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FACTORS INFLUENCING DECISION MAKING IN RESPECT OF FDI IN THE AUTOMOTIVE INDUSTRY

DOCTORAL THESIS

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ANNOTATION

Foreign direct investments have been grown and accelerated over the last decades due to the ongoing globalization process. This determines that companies and their managers have to make decisions in respect to FDI. Macro-economic factors increase their importance when companies go international. The macro-economic framework cannot be directly influenced by the managers and this forces them to adapt and fit to the given circumstances. During such complex processes also intervening factors may attract or distract FDI decisions. The study underlines the perception of the investors' point of view. The research was conducted on the specific characteristics of German and Austrian automotive industry. The aim of this thesis is to develop a model to investigate the impact of macro-economic and intervening factors on FDI decision-making process.

Key words: *Internationalization, FDI, Macro-Economic Factors, FDI Incentive Schemes*

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List of Abbreviations

AVE…….……...Average Variance Extracted

FDI…….……Foreign Direct Investment

GDP……...…….……..Gross Domestic Product

GNP…….…….……..Gross National Product

GWP……..…….Gross World Product

IJV……..…….…….……International Joint Ventures

JV…….…….…..Joint Venture

ME…….……..…….…Macro-Economic

MNC……..…….…….….Multi National Company

MNE…….…….……..Multi National Enterprise

OECD……Organisation for Economic Co-Operation and Development

OLI.....Ownership, Localisation, Internalisation

PLS.....Partial Least Squared

SEM.....Structural Equation Model

SPSS….……Superior Performing Software System (Program used for Statistical Analysis)

USP…….……...…...……Unique Selling Proposition

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INTRODUCTION

Actuality of the Topic

Expansion of companies to conquer and enter new markets has become more common over the last decades. Globalization is a term which is used frequently in many economic contexts. Industries, such as the automotive industry, as this is the selected target branch of this thesis, have business activities all over the world. Reasons therefore are numerous and for instance can be to serve new markets, covering upcoming demand, to use resources (raw materials), to reduce transportation costs, to stay at customer's site, etc. In such processes, companies are forced with many different influence factors. These factors can occur from the company's structure, strategic goals and visions (internal factors), these are the so called micro-economic factors. But also the environment of the company plays a very important role, when entering new markets, new countries or unknown territories. These factors are defined as macro-economic factors and may influence FDI motives and the related decision-making processes.

This scientific research work focuses on the macro-level of influence factors and analyses the importance and power of impact of these factors on the decision-making process of foreign direct investment (FDI). As an additional upcoming trend in terms of FDI attraction are incentive schemes. This method, used by governmental or public institutions, is an effective instrument to attract FDI inflows for certain areas, where countries want to accelerate economic growth, want to get access to new technologies, attract global players. Countries, which have and use policies to attract more FDI have the power to enhance their economic growth. This dimension has been also included into the present thesis due to its actuality. The fast changing environmental conditions of companies influencing the daily business activities have effects on the long-term perspectives as well. Business entities have to handle these changes and have to be aware of them. One of the big impacts in terms of globalization and internationalization is the intensification of competitive situations due to better global connection and transparency by modern media and better transportation. The so called *global competition* forces the companies to be innovative, to be up-to-date, to understand the customers' needs and to serve the right markets with the right goods at the right time.

Even if it is the strategic goal of a company to enter new markets, new countries, to gain more market shares or to serve new customers, the complexity of external influence factors has become a difficult problem for the decision makers.

Research Object:	FDI decision making process in the German and Austrian Automotive Industry.
Research Subject:	Impact of macro-economic factors on FDI motives.
Aim of the Thesis:	The aim of this thesis is to develop a model to investigate the impact of macro-economic factors on FDI motives and decision-making from the perspective of investors in respect to potential intervening factors.

Tasks of the Thesis

In respect to the aim of the thesis the following **specific tasks** have been conducted:

1. To perform an extensive literature review of theories of FDI motives in B2B business in relation to macro-economic impact factors in order to identify gaps which may require further investigations on theoretical models and empirical measures.
2. To develop a postulated causal model to analyze the impact of macro-economic and intervening factors on FDI motives and FDI decision-making process to be able to delimitate them from each other.
3. To develop and design an appropriate operational measurement construct to be able to study the conceptions of FDI decision makers during expansion process of MNCs. To gather data of the impact potential of macro-economic factors on the empirical level.
4. To perform a survey which does not rely on single positions per company, but instead identifies, through functional analysis, several different decision making members in relation to FDI decisions in MNCs, which reflects a multi-personality perception and represents a predominantly realistic view.
5. To study motives of FDI decisions in order to further investigate environmental complexity and the reasons of such complex ventures which need to be interpreted within the framework requirements.
6. To operationalize the compiled variables in the construct that constitutes the basis for a strong causal model.
7. To perform descriptive and PLS-SEM analysis by assessing construct validity and quality. To investigate the results of the empirical tests, describing the impact factors and loadings of the latent variables and to derive conclusions and create suggestions for future management science investigations.
8. In order to bring more depth and content into the research work, to answer the specific research questions and to derive conclusions as well as specific suggestions for certain target groups.

Propositions to Defend (Research Questions)

RQ_{Base}: How important are different macro-economic factors for FDI motives in the automotive industry?

The base research question should deliver answers about the degree of importance of macro-economic factors on FDI intentions and motives in the automotive industry. Three different sub-groups of macro-economic factors allow a more detailed view on the potential power of them to impact FDI decisions.

RQ_1: Which macro-economic factors have the strongest influence on FDI motives in the German and Austrian automotive industry?

The RQ_1 raises the question of the macro-economic factors having the strongest influence on FDI decisions. This is going to be analyzed as a direct impact on FDI motives. Many countries establish and offer incentive schemes to foreign investors to attract specific industries which may influence the macro-economic impact on FDI decisions.

Another impacting variable is the risk and uncertainty factor. This implies, that if target countries (e.g. emerging markets) hold unforeseeable risks for the investors, they may hinder them to enter these markets. This leads to the following research question RQ_2 and RQ_3:

RQ_2: How do FDI incentive schemes impact the macro-economic factors?

RQ_3: How do the macro-economic factors impact uncertainty/risk and what influence does this have on FDI motives?

Hypothesis of the Promotional Work

Derived from the research questions RQ_{Base}, RQ_1 - RQ_3, following assumptions have been made by the author:

Base Hypothesis:

***H_0*: There is no significant impact of macro-economic factors and intervening factors FDI incentive schemes and risk/uncertainty on FDI motives of German and Austrian Automotive companies.**

The base hypothesis H_0 should provide a holistic novel view on macro-economic perspectives and their impact on FDI motives. It assumes that besides the well-studied micro-economic impact factors (Porter, 2008, p. 37; Kreutzer, 2006, p. 42; Ansoff, 1965), the macro-economic level as well as FDI incentive schemes and risk/uncertainty factors have no significant impact on FDI decisions. The macro-economic level has been divided into three main groups of

factors according to Griffin and Pustay's (2007, p. 169) model: demand factor, supply factor and public and governmental factor. To answer the base hypothesis H_0, seven sub-hypotheses (SH_1 – SH_7) have been derived to provide a new and holistic view of macro-economic influence factors to FDI intentions (Wagner et al., 2016, p. 133) including potential intervening variables FDI incentive schemes and risk/uncertainty factors. The aim is to find out the strongest influence factors and potential relationships. After testing the relationships, the results will be analyzed and interpretations will be worked out as well as conclusions derived.

Novelty

- A new causal model has been developed with focus on different macro-economic levels and foreign direct investment motives from the perspective of investors.
- The present work is the first study that introduces the impact of macro-economic factors on negatively related intervening factors risk and uncertainties during the FDI decision-making processes. This has not been addressed earlier in a similar way in respect to the research of specific impact on FDI.
- The author is the first researcher identifying the potential impact of FDI incentive schemes on a three-dimensional level of macro-economic factors (expected market volume, production factors, public and governmental conditions).
- The key contribution to management science is the holistic fine graining of potential impact environment of macro-economic factors, FDI incentive schemes and risk/uncertainties on the management FDI decision-making process.
- The author's work for the first time shows the positive impact potential of macro-economic factors on reducing risk/uncertainty during FDI decision-making process for better predictability.

Used Methods

The methods used for this dissertation were: an in-depth literature study on existing results for Foreign Direct Investment, Macro-economic factors, risks and uncertainties as well as FDI incentive schemes separately via online scientific databases or libraries. As the next step, existing research results are collected and evaluated to be able to set sub-groups of macro-economic factors. After the current state of research has been compiled, the research questions have been designed and hypothesis derived. Accordingly the causal model has been constructed as well as a semi-structured questionnaire has been elaborated and sent out to 481

potential participants for this dissertation. The requirements, stipulating, whether a person is corresponds to the requirements of this research project or not have been defined beforehand by the author.

