence those factors.

*RQ 3. What kind of things subsidiaries attempt to influence to improve the investability of the country?*

The second sub-question is highly linked to the previous one. As we know, FDI decision-making is based upon a certain set of factors that decision-makers evaluate (see Blonigen 2005; Hutzschenreuter et al. 2011; Johanson & Vahlne 1977; Kim & Aguilera 2016; Nielsen et al. 2017). This thesis will examine which factors subsidiaries aim to influence with their activities as well as on which factors the subsidiaries aim to provide knowledge for the parent companies.

As noted by Johanson and Vahlne (1977), the process of internationalization and investment into a particular country is a continuous loop. A decision on subsequent FDI is likely to affect subsidiary activities and again become a factor when considering next investments. Also, as it is not evident a subsidiary would have a role in the decision-making at all, this framework still allows the subsidiary to aim to influence the decision through influencing the decision-making factors.

The theoretical framework of this study is illustrated in the Figure 3. Moving in a chronological order, it begins from the sub-questions that focus on what happens before the decision is made and builds towards an understanding on how to answer our main research question, what kind of a role the subsidiary has in the decision-making itself. As suggested by Dubois and Gadde (2002, 558), the framework is tight in order to guide data collection and reflect the preconditions of this thesis but evolving in a sense that it is open to new, abductive findings arising from the newly collected information.

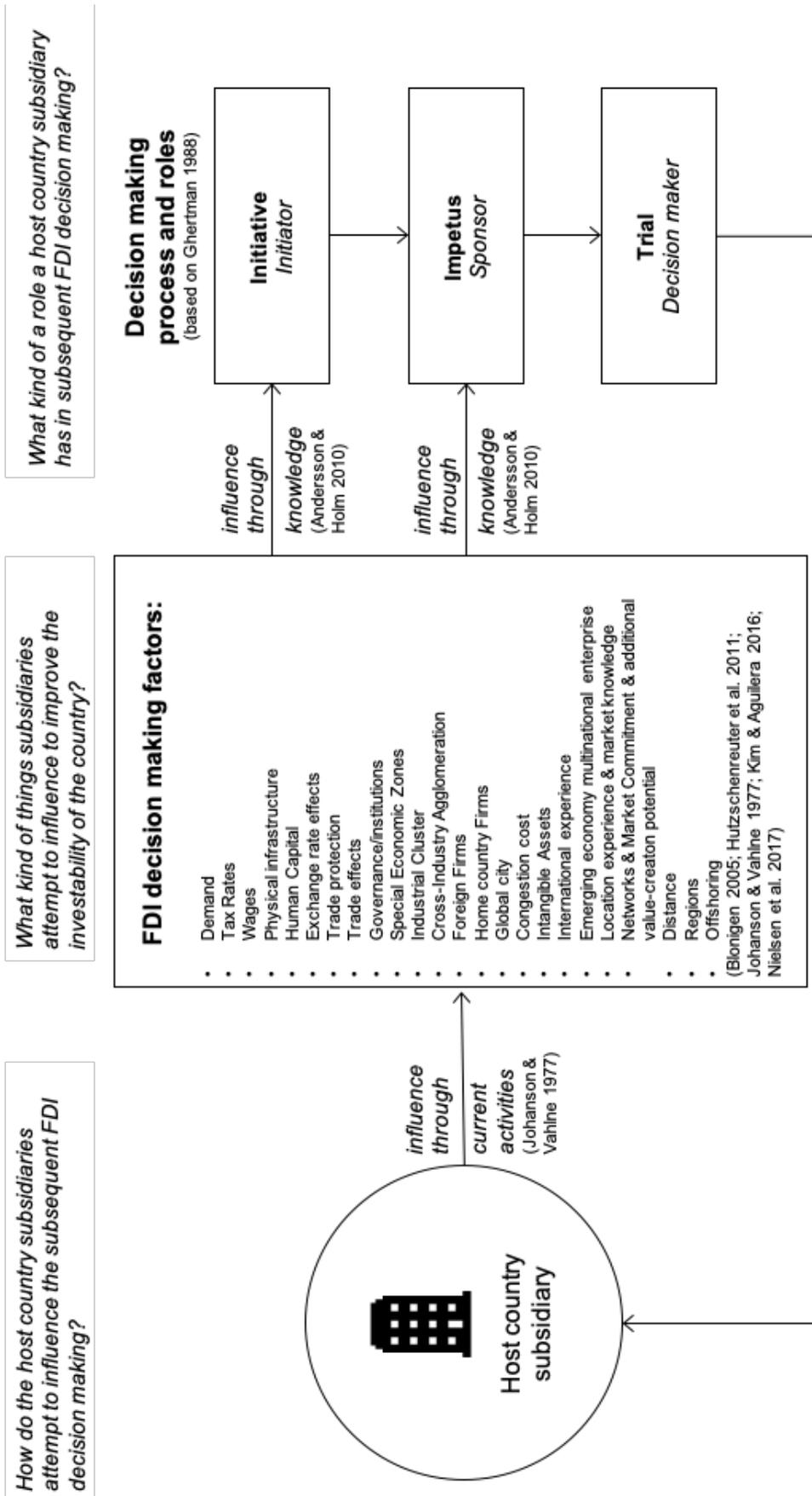


Figure 3. The theoretical framework of the thesis

## **5 METHODOLOGY AND DATA COLLECTION**

This chapter defines the research methodology used in this study and explains the choices made in data collection and analysis methods. Moreover, the chapter will explicate the empirical stage of the research that was conducted through interviews. In the last part of this chapter, reliability and validity of the research will be assessed to evaluate how credible the produced results are.

### **5.1 Methodology**

The purpose of a study can be described as either exploratory, descriptive, explanatory or evaluative (Saunders, Lewis & Thornhill 2016, 174). This research is seen to fulfill an exploratory purpose, as it dives into a topic that has not been thoroughly researched to this date. The study seeks to bridge together existing understanding of subsidiary roles and subsequent FDI decision-making by expanding the understanding of what kind of roles subsidiaries have in the process and bringing new information on how they fulfill those roles. This includes studying how the subsidiaries attempt to influence subsequent FDI decisions and which decision-making factors are the target of that influencing. Existing knowledge on the activities has mainly focused on the process (see Birkinshaw et al. 1998; Ghertman 1988; Johanson & Vahlne 1977) and the factors (see Blonigen 2005; Hutzschenreuter et al. 2011; Johanson & Vahlne 1977; Kim & Aguilera 2016; Nielsen et al. 2017), leaving the activities of influencing with less focus. Exploratory research suits topics, which include uncertainty, and allows for flexibility to change direction as new information unfolds (Saunders et al. 2016, 175).

With the exploratory purpose in mind, this study was designed utilizing the Research Onion framework from Saunders, Lewis and Thornhill (2016). Research design is a plan on how the research will eventually be able to answer the research questions. The framework along with the design choices made for this thesis are illustrated in Figure 4 and elaborated next.

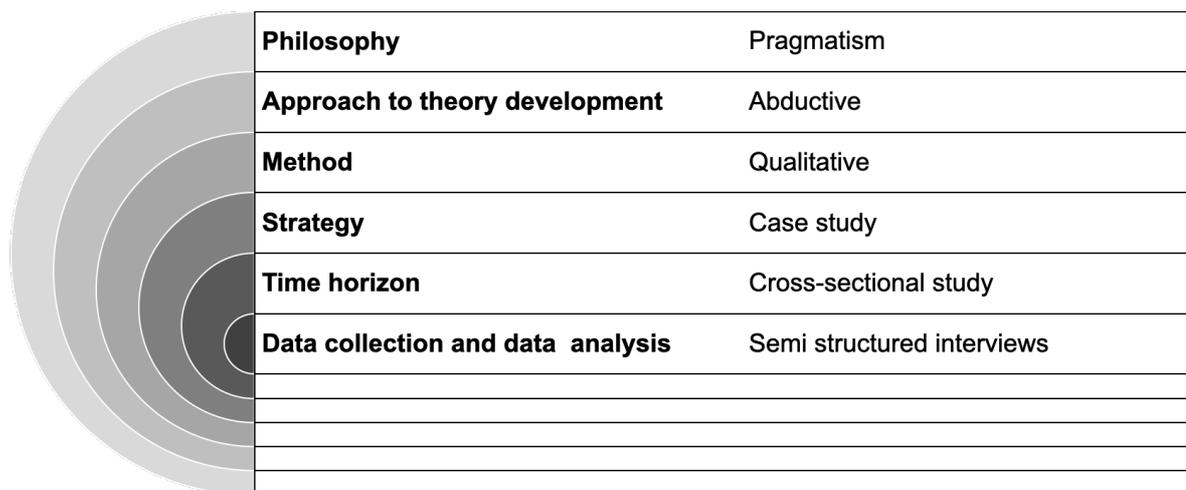


Figure 4. Research design (framework based on Saunders et al. 2016)

Starting from the outer layer of the research design frame, philosophy of the study refers to a system of beliefs and assumptions on how knowledge is developed. As researchers are after all only humans, they are bound to have assumptions that shape the way they understand their research questions, choose their study methods and interpret the findings of the study. (Saunders et al. 2016, 124-125) For this study and the researcher behind the study, pragmatism was the philosophy of choice. Pragmatism leans towards theory being a tool for practical use, “an instrument of thought and action”, as Saunders et al. (2016, 143) put it, continuing that pragmatists realize that one viewpoint or interpretation is not the only one or the whole truth. This view suits my thoughts on this topic and the world in general quite well. I see this study as one way to try and organize a complex issue into a form where it can be of value to practitioners, both on the business world and academia.

Considering the approach of a study, researchers can choose from deductive or abductive logic or, as in this case, abductive approach that combines both logics. In deduction, a theory and possible hypotheses are tested in the research. In induction, research is designed to collect data and analyzed in order to develop new theory. (Saunders et al. 2016, 152) Instead of theory generation, abduction can be described as theory development (Dubois & Gadde 2002, 559). Saunders et al. (2016, 149) state that abductive approach is a logical choice in a situation where

there is much information available of the focal topic in one context, but it lacks in the context of the research questions. This research began with an observation made by the researcher during her time working with foreign subsidiaries in Finland and continued with a deep dive into theoretical studies on the possible explanations around the phenomenon. This interplay between theory and data will be continued in the empirical stage, allowing for new observations throughout the process. Following an abductive approach, the theoretical framework can be refined as the research progresses and both empirical findings and theoretical insights are gained (Dubois & Gadde 2002, 559).

In order to gain an in-depth understanding of how subsidiaries enact their role in subsequent FDI decision-making and to be able to interpret the activities in relation to the theoretical framework, this thesis utilizes qualitative methods as its research methodology. The research questions of this thesis have been left in the shadow in current academic literature, so this method allows us to probe into the topic and gain detailed information about it. Also, qualitative methods have not been often used in FDI decision-making, so the method extends current research also on that area; many activities and underlying motives of subsidiaries are not visible in public FDI statistics. For this reason, qualitative methods best support the research questions of this study.

Next, the choice of research strategy is based on the research questions, purpose and philosophy of the study as well as practical factors such as time and resources available (Saunders et al. 2016, 184). Best suited for the situation of this thesis is the case study, where the focus is on the foreign subsidiaries' role in subsequent FDI decision-making, and Finland is the context in which the roles is studied. The role will be observed with the help of qualitative methods that shed light to several cases of these subsidiary roles. This means that individual cases are means of building a comprehensive picture of the role, the key target of interest in the analysis. According to Dubois and Gadde (2002, 554), a case study is the best suited strategy to research the interaction between a phenomenon and its context.

The choice of time horizon is mostly based on the bound time frame of this thesis. This research is a cross-sectional study of the phenomena at hand in the particular time of conducting this study. It provides a snapshot of host country subsidiaries' roles in subsequent FDI decision-making and does not aim to provide an understanding of the developments or changes in the area. Although the empirical data collected reflects a longer time period, it is collected within a short time frame.

The innermost part of the research design is the selection of data collection and analysis methods. Those will be described in detail in the next sub-chapters, starting from a description of the data that has been collected for this study and the sampling methods.

## **5.2 Data description and sampling**

As theoretical framework depicts, the phenomena of subsidiary influence on the subsequent FDI decision-making is a multifold subject and may vary extensively decision by decision. The improbability of achieving census will become evident, as we combine this understanding with a look into Finnish FDI statistics. In Finland, there are around 4,400 foreign owned companies (OSF 2019). According to the latest statistics available at the time of this study by Business Finland (2018), the number of new and acquired establishments by foreign owned companies in Finland has risen from around two hundred to three hundred a year from 2013 to 2018. In 2018 only, Finland attracted 270 new foreign direct investments, 78 of them being greenfield and 192 M&A investments. Around half (52%) of the new FDI lands to the Uusimaa region. Numbers are similar for 2019 with 244 new FDIs, although a complete report was not yet released at the time of this study (Business Finland 2020). With no exact numbers available for Finland, the share of investments by companies who already have a subsidiary in Finland could be somewhere between 30% to 70% according to international benchmarks (UNCTAD 2007, 8). In the limits of this study, sampling will be needed.

The objective of this study is to probe into the subsidiary role and activities when influencing subsequent FDI decision-making into the same host country. In the

design of the research questions and design of this study, the viewpoint was intentionally kept quite open to allow new thoughts and practical implications to arise during the study of this rather novel viewpoint. Instead of theory testing and statistically generalizable results, the aim was to abductively explore the topic and provide sparks for actions to both academia and business. This had an effect also on the sampling decisions, where purposive sampling was used. According to Saunders et al. (2016, 301), purposive sampling is based on the researcher's judgement on who would best be able to answer the research questions and meet objectives. Purposive sampling is often used with case studies with small samples, where the need for information-rich cases is high.