The specifically compiled **questionnaire** is addressed to decision makers for FDI ventures. The targeted persons need to be employees or entrepreneurs within the German and Austrian automotive industry or the direct related automotive supplier industry. The persons have been targeted and reached by direct personal contacts or via company directories. All answers were performed electronically and anonymously. This research work is dependent on persons, who are specialists and have practical experience in FDI decision making. After inserting the data of 138 valid responses into the causal model, a 5-step assessment procedure according to Hair et al. (2014, p. 169) has been applied including characteristics to prove the fit of the causal model by assessing Cronbach's alpha, average variance extracted (AVE) and composite reliability (Hair et al., 2014, Nunally & Bernstein, 1994). Afterwards, the data have been analysed through a descriptive and 2-factor correlation analysis (factor loadings) including proof of significance levels. A coefficient of determination (R^2) of each variable in the construct could gain a diversified view on each variable to evaluate the hypotheses and answer the research questions. A post-survey semi-structured expert interview via a conference call added and combined personal opinions. All quantitative analyses have been performed with support of SmartPLS and SPSS statistical software.

Approbation of Results of Research *(Conferences, Publications)*

Within issuing this promotional work, the author showed and presented **peer-reviewed intermediate results** of this dissertation at different **international scientific conferences** and **publications of papers** in relation to the context of this promotional work.

Research Results presented at International Scientific Conferences

In relation to the context of this promotional work, the author has showed and presented peer-reviewed intermediate results of the research at different international scientific **conferences**:

1. Birnleitner, Helmut (2013): *"Influence of Macro-Economic Factors to the Post-Merger Integration Process of a New Foreign Entity*". International Conference on New Challenges of Economic and Business Development – 2013, University of Latvia, Latvia, May 9-11, 2013
   (Best Doctoral Presentation Award).

2. Birnleitner, Helmut (2013): *"Influence of Macro-Environmental Factors to the Process of Integrating a Foreign Business Entity"*. Management International Conference MIC 2013, University of Primorska, Koper, Slovenia; November 21-23, 2013
   (Best Doctoral Paper Award).
3. Birnleitner, Helmut (2013): *"Influence of Macro-Economic Factors to the Post-Merger Integration Process of a new foreign Entity: A Literature Excerpt and Approach of Procedural Method"*. International Business and Economics Conference: Current Approaches of Modern Management and Strategy Research – 2013, University of Applied Sciences , Kufstein; November 29-30, 2013
4. Birnleitner, Helmut (2014): *"The Influence of Macro-Environmental Factors to the Decision Process of Selecting a Country for Expansion Strategies*". International Scientific Conference on New Challenges of Economic and Business Development – 2014, University of Latvia, Latvia, May 8-10, 2014
5. Birnleitner, Helmut (2014). *"Influence of Macro-Economic Factors Related to the Expansion Process of Business Entities Managers Allocate to their Decisions in terms of Country Selection*". Eurasia Business and Economics Society EBES Conference, 14th Issue, Barcelona, Spain, October 23-25, 2014;
6. Birnleitner Helmut (2014): "*Attractiveness of Countries for Foreign Direct Investments from the Macro-Economic Perspective*". International Conference Fiatal Kutatók Szimpóziuma FIKUSZ – 2014, Obuda University Budapest, Hungary, Nov. 14, 2014
7. Birnleitner, Helmut (2015): "*Impact of macro-environmental factors to foreign direct investments and globalization processes.*" International Scientific Research Conference of Globalization to National Economies and Business; 73rd Issue; University of Latvia, Latvia; January 28, 2015
8. Birnleitner, Helmut (2017): *"Impact of Macro-Economic Factors to Foreign Direct Investment Decisions for the German and Austrian Automotive Industries."* International Scientific Research Conference of Impact of Globalization to National Economies and Business; 75th Issue; University of Latvia, Latvia; January 26, 2017
9. Birnleitner, Helmut (2018): *"Improved predictability for foreign direct investors by comprising different macro-economic levels. A new model approach."* EBES – Eurasia Business and Economics Society Conference; 25th Issue; Berlin; May 23-25, 2018
10. Birnleitner, Helmut (2018): *"Three pillars of macro-economic perspectives to enable transparent FDI processes for foreign direct investments."* Multidisciplinary Academic Conference on Economics; Issue May 2018, Management and Marketing Prague MAC-EMM; Prague, Czech Republic May 25-27, 2018

Publications related to the Promotional Work

Following peer-reviewed publications are associated with this promotional work:

1. Birnleitner, H. (2013). *Influence of Macro-Environmental Factors to the Process of Integrating a Foreign Business Entity*; Published in EconPapers Journals; MIC 14th Issue; ISBN: 978-961-266-148-9; pp. 387-400; Indexed in RePEc IDEAS Online publications; Paper presented at Management International Conference MIC 2013; University of Koper, Slovenia; URL: https://ideas.repec.org/h/mgt/micp13/387-400.html; pp. 387-400

2. Birnleitner, H. (2014). *Influence of Macro-Economic Factors Related to the Expansion Process of Business Entities Managers Allocate to their Decisions in terms of Country Selection*; In "Eurasia Business and Economics Society EBES Conference" Conference Proceedings, 14th Issue, EBES Barcelona, Spain, October 2014, Published by EBES ©2014; pp. 1.048-1.062

3. Birnleitner, H. (2014). *Attractiveness of Countries for Foreign Direct Investments from the Macro-Economic Perspective*; In FIKUSZ International Conference – Conference Proceedings; Issue 2014; Obuda University Keleti Faculty of Business and Management, Budapest, Hungary, November 2014; ISBN: 978-615-5460-28-9; pp. 29–40; Indexed in RePEc IDEAS Online publications; Paper presented at Obuda University Keleti Faculty of Business and Management, Budapest, Hungary, November 2014, URL: https://ideas.repec.org/h/pkk/sfyr14/29-40.html#download; pp. 29 – 40

4. Birnleitner, H. (2018). *Improved predictability for foreign direct investors by comprising difference macro-economic levels. A new model approach.* In "EBES Conference Proceedings Berlin – Eurasia Business and Economics Society"; Published by EBES ©2018; pp.: 156-170 and "Proceedings of the 25th Eurasia Business and Economics Sciety Conference" by Springer International Publishing AG; publication in progress

5. Birnleitner, H. (2018). *Three pillars of macro-economic perspectives to enable transparent FDI processes for foreign direct investments*; In "Multidisciplinary Academic Conference on Economics, Management and Marketing MAC-EMM" Conference Proceedings of MAC 2018 in Prague"; ISBN: 978-80-88085-19-5; pp. 78-86; Indexed in Google Books; URL:https://books.google.co.uk/books?id=671dDwAAQBAJ&printsec=frontcover&hl=de&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false; & Indexed in NKC National Library of the Czech Republic; URL: publication in progress; & Indexed in EBSCO Online Publication; URL: publication in progress

Content of Promotional Work

The promotional work has been divided into three main chapters.

Chapter 1: Theoretical Foundations to Foreign Direct Investment Decisions – A Review of Ongoing Globalization and the Macro-Economic Influence to Management Decisions.

Chapter one compiles an in-depth research review and analysis of existing empirical results of foreign direct investment investigations, definition of terms and motivations of growth, internationalization and globalization. It also compiles processes of company expansion as well as barriers, risks and influences to it. The approach of corporate strategies (Thompson, 2001, preface) of expanding MNCs as well as extracting the pros and cons of FDI and their meaning on macro-economic developments is also a core point in the first chapter. For macro-economic factors different definitions, explanations and various views of experts have been analyzed and compared.

The delimitation of macro-economic factors (Blanchard et al., 2013, p. 6) and micro-economic factors (McEachern, 2009, p. 7) has been investigated (Mussnig, 2007, p. 41) in detail to allow a clear theoretical framework limitation for this promotional work.

The literature review and theoretical foundations demonstrated a research gap in terms of macro-economic dimensions and their impact on FDI motives. In addition, potential intervening factors to attract or distract FDI inflows are also very little known and their combination with the macro-economic level brought up a new complex model in the context of FDI ventures.

Chapter 2: Theoretical Framework – Meaning of the Relationship between Macro-Economic Factors and FDI Decision-Making Process

In chapter two, a theoretical framework concept analyzes specific examples of how macro-economic factors may affect FDI decision-making process as well as the impact of FDI incentive schemes (Tavares-Lehmann et al., 2016, p. 204; OECD, 2003, p. 12; UNCTAD, 1996, p. 11) and risk/uncertainty factors (e.g. Sternad et al., 2013, p. 13; Aliber et al., 1999, p. 155; Gann, 1996, p. 175) as intervening variables. Studying the climates, which may attract or distract FDI decision-making process, is a core task of this chapter. Especially the selected industry, in this work - the automotive industry, has been analyzed in terms of how important FDI in this industry is for companies and countries. It has been elaborated, what the main and most commonly used FDI motives (Liebscher et al., 2007, p. 136; Sternad et al. 2013, p. 12;

Holmlund et al., 2007, p. 469) are from the company's internal perspective and how they are influenced by macro-economic factors.

The macro-economic variables have been investigated according to the theoretical foundations and applied in this work. They have been analyzed through different kinds of investigations and scientific research and the main parts have been derived from Griffin and Pustay (2007, p. 169) and have been divided into three macro-economic sub-groups: Demand, which represents the expected macro-economic market volume, Supply, which describes the environmental production factors, and Public and Governmental factors, which contain the legal and administrative level.

As a further important part in this promotional work, FDI incentive schemes are profiled and determined for this work and context. The empirical research of risks and uncertainties combined with FDI motives and macro-economic impact factors provides a further dimension to the model.

Chapter 3: Research Design and Methodology including Research Result Analysis and Data Interpretation

Research Design and Methodology of Evaluation of the Impact of Macro-Economic-Factors on FDI Decision-Making Process:

The third chapter compiles the research questions for this promotional work which were extracted from certain literature caps found in the intensive literature study. Another step in this chapter is the deduction of hypothesis from the research questions to create a closed causal model for further investigations. After the model has been constructed, a determination and operationalization of the dependent variable *FDI MOTIVE* has been performed. The indicators therefore were carefully extracted from existing research works. Furthermore, the determination of the independent variables DEMAND, SUPPLY and PUBLIC AND GOVERNMENTAL CONDITIONS (Griffin and Pustay, 2007, p. 169) and the intervening variables RISK/UNCERTAINTY and FDI INCENTIVE SCHEMES is made. The relationships between the latent variables are going to be designed in accordance to the research questions and deduced hypothesis as they are of interest and need to be answered in this thesis.

To evaluate and collect data about the influence of macro-economic factors including intervening factors to FDI decision-making process, a structured questionnaire has been created and distributed to experienced persons out of the focus group of employees of German and Austrian based companies from the automotive industry sector.

A structured questionnaire and interview is the most popular way in psychological research (Mitchell et al., 2010, p. 276f) in which all respondents are asked a standard list of questions in a standard order. A structured questionnaire includes the advantage to reduce bias and increases reliability. Important is to only use fixed-alternative questions. Another advantage according to Bechhofer et al. (2000, p. 75) is that they are ideal for statistical descriptions and factual matters. This structured questionnaire is based on the causal model which has been created under consideration of existing research results from different scientific researchers and adapted to author's postulated model. The questionnaire, which can be seen in the appendix 1 and 2, was done in English (appendix 1) and German (appendix 2) language to not limit the survey by language barriers and consists of 50 questions to evaluate the latent variables and gaining a complete picture of the postulated causal model.

Research Results and Findings, Data Interpretation and Deduction of the FDI Motives and their Macro-Economic Impact Factors in the Automotive Industry:

Analyzing the empirically gained research results with a descriptive analysis of the general section of the survey. To assess the structural equation model, a 5-step approach after Hair et al. (2014, p. 167ff) was going to be performed. As this model has been developed by the author, it hasn't been proofed before. The five steps brought positive results with concludes that the model fit has a good quality and the variables and its indicators have a good descriptive quality. A detailed description of each step can be reviewed in the promotional work. After this has been performed, the evaluation of the holistic postulated causal model needs to be done to furthermore assess the hypothesis. The interpretation of the research results in combination with the expert post-survey discussion finalizes the model and ends with specific suggestions as an outcome from this promotional work.

Main Literature Sources

For the definition of the theoretical framework of this thesis, the author has mainly used scientific papers from the last decade. Some profound and basic works are even older as they often built the foundations of certain theories. These works have been used accordingly in this thesis, when they have a significant impact on this work. The main research topics where literally related to FDI, macro-economic factors and the delimitation to micro-economics, potential impact factors in this context and FDI incentive schemes. The main sources hereby were models, developed by Porter (1980; 2008), Mussnig (2007), Griffin and Pustay (2007) and Aswathappa (2008). The post-survey interview was carried out with the automotive business experts.

Limitations

This research work is related to specific requirements and characteristics of the automotive industry and may include effects which are not representative for other branches or markets. This work focuses to macro-economic influence factors and deliberately excludes micro-economic factors from this study. Geographically it is limited to companies with head offices in Germany and Austria and their employees or entrepreneurs. A time wise limitation has also been set. Only FDI decisions from the last 10 years prior to the date of sending out of the electronic survey have been considered in this work.

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1 THEORETICAL FOUNDATIONS TO FOREIGN DIRECT INVESTMENT INTENTIONS – A REVIEW OF POTENTIAL MACRO-ECONOMIC IMPACT FACTORS AND DECISION-MAKING PROCESS

The first chapter builds the foundation for this thesis in terms of an in-depth theoretical literature research of foreign direct investments and its potential impact factors from the macro-economic perspective. This chapter starts with an analysis of what macro-economic factors are and how they are defined including a clear delimitation to micro-economic factors. Then, different kinds of FDIs are going to be described and extracted from the current state of research. The chapter 1 ends with a theoretical framework, its limitations and the preparation for an in-depth causal analysis.

1.1 Implications of Macro-Economic Factors and its Influence on FDI Decision-Making Process for target Countries as well as for Industries

The pre-analysis of the current state of research in respect to the potential influence of macro-economic performance of countries on the FDI decision-making process includes a broad activity in this scientific field. Macro-Economic performance of countries can attract FDIs (Moran et al., 2018, p. 2; Dutta & Roy, 2009, p. 81) or can reduce the willingness of foreign investors about potential future investments. Andreff et al. after Svetlicic (2017, p. 462) say that the main motive for investors after market-seeking are strategic asset seeking, efficiency seeking and resource seeking. Macro-Economic performance is a broad term for different characteristics and activities. Macro theories and policies influencing states and people in all different kind of situations. Some major objectives of macro-economic perspectives have been worked out and summarized by Mahajan (2008, p. 1.12) to following major influence factors. **Output**: Theories of income and employment define output or real income as a key variable from the macro-economic perspective. This can be deduced to following condensed sentence: A high level of output of economic goods and services can be taken as a measure of economic success of a country. The ability of consumption by the national population is the overall aim of all economic activities. The living standard can be judged by the aggregated output. Therefore two measures can be used. The Gross National Product (GNP), which represents the measure of the market value of all goods and services produced by the citizens of a country, wherever they live and work during one year (Lochner, 2005, p. 3). It is the economy's total income (Jones, 2001, p. 639). Cypher and Dietz (2005, p. 43) describe GNP

referred to economic terms as the level of output and income is a proximate gauge of the material welfare or well-being of the residents of a nation. If the aim of a research project is to measure the overall development of a country and therefore using variables such as income and economic growth, it is more useful to take GNP as a basic measurement instrument (Cypher, Dietz, 2005, p. 43). The second measure for aggregated output of a country is the Gross Domestic Product (GDP). The GDP measures all the output (Jones, 2005, p. 638 sq.) or income produced within the borders of a country, even though not all of that income will necessarily be received by residents of the country. The GDP represents more an index of the value of all new productions occurring within the borders of a state or nation (Jones, 2005, p. 638 f) rather than of the income and output available for use to its nation (Cypher, Dietz, 2005, p. 43). There is differentiation, who owns them, as long as it has been produced within the borders (Jones, 2005, p. 638 f). If it is the goal to measure the economic growth and the total production of a country, then the real should be applied (Cypher et al., 2005, p. 43 sq.). Also the GDP per Capita can be used for such measures. GDP per Capita is the most commonly used indicator (OECD, 2005, p. 24) to explain a certain level of living standards across countries.