The sample of this study consists of organizations that have worked with a number of Finnish subsidiaries in attempt to influence the Finnish business environment and/or promote Finland as a location of choice for subsequent FDI. This sample selection is based on the vast amount of information and experience these organizations have on working with subsidiaries on the specific topic. For investment promotions agencies, this foreign affiliate support in identifying expanding opportunities and fostering developmental impact is a part of their aftercare services. Those services can be divided into 1) administrative services that enable operations in the host locations, 2) operational services that support the efficiency of the MNE operations in the host location and 3) strategic services that aim to impact the future plans of the company to development capabilities and grow operation in the host location. Following the subsidiary mandate development model by Delaney (1998), investment promotion agencies aim to support the companies long-term, gradually building from facilitation the establishment of the MNE operations towards the strategic services in support of subsequent investments. These strategic services include:

- “Encouraging and supporting the development of new, upgraded, higher value added products and services of strategic value to the firm’s network;
- Nurturing local suppliers to international standards;
- Linking the senior managers and directors of the TNC into high-level and national policy and influencing networks;
- Policy advocacy activities.” (UNCTAD 2007, 15)

As these examples suggest, effective aftercare requires a collaborative partnership approach with public organizations to provide a comprehensive platform for effecting future investments (UNCTAD 2007). For this reason, the sample includes both investment promotion agencies as well as public and third sector partners. As the support organizations provide these aftercare services to varying extents, the scope of the interviewees' organizations' activity with foreign subsidiaries was confirmed in the beginning of each interview to confirm their knowledge on the topic.

Through purposive sampling, four organizations were selected for interviews: Amcham Finland, Helsinki Business Hub, Business Finland as well as Ministry of Economic Affairs and Employment of Finland (later the Ministry). They were firstly identified based on the researcher's prior knowledge on the investment promotion in collaboration with foreign subsidiaries in Finland. Along with national organizations, the capital region was emphasized as it secures around two thirds of all foreign direct investments yearly (EY 2019, 15). Selections were confirmed based on their involvement revealed through desktop work. In those organizations, people with several years of experience working with foreign subsidiaries in Finland and a high level of seniority were preferred in the interviews to make sure they have first-hand experience discussing with a large number of subsidiary executives. These individual expert informants are used to gain insights into several cases of subsidiaries having a role in the process of deciding on subsequent investments. This means that the individual experiences are not in the focus but utilized to build a vast understanding of the role.

Purposive sampling was complemented with snowball sampling, through which one additional interviewee was included: Business Tampere. This method was utilized as it became evident in the first interview that the field is highly networked and the actors in it have a good understanding on the cases that would be able to answer the questions presented. As Saunders et al. (2016, 303) note, respondents are likely to identify sources similar to themselves, leading to bias issues. For this reason, the snowballing was limited to be the secondary source of selection.

Table 2 elaborates the connection and extent of experience these companies have with foreign subsidiaries in Finland as a basis for being a valid informant for this study. The interviewees are presented in this study as the representatives of their organization to protect their anonymity.

Table 2. Overview of the interviews

<b>Organization</b>	<b>Date of interview</b>	<b>Basis for the informant: Experience on the topic of subsidiaries and subsequent FDI</b>
Helsinki Business Hub (HBH)	5 June 2020	<p>Helsinki Business Hub is the international trade and investment promotion agency for the Finnish Capital Region. They have direct contact and interaction with foreign subsidiaries in Finland that operate within the key focus areas of Helsinki Business Hub, ICT &amp; Digitalization, Health &amp; Life Sciences and Smart &amp; Clean tech. This interaction concerns ecosystems, expansion investment possibilities, partnerships in enhancing the value proposition to new foreign companies, networking and stakeholder events, industry roundtables, to name a few. In cooperation with Amcham, HBH had a project called ROI Finland, where the aim was to interview large foreign subsidiaries in Finland from the ICT and pharma industries in order to identify new specific expansion investment opportunities.</p> <p>The number of foreign organizations involved in these activities over the years is in the hundreds, with the interviewee having worked with around 30-50 foreign subsidiaries. (HBH)</p>
Business Tampere (BT)	8 June 2020	<p>Amcham is a Finnish organization that as a part of their operations work together with the foreign companies in Finland through a program called Thrive in Finland. They are the voice for these companies and advocate for policies that make Finland more attractive for FDI. They offer peer to peer networking opportunities for country managers (Country Manager Networking Event), in which they offer the international companies the opportunity to meet with their peers. Also, they organize crash courses on Finnish politics and business culture for foreign CEOs. In addition, they offer them information, such as the Finland Fact Pack, Finland Business Barometer, policy changes as well as access to decision-makers.</p> <p>In their members, they currently have around 80+ foreign affiliates. Altogether, the past included, Amcham has worked with around 160-170 foreign companies in Finland. (AC)</p>

Amcham (AC)	10 June 2020	<p>The organization is tasked with a broad range of economic activities for the Tampere region. One part of the organization aims to attracting foreign companies and thereby creating jobs to the region. In the past few years, the team has landed 10 foreign companies to set up sites in the region. Business Tampere is the one-stop-shop for these companies to get information and support during the evaluation of the region. They provide data, introductions, resources, services, links to university and startup community, to name a few.</p> <p>FDI support is done in both proactive and reactive mode. Persuading companies that already have sites in Tampere region to bring an additional function or a business unit, as they call “upsell” (or aftercare), is a part of these proactive activities in ad hoc basis. This concerns especially the ten landed companies, with which they have a close working relationship. (BT)</p>
Ministry of Economic Affairs and Employment of Finland (TEM)	18 June 2020	<p>The Ministry participates in an FDI advisory board consisting of 6-7 foreign subsidiaries in Finland and hosted by Business Finland twice a year. The aim of the meeting is to provide a forum for the subsidiaries to express their concerns and discuss current themes with the governmental institutions as well as the Ministry to inform the subsidiaries about current situation or some future plans and changes.</p> <p>In addition, the Ministry occasionally holds direct discussions with the subsidiaries in cases where the subsidiaries contact the Ministry to discuss company-specific topics. Also, the Ministry occasionally participates in FDI negotiations with foreign companies in cases where presence of a political figure is seen beneficial for landing the investment into Finland. No exact numbers on these meetings are available. (TEM)</p>
Business Finland (BF)	22 June 2020	<p>Twice a year, Business Finland organizes an FDI advisory board meeting with largest foreign companies that are established in Finland. The meeting hosts 6-7 companies. On the interviewees’ estimate, Business Finland has worked with at least 20-30 foreign companies within the past couple of years, having close relationships with C-level decision-makers of the previously landed foreign companies.</p> <p>Another way Business Finland is active on the subject is through helping regional development agencies to be active with foreign subsidiaries in Finland. One of the main targets in these activities is to support RDAs in creating an action plan for regional aftercare, including being in touch with foreign subsidiaries, being aware their business plans and proactively influencing their investment decision-making. (BF)</p>

Based on the researcher’s judgement, this sample offers the most effective way to collect empirical data to answer the research questions without having to limit the scope further. Also, the timing of the study proved to be challenging for subsidiary or parent company interviews, further confirming the decision. The validity of the informants was evaluated through background questions and the course for data sampling revisited and confirmed after the first three interviews. Based on the

answers on those interviews, it was seen that the selected samples are able to provide a sufficient source of information for the scope of this study. This approach allows this thesis to gain a relatively large contact point into the ways different subsidiaries aim to affect FDI decisions with the small set of samples that is possible to collect within the timeframe of this thesis. Moreover, it sets the stage for more extensive studies on the topic with different and more targeted datasets.

### **5.3 Data collection**

To be able to source new insights on the topic that is not researched extensively before through qualitative methods, this study focuses on primary data. Based on the researcher's prior knowledge on the field of subsequent investment into Finland, there are people working in this ecosystem that have collected vast knowledge on the phenomenon. This insight guided the design of data collection and led to choosing semi-structured interviews as the method that would answer the research questions the most thoroughly. In addition, memos of subsidiary discussions and a survey conducted for the subsidiaries by Amcham will be used to complement these expert interviews (Amcham 2019, Amcham 2020). The interview data was collected in June 2020 in five interviews. In the next sub-chapters, the reason for choosing the semi-structured interviews as a data collection method is explained in more detail. In addition, the interview questions are explicated.

#### **5.3.1 Semi-structured interviews**

As a flexible method, interview is a suitable method for many kinds of research. It allows the researcher to direct the discussion and information acquisition in the moment and follow unravelling paths. Also, it enables the researcher to delve into the motives behind the answers. (Hirsjärvi & Hurme 2015, 34) In the context of this study, the main reasons for choosing interviews were that they allowed the direction of the answers to have a rather free flow and had the possibility to ask for more elaboration on any given answer. This was important, as the topic in the context of this study is not well known.

When choosing the method, it was understood that interviews also have their downsides. To be successful, they require the interviewer to have experience and needed skills in interviewing. Given the timeframe of this study, interviews are relatively time-consuming method and the number of interviewees must be limited for practical reasons. Also, the validity of the informant and the reliability of the data can be questioned. (Hirsjärvi & Hurme 2015, 35) These topics are discussed in more detail in chapter 5.4.

After landing on the interview as the method of choice, follows a question on the type of interview. Hirsjärvi and Hurme (2015, 44) categorized research interviews into three categories based on the uniformity of each conducted interview: on the most structured end of the continuum are form interview, followed by semi-structured theme interviews and on the most open end is the unstructured interview. Semi-structured interview was selected on the basis that it best enables achieving the benefits that were the reason for selecting interviews to begin with, namely flexibility and deep diving, without losing the support from theoretical framework. The interview revolves around particular themes. The questions are somewhat the same for all interviewees, but the order and the word choice may vary from interview to interview. (Hirsjärvi & Hurme 2015, 47) The description of the semi-structured interviews presented by Hirsjärvi and Hurme (2015, 47) and originally from Merton, Fiske and Kendall (1956, 3-4) describe well the background of this thesis, too, sets for the data collection:

*“First of all, the persons interviewed are known to have been involved in a particular situation. Secondly, the hypothetically significant elements, patterns, processes and total structure of this situation have been provisionally studied by the social scientist. Through this content or situational analysis, [s]he has arrived at a set of hypotheses concerning the consequences of determinate aspects of the situation for those involved in it. On the basis of this analysis, [s]he takes the third step of developing an interview guide. Fourth and finally, the interview is focused on the subjective experiences of persons exposed to the pre-analyzed situation in effort to ascertain their definitions of the situation.”*

The interviews were conducted via virtual conference calls in Teams. As the interviewees answered the questions as representatives of their organizations, the interviews were organized during business hours. The interviews lasted from 30 to 75 minutes. The interviewees were offered the possibility to supplement their interview via email if they saw it necessary. The interviews are presented anonymously with an organizational coding, and no personal information was collected. On the interviewees' acceptance, the interviews were held in English to avoid the need for translation, recorded and only used for the research purpose of this study and possible relating articles.

### **5.3.2 Interview questions**

The interview questions were divided into three themes. The first one focused on background information with the aim of gaining a view on the interviewees' understanding and experience on the research topic. The final three themes, *subsidiary role*, *FDI decision-making factors & current activities* and *information* were based on the theoretical framework. At the end, the interviewees had the possibility to freely add to their answers with any information they saw suitable. Following the abductive logic, the questions under those themes were formed based on the theoretical viewpoints discovered through a review on earlier studies. Questions regarding the subsidiary role seek to understand what kind of a role subsidiaries have in subsequent FDI decision-making, how that role shows in practice and why subsidiaries choose not to take a role in the matter. Questions related to the FDI decision-making factors and the current activities of the subsidiaries aim to what kind of things subsidiaries aim to influence and how. Emphasis is paid to aspects mentioned in theory, such as economic factors, clusters and networks. Questions on the information aimed to reveal what kind of information subsidiaries wished to present to the HQ and if there were any differences on the information based on their role in the decision-making process.

The interview questions are presented in Appendix 1 along with their academic linkages. The interview questions are listed in their basic form, but the wording and the order in which they were presented in the interview differed slightly based on the discussion flow and earlier responses from the interviewee. If an answer to a

particular question was given through another question(s), it was left unasked. In addition to the basic questions, the interviewees were sometimes asked to elaborate their answers or give an example. The questions were emailed to the interviewees beforehand in order for them to be able to source relevant information within the organization if they saw it necessary.

#### **5.4 Data analysis**

In qualitative research, as in this one, analyzing often coincides with the gathering of data. As the researcher is conducting the interview, she makes observations on the phenomena and already identify patterns. The way in which the data is analyzed varies from qualitative study to another. As the data mass can grow rather large via interviews, it is not necessary to utilize all collected information but the most meaningful. (Hirsjärvi & Hurme 2015, 135-136)

As the interview questions were based on a thematic order, the strength of existing themes and additional rising themes were observed already during the interviews following an abductive logic. Additionally, the recording of the interviews was listened to an additional time as a whole in order to pay attention to the big picture and take further notes on the most meaningful parts. Next, the most meaningful parts of the recording were transcribed and thematized under both existing and emerging themes and sub-themes by hand. The source interview was marked for each quote. This sequence was done for all the interviews within a couple of days from the interview.

After all the interviews were conducted, the data was read and re-read and the themes and sub-themes were evaluated and organized. At this point, also the discussions memo and survey were included into the mass of data (Amcham 2019, Amcham 2020). Similar features were searched between the themes and the data was reflected back on to the theoretical framework. Following the abductive logic, the theory was first used as a guiding frame for organizing the data but also, the data was analyzed “outside the box” with an attempt to enrich and interpret meanings that were outside the theoretical framework.