According to Mahajan (2008, p. 1.12) the **Employment** is the second major factor for the macro economic performance of a country. Economic growth of a country requires sufficient remunerative employment to meet people's needs (Michie, Smith, 1997, p. 2). Employment, and in this particular case, the level of employment, is perhaps the most important measure for judging macro-economic performance of a country. Also Mankiw (1996, p. 290) describes, that if nations or states try to stabilize the national economy, the employment rate is an important factor by doing such ventures. So this is closely linked together. A low level of unemployment is one of the most focused aims of governments and its politicians. First of all from the economic point of view. But there are also other aspects which are from similar importance. Factors such as psychological, social, political and ethical point of views also have to be taken into consideration for a growing and stable economy (Mahajan, 2008, p. 1.12). Employment is also linked to FDI. The total employment effect of FDI inflows depend on following circumstances (Welfens, 2001, p. 88): → FDI inflow takes place in form of an acquisition of an existing firm or the establishment of a new plant. Both of them have different employment effect, initially and over a period of time. → FDI increases the output of the acquired or newly established company. Replace of imports from foreign producers and/or substitutes for domestic goods that otherwise would have been sold within the boarders – domestically effect, or exported by other domestic producers. → The use of intermediate inputs or capital goods by the FDI-based company will increase imports from the parent

company and other foreign producers and may stimulate the employment situation among other domestic suppliers.

The third major factor of macro-economic is linked to **Prices and Inflation** (Mahajan, 2008, p. 1.13). The price stability is one of the major objectives and aims of the modern thinking and acting governments. A stable level of prices means a stable level of inflation and deflation – zero deviation. But in reality the markets and environment are too volatile and in movement that is more a theory than reality. Governments nevertheless aim to keep the prices as stable as possible. That means, try keeping the rate of inflation as close to zero as possible. Hermes et al. (2010) state, that the development of the financial system of the recipient country is an important precondition for FDI to reach a positive impact on economic growth. Continuously falling values of money is called inflation which equals to continuously rising prices (Frisch after Laidler and Parkin, 1990, p. 10). Yugang (2017, p. 106) found out, that between money supply and macroeconomic variables (real GDP, inflation rate, interest rate) exists a strong relationship. According to Mahajan (2008, p. 1.13) in free market economies the aim of having almost zero inflation becomes difficult to achieve because the decisions are taken by individuals and these decisions affect prices. The freedom of choice is also equally important to those societies which have focused their aim to the ideology of capitalism or at least a mixed economy. And such economies have free markets with a price mechanism guiding and controlling economic activities. Price therefore has important functions to perform. And of course, these functions require a flexible price-system. New technologies or the way into a green technology normally leads into rising prices and it is a signal to the producers to act into such a direction. Resources will be reallocated. But if prices are absolutely stabilized, this system of flexible prices will not work. And derived from this case, price changes need to be allowed but on the other hand the general price level has to be kept as stable as possible. So, inflation has a number of economic and non-economic effects and a conscious control and measure of inflation is a measure of successful economic management.

The fourth factor is the **Economic Growth** (Mahajan, 2008, p. 1.13). Several economies are underdeveloped and this reflects to one of the biggest problems of the present world. Focusing certain developments of the automotive industry, especially the East-Central-European countries are driven by inflow FDI which lead to economic growth (Siddique et al., 2017, p. 115) in total for these regions (Pavlinek, 2017, p. 186). A certain standard of living where people's needs are basically satisfied has been the aim of all nations' policies. Technical progress, technology transfer from abroad via FDI still remains as a key recommendation by international organizations for countries to enhance growth (Carbonell et

al., 2018). But in fact, almost half of the world's population still lives at a subsistence level. Growth always needs resources. Economic growth refers to an increase in the productive capacity of the economy. Increasing the productive capacity is basically possible in two different ways: i) The existing supplies of the demanded resources have to be used in a more effective way. Achieving this can be done by eliminating unemployment and under-employment of resources and/or by achieving a better allocation of resources. ii) Secondly, the supplies and capacities of the productive resources have to be increased. By expanding the supplies of raw materials, capital equipment, effective manpower and technological knowledge, a country can push its production possibility across borders. A third possibility also should be taken into consideration, which Mahajan (2008, p. 1.13) hasn't mentioned. If the resources are limited, enforcement of research and development activities could discover substitutes and alternatives to allow again economic growth. This also could accommodate new resources with innovation which again could end in a competitive advantage and again economic growth in diverse areas such as research, technology, production, trades. Incentives may positively affect business location decisions which lead to economic growth (Bartik, 2017, p. 116), but often they are excessively expensive with a low effect rate.

The fifths important macro-economic factor is about **External Economic Relations** (Mahajan, 2008, p. 1.13). Williams et al. (2018), performed a study with 1324 new investments by German Automobile manufacturers in 65 countries and showed, that there is a greater likelihood that technology-intensive MNEs will adopt joint ventures over wholly-owned subsidiaries (Williams et al., 2018). Basically, modern economies are open economies. They have relationships (trade) with other countries or nations and import and export goods and services. They borrow funds from foreigners or foreign governments and other international agencies and they lend funds to foreign individuals, companies, investors, governments and institutions. Mahajan (2008, p. 1.14) pointed out, that receipts and payments should be balanced und normal circumstances. Exchange rates of currencies are influenced by imbalanced receipts and payments. Import/export restrictions by governments, change of prices and economic fluctuations influence the exchange rates of any two currencies. Furthermore he summarizes the main factors of macro-economic performance which increases the economic attractiveness of countries: A high level of output; A high level of employment; A stable price level; Growth of the productive capacity of the economy and a stable exchange rate with exports more or less balancing with imports. External economic relations always have to deal with various aspects of their international economic interactions (Spero, Hart, 2010, p. 1). Trade agreements set standards of international trade relations. Rules, norms, procedures and institutions intend to achieve common economic goals by

constraining the behavior of governments. External relationships often are ways to save market shares and this brings opportunities as well as threats to companies. Many different institutions making the rules of the game in a society (North, 2004, p. 3). In a more formal way described by North (2004, p. 3), the humanly devised constraints shape human interactions. And in consequence, they structure incentives in human exchange, whether political, social or economic wise. The regimes can be simple bilateral agreements and can become complex multilateral arrangements. Those agreements can influence the nature and degree of international interaction among members (Spero et al., 2010, p. 1). Interlinking those aspects with FDI activities. In the last decades multi-national companies expanded rapidly. Changes in technology and organizational sophistication created the possibility of expansion. New communication technologies, cheaper and more reliable transportation networks and innovative techniques of management and organization have made possible the kind of centralization, integration and flexibility that are the core factors of success of MNCs (Spero et al., 2010, p. 141). Governments know the importance of FDI inflow and subsidized FDI outflow by providing various forms of insurance for international investments. Incentives have become of high importance for FDI activities on a firm-level (Spero et al., 2010, p. 141). FDI attraction is often a reason of nations to create economic growth (Siddique et al., 2017, p. 112f) in the own country by foreign investors. On the example of the automotive industry (Tophan et al., 2017)., a study showed, that GDP per capita is statistically significant related to higher sales rates of automobiles which again leads to economic growth.

1.2 Theoretical Foundations of Motivations for Growth, Barriers, Risks and Influence on FDI related Decision-Making Process

The growth of enterprises and expansions to new markets has dramatically accelerated over the last decades (Westerfield et al., 2004, p. 180). This business model became more important and internationalization and globalization are terms which are used commonly in many economic contexts (Garcia-Canal et al., 2018; Adler, 2008, p. 5). Industries such as the automotive industry, the chemical industry, the clothing industry, the food industry, etc. have business activities all over the world. Motivations therefore can be to seek natural resources, to seek markets, to seek efficiency or to seek strategic assets (UN, 2007, p. 122). Barney (2002, p. 121) states, that competition becomes much more international, even the scope of the company is mainly regional. It tends to increase rivalry, threat of new entry and threat of substitutes. But also opportunities will occur. Larger markets bring more business opportunities for companies. Enlarging smaller existing markets often is a good opportunity, proactive motive (Albaum&Dürr, 2008; Engelhardt, 1992; Hollensen, 2011), or even is the

only change to survive on the market, to gain a higher value to the company. If a company is going to establish a subsidiary abroad, a dominant motive therefore is the exploitation of a new market with further potentials for existing products. Other reasons are when existing customers go abroad and want to take their suppliers with them or when the company is driven by the competitors (Gutmann et al., 2000, p. 37). This is a kind of a fast follower strategy. If the domestic market is saturated by their own company or by competitors, it is often the only opportunity to start transnational activities (Sternad et al., 2013, p. 11). This can be done only by selling to new markets via sales partners or sales representatives or also to start a production in a foreign country because of lower labour costs or production costs in general. Further reasons can be that certain important resources are located outside the domestic market. Barney (2002, p. 518) defined the five most potential sources of economies of scope for firms pursuing international strategies. As these are: o) To gain access to new customers for current products and/or services. o) To gain access to low-cost factors of production. o) To develop new core competencies. o) To leverage current core competencies in new ways, and o) to manage corporate risk. Different authors and studies also gained different views and forms of motives for firms. The export and internationalization motives can be separated into two practices (Albaum, Dürr, 2008; Engelhardt, 1992; Hollensen, 2011) which represent a summary:

- Proactive Export- and Internationalization-Motives:
  - The aim to grow and increase profit abroad.
  - The general willingness of the management, to internationalize the existing company.
  - Recognition of chances in foreign markets
  - Higher utilization of existing production capacity.
  - Gaining economies of scale by using marketing and sales activities in other countries.
  - A diversification of risks by the sale of own goods or services to further countries with different political and cyclical economic trends.
- Reactive Export- and Internationalization-Motives:
  - Unasked requests and orders from international customers.
  - The wish of national customers to follow as an existing supplier into foreign markets.
  - The pressure of competition occurs when international acting competitors have already makes use of the economies of scale and use this advantage also in the home markets.
  - When the home market is too small and saturated.
  - The usage of currency fluctuations.
  - Initiatives for exports by incentive schemes by governments, economic chamber of trade, commerce and industry or bank institutes.