## 5.5 Data reliability and validity

The basic framework for evaluation the quality of research includes reliability, validity and generalizability (Eriksson & Kovalainen, 2008). The aim of this study was to explore the topic in the context of Finland. Due to the context selection of one country and limited sample of interviews, generalizations would be hard to make and are not the aim of this study. However, reliability and validity of this study and its results are examined in this sub-chapter.

Reliability refers to the extent to which the study can be repeated, and the same results would be concluded (Eriksson & Kovalainen, 2008). This study aims to improve its reliability by providing sample company names as well as close descriptions of the interview questions and the method. However, a semi-structured interview is always a unique situation: the wording of questions differed slightly, and the content and quality of information disclosed by the interviewee could vary. Also, the analysis is highly dependent on the researcher's views and interpretation on the meanings rising from the data. The researcher of this study has worked at Helsinki Business Hub before conducting this study and has some prior knowledge about the topic, which is likely to affect her way of posing the questions.

Validity determines whether the conclusions drawn from the data build an accurate picture of the studied phenomenon and are backed by evidence. One way to approach this is triangulation, a use of multiple perspectives in the research. (Eriksson & Kovalainen, 2008) In this study, triangulation theories and data was used in the extent possible given the time and resource limits of this study: data was collected from multiple informants, who have been involved with multiple subsidiaries and worked with them in different perspectives. These views were complemented with a memo of subsidiary network discussions and a survey conducted with the subsidiaries by Amcham to gain an additional data source with data attracted directly from the subsidiaries. Multiple theories were examined and combined to form the framework for this study. However, it must be noted that the study would have benefited from triangulation of methodologies and methods and including interview data drawn from subsidiaries, if the schedule and resources

would have allowed such approach. On the other hand, triangulation does not take into account the viewpoint of the phenomena having more than one version of reality, as evident from the theory, and including more triangulation might not bring a qualitative study closer to a coherent conclusion. Dubois and Gadde (2002, 559) fittingly highlight also the danger of overly complexing theory building in abductive case studies. They state that by trying to explain everything researchers might end with weak theory that describes nothing. For this reason, selectiveness is a marker for the quality of case studies.

The functionality of reliability and validity as marks of quality in qualitative research has been questioned by, for example, Eriksson and Kovalainen (2008), Hirsjärvi and Hurme (2015, 186) and Saunders et al. (2016, 203). Following the suggestions by Saunders et al. (2016, 206), the quality of this study can be evaluated through dependability, credibility, transferability and authenticity. The dependability was increased by booking all the changes made during the study as closely as possible. In an attempt to ensure credibility, the researcher tested her analysis interpretations with another researcher. As mentioned, a full description of research questions and explanations of research design, context, findings and analysis that lead to the findings in relation to theory are provided to give readers the opportunity to evaluate the transferability of this study to another setting. Although only the most meaningful parts of the data were transcribed, the researcher aimed to be careful not to leave out any viewpoints to bring authenticity to the study – while bearing in mind the cautionary example of over-complexity from Dubois and Gadde (2002).

## **6 EMPIRICAL RESULTS AND FINDINGS**

The interviewed organizations have altogether worked with hundreds of foreign subsidiaries in Finland. Their interaction varies from being focused on influencing the Finnish business environment to attracting more investments into Finland and supporting in the actual decision-making process. The experiences they describe include examples of several cases of subsidiary activities, through which understanding of subsidiaries' roles can be build. As the subsidiaries understand the aims of these organizations are to influence the business environment in support of further investments and the FDI decision-making itself, it can be argued that they see cooperation with these organizations to contribute to these same aims. All interviewees have interacted with both these subsidiaries as well as the foreign parent companies, thereby witnessing also the relationship the subsidiaries have with their HQs. However, it must be noted that some internal aspects of the decision-making process cannot be understood through the data of this study.

This chapter explains the empirical findings of this study, linking to and building on the theoretical framework. The structure of the chapter follows the research questions: First, it explains the roles identified for subsidiaries in subsequent FDI decision-making and elaborates the ways in which subsidiaries aim to influence that decision-making in those roles. Secondly, it discusses the FDI decision-making factors subsidiaries aim to influence. Moreover, the chapter concludes by offering an abductive evaluation of the theoretical framework that is complemented with the findings of this study.

### **6.1 The influencing roles of subsidiaries in subsequent FDI decisions**

This sub-chapter focuses on the observed roles the subsidiaries have had in subsequent FDI decision-making. Depending on the level and type of interaction they have with the foreign subsidiaries, the interviewees noted different roles that the subsidiaries have, suggesting that the subsidiaries can take multiple roles on different fronts while influencing the subsequent FDI decision-making. Here, these

roles are elaborated, answering the first research question: *What kind of a role a host country subsidiary has in subsequent FDI decision-making?*

The data shows support for both of the roles that Ghertman (1988) identified for subsidiaries: *Initiator* and *Sponsor*. Alike with Ghertman, no indication was found that the host country subsidiary would take the role of a Decision-maker. However, the two roles mentioned cannot fully absorb the influencing activities that the subsidiaries were described to take, so two additional categories were created for this study: *Pre-investment lobbyist* and *External marketer*. These two categories extend the decision-making to include activities before an actual initiative has taken place and spread the influence outside the focal company. In addition, it was not evident that the subsidiary would always have a role, so also a *No role* category was included in the analysis.

In addition to describing the roles, the ways of influencing within that role are described, answering the second research question: *How do the host country subsidiaries attempt to influence the subsequent FDI decision-making?*

These five role categories along with the ways of influencing are next explained with findings from the data. The first three categories, Pre-investment lobbyist, Initiator and Sponsor, are presented in the chronological order of decision-making, followed by External marketer and No role. Along with the description on the No role scenario, identified barriers to influencing are explained.

### **6.1.1 Pre-investment lobbyist**

All interviewees identified the subsidiaries attempt to influence the Finnish business environment through lobbying and voicing out their opinions in local forums. As Amcham functions as the supporter and voice of these subsidiaries for lobbying and the Ministry as the receiving end of this lobbying along with Business Finland, they had the most information about this role. In this role, the subsidiaries aim to influence the Finnish business environment to be more favorable for foreign businesses and foreign direct investments. This role was seen to be integral in enabling subsequent investments.

*They [foreign subsidiaries in Finland] have an integral role, extremely important role. Without the local support and local lobbying, these large-scale investments would not happen at all. The local subsidiaries, they need to know the network, they need to know the different stakeholders, whether it is the politicians, the regional development agencies, basically anybody, and they have to be very active with them. (AC)*

As seen also in the quote above, lobbying is marked by the complex network of authorities to contact. Lobbying is done on both regional and national level as well as directly towards government and through third party and industry networks. Pharma Industry Finland and Technology Finland were mentioned as examples of industry organizations that have influential country managers of foreign subsidiaries sitting at the table (AC, TEM). The complexity of the national parties to be influenced was illustrated by Business Finland as follows:

*Local ELY centers are keen to develop the area. So called “Maakuntaliitto”, those are the places to be influenced as well. It’s not only one place to take connection to. It often takes several discussions between the different ministries and then the local authorities. (BF)*

Interviewees did not align on whether the subsidiaries are aware of how effective lobbying in Finland functions. In Amcham’s experience, the subsidiaries often find themselves lost on who to go to, whereas Business Finland saw that subsidiaries know how to do lobbying. This indicates that the knowledge differs highly between subsidiaries. Moreover, the Ministry noted that the companies create their contacts for the Ministry themselves and that they are usually at a high level. This personal contact requires efforts from the subsidiary side. This is aligned with the theoretical overview of the subsidiary-parent company relationship (see Andersson & Holm 2010), as the subsidiary is able to produce the most value through knowledge of the lobbying process and influence once the subsidiary is well embedded in the Finnish environment.

The complexity of lobbying combined with the need to create personal relationships requires resources that all subsidiaries do not have. Bigger companies have dedicated PR departments, whereas in smaller companies this task would be left to the country manager along with other, often more pressing, responsibilities. Even

for a CEO of a large subsidiary, gaining access to the Ministry was seen to be challenging (AC). Many subsidiaries have selected to do lobbying through support organizations like Amcham, through which they can voice their opinions by answering to questionnaires, joining events or having discussions with their staff who then take the opinions forward while lobbying on behalf of the subsidiaries. Through these platforms, the subsidiaries have the possibility to influence in the back without their names out to the front. Both Amcham and the Ministry agreed that the subsidiaries succeed better in their lobbying when joining forces with other companies.

*I think the fact is that so many of these foreign affiliates, they are very, very small. They don't have the manpower to do it themselves. A huge amount of these foreign affiliates are between 1-10 people. And they don't have any power to do that. A CEO for one big energy company said that it's just so much easier to do it with a mass of people instead of you trying to knock on the door. It is true that the bigger ones they get in easier. They have these communications and public affairs people, but still it is sometimes easier to do it with a bigger front. (AC)*

The Ministry defined the strength that numbers have in lobbying as a push for starting the process for possible legislative and regulatory changes:

*But quite often they are more like lobbying and if there's enough pressure at least there will be a report. It means how prevailing this problem is, what kind of implications it has, what kind of possibilities there is to change, the legislation - what kind of financial implications there would be, what it would mean to different groups of people or companies. That kind of an analysis would be the first one to put forward. And then what is found out, that would help to make the decision if there would be changes or if the process would be put forward or not. (TEM)*

As noted, much of the lobbying is done through platforms and interfaces towards politicians provided by the support organizations. For example, in Tampere region the foreign subsidiaries have the chance to express themselves to an ecosystem community of over a hundred persons. However, this includes no politicians. (BT) The access to the most direct lobbying tables is not open for all. Business Finland and the Ministry organize twice a year an FDI advisory board, with 6-7 foreign subsidiaries. The aim of the meeting is to provide a forum for the subsidiaries to express their concerns and discuss current themes with the Business Finland as a governmental institution as well as the Ministry to inform the subsidiaries about

current situation or upcoming plans and changes. The participating companies are hand-picked by Business Finland based on their meaning for Finland:

*It all comes down to impact, how many people they are employing, what is the size of the investment that they have been allocating to Finland, how does it fit to the ecosystem that Finland is offering, that kind of things are the key issues in the selection process. If there is a new one who exceeds the level of criteria, they are invited. So the other ones are not put down but another one is added on the invitation list. (BF)*

Also, the home country of the company has an effect on the lobbying opportunities provided for them. Some Embassies are active in guarding the best of the companies coming from their home country.

*The Embassies are active. Let's say it's an Indian-origin foreign owned company operating in Espoo, they are most definitely actively involved with the Embassy and the Embassy is involved with them and the Embassy also provides a platform themselves. The Ambassador is usually active also in lobbying and making sure that these companies are taken care of, these companies that are coming from their home country. (HBH)*

In addition to existing platforms, the subsidiaries also come together to solve joint challenges before lobbying their suggestions forward.

*I have seen clubs forming from country heads getting together, they could be competing companies, but they come together and exchange ideas and thoughts and they possibly exchange similar types of frustrations. There they try to collectively find solutions that they see that if there are changes to those they would all benefit from. (HBH)*

In general terms, foreign subsidiary lobbying focuses on factors relating to the Finnish business environment. However, the Ministry mentions that subsidiaries are also occasionally in direct contact with the Ministry, and those discussions usually concern more company-related themes. These factors will be discussed in detail in chapter 6.2.

Overall, foreign subsidiaries seem to be rather active in lobbying towards governmental and utilizing different routes for this activity. Although, not all have the resources to lobby with all channels available to them. As pre-investment lobbyist is a role that requires effort and proactivity in by very least joining organizations that

enable lobbying without a direct promise of gratification, it seems to be a role for subsidiaries with a strong interest in securing and growing their business through making a long-term impact on their host location. This Pre-investment role was not included in the decision-making processes of Ghertman (1988) or Birkinshaw, Hood and Jonsson (1998), but can be argued to be a pre-step of the process in its attempt to improve the conditions for further business in the location. If Delaney's (1998) model is taken into account, this lobbying role can be seen to be a part of extending the basic mandate with low risk moves (step 4). On the other hand, it can also be seen to be an action that seeks to enable the subsidiary to carry out the basic mandate satisfactorily (step 2) or performing the basic mandate in a superior way when lobbying is concerned with a factor challenging the current operations of the subsidiary. In both cases, lobbying at this stage is an action on the subsidiary's journey towards a subsequent investment.

Pre-investment lobbying also bears resemblance to subsidiary-driven charter extension: getting their voice heard somewhat relies on "the subsidiary-level champion" to build relationship with the Ministry and other regional and governmental organizations with local decision-making power (see Birkinshaw et al. 1998, 786). In addition to the subsidiaries' own proactivity, also organizations are active in inviting the most impactful companies into these lobbying networks. Hence, this role can be seen to be driven by the mechanisms of subsidiary choice and local environment determinism identified by Birkinshaw, Hood and Jonsson (1998). There was no indication of this role to be driven by the head office assignment, although that cannot be ruled out with the data of this study.

### **6.1.2 Initiator**

From the interviewed organizations, Business Finland, Helsinki Business Hub and Business Tampere cooperate with companies in the direct attempt to attract foreign direct investments into Finland. In this position, they have witnessed initiations of these investments. Their views on whether subsidiaries at times function as an initiator of a subsequent FDI differed. In Business Finland's experience, the whole process is led by the HQ and subsidiaries do not take the role of an initiator. However, both Business Tampere and Helsinki Business Hub have been involved

in subsequent FDI processes, where the subsidiary has made the first suggestion of a new investment into Finland to the HQ. It is possible that this difference in views derives from the closer relationships of these subsidiaries with regional development agencies than with Business Finland. Also, Business Finland suggests that the regional account manager is the key contact and most soft-landing services happen on the regional level (BF).

In the cases where the subsidiary was the initiator of the investment, the wish to grow the mandate of the subsidiary was evident. Helsinki Business Hub had identified that in many cases of subsidiary initiated investments, the subsidiary has an interest to build the operations from the basic mandate towards more strategic functions.

*In a lot of these cases the subsidiaries are sales offices, and then at the same time the corporation itself is engaging in various different very advanced high tech, R&D type of activities in other parts of the world. Then the question is, how could we get some of that activity to Finland. And these country heads had quite often seemed to have a similar type of ambition. I would say in the role of the subsidiary I would emphasize a lot the country head's own ambition and champion type of a role. (HBH)*

The initiation processes described by Helsinki Business Hub and Business Tampere were very cooperative between the regional development agency and the subsidiary. The original identifications of the opportunity happened in three distinct ways, followed by an examples:

1) Local RDA approaches a subsidiary with an opportunity:

*We proposed a hackathon a number of years back and helped to coordinate that for them. -- I came back a few months later after talking to someone at the university and proposed a proof of concept based on the project that was done in the hackathon. So we managed to get that proof of concept project going and it's been led by the local international company and two other companies and the university. So the idea is that if we can get this POC going, we can go to the headquarters with this project saying this is a whole new area of business that we have competences to do in Tampere, we want a new project. (BT)*

2) Local RDA approaches a subsidiary, who together identify an opportunity:

*One type of investment case is where you go to the company, you understand what the company is doing, what is their focus area and you understand what they are doing in Finland and then you understand what the company is doing globally. Once you have that understanding you start kind of identifying also what the company is interested in you want to try to understand their R&D roadmap on the global corporate level. That necessary is not something the Finnish subsidiary is focused on. But you can then give this input to the country head also and start to kind of build a case that hey in Finland we have this top-notch RFID technology, or our nanosurface technology knowhow is top notch, we are doing some ground-breaking work on quantum computing. And then you start building those cases. I worked on multiple different companies and the similarity in those investment cases for each is that you identify something that's fairly unique or something that's very important for the global organization and something that we are very strong at, where we can make a compelling case. And then you start with the help of the championing country head, you start pushing those messages to the corporate level. (HBH)*

3) Subsidiary approaches an RDA with an opportunity:

*The ones that directly contact us they have something specific in their mind already that they want to talk about. There could be some issue related to business environment that they want to discuss, there would be something more narrowed down interest. (HBH)*

Helsinki Business Hub saw that this cooperation with RDAs was integral in the initiation of the investment especially for the subsidiaries in the early stages of their journey in Finland. Amcham too noted that sales are not among these proactively interested subsidiaries.

*My experience is that especially those organizations where the primary function of that subsidiary is sales, it's a sales office, quite clearly was the case that that's actually the main expectation from that subsidiary is to meet the numbers in doing the sales. That consumes most of the country managers focus and time, so it is not in their job description to actually look for these kind of investment opportunities. When we have an active role there and we are talking with them and coaching each other in the conversations we are also creating a some kind of a push factor for those country managers to drive these initiatives within their headquarters and try to also identify these opportunities. (HBH)*

However, as the third option indicates, these opportunities are also identified by the subsidiaries alone and initiations might therefore happen also without the help of a local support organization. Helsinki Business Hub mentioned that despite the highly networked ecosystem, not all subsidiaries are aware of the help available from the RDAs. Also, as the cases mentioned by Helsinki Business Hub and Business Tampere are mainly small sales subsidiaries and first-time investments looking for the second investment, they might not have the experience to attract the investments by themselves. This is supported by Amcham, who noted that making the HQ aware of the possibilities in Finland and what Finland has to offer is something that most of their member subsidiaries agree that they need help with. One way to increase their influencing possibilities is learning about investment attraction from peer to peer:

*We talk a lot about communication, we talk about pitching, about how do you make a case for Finland in your headquarters. The country manager network is like their own private advisory board. So straight away they have thirty people they can call and they can talk to and ask how they've managed these different issues. But anything basically that helps them to do a better job as a country manager and also for them to see the opportunities in Finland and communicate those to the headquarters. (AC)*

As subsidiaries seek to increase their capabilities, it is possible that the more experienced and established foreign subsidiaries in Finland take this role of an initiator on their own. In the cases identified by Helsinki Business Hub and Business Tampere, the subsidiary has in any case wished to take the lead role in presenting the initiative to the parent company over RDA despite who originally brought forward the opportunity, again highlighting their wish to take the championing role. This along with the capability building of both the "Hackathon to POC" example and initiative-selling competence development is aligned with Birkinshaw, Hood and Jonsson's (1998) idea of the subsidiary-driven charter extension, where subsidiary first builds its capabilities and then with the lead of a subsidiary level champion presents the initiative to the HQ. These examples also support Holm, Malmberg and Solvell's (2003) idea that host-country business environment affects the competence development of foreign-owned subsidiaries improving the possibility of the subsidiary to attract subsequent investments into the host country.

To be able to champion the role of an initiator, the subsidiaries would need to be aware of the strategic development direction of the corporate. This way, it would be able to initiate investments that are strategically meaningful to the parent company and not only supporting the operations of the subsidiary. Along the lines of the contingency theory, the subsidiary would need to become a strategic partner of the HQ, however, at the same time staying highly embedded to the local market in order to gain access to the information on the locally arising opportunities. In that case, the subsidiary would already have the mandate for scouting for the strategic investments, which did not seem to be the case in the examples arisen in the data. Based on the data, the initiator role stems from subsidiary choice and local environment determinism.

On the other hand, the active role that the regional players have in the initiation of the investments surfaces some of the doubts of agency theory. As the aim of the RDAs is to attract investments to the host location and many subsidiaries seemed to be seeking for a higher mandate, it can be questioned if the benefit of the global company is the determining factor in the initiative. This observation of the subsidiaries attempts to increase their mandate align also with the findings of Gorgijevski, Holmström Lind and Lagerström (2019) and Delany (2000).

Gorgijevski, Holmström Lind and Lagerström (2019) have noted that the better the subsidiaries prepare, for example collected information, and packaged that information, the better the initiatives were accepted by the HQ. The data showed subsidiaries' will to put an effort into information collection and packaging that info in cooperation with the support organizations.

*When you have succeeded that kind of a relationship with the country head and actually identified this investment opportunity. Then you work together. That is an interaction where you find out as much as you can from the champion and then at the same time you are doing research on the background cause HBH has access to data bases and resources that we can utilize. So it's a combination of those and it's an iterative process. You build something and then you check with the country head. In a way you are in a same team. (HBH)*

All interviewees noted subsidiaries' need for up-to-date, factual information about Finland rather than promotional marketing material. In its basic form, they requested information about the Finnish economy, such as location (AC, BT), skills (AC, HBH), salary levels (AC, HBH), taxation (HBH). In addition, the subsidiaries were interested in changes that might create opportunities, such as regulatory or policy changes (AC), new innovation ecosystems (BF) or availability of talented teams (TEM, BT). These lists are not exhaustive, as these were given as examples by the interviewees.

Once an opportunity is identified, the information packaging goes on a very detailed level on information. It can include, for example, why Finland is a good fit on particular technology area, outlook on industry and talent in a specific area, networks on a given area, international comparison with other prospective locations, the quality of life in Finland from the perspective of attracting the right talent, relevant clusters, companies and ecosystems, security risks, utility prices, employee legislation, union policies as well as support services in Finland (HBH, BT). Whether subsidiaries that aim to sell an initiative without the support of a support organization are able to go on this detailed level with their information gathering cannot be said with this data.

### **6.1.3 Sponsor**

The sponsoring role became through from the data and was mentioned by the organizations doing direct investment attraction, Business Finland, Helsinki Business Hub and Business Tampere as well as Amcham. Mainly in those cases, the role of the headquarters was more extensive, and the subsidiary role was to be a mediator in information gathering.

*A large US company was collecting data. We provided a lot of information for them concerning the innovation funding, the labor costs, and that led into a positive decision for Finland. They were contacting us, one of their C-level executives was travelling around the world and because they are a global company. And he got familiar with the circumstances and the business environment that Finland is offering. Based on that he was requesting the subsidiary to contact us. --- In that case it was the subsidiary that was the mediator and we were providing the data that they were requesting. (BF)*

In this example, the role of a sponsor was assigned to the subsidiary by the head office. It seems that the internal lobbying to get Finland to the location shortlist for an upcoming investment is done between the subsidiary and the support organizations come into the picture when an official mandate to collect information has been gotten from the HQ. Amcham's Country Manager networks meeting topics show that this internal lobbying for an investment is in the interests of most companies in their network. Examples of topics include "Engineering your country office profile to maximize HQ investment" and "The art of communicating effectively to your corporate headquarters" (Amcham2 2020). However, it is difficult to separate if the subsidiaries are interested in these topics for initiation or sponsoring of an investment, or possibly both.

*Apart from the sales offices, they are interested in making the Finland more known in the headquarters and also attracting more investments to Finland. That is something where the Country Manager Network has helped extremely well. That's where they really want to learn from each other how the other managers have been able to do it. For example, the one we will organize in the autumn will have Google CEO and Medtronic CEO talking about how they got the investments to Finland. That is an extremely popular topic. (AC)*

Support organization did not identify clear differences in the information needs of companies depending on whether the investment was initiated by the subsidiary or the HQ (refer to chapter 6.1.2 for an overview on the requested information). Business Finland noted that on the subsequent investment driven by the headquarter, the investment aids along with taxation are the most commonly requested information from them and Business Finland is used as a neutral party to verify the information.

*To my experience, the information they need is to follow up the information they received in the first investment case. Because that has typically been some of the important things that have influenced their decision-making. So in the second investment they typically want to dig deeper into that. It's typically the investment aid, going more into details, what are the requirements, what needs to be there in order to get the investment aid positive decision on that. They want a very indebt understanding. (BF)*

This data does not paint a clear picture of the subsidiary as in influencer that could make or break in investment, as the HQ seem to hold the decision-making tightly in

their own hands. However, the subsidiaries are needed due to their knowledge on the local organizations where to get information and negotiate on subsidies, for example. The role of sponsor seems to be driven by all three mechanisms by Birkinshaw, Hood and Jonsson (1998): many times they are assigned by head office, while subsidiaries seem to be also proactive in improving their prerequisites for gaining this role through improving their competencies in pitching and headquarter knowledge of Finland. Thirdly, also the local environment functions as a push factor for the country managers to start seeking these investments to Finland.

*Important there is that the companies know of organizations such as HBH and Business Finland and Amcham, if there is a relationship. It is a good reminder to understand that majority of the contacts that you make that you meet with companies then and there, most likely they don't have a case, but you need to build those cases in long term and then when a case comes up on their lap, they know who to contact. (HBH)*

This quote from Helsinki Business Hub along with Business Finland's interview show limited evidence of cooperation between the subsidiary and local public organizations in lobbying the HQ to make a favourable decision towards Finland which was mentioned by Birkinshaw, Hood and Jonsson (1998) as one of the common characteristics of parent-driven investment. The support organizations often had also direct contacts to HQs, which indicates that the headquarters seek to balance the power of subsidiaries by gaining access to the same networks in which the subsidiaries operate, aligning with Andersson's (2007) suggestion. Another view on this can be gained from the agency theory, as Business Finland mentioned that they are used as a neutral party to verify information and negotiate with municipalities. This indicates that the HQ wishes to cooperate with a local external party in addition to the subsidiary functioning as the only linkage to the area. Whether subsidiaries can be completely discarded in this impetus phase, the support organizations had different experiences. While Business Tampere claimed to always involve the subsidiary, both Business Finland and Helsinki Business Hub had experiences on the opposite. More on subsidiary having no role in the investment decision-making will be explained in chapter 6.1.5.

#### 6.1.4 External marketer

Another interesting addition to the roles described by Birkinshaw, Hood and Jonsson (1998) and Ghertman (1988) was the role of an external marketer identified by both Helsinki Business Hub and Business Tampere. This happens outside and irrelevant to the internal subsequent FDI decision-making process. In this role, the subsidiaries extended their influence on the decision-making of other companies by recommending or sharing information about the location to their peers in other companies.

*There have been conversations where there is an existing company here in a certain industry, and I have a foreign company looking at Finland coming here. And the foreign company, kind of to strengthen the message given to them and being able to provide first-hand experience from a peer company, I have made those introductions between those companies. The local company here has been quite helpful and open minded in talking with the company that's looking at Finland. (HBH)*

The RDAs described several ways in which this role was enacted. Most of these interactions include word of mouth marketing of the experiences and possibilities of the host location at business events that the subsidiaries attend due to their basic mandate. In addition, the subsidiaries attend networking events arranged by the support organizations in order to get existing subsidiaries talking with foreign companies who are possible leads for new FDI. Business Tampere mentioned that host country subsidiaries introduce these leads both from their home country, but mainly from the same industry. In addition, the subsidiaries have taken part in marketing videos and stories for the location, promotion on social media and Ambassador network (BT, HBH). For Business Tampere, the role of external marketer was the main way foreign subsidiaries influence attracting subsequent investments into the region and they have seen new companies land in the area that have been ignited through a subsidiary introduction.

*There, for example, a head of site for an international company here, who represents their company very well and very professionally but also has what we call their Tampere hat. They also feel responsible for their comrades in the region that work in the same space – they are all colleagues – and to their region. So they take in upon themselves to support me and my work. That person, I'm thinking of one in particular even though there is a few, is very respected within their industry. When he goes to a trade show abroad and*

*someone from another international company he knows, approaches him and says “hey I heard there is this great ecosystem in Tampere tell me more”, he basically is our marketing person selling Tampere region for us. The next step then if that person is interested in hearing more and examining the opportunity to set up an R&D site here, then the head of site of the subsidiary here introduces me to a completely new lead. (BT)*

Business Tampere argues that at times the subsidiaries might put the benefit of the host location above their companies. This indicates that the worries illustrated by the agency theory might at times be relevant and this external marketing role is outside the mandate. Unlike other roles identified here, it does not necessarily aim to building a created mandate for the subsidiary but has more personal motivations.