Holmlund et al. (2007, p. 469) states, that the willingness of the management itself is the main driver for decisions to go abroad, followed by new markets and potentials. Also growth and requests from abroad (e.g. customers) are actions to force companies to such decisions. The size of a company and international experience of the company and its staff have big impact to internationalization decisions. But home-market conditions as well when this market is shrinking or the competitive situation is unsatisfying or other specific negative issues within a certain branch. Sternad et al. (2013, p. 12) say, it is a bundle of motives which leads to a decision to go abroad. Blitzenis et al. (2012, p. 51ff) constructed a universal model of theories determining FDI decisions. They differed **company's motives** into nine delaminated categories of determinants in which every group has certain specific characteristics: Market Hunters; Strategic Market Hunters; Factor Hunters; Efficiency Hunters; Location Hunters; Exploiting Ownership Hunters; Financial Hunters; Political Reasons; Overcoming Imperfections; Following tables 1.1 and 1.2 (Blitzenis et al., 2012, p. 52) show the nine categories and its characteristics:

Tab. 1.1: Market-, Strategic- and Factor Hunters determining FDI

Universal Model of Theories determining FDI					
Market Hunters	**Strategic Market Hunters**			**Factor Hunters**	**Efficiency Hunters**
Size of the Market	Lack of Local Competition	Globalization Pressures	Fashion Trend	Availability of Raw Materials	Economies of Scope
Market Growth	Product Cycle Theory	Unsatisfied Host Demand	Thwart a Competitor	Availability of Labour Force	Economies of Scale
New Market	A way to survive	Offensive or Defensive	Acquiring Assets	For Creation of Export Base	Using new technology, advanced techniques, Management, Entrepreneurship, Common Governance, Synergetic Economies, Risk Diversification, Arbitrage of Currency, Experience, Multinationality, Lower Cost of Production for Achieving Efficiency
	Pressures of Home Competition	Follow the Lead Clients	Decrease Competition, weaken competitors	For Intensive Production	Risk Diversification o) Many Production Sites o) Different Products o) Different Countries
	Just to become a MNE or Local	Follow the Suppliers, First Mover	Become Global Leader	Searching Lower Cost of Factors	
	Home Market is Saturated	Overcome Trade Barriers	Physical Presence in Many Countries	Searching for Management, Organizational Skills	
	JVs, M&As	Horizontal, Vertical, Integration	Follow the Competition	Searching Entrepreneurship, Technology, Marketing Skills	

(Source: Author's own construction based on Blitzenis et al., 2012, p. 52)

Table 1.1 shows the first three categories out of nine after Blitzenis et al. (2012, p. 52) as these are Market Hunters, Strategic Market Hunters and Factor Hunters. The market hunters look mainly for size of market, the market growth and new markets to enter. The strategic market hunters have problems in home market (e.g. too strong competition) or are looking after special trends or are just under a globalization pressure, just to mention some of the reasons. The factor hunters (Blitzenis et al., 2012, p. 52f) look for access to raw materials, labour force, low production cost or just searching for new technologies to gain a competitive advantage.

Tab. 1.2: Theoretical factors of determining FDI

Universal Model of Theories determining FDI				
Location Hunters	**Exploiting Ownership Advantages**	**Financial Hunters**	**Political Reasons**	**Overcoming Imperfections**
Stability of the Host's Economy	Strong Brand Name	Exchange Rates Differences o) Strong Home Currency	Nationality of the Firm	Minimize Transaction Costs
Geographical Proximity	Familiar with Host Country	Favorable Tax Laws o) Grants, Subsidies, Incentives	FDI for Growth, Decrease Unemployment	Control Quality and Price
Climate	Prior Trade Relations	Overcoming Taxes o) Transfer Pricing o) Offshore Companies o) Double Taxation Avoidance	Domination Economically from Home	Avoid Cost of Ngeotiations
Host as a link to other Countries	Innovation	Privatization Offers	Minorities from Home	Avoid lags
Exploiting Lack of Infrastructure Exploiting Lack of Infrastructure	Know-How	EU, Phare Other Grants	FDI for Balance the Deficites	
Openness of the Country	Multi-Nationality	Subsidies Grants	Host gains FDI Spillovers	
Cultural Closeness	Common Governance & Synergetic Economies	Interest Rate Differences o) Financing of FDI Projects	Governmental Interventions, Subsidies, Incentives	
Cultural Distance				
Historical Links of Host & Home Country				

(Source: Author's own construction based on Blitzenis et al., 2012, p. 52)

Table 1.2 continuous with the fourth factor according to Blitzenis et al. (2012, p. 52) as this are efficiency hunters. They mainly look for economies of scope, economies of scale, to use

new technologies and the overall goal often is the risk diversification. Location hunters look for the best place to be as a business entity. As these can be stability of the host's economy, geographical proximities, exploiting lack of infrastructure, etc. Companies who want to enforce their strong brand name, use their innovations, want to apply their know-how are determined as to exploiting ownership advantages. Financial hunters look for advantages in all financial terms. Companies are also intent to do FDI for political reasons. And the last factor according to Blitzenis et al. (2012, p. 52f) is to overcome imperfections. Those companies mainly look to control their business and products, minimize transaction costs and avoid negotiation cost. Going abroad means investments in terms of money, resources, staff, time and efforts. Each company underlies risks. But each company can bear only a limited number of them (Hungenberg and Meffert, 2005, p. 328).

According to Jahrmann (2010, p. 292), risks can be separated into three main dimensions which allows a specific view on each factor.

→ **Economic risk:** Exchange rate fluctuations, Inflation-, Credit- Transport- and Storage risks;

→ **Political-Legal risk:** Risks by governmental regulations (trade embargos), lacking of legal security and administrative risks, Capital transfer risks, Security risks, Corruption, Tax risks, Disapprobation risk;

→ **Market risk:** Qualitative market risks, Quantitative market risks, Local market risks, Temporarily market risks, Competitive risks.

Due to the acceleration of on-going globalization and internationalization (Adler, 2008, p. 5), companies are going to be even more often forced with these factors. The more a company is going to be multi-national or globalized (Gann, 1996, p. 11ff), the more intensive are the macro-economic factors which influence the company and its activities. Integrating a new foreign business entity into the origin organization requires to consciously considering about the macro-economic environment as well as cross-cultural differences. This becomes even more important the higher the globalization level of a company is. Cross-cultural differences and macro-economic influence factors become of critical importance in such complex company networks. Adler (2008, p. 12 f) describes the challenges during expansion processes.

Tab. 1.3: Corporate Cross-Cultural Evolution Matrix

	Domestic Phase	Multidomestic Phase	Multinational Phase	Global Phase
Strategy	Domestic	Multidomestic	Multinational	Global
Primary Orientation	Product / Service	Market	Price / Cost	Strategy
Perspective	Ethnocentric	Polycentric or Regiocentric	Multinational	Global / Multicentric
Cultural Sensitivity	Marginally important	Very important	Somewhat important	Critically important
With whom	No one	Clients	Employees	Employees and clients
Level	No one	Employees and clients	Managers	Executives, managers, employees and clients
Strategic Assumption	"One way" or "One best way"	"Many good ways" Equi-finality	"One least-cost way" Simultaneously	"Many good ways"

(Source: Author's own construction based on Adler, 2008, p. 12)

This matrix gives a clear picture about the changing of different perspectives of a company during the expansion process. The cultural sensitivity for example has not that importance if a company is still in the domestic phase with only one single site. But if a company expands, this perspective becomes of critical importance for the company and its activities. And this starts already by the integration process of a new foreign business entity to the origin organization. As an additional remark to Adler's corporate cross-cultural evolution matrix (Adler, 2008, p. 12) as shown in tab. 1.3, the important aspect of the situation of suppliers Adler did not directly describe or consider. By going across borders it is of critical importance if current suppliers can still serve the demands of the company. If not, the expanding company needs to look for new sources and in certain issues it is necessary to get local ones. Therefore, it is necessary to check beforehand the situation of the suppliers, their ability to go with the company or still to serve the company's needs, the strength of the supplier's bargaining power (Hill & Jones after Porter, 2010, p. 52ff) (i.e. strong dependency of the company to the products or services of the supplier) and the number of available and considerable suppliers (e.g. monopolistic or oligopolistic situation).