*It’s gratitude, it’s investing in the future of the community that they are involved in, supporting what already exists to continue the growth and attract more people into it. --- But remarkably, and I’m very proud of this fact and I bet that you wouldn’t see this in many places, some of those introductions are made to companies that are potentially going to take experts away from their company. (BT)*

The role of an external marketer seems to be driven by subsidiary choice as they give back to and help grow the local community and local environment determinism as RDAs encourage the subsidiaries to take part in their marketing activities. On the other hand, concentration of foreign forms and firms in the same industry can be seen as a positive factor for FDI (Nielsen et al. 2017, Kim & Aguilera 2016). Also, Amcham’s example on companies openly coaching each other on how to attract investments into the area, they might view subsequent investments for other companies only as a positive factor and not something that would need to be hidden from the HQ. Albeit, there is no indication that this role would be encouraged or mandated by the parent company. Network and ecosystem building as factors attracting subsequent investments are discussed in more detail in chapter 6.2.

### **6.1.5 No role and barriers to influencing**

The data surfaced also cases, where the subsidiary did not have a role, thus supporting the findings of Brauer (2006) in the case of divestments but on the context of subsequent FDI as well as Birkinshaw, Hood and Jonsson (1998). These cases were identified by Helsinki Business Hub and Business Tampere. Others saw

that the companies they have talked to have been active on taking at least some role in the process. This might be due to the fact that the two RDAs are the more active in approaching also subsidiaries that have not proactively shown interest towards the topic, while Amcham, the Ministry have companies come to them and Business Finland directs soft-landing services mainly to RDAs.

Helsinki Business Hub identified a case as an example, where the HQ specifically requested that the subsidiary is to be left out the process, making subsidiary's lack of a role head office assigned.

*A major US IT company, one of their senior executives came to Finland. It was a fairly big effort on our part. We created a landing page specifically for that case, for that executive actually. There was a specific demand that it is not to be disclosed to the local organization. (HBH)*

Furthermore, subsidiaries themselves have chosen not to take a role in attracting subsequent FDI into Finland. In these cases, the subsidiaries have given reasoning that are based on challenges in the Finnish business environment, threat to diminish their existing mandate in Finland, lack of time aside from fulfilling their basic mandate as well as no HQ-led initiative being at sight.

*One company that I'm particularly thinking of is within the pharma space, and as you know that is a very regulated environment. --- They made it clear that they were not willing to invest in Finland. Quite the opposite, they are facing a pressure because of the environment from the HQ towards the future of the Finnish operations because of the business environment. (HBH)*

*Another case was that it's a good idea but right now I don't think there's a project I can hunt for. We are keen to improve that kind of activity, but it's hard to grab the attention of the local subsidiary leader if there isn't an eminent project. (BT)*

*I remember many conversations where the country heads make it clear that they would like to do more here, they would like to be more engaged with the local business ecosystem and even the society, but the pressure is on making the sales. (HBH)*

This reasoning shows that not all companies were willing to consider taking all roles presented in this study. In all the examples above, the wish for acceptance or initiative from HQ was present in some form, and subsidiary-led initiative or lobbying

were not possible or considered an option. Whether this was due to fear of looking like they are not acting in the best interest of the company as suggested by Birkinshaw, Hood and Jonsson (1998) or fear it considered culturally unaccepted as suggested by Drogendijk and Holm (2010), was left unclear in the data.

Additionally to these occasions where subsidiaries have not taken or been given a role, there are also barriers to influencing. One possible barrier to influencing arisen from the data is a lack of influencing competencies of the subsidiary. This challenge was identified by Amcham, who noted that most of their members agree to need help in this. Also, Business Tampere has witnessed this in their cooperation with subsidiaries.

*Other people find themselves, those for example are researchers by profile, but function as a site lead locally. They are not natural profiles for the job. It's not their strong point to fly to US and lobby. It's not their natural discipline to do that kind of hob-knobbing and lobbying and networking that's needed.  
(BT)*

As many Finnish organization arrange platforms for influencing, it cannot be stated that local environment determinism would deny the subsidiaries from taking a role. However, the data brought forward some barriers that subsidiaries have noted when attempting to influence. These notes are mainly based on discussions that Amcham has had with the subsidiaries as the lobbyist for their benefits in Finland.

The first identified barrier to influencing is the complexity of the influencing environment and lack of one door policy on who to lobby and where to gain information. This enables influencing only for those with enough resources for it, who might not be the same companies who have the best possibilities to further invest globally. This challenge of complexity was identified by both Amcham and Business Finland, however, both noted that slowly the situation is improving. It could also be added here that since the most direct lobbying opportunities are only granted based on existing influence on the country, this disregards the possibility that the companies with smaller presence in Finland might be sources of great additional investments. If we look at the platform model by Hutzschenreuter, Kleindienst and von Bieberstein (2011), it suggests that a company with an extensive presence in a

location might not be able to gain great value from additional benefits, whereas a company with only the initial platform investment or a sales office has much more value to be collected.

Secondly, according to Amcham, subsidiaries also wished for more cooperation from the Ministry, so called governmental ambassadorship. As discussed earlier, this co-operation between the government and subsidiaries in lobbying on behalf of Finland was not strongly showing from the data although theory suggested it to be common (Birkinshaw et al. 1998). However, the RDAs are active in this support work and the Ministry mentions that a Minister is at exceptional case present in FDI negotiations, when the cultural norms of the investing company require it (TEM).

*One thing that works really well in many other countries, let's say a Finnish country manager sees that there is an opportunity in Finland, he would then be able to get somebody from the Finnish government to go to the headquarters in the US or where-ever it is to talk about the opportunities. This is something that the country managers say that in Finland it just does not happen. The government is not active enough to make those trips and be the ambassadors of Finland in the HQ to make sure that they see the opportunities and they would commit to Finland. That is one thing they have been commenting a lot. (AC)*

Another clear challenge was language. Most of information especially on emerging opportunities is in Finnish. Also, some networks operate only in Finnish. According to Amcham, the foreign subsidiaries at times feel that the choice of language is an indication of that they are not wanted within those circles. This challenge stems from the liability of foreignness, but in the case of Finland might actualize only when operations are being set up, as Finland is often marketed as a country where everyone knows English.

*They said that it's very difficult for them to find the information in English that they can send to their HQ. Especially when you talk about American companies, they have no idea even where we are. They really need to have basic, updated information about Finland they can then send over to the HQ so that they know what's happening in Finland. For example, I remember when the whole "sote" started. At that time, it looked like there would have been a lot of investment opportunities for foreign companies, but there was no information whatsoever in English. So, they couldn't understand the conversation, and they couldn't send anything to their HQ. (AC)*

Third challenge identified is also related to the issue with liability of foreignness. The subsidiaries comment on the one-sided image of foreign companies that the Finnish decision-makers, public and media has and the negative attitude towards foreign subsidiaries. Amcham (AC; Amcham2 2020) also notes that the foreign subsidiaries have a huge impact on the Finnish economy, being responsible for 27,5% of all R&D expenditure in Finland and employing 266,000 people.

*Something that we deal with a lot is that many of the foreign affiliates feel that they are not appreciated enough in Finland. --- There are many of these positive stories that we feel are not being told enough and they feel it as well. They often say about the regional media as well that when you move away from Helsinki, almost always the stories are very negative. That affects the enthusiasm to invest in Finland. (AC)*

Although these barriers might not stop the subsidiaries from influencing in some role presented above, they work as a hindrance. Overcoming these barriers again requires resources, be that time, skills, financials or mandate, that some subsidiaries might not have.

## **6.2 Factors that subsidiaries influence**

Besides influencing the decision-making, the subsidiaries have also another form of influencing at hand: influencing the FDI decision-making factors. This chapter reviews what kind of subsequent FDI decision-making factors the subsidiaries aim to influence in Finland, thus answering the third research question: *What kind of things subsidiaries attempt to influence to improve the investability of the country?*

As the chapter also shortly reviews how these factors are influenced, some complementing answers are also provided to the second research question: *How do the host country subsidiaries attempt to influence the subsequent FDI decision-making?*

In addition to interview data, also Finland as a Business location barometer (Amcham 2019) and a summary of Amcham Finland's Country Manager Network discussions (Amcham 2020) are utilized as sources of information on what factors foreign subsidiaries seek to influence by lobbying through surveys and in events. It

should also be noted that mere mediation of information of these factors to the headquarters was not interpreted as influencing the factor itself.

The data showed that the subsidiaries influence a variety of subjects that could all be thematized under one of the location choice factors identified for the framework for this study (Table 1). Hence, no additional factors were created. However, based on the data of this study, subsidiaries did not influence all the FDI factors that were listed on the framework. See Appendix 2 for an overview of the data points reflecting the influence subsidiaries have on these factors. Next, the data concerning these factors is shortly reviewed under the three levels: Destination-Location, Parent Firm and Firm-Location. The theoretical sub-category is indicated before the factors belonging to the group of factors in question.

### **6.2.1 Destination-Location**

The next factors belong under the theories of Pure Economic Factors.

**Demand:** Demand can be seen to be included in the basic mandate that the subsidiaries are concerned with. Especially Helsinki Business Hub noted that fulfilling the sales, i.e. the main expectation of the sales office consumes most of the country managers' time and effort (HBH). The demand is a prerequisite for further investments at least as a prove that the subsidiary has been able to fulfill its basic mandate and is therefore worthy on taking more responsibility. However, at times it seemed to consume the time of the subsidiaries to an extent that further influencing is not possible.

**Tax rates:** All interviewees mentioned taxes as one factor that the subsidiaries lobby on. Lobbying happens through lobbying entities such as Amcham and their events and surveys that are taken forward to the Ministry. For example, in Amcham's (2019) barometer with 141 foreign affiliates in Finland, labor tax was the number one weakness of the Finnish business environment with also decreased income taxation mentioned as things the next government should look into. Also lowering electricity taxes to the minimum level set by the EU was raised by subsidiaries at an Amcham event with political decision-makers present (AC). In

addition to pre-investment lobbying, both Business Finland (BF) and the Ministry (TEM) noted that tax reliefs are among the topics discussed during FDI negotiations with the companies.

**Wages:** Labor costs and salary flexibility were mentioned as two out of three of the main weaknesses of the Finnish business environment in the Finland as a business location barometer (Amcham 2019), suggesting that subsidiaries lobby to make them more favorable at least by expressing their opinions through Amcham as a partner for lobbying.

**Physical infrastructure:** No indication towards physical infrastructure were mentioned in the data, but related to infrastructure, digitalization was among the factors lobbied for. Virtualization of work and digitalization were mentioned in the Amcham Finland's Country Manager Network discussions (Amcham 2020) in two lights: Firstly, as a concern over the stability of their sales office work in Finland at times of digitalization following and urge to take action to save these operations. Secondly, as a push towards municipalities to continue investing in digital solutions despite COVID-19. This suggests that subsidiaries lobby on factors related to infrastructure at least in partner-organized lobbying events.

**Human capital:** Influencing activities towards human capital related factors were identified by Amcham, the Ministry, Business Tampere and Helsinki Business Hub. Major influence on the factor were activities bringing forth the challenges with availability of talent. Subsidiaries had discussed these issues in the FDI advisory boards as well as with the RDAs and raised the issue in Amcham events (TEM, BT, Amcham 2020). Those lobbying efforts have sparked projects to attract more talented employees to Finland. These efforts have been carried out by support organizations, such as Business Finland, RDAs and universities. Another way in which the subsidiaries have influenced human capital is through university programs, where they can interact with students in fields meaningful for the company to cultivate (HBH).

**Exchange rate effects, Trade protection and Trade effects** were not mentioned in this data. One possible explanation for the fact that exchange rate effects and trade protection factors were not influenced based on the data sample is that in the case of Finland, these factors are mostly determined outside Finland. The Finnish subsidiaries might feel that EU-level lobbying is above their influence or in large MNEs, it might be centralized to a particular part of the company in a market that has more influence over EU decision-making. When it comes to trade effects, it might be that it does not play that big of a role as most foreign companies are not that interested in Finland due to additional sales and the market demand, but for the possibilities in manufacturing as well as research & development (Amcham 2019, 9).

The next factors belong under the theories of Institutions.

**Governance/Institutions:** The subsidiaries' efforts to influence Finnish institutions focused on university collaboration and the activities of the Government. Business Tampere noted that subsidiaries collaborated with the universities in research projects thus making the region stronger. In addition to FDI advisory board, where the subsidiaries lobbied the government on different factors directly, the subsidiaries raised concerns on through events and discussions organized by Amcham. These concerns include the lack of governmental ambassadorship in supporting subsidiaries in attracting new investments (AC), speed of public-sector decision-making, public finances on both national and municipality level after COVID-19 and their effects on the operational environment, the governmental decision-makers' lack of understanding of the role and relevance of foreign subsidiaries for Finland. (Amcham 2020)

Related to governance is also the regulatory environment that is one of the main factors that subsidiaries seek the influence in Finland. This was noted by Helsinki Business Hub, Business Finland as well as Amcham. These factors are influenced through the ways that subsidiaries have at use when they take the role of pre-investment lobbyist, such as direct discussions with the Ministry and through voicing their opinions at events and surveys of organizations that lobby for them. On the top

of the list are immigration policy (Amcham 2019) and employment laws, including increased contractual flexibility of working hours and lay-off policies (BF, Amcham 2019). According to Amcham (AC), labor market inflexibility is the biggest hindrance for foreign companies in investing into Finland.

The next factors belong under the theories of Intra-Industry agglomeration and industrial clusters.

**Industrial cluster:** Subsidiaries had the most influence on the clusters through their activities in the role of External marketer. Business Tampere identified that subsidiaries connect the RDAs with prospective investing companies, and most contacts are made within the same industry as the subsidiary in Finland operates. Also, Helsinki Business Hub noted that subsidiaries act as peer to peer recommenders and give guidance into the region (HBH). It could also be argued that by activities developing the industry regionally through, for example, university collaboration and participation in industry networks in part positively influences this industrial clustering. All interviewees mentioned that subsidiaries seek to be a part of these industry networks. Business Tampere gave an example of their industry network, in which the subsidiaries meet other companies working in the same industry and discuss collaboration possibilities, initiation of new proof of concepts and look into opportunities to get those funded. This activity has grown into a branded community that its members promote also internationally, thus possibly attracting new companies into the same industry cluster. (BT)

The next factors belong under the theories of Inter-Industry agglomeration and global cities.

**Cross-industry agglomeration + Foreign firms:** These two factors are presented together as the ways in which the subsidiaries influence them is by and large the same. As with the industry cluster, the main influence for this factor is done by subsidiaries that take the External marketer role. Subsidiaries create connections between RDAs and prospective foreign companies that might be interested in investing into Finland (BT) as well as give peer-to-peer recommendations to

companies already looking into Finland (HBH). In a way, they both initiate and sponsor the investment of the other company. Both Helsinki Business Hub and Business Tampere note that these recommendations happen mostly intra-industry, but also between companies in other industries. One might also argue that since the subsidiaries support each other in gaining new investments through networking, discussions and peer-to-peer teaching cross-industry (AC), it supports having more operations from foreign companies in multiple industries in Finland.

Subsidiaries have also hinted towards wanting to see their partners and customers investing into Finland. In this case, their role is minimal as they only tip the RDA to try and attract those companies to Finland without having their name revealed in the process. Business Tampere noted that a company has landed in the region, with the process starting through a hint from another foreign subsidiary. (BT)

Most of the activities subsidiaries do when externally marketing are focused on other foreign companies. With this data, it cannot be analyzed whether this would be due to them expecting more spillovers from foreign companies as suggested by Crespo and Fontoura (2006) rather than their existing networks and ability to help Finnish support organizations in their efforts.

**Home country firms:** Business Tampere explains that the subsidiaries in Finland also introduce them to companies from their home country, thus influencing the process of more companies from the same home country investing in Finland (BT). The subsidiaries also network with other companies from the same home country through Embassies, for example (HBH). However, whether or not the activities together with Embassies or, for example, country-specific chambers of commerce include attracting requires further investigation.

**Global city:** In their activities with Business Finland, subsidiaries have lobbied towards better flight connections from the remote areas in Finland not only to Helsinki but also to central Europe and globally (BF). Also, as mentioned under Cross industry Agglomeration + Foreign Firms factor, the subsidiaries have in a very limited way influenced the attraction of partners into Finland, which could be

interpreted as an attempt to influence the variety of services offered, the abundance of which is characteristic of a global city (Nielsen et al. 2017).

**Congestion cost:** Although Helsinki Business Hub mentioned costs in general as a factor that subsidiaries would like to change (HBH), there was no reference to congestion costs per se in the data. This might be due to the fact that in comparison to many other competing business locations, Finland is rather small with reasonable commute times even within the different cities in the capital region.

### 6.2.2 Parent Firm

The next factors belong under the theories of Resource-based view.

**Intangible assets:** Apart from their knowledge of Finland and the possibilities offered by Finland as a business location, there was no direct indication in the data that the subsidiaries aimed to influence the intangible assets of the parent company. However, if we extend this view to include also the competencies of the host country subsidiary this viewpoint is better suited for this study. This way, some thought can be drawn from the data. As Zaheer and Nachum (2011) state, the value of a location depends on the enterprises capacity to identify and create value from the resources of the location. Business Tampere gave an example case of a subsidiary that started to build capabilities on a whole new area of business in collaboration with the university. The subsidiary hence builds the intangible assets of the company that allow that company at the same time create new business with the resources linked into the host country. This is in line with the thought that a company with strong intangible assets are drawn to attractive locations with sufficient resources to benefit from (Nielsen et al. 2017, 67-68).

Digging deeper into intangible asset development, we see also examples in the data that align with Vahlne and Ivarsson's (2013) suggestion on the capabilities needed by globalizing companies. Several examples show the subsidiaries' activity in networking with different players in the host country as well as developing opportunities together with the IPAs (see chapter 6.1.2 on the initiator role).

**International experience:** This factor implies learning in that companies with more international experience have accumulated knowledge on the internationalization and can therefore invest in riskier locations (Nielsen et al. 2017, 68). It must be noted that there was no indication in the data that the subsidiaries sought to influence the international experience of the parent company. As investments outside Finland were ruled outside the scope of this study, this viewpoint was not thoroughly covered by the interview questions. Also, here we must extend this view to include also the learning of the subsidiary to properly adjust this factor into subsequent investments. It could be said that all the activities the subsidiary does and transfers that knowledge to the parent company build this experience.

Moreover, a couple of activities that show subsidiaries' influence in building capabilities in globalization in link to subsequent investments can be identified (Vahlne & Ivarsson 2013). Firstly, the subsidiaries wanted to learn how to sell subsequent investments to the HQ (AC). This is not direct experience of internationalization but learning about one aspect of the internationalization process from their own point of view and how they can influence the internationalization of the parent company. Secondly, Business Finland (BF) noted that in subsequent investment decisions, the companies were already quite aware of the information they needed to follow-up on the second round. This concerned especially investment/innovation subsidies and the strict rules for getting those. Here, however, the role of the subsidiary was more of a messenger than an active participant or the one who had insight into the process.

### **6.2.3 Firm-Location**

The next factors belong under the theories of Liability of Foreignness.

**Location experience & Market knowledge:** Foreign subsidiaries naturally contribute to the location experience with their basic operations and other activities, such as networking. According to Finland as a business location barometer (Amcham 2019, 10), proximity to existing company operations was the top reason for investing into Finland. The one's who's resources allow, seem to be active in cooperating with local players in gaining knowledge in emerging opportunities

following Johanson and Vahlne's (1977) process: they discuss with the RDAs (BF, HB, BT), participate in governmental forums like the FDI advisory board (TEM, BF), and become members of organizations that help them to find that info (AC). However, as seen before, some forums are not open for everyone, as they are invitation-only or the language used restricts the foreign members (BF, AC). Besides activities and operations, the subsidiaries have influenced the availability of information available in English. For example, the Finland Fact Pack, a package of information directed towards parent companies, collected by Amcham was born out of the request of the foreign subsidiaries (AC).

The key question here is whether that experience and knowledge is transmitted to the parent company or kept within the subsidiary, as Andersson and Holm (2010) discuss in their theoretical review. The data collected for this study did not reveal any power play through not revealing knowledge available at least in the acute case of subsequent investment, quite the opposite. The subsidiaries seemed to be active in cooperating in sharing information and cooperating in arranging visits with both local support organizations as well as parent companies in hopes of additional investments, if allowed by the HQ to participate. Although, the subsidiaries at times wanted to take the information collection or creation of proof of concept quite far before going to the parent company with the initiative. In conclusion, in the case of subsequent investments, the subsidiaries seem to influence the emerging of the location experience and market knowledge with their basic operations and additional activities, some also lobby for the availability of additional suitable information and actively distribute it to the headquarters.

**Networks & Market commitment & Additional value-creation potential:** As already displayed in this study, subsidiaries are active in participating in and creating networks. They were seen to take part in both external strategic linkages to acquire knowledge, such as the Amcham and industry networks, as well as relational linkages that would facilitate subsequent FDI, such as networks created by Business Finland, the Ministry and RDAs (see Chen & Chen 1998). They also participated in both formal networks created by, for example the Embassy and the FDI advisory board organized by governmental actors, but also organic clubs

forming from country heads getting together, as noted by Helsinki Business Hub. (TEM, BF, HBH).

The participation in these networks along with fulfilling their basic mandate operations can be seen as market commitment. Moreover, a thought from Business Tampere showed that some subsidiaries might intentionally aim to commit to the region, “put down as deep roots as possible”, in order to keep the company in the region. Ways of doing these were university collaboration and hiring local sub-contractors. Additionally, there was also some indication of companies searching for new platform investments, as in the example of a subsidiary building new competencies with the university explained by Business Tampere (BT). According to the Finland as a business location barometer (Amcham 2019, 8), 22% of surveyed foreign affiliates have moved operations from another country to Finland, moved investments most often including manufacturing of goods, R&D as well as leadership or management functions. This indicates that investments might include new platform investments.

**Distance:** Some frictions from cultural differences that subsidiaries aim to influence were highlighted in the data. Firstly, as mentioned before, the lack of English-language information on the location and topical opportunities had been highlighted by the subsidiaries, causing at least Amcham to take actions. Similar language-related challenges have been highlighted by the subsidiaries concerning industry groups. Some industry organizations have changed their operative language since the interest from foreign subsidiaries have become apparent. (AC) Secondly, according to Amcham, the number one thing the subsidiaries would change in terms of the investment environment is the attitude of decision-makers, media and public towards foreign companies. They are rooting for more factual discussion on the benefits and contribution of foreign subsidiaries in Finland, and are through Amcham contributing to studies, surveys, PR work and discussions on the topic. (AC, Amcham 2019)

**Regions:** There was no indication of influence on this factor in the data. It is expected that major MNEs are active lobbyists for example in the European Union,

but it cannot be said whether that is done through the Finnish subsidiary. Lobbying outside the borders of Finland did not fit the scope of data in this study. It is also likely that Finland's position in the EU is included in the information offered to headquarters when displaying Finland's location. However, that alone cannot be seen as influencing this factor.

**Offshoring:** One common situation-specific factor was identified: subsidiaries were keen to influence the subsidies offered on specific occasions. This was identified by Business Finland, the Ministry and raised in Amcham's Country Manager Network discussions. With Business Finland, the influence was included in the information collection where they wished to have all information possible in order to secure a positive decision. For the Ministry, the subsidies were discussed during the investment negotiations. In both these cases, the lead was with the parent company. Thirdly, the subsidiaries lobby for the improvement of R&D incentives in their events. At the time of the study, subsidiaries had concluded in their discussions that following COVID-19, R&D incentives are a way to show the recognition for the importance of innovation and play a big role when their parent companies decide on where to invest after pandemic (Amcham 2020).

**Foreign employees:** One interesting thought was raised by Business Tampere that fits the factor of foreign employees. Unlike Luo, Luo and Liu (2008) suggest, Business Tampere highlights that the foreign subsidiaries in the region are filled with people from the area. They have seen a case where the subsidiary lead is very motivated to keep the company in Finland to maintain jobs for these people with whom they have close relationships with. (BT) The data of this study does not take into account the portion of foreign employees, but it gives basis to not close out the possibility that having many locals working for the company could also function as a push factor to at least maintain the subsidiary in the region if not extend its operations.

To conclude this chapter, it is good to note that although some factors did not reveal themselves in this data, it does not mean that subsidiaries are not influencing them on forums this data does not cover. As noted, the playing field of Finnish influencing

includes several parties both national and regional and all discussions are not done on public forums, so the extent of factors influenced is likely to be a vast one. This study seeks not to provide an exhaustive list of factors influenced, but to show how foreign subsidiaries in Finland aim to influence not only the subsequent FDI decision-making, but also the factor behind those decisions and, in the limits of this study, reveal some of those factors influenced.

### **6.3 Evaluating the theoretical framework for subsidiary role in subsequent FDI decisions**

This study surfaced some new understanding on the role of host country subsidiaries in attracting subsequent investments. Therefore, a look back to the theoretical framework is in place. At the end, the framework is complemented and modified based on the information gained in this study as suitable for a research following an abductive approach.

Following the strategic decision-making model by Ghertman (1988), subsidiaries can take the role of an *initiator* by introducing the idea of an investment to the parent company or a *sponsor* by promoting a decision in favor to them towards the decision-maker. Both these roles were identified from the data of this study and alike in Ghertman's study, no decision-making role was granted for the subsidiary. However, the roles of the subsidiary were not limited to these two. As the logic of abduction allows, the framework is complemented with the following emerging knowledge. Subsidiaries also start influencing already before there is an idea of an investments through lobbying the prerequisites of the Finnish business environment to better attract foreign investments. This role was named *pre-investment lobbyist*. Moreover, the decision-making influencing role of the host country subsidiary is not limited within its organizational boundaries, as they can also take the role of an *external marketer*. In this role, they help IPAs by introducing the idea of their host country as an investment location to new prospective companies, discuss with companies already in the process of looking into Finland and become the face of the host location by agreeing to be presented in marketing materials. The study also confirmed Brauer's (2006) finding but in the space of further FDI: that at times, the subsidiary might not have a role at all. Therefore, the many roles of a subsidiary in

subsequent FDI decision-making include: no role, pre-investment lobbyist, initiator, sponsor and external marketer. The roles are explained in more detail in chapter 6.1.

This study also aligned with the theoretical framework in that the influencing can be directed to either decision-making or factors affecting decision-making. However, this study offered a look behind the curtain to see in more detail how this influencing happens. As Johanson and Vahlne (1977) suggest, the current activities of the subsidiary affect factors considered to be meaningful in the decision-making. Those activities can, however, be targeted towards attracting subsequent investments and therefore outside the basic activities and mandate of the company. Those activities are vast in ways and forms but can be generously put described as follows: fulfilling given mandate, networking, lobbying, marketing & creating connections, competence building and cooperation with local organizations. A more detailed description is given in chapter 6.2. This knowledge complements the prior framework with this more detailed listing of activities.