In such processes, companies are forced with many different influence factors. These factors can occur from the company's structure, strategic goals and visions (internal factors), these are the so called micro-economic factors (Mussnig, W., 2007, p. 40ff). And also the outer environment of a company plays a very important role (Wagner et al., 2016, p. 133) by

entering new markets, new countries or unknown territories. These factors are defined as the external factors and known as macro-economic factors (McCarthy, E. J., 1975; Porter, M., 2008, Mussing, W., 2007, p. 41 f). Internationalization and FDI are closely connected together. Going international prerequisites a strategic concept (Hax, 1996, p. 401) when it diversifies its business operations across national borders (Barney, 2002, p. 540). Companies can organize their international business operations in a wide range with an uncountable number of possibilities and ways. It starts with simple export of goods till managing a wholly owned foreign subsidiary. And these options represent different levels of integration (Cheng et al., 2009, p. 7ff) into international activities available to companies. When firms become more integrated into international operations, their level of direct investment into foreign markets increases. And this investment is called (Barney, 2002, p. 540) foreign direct investment.

1.3 FDI as a Strategic Instrument for Internationalization and Globalization for MNCs

The terms *Internationalization* and *Globalization* often are used for the same definitions for business entities which are already acting or going to act on a worldwide range of countries. The literature shows many examples for international activities as well as for global acting business models. Following definitions from the current literature show characteristics which allow a differentiation of these commonly used terms.

Characterization of Internationalization and its main potential Drivers for MNCs:

Thompson and Martin (2010, p. 553) analyzed some different opinions and views of internationalization and came to the conclusion that one general description of internationalization does not exist. But the following quite old, but still meaningful definition from Yanacek (1988, p. 32ff) where he states that internationalization may be viewed as an approach to management which allows an organization to integrate domestic and international opportunities with its available resources. And furthermore there is also a close connection to Ansoff's scientific approach of the so called *double strategic fit*. Ansoff (1966) described with this term the need of a fit between the internal organization of a company to the external environment the company deals in it. If one side does not fit or even change, the company's success on the mid- and long term view can become a critical factor. And internationalization often is a very volatile and mutable environment and a company who enters new markets has to be aware of the double strategic fit to be able to survive on the market. And coming back to

Yanacek (1988, p. 32ff) where he also says that the company's managerial skills are more important to be able to adapt the firm to the environment than foreign market potentials alone. Which shows again the importance and the actuality of the definition made by Ansoff (1966). Scientists still use this concept as can be seen in the explanation of Mussnig (2007, p. 40f) where it goes more into detail about all internal and external influencing factors for a sustainable and stable business. Haas et al. (2006, p. 6) describes internationalization as an expanding process across international boundaries. Also the size plays an important role in terms of going international. Smaller countries have smaller domestic markets and therefore the barrier is lower because the need of the companies to grow and enter new markets is higher whereas large countries often have enough space in their own market and do not need to go across borders. Often used synonyms are *multinational*, *transnational* or *global* (Hinterhuber, 1997, p. 81). Krystek and Zur (1997, p. 5) describing specific factors which are indicators for companies who intend to go international. According to Krystec et al. (1997, p. 5) these factors are: - Turnover/Added Value created in foreign countries; - Number of employees in the foreign countries; - Foreigners as members in the management board; - Number of foreign subsidiaries; - Amount (in percent of the total turnover) of foreign direct investment; - Export ratio;

These above mentioned characteristics are only punctual items which describe the term internationalization in an insufficient way. Internationalization is much more a general conceptual phenomena in which a company as a whole is involved (Krystek et al., 1997, p. 5). This includes not only the macro-environment of a company (Knecht, 2014, p. 38 f) but also the micro-environment or also called the *task-environment* (Knecht, 2014, p. 40). Task environment is the area which directly affects the company and which the company is able to affect due to own-made decisions (e.g. selection of suppliers). So it is closer to the core of the company and its business activities, products and services (Kotler et al., 2010, p. 90). The core hereby is meant (Knecht, 2014, p. 40ff) by the organization and the organizational structure of the company.

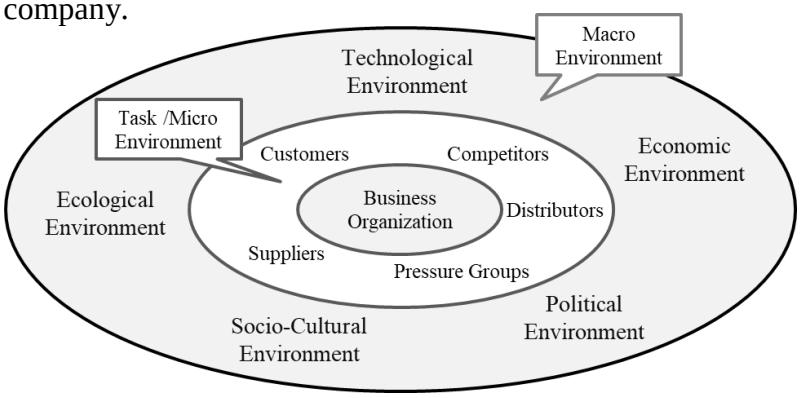

Fig. 1.1: Company's Micro and Macro Environmental Situation
(Source: Author's own construction based on Knecht, 2014, p. 40)

The term *Internationalization* has changed over the last decades. In the 1980s, internationalization was defined and described as a set of activities (Forest & Altbach, 2007, p. 213 f) companies are dealing with. Arum and Van de Water (1992, p. 202) proposed that internationalization combines the multiple activities, programs and technical cooperation in a firm's environment. By the mid-1990s, a more organizational and process oriented approach came up. Knight (1994, p. 7) illustrated that internationalization as to be implemented into the institutional levels of a company. It has to be understood, that internationalization is an integrated part of the processes within a company. Sustainability of integration is a main part of this approach (Knight, 1994, p. 7 f). Nowadays definitions of how internationalization of enterprises can be understood have been defined by Thompson and Franklin (2010, p. 553) defined internationalization as a gradual process during which companies acquire, integrate and utilize their knowledge about foreign markets and business activities. As this happens over a certain period of time, the companies gradually increase their commitment to international markets. (Thompson et al., 2010, p. 553). Internationalization is a process and companies often learn step-by-step to handle these new situations and framework conditions and may increase during this process their commitment and exposure to risk. This can be seen and is reflected in their market entry modes which are often progressed through five different steps of expanding: The willingness to export the own goods or services, to install agency representation, to grant a license to overseas partners, install overseas sales subsidiaries and finally establish an overseas production subsidiary (Thompson et al., 2010, p. 553). Dunning (1993, chapter 7.4) advices several steps for analyzing the internationalization process of companies. Firstly, the internationalization motives of a company have to be evaluated, secondly, the modes and forms of internationalization have to be defined and described, thirdly, the sequence of the incremental steps which then determines the actual process of internationalization. According to Dunning (1993, chapter 7.4) dies analysis describes internationalization of a company. Going further into the theory of internationalization, the decisions and influence factors play a major role in this process. Other studies (Zaby, 1999, p. 21) about internationalization take interviewees which were involved into such a process and they mainly are on a CEO, Vice-President or Project Manager Level.