When it comes to ways in which the subsidiaries influence the decision-making, this study brought to light a more extensive array of possibilities than knowledge, even though knowledge related influencing was one of the main ways that subsidiaries had (Andersson & Holm 2010). In the pre-investment role, the influencing was directed towards institutions who had power to change the factors. Here the subsidiaries voiced out their opinions, i.e., lobbied, either directly to these institutions or through local organizations that help their members in these activities. In the initiator role, the subsidiaries either accept, jointly plan, identify or create themselves an opportunity to be presented to the HQ. Prior to introducing the idea to the HQ, they build their capabilities related initiative selling or the initiative itself and collect a conclusive package of information about Finland and the initiative. In the role of a sponsor, the subsidiaries might have done internal lobbying to get the headquarters to look at Finland upon the next suitable investment. In addition, once the decision process is on, the influence of the subsidiary is mainly based on mediation between the HQ and local organizations and information gathering, although also the HQ wanted to keep local contacts. As an external marketer, the

subsidiaries recommended Finland as a location and shared experiences about the location to their peers in other foreign companies, thereby influencing their decision-making. Concluding the ways of influencing, it is not solely sharing knowledge on the factors that influence decision-making, but a more proactive approach with a set of above-mentioned activities.

Finally, a look into what kind of things subsidiaries attempt to influence to improve the so called “investability” of the country revealed that subsidiaries influenced or attempted to influence some factors in all levels (Destination-Location, Parent Firm and Firm-locations) and all theory categories (Pure Economic Factors, Institutions, Intra-Industry agglomeration and industrial clusters, Inter-Industry agglomeration and global cities, Resource-Based View, Liability of Foreignness). All subjects influenced were able to be categorized within an existing factor, and therefore, no additional factors were created. However, the following factors did not face subsidiary influence in the data sample: exchange rate effects, trade protection, trade effects, congestion cost and regions. These factors were removed from the framework, again building on the prior literature. The factors influenced are collected into Appendix 2 and explained in more detail in chapter 6.2. As these factors are highly dependent on countries, no vast generalizations can be made out of these factors. Nevertheless, it can be said in the case of Finland that subsidiaries influence at least the above-mentioned set of factors.

The roles and activities are not a full circle, but the subsidiary can pick and choose roles as they see fit in the given situation. Likewise, they can choose to influence only in limited ways and limited set of factors, depending on the resources available and surrounding situation. Based on the study, the theoretical framework for subsidiary role in subsequent FDI decisions was modified to include the emergent roles and ways of influencing. Also, the factors towards which no influencing was seen in the sample were removed from the list. The modified framework is illustrated in Figure 5. The new roles are marked with the word “new” and the a priori literature is referenced in places where they were confirmed to hold true.

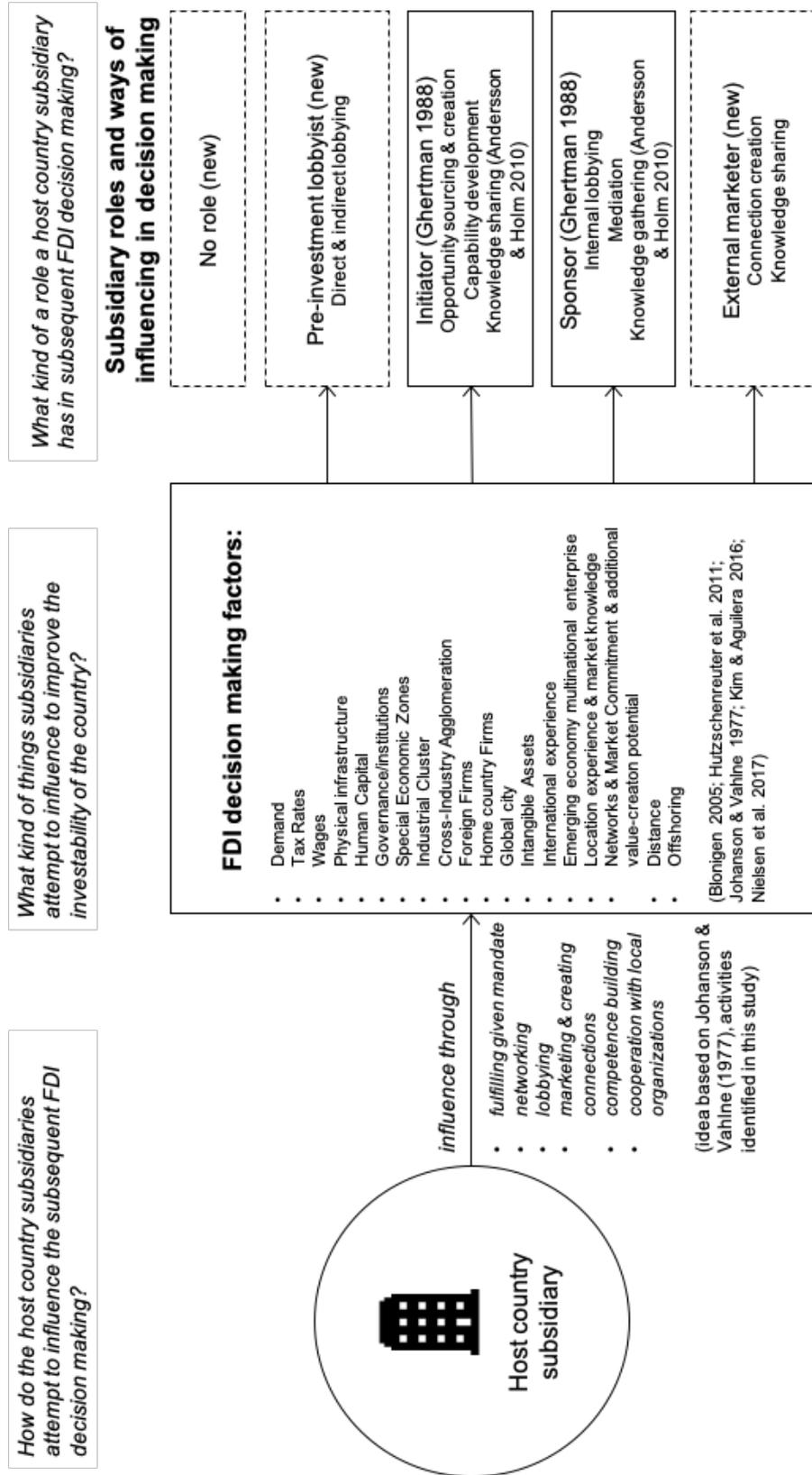


Figure 5. The theoretical framework for subsidiary role in subsequent FDI decisions modified based on this study

## 7 DISCUSSION AND CONCLUSIONS

This study set out to understand the role host country subsidiaries have in attracting subsequent foreign direct investments in the Finnish business environment. The aim was to shed light on not only to the roles the subsidiaries have in the process, but also in what ways they enact those roles and which FDI decision-making factors they influence in addition to the subsequent FDI decision-making process. This way, this thesis aims to in its part bridge a research gap in studies that would bring together these views of subsequent FDI and the role of a host country subsidiary, allowing a more comprehensive view on the phenomena. What makes the study of subsidiary role in subsequent FDI challenging, the complexity of the phenomenon: every investment is born out of a unique situation, where not only the subsidiary and the parent company, but also the many forces in the environment have their say. This study turned to host country support organizations for data in order to gain access to information-rich sources with experience with multiple foreign subsidiaries in Finland and foreign direct investments.

From early on in the research, it became evident that it is not possible to illustrate a uniform role description for subsidiaries in attracting subsequent FDI into their host country. Depending on the case, subsidiaries might have no role or act in the role of a pre-investment lobbyist, initiator, sponsor and/or external marketer. Hence, the research painted a picture of the many possibilities that subsidiaries have in influencing the factors and decision-making in these roles. The distinct theoretical framework of this study - compiled based on Johanson and Vahlne (1977), Andersson and Holm (2010), Ghertman (1988) as well as the works of many researchers in identifying FDI decision-making factors - was complemented with a more extensive set of roles, understanding of ways of influencing and narrowed in terms of factors that host country subsidiaries have the possibility to influence. This look into the phenomenon in the Finnish business environment showed that host country subsidiary influence on FDI decisions has plenty of room for learning and improvement in the business context as well as many unsought possibilities for further research.

## 7.1 Theoretical implications

Staying true to its abductive approach, this thesis verified and build on the understanding of Ghertman (1988) and Birkinshaw, Hood and Jonsson (1998) on the roles of initiator and sponsor firstly by revealing ways in which the subsidiaries enact these roles. As an initiator, subsidiaries influence the decision by sourcing or creating opportunities for further investments, building their capabilities and sharing knowledge. As sponsor, the influencing ways include internal lobbying, mediation between the parent company and local organizations and knowledge gathering. Moreover, three additional types of roles were identified. Firstly, at times companies might not have a role at all, either due to their own choice or HQ decision. Secondly subsidiaries can attempt to influence the pre-conditions of investment already beforehand in the role of a pre-investment lobbyist through either direct or indirect, i.e. support organization-led, lobbying. Thirdly, some subsidiaries choose to support the region in the roles of external marketers by building new connections and sharing knowledge to other prospective foreign companies. These results show that the role of a subsidiary should not be evaluated in the tight constraints of an internal decision-making process to reveal the extent of its influencing activities.

Furthermore, this study contributes to the general framework of internationalization by Johanson and Vahlne (1977) and the activities that subsidiaries do in order to attract subsequent investments. This study revealed that subsidiaries influence FDI decision-making factors on a wide front, and only partially in ways that can be seen to include in their basic business activities. Identified activities of influence include fulfilling given mandate, networking, lobbying, marketing & creating connections, competence building and cooperation with local organizations. This study also brought the research of FDI location decision factors (Blonigen 2005; Hutzschenreuter et al. 2011; Johanson & Vahlne 1977; Kim & Aguilera 2016; Nielsen et al. 2017) into a new context by analysing which factors the foreign subsidiaries attempt to influence to improve the investability of the country. This revealed that subsidiaries influenced or attempted to influence some factors in all levels (Destination-Location, Parent Firm and Firm-locations) and all theory categories (Pure Economic Factors, Institutions, Intra-Industry agglomeration and

industrial clusters, Inter-Industry agglomeration and global cities, Resource-Based View, Liability of Foreignness).

With the theoretical basis and results of this study a novel framework for host country subsidiary role in subsequent FDI decision-making was created. Although it is not to be directly generalized to other locations outside Finland due to the location-specific aspect of FDI decision-making nor on individual cases, it creates a basis for understanding the big picture and offers excitement for further research.

## **7.2 Managerial implications**

This thesis provides some food for thought for the business field as well. Although, at this early level of theoretical evaluation, the managerial implications should be seen as recommendations for further pondering rather than recommendations for direct actions. The managerial implications of this study can be examined from three perspectives: implications for the parent company, for the host country subsidiary and for the host country support organization.

For the parent company, the main thoughts to take away from this study would be firstly to understand the opportunities the subsidiaries have to influence especially the prerequisites of subsequent investments. The parent companies could consider the allocation of mandate and resources for pre-investment lobbying and activities influencing the FDI decision-making factors to subsidiaries in locations with the most potential for further investments. In addition, the parent company could seek to be aware of the different roles its subsidiaries take in investment decisions and how they influence the decisions in those roles and if they are in line with corporate strategic targets.

For host country subsidiaries, this thesis provides a frame for recognizing and evaluating their role as an influencer of subsequent FDI decisions: both the ways in which they might already influence these decisions intentionally or unintentionally as well as further opportunities they have to be involved in attracting subsequent investments. The main message is that subsidiaries do not need to lock themselves in one role or way of influencing but navigate the situations case by case. For those

with limited resources, an important note is that support is available. Due to the nature of data, especially help available in finding information, lobbying and building capabilities in the Finnish business environment is widely portrayed in this study. Also, here, subsidiaries have the possibility to decide case by case whether to utilize this support.

The interviewed support organization were unified in their wish to have the subsidiaries influence more on the subsequent FDI decision-making in Finland's favor. For them and the vast network of support organizations in general, this study has one main message: the organizations could cooperate in gaining understanding on the complete picture of the phenomenon and work towards enabling subsidiaries to fulfill all the roles available for them. This includes mitigating the identified boundaries for influencing. Another suggestion for further discussions is the transparency of this influencing work. With a more transparent playing field, more subsidiaries might become aware of the possibilities. It could also be evaluated whether the governmental support organizations have the resources needed to provide the aftercare services at a scale most effective and beneficial for Finland's investment promotion.

### **7.3 Limitations and directions for further research**

Several limitations can be identified from this study; thus, it offers many directions for further research. The first clear limitation of this study is that the data is derived from only one side of the triangle, the support organizations: in other words, the lack of first-hand data from subsidiaries and parent companies in their experiences on the topic. Although much of influencing is done in cooperation with the support organizations as they are the ones that can make the changes in the investment location environment, it is possible, that not all possible ways of influencing and especially internal roles were able to be drawn for the sample. Moreover, as interview data is always subjective, the personal experiences, preferences and even memory of both the interviewees and the interviewer had an effect on the results. The support organizations naturally hope that their cooperation with the subsidiaries is successful and hence might evaluate the role of subsidiaries as powerful than

reality dictates. However, this study aimed to focus on the activities rather than opinions, thereby increasing the reliability of the results. In any case, it would be fruitful to conduct a similar study with subsidiary and parent company interviews. In that setting, the activities of subsidiaries that do not utilize help in their influencing could be analyzed along with why some subsidiaries might not be willing to consider taking any role available for them (i.e. no role).

The mechanism of environmental determinism seems to be quite strong in the setting of subsidiary effect on subsequent FDI attraction. From the point of view of the support organizations themselves, the activation of the subsidiary can be counted as their accomplishment. It would be interesting to study from the company point of view, how they see the influence of the support organizations in their activities in influencing the subsequent FDI decisions.

The data is collected from Finland only and hence, provides a limited generalizability to other nations. In addition, this study was limited on the national level. However, it became evident that activities are at times regionally determined and further investigation into intra-nation differences would be needed. Purposive sampling utilized in this thesis to gain accurate and comprehensive information on the topic does improve the transferability of the results to other contexts, but the generalizability of the framework for subsidiary influence in subsequent FDI decisions newly created in this thesis is limited in its current state. Overall, the framework would benefit from testing with different data, environment and context to create broader documentation of the issues at hand. Suggested data includes qualitative data derived directly from subsidiaries and parent companies as well as quantitative data types and schedule of subsequent investments in relation to the initial investment, as well as a combination of both.

Another point of view that was limited outside this study but yet highlighted many times in the data was the personal characteristics and motivations of the host country subsidiary lead. The sample allowed us to dive into the questions of *what* and *how* regarding the role of the subsidiaries in subsequent FDI but did not allow us an access to the *why*. Based on the implications seen in this research, continuing

the studies on this path could reveal many interesting insights into which companies choose to take an active role in influencing, why they take the roles they do and based on what the subsidiaries choose which ways of influencing they utilize, if any. Continuing on this line of thought, it could also be examined which roles and ways of influencing are the most powerful leading to positive investment decisions. This study focused on the possible role through distinct and partial examples of the activities before and during decision making; next, cases with the full chain could be examined following a single case throughout the framework starting from current activities immediately after landing the first investment and continuing all the way to a decision on the subsequent foreign direct investment.

Finally, this study is the first found to integrate subsidiary role and FDI decision-making factors together in an attempt to conclude the full spectrum of host country subsidiary roles and influence on subsequent FDI decision-making. Therefore, the mere basis of this study is open to further examination in the sense that there might be other ways to approach this phenomenon and build a framework for it. More potential features, roles and factors can be highly relevant in when describing the phenomenon.

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## APPENDICES

### Appendix 1. Interview questions for support organizations

Theme	Question	Main references
Background	1. What kind of interaction does your organization have with foreign subsidiaries in Finland?	
	2. How many foreign subsidiaries has your organization worked with?	
	3. What has your role been in those activities?	
Subsidiary role	4. Based on your experience, what kind of a role do subsidiaries have in subsequent investments?	Ghertman (1988)
	5. Have you seen or supported subsidiaries in initiating new investment opportunities to HQ?	Ghertman (1988)
	6. Have you supported subsidiaries in making Finland the location of choice for an HQ-initiated investment?	Ghertman (1988)
	7. Have you witnessed FDIs where the subsidiary would have had the final say in the decision?	Ghertman (1988)
	8. Have you assisted foreign HQs with subsequent FDI decision-making into Finland without subsidiary knowledge or involvement?	Brauer (2006)
	9. Have you approached foreign subsidiaries who have refused to take part in attracting subsequent investments? What have they given as reasoning?	Birkinshaw, Hood & Jonsson (1998)
FDI decision-making factors & current activities	10. What kind things subsidiaries attempt to influence in the Finnish economic environment to make it a more attractive location for foreign direct investment?	Blonigen (2005); Nielsen et al. (2017); Kim & Aguilera (2016)
	11. How do they aim to influence those things?	Johansson & Vahlne (1977)
	12. Have the subsidiaries participated in activities aiming to attract more other foreign companies to Finland?	Nielsen et al. (2017); Kim & Aguilera (2016)
	13. If yes, have those activities been targeted to companies in general or from the host country of the subsidiary?	Nielsen et al. (2017); Blonigen (2005)
	14. If yes, has the industry played a role?	Nielsen et al. (2017); Kim & Aguilera (2016)
	15. What kind of networks have foreign subsidiaries been interested in creating or participating in Finland?	Kim & Aguilera (2016); Chen & Chen (1998); Chetty & Blankenburg Holm (2000)
Information	16. What kind of information about Finland have subsidiaries requested to support the decision-making in FDI initiatives?	Andersson & Holm (2010)
	17. Have you noted any differences in the information needs depending whether the subsidiary is initiating an investment or competing for Finland to become the location of choice for a HQ initiated investment?	Andersson & Holm (2010)

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To end           + Do you have anything else that you would like to mention related to the topic?

                      + Is there someone else you think we should interview for this study?

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## Appendix 2. Data examples explaining results for the location choice factors subsidiaries influence

Level	Location Choice Factors	Representative interview quote examples
Destination Location	<b>Demand</b>	<i>My experience is that especially those organizations where the primary function of that subsidiary is sales, it's a sales office, quite clearly was the case that that's actually the main expectation from that subsidiary is to meet the numbers in doing the sales. That consumes most of the country managers focus and time, so it is not in their job description to actually look for these kind of investment opportunities. (HBH)</i>
	<b>Tax rates</b>	<i>Or if there is a need to elaborate some more than normal, legislation or taxation discussions, then sometimes also Business Finland experts would ask Ministry to take part in the negotiations to give more weight to the message. (TEM)</i>
	<b>Wages</b>	<i>That's something that they comment on constantly. The private tax and the salary flexibility in general. (AC)</i>
	<b>Physical Infrastructure</b>	See Amcham 2020
	<b>Human Capital</b>	<i>I hear comments from some of the site leads that they are maybe frustrated with some taxing policies, they might be frustrated with the lack of talent in some areas, that's another thing that we are working on with this triple helix model with the university, the companies and ourselves. We have had some success there in addressing that talent problem. But it's an ongoing thing. (BT)</i>  <i>An initiative that comes to mind, providing these different platforms or initiatives that we can bridge these companies with the academia in Finland. Connect them with the certain influencers and programs in Aalto university or university of Helsinki. There they can have deeper engagement with the students they can in their own part influence the students and the workforce. (HBH)</i>
	<b>Exchange rate effects</b>	No indication of influence on this factor in the data of this study.
	<b>Trade protection</b>	No indication of influence on this factor in the data of this study.
	<b>Trade effects</b>	No indication of influence on this factor in the data of this study.
	<b>Governance/ Institutions</b>	<i>This triple helix cooperation between us as a government or regional body, university is the other part of the three and the companies. This triple helix cooperation, really does the region stronger and thus secure the business for the future. (BT)</i>  <i>This is something that the country managers say that in Finland it just does not happen. The government is not active enough to make those trips and be the ambassadors of Finland in the HQ to make sure that they see the opportunities and they would commit to Finland. That is one thing they have been commenting a lot. (AC)</i>  <i>Since this COVID-19, we have been quite surprised that even though they have a lot of challenges, the supply chains etcetera, but it is still exactly the same things they would like to change: the labor market inflexibility is the biggest challenge for them in investing into Finland. (AC)</i>

	<b>Industrial Cluster</b>	<p><i>Those that are born abroad are connecting us with people and companies from their home country, but by and large is people introducing us to other people in the same industry. (BT)</i></p> <p><i>We are meeting twice a year to keep everybody networked and see if we can get some new POCs going. Look into opportunities to get funding for projects and so on. And the later the international aspect began to grow. Be built the branding of Tampere emerging ecosystem. We have a logo. We now have a LinkedIn group, website and this community now has all this media they can use when they are promoting this abroad. (BT)</i></p>
	<b>Cross-Industry Agglomeration</b>	<p><i>There is also a case where a subsidiary might want to see a partner of their come in, or a customer. We have worked with certain clients where they have said that we wouldn't mind if this company came as well, go talk to them. We landed a company here, they were really happy. We had chat about who would be partners that are not here already but they would like to see here, and they gave us a list of names and we went after those names. We were successful in engaging one of them and we are still talking to them. That where a subsidiary is not helping you win a case in their own company but they are tipping you on a another company that would have a compelling reason to talk to. They didn't want to complicate the relationship, so they just gave the tip. (BT)</i></p>
	<b>Foreign Firms</b>	<p><i>That person, I'm thinking of one in particular even though there is a few, is very respected within their industry. When he goes to a trade show abroad and someone from another international company he knows, approaches him and says "hey I heard there is this great ecosystem in Tampere tell me more", he basically is our marketing person selling Tampere region for us. The next step then if that person is interested in hearing more and examining the opportunity to set up an RnD site here, then the head of site of the subsidiary here introduces me to a completely new lead. And I have a new FDI lead in my sales funnel. And actually, that's happened a few times. Some of them we have landed already (BT)</i></p> <p><i>There have been conversations where there is an existing company here in a certain industry, and I have a foreign company looking at Finland coming here. And the foreign company, kind of to strengthen the message given to them and being able to provide first-hand experience from a peer company, I have made those introductions between those companies. The local company here has been quite helpful and open minded in talking with the company that's looking at Finland. (HBH)</i></p>
	<b>Home country Firms</b>	<p><i>Those that are born abroad are connecting us with people and companies from their home country, but by and large is people introducing us to other people in the same industry. (BT)</i></p>
	<b>Global City</b>	<p><i>The flight connections between the more remote areas in Finland to Helsinki and central Europe and anywhere in the world. Like connection to Joensuu is one example that has come up in the wish list so to say. (BF)</i></p>
	<b>Congestion cost</b>	<p>No direct indication of influence on this factor in the data of this study.</p>
Parent Firm	<b>Intangible Assets</b>	<p><i>So we managed to get that proof of concept project going and it's been led by the local international company and two other companies and the university. So the idea is that if we can get this POC going, we can go to the headquarters with this project saying this is a whole new area of business that we have competences to do in Tampere, we want a new project. (BT)</i></p>

	<b>International experience</b>	<p><i>That is something where the Country Manager Network has helped extremely well. That's where they really want to learn from each other how the other managers have been able to do it. For example, the one we will organize in the autumn will have Google CEO and Medtronic CEO talking about how they got the investments to Finland. That is an extremely popular topic. It is nice to witness that they are able and ready to share these stories. (AC)</i></p> <p><i>To my experience, the information they need is to follow up the information they received in the first investment case. Because that has typically been some of the important things that have influenced their decision-making. So in the second investment they typically want to dig deeper into that. It's typically the investment aid, going more into details, what are the requirements, what needs to be there in order to get the investment aid positive decision on that. They want a very indebt understanding. (BF)</i></p>
Firm-Location	<b>Location experience &amp; market knowledge</b>	<p><i>They [FDI advisory boards] are once a year usually, where the theme of the meetings is to discuss and make sure that if there are some subjects that concern the companies there's a forum to discuss about them together with the governmental organizations and also where Business Finland and the Ministry can inform about the current situation or some future plans, maybe some changes which are being planned, like a forum to bring up relevant or current themes for discussion. (TEM)</i></p> <p><i>The Finland Fact Pack came straight from the country managers. They said that it's very difficult for them to find the information in English that they can send to their HQ. (AC)</i></p> <p><i>I know it [subsidiaries sponsoring a HQ-led investment] happens as occasionally we get these emails saying can you send us some Tampere slides quick; I have got someone coming from headquarters. (BT)</i></p>
	<b>Networks &amp; Market commitment &amp; additional value-creation potential</b>	<p><i>Amcham organizes seminars and receptions in collaboration with Amcham and BF (Finpro). Many RDAs organize morning coffees and seminars and some kind of evening activities. Hold speeches, tell about new things. They also try very hard to make these foreign subsidiaries to know each other and build a network, so they are like a group together helping each other. Getting established in the local environment, helping to find connections. Non-official way, people share a lot of information. (BF)</i></p> <p><i>I have seen clubs forming from country heads getting together, they could be competing companies, but they come together and exchange ideas and thoughts and they possibly exchange similar types of frustrations. There they try to collectively find solutions that they see that if there are changes to those they would all benefit from. (HBH)</i></p> <p><i>If I'm talking about pharma and regulation, all of them face the same headaches. They are competitors, but there are these kind of industry clubs and forums, and platforms that happen and it's industries or countries or a particular agenda that brings them together. Or it could be organizations such as Helsinki Business Hub that brings a mix of foreign-owned companies together in various events. (HBH)</i></p> <p><i>Our subsidiaries are filled with people from our region. And I have described how close those relationships are and so on. But that person is motivated to keep their employer on the region as well, and what they tend to do is put down as deep roots as possible. That will mean university collaboration, and most of the companies we have helped land here have signed some research contracts with the university. Putting down roots may also mean hiring local sub-contractors, and outsourcing to certain specialists. (BT)</i></p>

<b>Distance</b>	<p><i>But there's a challenge in these industry groups, for example Elintarvikeliitto, there are these organizations that the country managers would like to be a part of, but they don't operate in English. And they feel of course that the reason that they don't operate in English is that they don't want them there. That is something if you look at for example Lääketeollisuus, that has changed its way years ago and now everything is in English and you do have the county managers of the influential country managers sitting at the table. (AC)</i></p> <p><i>I think the first thing they would change in terms of the investment environment is the attitude. It is changing slowly but there is still a lot to do. (AC)</i></p>
<b>Regions</b>	<p>No indication of influence on this factor in the data of this study.</p>
<b>Offshoring</b>	<p><i>Also, tax reliefs, investment supports that type of things is what is of interest to them. (BF)</i></p> <p><i>It's typically the investment aid, going more into details, what are the requirements, what needs to be there in order to get the investment aid positive decision on that. They want a very indebt understanding. (BF)</i></p>
<b>Foreign employees</b>	<p><i>Our subsidiaries are filled with people from our region. And I have described how close those relationships are and so on. But that person is motivated to keep their employer on the region as well, and what they tend to do is put down as deep roots as possible. That will mean university collaboration, and most of the companies we have helped land here have signed some research contracts with the university. Putting down roots may also mean hiring local sub-contractors and outsourcing to certain specialists. (BT)</i></p>

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