Characterization of different Dimensions of Globalization of MNCs and its Delimitation to Internationalization Strategies:

Many different strategies are possible for companies to expand their business. Mussnig (2007) describes seven steps of possibilities of expansion strategies. He combines the steps with the level of a) management efforts and b) influence of macro-economic factors on the business

activities. It starts with **export** of goods, which require low management efforts and macro-economic impacts are very small. The next levels are **license contracts**, **franchising activities**, **joint ventures**. These three levels, and in this order, require more efforts and are more effected by macro-economic factors than just exports. The further strategies, which are in the focus of this thesis, are **building subsidiaries abroad** by placing foreign direct investments. This can be again divided into **sales offices**, **production facilities** or a **combination of both**. Hereby, according to Mussnig the management efforts are very high and the macro-economic impact is also essential for a positive development on a mid- and long-term perspective. The automotive industry has its main globalization run since the 1990s and represents now one of the most globalized industries (Dicken, 2015). This change and reorganization also took a rapid expansion of companies and their principle suppliers into less developed countries (Pavlinek et al., 2017, p. 5). This has been possible by the liberalization of trade and foreign direct investment policies (Sturgeon et al., 2008). Through the fast changing environmental conditions on terms of new markets, trends, competition, etc. globalization also leads to major questions (Oinas & Taylor, 2017, Chapter 12) of how local places will create productivity advantages where clusters, embeddedness, learning and innovation will be kept in these regions.

Global operations, which are known as offshoring, create global operational networks of integrated production and service centers worldwide (Lasserre, 2017, p. 289). And referred to the scientific field of economics and management, is closely connected to the increase of worldwide trade and investment activities (Welfens, 1999, p. 3). These aspects together open the world market and let the barriers of distance shrink to less importance. The process is created and controlled by centralized and powerful actors, such as healthy elites or Multi-National-Companies (MNCs). The ongoing globalization marginalizes groups and individuals (Ritzer et al., 2015, p. 44). From the theoretical point of view (Bozyk, 2006, p. 1), globalization means an unlimited and continuous access to national and international markets and leads into a single and complex whole. Scholte (2005, p. 9) has a specific view about the term globalization. He argues that globalization often is used in the same meaning as *internationalization*, *liberalization*, *universalization* or *westernization*. But *globalization* is different to these four mentioned definitions. Comparing globalization with internationalization, he sees **internationalization** as a growth of transactions and interdependencies between countries. Activities cross borders between states or national territories. Therefore examples are messages, goods, services, ideas, money, intellectual property, technology transfer, investments. And Scholte (2005, p. 9ff) furthermore says that international transactions are not new and have been done since ages. Analyzing the term

liberalization hereby Scholte (2005, p. 9ff) again says that this is not globalization. Liberalization in this context refers to the removal of constraints on movements of resources between different countries. And this ends to an open and borderless world. Going deeper to the definition of liberalization, it involves abolishing regulatory measures such as trade barriers capital controls and visa requirements and is linked partly to neoliberalism. Both, supporters and critics of neoliberalism define globalization in such a way (Martell, p. 9). Scholte (2005, p. 9ff) says that liberalization has happened and in this case has enabled and facilitated globalization. But liberalization compared to globalization is different. Globalization is more complex and can have different forms including the non-neoliberalism. Proceeding to the term universalization for which Scholte (2005, p. 9ff) also defines that it is not globalization. Universalization defines the distribution of objects (goods, services, objects and experience, know-how, technology,…) to all parts on the globe. In this term, global means worldwide distribution to any place. Scholte (2005, p. 9ff) gives some examples such as tobacco, clothes, the state, food, education, children's toys and arms. These activities sometimes lead also into standardization or homogenization.

The term *Globalization* is used in many different contexts (Held, 2004. P. 15ff) and it is still a young definition in the area of economic sciences. It has to be divided between social globalization and economic globalization. Lechner (2009, p. 15) illuminates the social aspects of globalization result into a closer connection of more and more people in many ways across larger distances. This approach can be used and taken also for the economic area. Looking to some different definitions for the globalization in terms of social sciences. Ritzer (2007, p. 1) describes globalization as an accelerating set of processes which involves flows that encompass increasing numbers of the world's spaces and that leads to increasing integration and interconnectivity. Another description of globalization was created by Robertson already in 90s (1992, p. 8) which defines it as a concept comprising the world and the intensification of consciousness of the world as a whole. Scholte (2005, p. 59) says that globalization refers to the spread of transplanetary connections between people. In recent times also more particularly supraterritorial. Globalization is able to reduce barriers across boarders. A further approach was defined by Waters (2001, first edition 1995, p. 3) that globalization is a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding. The previous mentioned descriptions are from the scientific field of sociology and have been linked to social and cultural aspects. But combining these social approaches to the scientific field of economics and management sciences they are directly useable for this field too. The definitions are quite similar and globalization always influences economic activities as well as social life.

Herewith globalization has reached a completely new dimension of internationalization through federations, multi-national companies, telecommunication, strategic cooperations and fusions (Haas et al., 2006, p.4). Held (2004, p. 15ff) describes globalization as a summary of most distinctive features or concepts under four main characteristics: Stretched social relations, Intensification of flows, Increasing interpenetration and global infrastructure. It can be seen that globalization as a definition is wide spread and has different interpretations. It includes factors such as microeconomic factors, which are, according to Hungenberg (2004, p. 94ff), similar to the specific branch-environmental (Hungenberg, 2004, p. 90ff) factors as well as macroeconomic factors.

MNCs as Drivers for Expansionary Activities - further theoretical Definitions and Characteristics for Expansion Processes

As it has been described in chapter 1.3.1 and 1.3.2 even between *Internationalization* and *Globalization* there are differences and various definitions in the literature to find. But there are also other terms which are often used for **expansion activities**. International operating companies and activities can be found with following synonyms in the literature:

Most commonly used in the literature is the term *Multinational Enterprise* or *Multinational Enterprise* (Eilenberger, 1987, p. 1; Schüning, 1991, p. 7). The other prior mentioned definitions often are more specific and related to certain actions. Some authors understand the term *Global Enterprise* not only as a geographical orientation of foreign activities but also imply specific leadership and market cultivation forms (Bartlett, 1989, p.425ff; Porter, 1989, p. 17 ff). Another category is the *International Enterprise* where Pausenberger (1982), Fayerweather (1989) and Perlitz (1993, 2013) commonly speaking about. Going further back in time, Fröhlich (1974), Berthold (1981), Welge (1987, p. 1532-1542), Kutschker (1994) commonly spoke about *Multinational Firms*. And hereby Lilienthal (1960, p. 119) was one of the first scientists who used this term. In the Anglo-American language area the definitions of *Multinational Enterprise* (Brooke, Remmers, 1978) and *Multinational Corporation* (Aharoni, 1971, p. 27 ff) as well as *Multinational Firm* (Rodriguez, Carter, 1984) have been used as synonyms in the literature. Later in the 90s, Barlett (1989, p. 438), Barlett, Goshall (1990) and UNCTAD (1994) using the term *Transnational Firms* or *Transnational Enterprise* as well as (Büschgen, 1993, p. 295) *Supranational Enterprises*.

Nowadays, it can be seen that most of the current literature uses the term Multi National Companies (MNCs) or Multi National Entities (MNEs) which represents in a common definition all previous mentioned wordings.

The excerpt of the literature shows different approaches and definitions of scientists who were dealing with similar problems to define company's activities which plan, or even have, business ventures abroad. Specific actions and boundary conditions make differences in the definitions and therefore made it necessary to create some different terms and definitions to allow a more concrete description of their activities. Held (2004, p. 15 ff) describes global foreign business activities of firms with four main headings: i) Streched social relations; ii) Intensification of flows; iii) Increasing interpenetration; iv) Global infrastructure. These four interpretations of global business actions illuminate social aspects, communication and transport technologies as well as necessary infrastructures to enable the before mentioned operations.

1.4 Macro-Economic Factors – A conceptual Framework of potential Influencing Factors, Dimensions and Delimitation on specific Requirements of FDI Motives/Decision Making

Macro-Economic plays an important role for business activities and influence in a more or less strong intensity. This is dependent on the kind of activity or strategy (Adler, 2008, p. 12). A local acting company with local customers/consumers is often less dependent on macro-economic influence factors than companies with international business activities and those who are dependent on raw materials and rare resources from other countries.

But there are also a number of other reasons, why companies expand into foreign countries. The field of competition has been changed (Link, 1997, p. 1) and many companies nowadays are confronted with factors which were not existent or even were so less important to the business activities that there was no attention to them. A broad spectrum of forces and developments caused a breakup of existing structures and a shifting of perspectives of the competitive situation (Porter, 2014, p. 21). Over-capacities (Brenner, 2006, p. 187), as an example, led into higher pressure of competition between the companies. Acquisition, fusions and alliances changed existing balances of power and created new forms of competition. One positive output of such situations is the dynamic impulse for revolutionary technological developments to gain new competitive advantages (Porter, 2014, p. 21). Such fast processes and paradigm shifts led into the formation of new branches (Link, 1997, p. 1). The requirements to products and services of the customers have been increased whereas the duration of the product-life-cycles has been shortened. External analysis deals with all factors which influence the company directly or indirectly. The environment of a company can be divided into **two major groups**. The nearer one which directly influences the company and

the business is the **micro-environment**. This mainly contains the customers, the competitors and suppliers which have the strongest influence. These factors are in turn influenced by other forces, called the **macro-environment**. For example, a bad economic situation influences the consuming behavior of the customers (Hofbauer et al., 2009, p. 83 f) which arise from the income, the price and the savings deposit.

1.4.1 A theoretical View on Macro-Economic Factors and different Scientific Approaches and their potential Indicators

The scientific field of definitions of *Macro-Economic factors* is wide spread and need to be specified and explained by different views and approaches of scientists. The *economic* field is only a part of the macro-environment. The macro environment can be defined as the big environmental factors which influence companies in an indirect way. These factors are mainly long-term oriented and basically not changeable by the company. These influences and developments are often very important for the selection of site locations (Kreutzer, 2006, p. 38) of companies or for subsidiaries.

According to Kreutzer (2006, p. 38 ff) and Hofbauer et al. (2009, p. 83 f) the macro environment contains five dimensions: ecology, society, economy, technology and law/politics which can't be changed or influenced by the company in any way. The target of the macro-environmental analysis should make use of opportunities and minimize risks.

The following factors are related to the macro-environment of a company:

- Factor of **law and politics** (Kreutzer, 2006, p. 38 f): Economic direction / orientation; Protection of private properties; Legal certainty; Law
- Factor of **socio and cultural environment** (Kreutzer, 2006, p. 39): Cultural norms and values; Religion; Family; Institutions responsible for education
- Factor of **economic environment** (Kreutzer, 2006, p. 41 f): Economic growth of the country; Purchasing/Buying power of the population; Internal currency stability (inflation rate); External currency stability (development of the exchange rate); Rate of unemployment; Household income
- Factor of **technological environment** (Kreutzer, 2006, p. 42): Hard infrastructure (i.e. streets, trains, aircraft, energy supply, internet,…); Soft infrastructure (educational institutions for qualified employees, law system,…)

Following figure 1.2. represents an illustration the different dimensions of environment a company is affected. The micro level is the directly influencing environment to a company, and also can be directly be influenced by the company itself. Whereas the macro level influences the companies, but it can't be directly influenced by the company. This level is also seen as a kind of framework conditions.

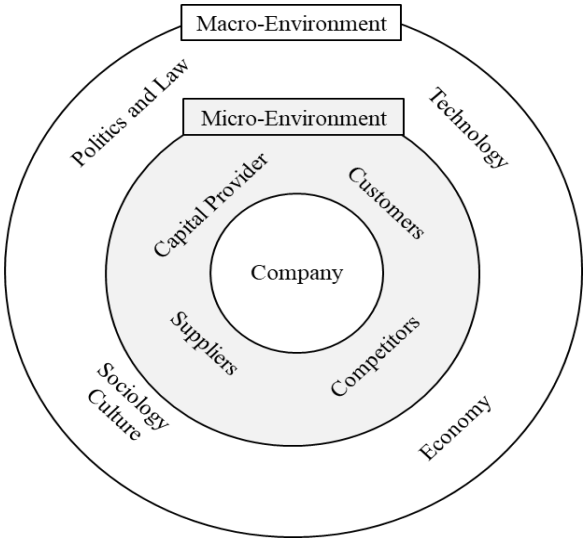

Fig. 1.2: Macro- and Micro Environment and its main Factors

(Source: Author's own construction based on Kreutzer, 2006, p. 5)

Both, the PEST(LE) as well as the STEEPLE analysis, help to identify the driving forces of the external environment which influence the company and its business.

Kew et al. (2005, p. 3) stated, that by the early 2000s, PESTLE has enhanced into STEEPLE, with the addition of Ethics, reflecting the development of concern for corporate social responsibility and ethics in business activities.

S….**S**ocial; **T**….**T**echnological; **E**….**E**conomics; **E**….**E**nvironmental; **P**….**P**olitical; **L**….**L**egal; **E**….**E**thical (Kew et al., 2005, p. 3).

More differentiations about the strategic macro environmental analysis models are summarized by Jeffs (2008, p. 28):

- STEP or PEST, which stands for Political, Economic, Social and Technological factors.
- SLEPT, which stands for Social, Legal, Economic, Political and Technological factors.

These analyzing methods for identifying external influencing factors describe a structured guideline for detecting opportunities and threats.

The PEST analysis contains following four factors (Pfaff, 2004; p. 95):

- **P**olitical: Taxation policy, European Union directives, trade regulations, geographical factors, government stability, employment law, contract law, competition law, etc. (Kew et al., 2005, p. 3).
- **E**conomic: Business periods and cycles, economic growth, interest rates, supply and demand factors, competition factors, public spending, money transfer, inflation, unemployment, disposable income (Kew et al., 2005, p. 3).

- **S**ocio-cultural: Demographic trends, income distribution, social mobility, lifestyle, attitudes to work and leisure, levels of education (Kew et al., 2005, p. 3).
- **T**echnological: Research and development, new inventions or innovation, speed of technology transfer, rate of obsolescence, development of systems (Kew et al., 2005, p. 3)

In addition to the PEST-abbreviation two more letters, an **L** and an **E**, were included in the mid 90ies. The two additional dimensions (Kew et al., 2005, p. 3) are **Legal** (which has been split from the politics) and **Environment**.

This thesis focuses on the economic-part of the macro-environment and analysis the interdependence to investment decisions of managers. According to Welfens (2013, p. 231), macro-economic describes overall economic developments and problems which are going to be analyzed and constituted. The main topics therein are business fluctuations, economic growth, unemployment rate and other phenomena. From the macro-economic perspective, markets are going to be aggregated and with such objects it is possible to generate a picture or situation for a wide group of single objects or subjects. Macro-economic analyses are used to (Mankiw, 1996, p. 3 f; Welfens, 2013, p. 231) detect interests of companies, branches, organizations and labour unions.

The most important fields in terms of macro-economics to gain new findings are (Welfens, 2013, p. 231 ff):

- Development of the nominal entire income within a national or political economy. The statistics therefore are based on the collection of goods and services which have been produced in the last period. And this is than called the gross domestic product. According to Gechev (2005, p. 45) the gross domestic product is one of the most reliable indicator of performing international comparison. But the GDP often also is used mistakenly to measure economic development, social progress and welfare (Delang et al., 2015, Chapter 1). Furthermore, GDP does not capture income inequalities, the GDP ignores non-marketed products, it ignores non-marketed labour services, does not consider the costs of social ills (unemployment cost, underemployment, overwork and loss of leisure time etc.), GDP ignores (Delang et al., 2015, Chapter 1) external dept, ignores defensive or rehabilitative expenditures, ignores timeframes of benefits from services and capital investments, etc.
- Inflation rates and development of the inflation-adjusted GDP (Welfens, 2013, p. 231 f). This factor is also known as the real GDP. It is the added value to constant prices. This factor expresses if the standard of living has risen or even has sunk. The inflation rate

therefore is a direct influence factor for this macro-economic value. The inflation means in fact an increase of the quantity of money available for the economy (Foussier, 2006, p. 96). Historically it has been observed, that an increase of the quantity of the money in the marked causes a decrease of the value of the currency. With this relationship (Foussier, 2006, p. 96), the term inflation is now used to explain the value of the currency.

- Employment rate. This is a main factor in the macroeconomics to measure the employed people which thereby gain added value for the economy versus the unemployment people. The employment is dependent to the entire production in an economy and its demand on workforces. And in addition to that, also the demand of the market influences this factor (Welfens, 2013, p. 232). The unemployment rate (Macdonald, 1999, p. 238) is calculated as follows: Unemployment rate [%] = (Unemployed people / Labour Force) x 100
- Price Niveau and Purchasing Power: The price niveau is an average value of different single prices which is dependent on the inflation. The inflation increases prices and decreases purchasing power of the people (Welfens, 2013, p. 232). Deflation has a vice versa effect than inflation. Deflation may causes less investments by companies and households may also react more conservative due to shrinking prices and this again damps economic growth.
- Interest rates: Can be divided into short, medium and long term interest rates and its fluctuations. Also exchange rates and stock prices are linked to this factor (Welfens, 2013, p. 232). Interest rates on credits or on profits have influence to investment decisions. According to the International Monetary Fund (1983, p. 8) and Baumol et al. (2009, p. 138 f), a principle motive for pursuing a policy of low interest rates in developing countries is to stimulate investments. Baumol et al. (2009, p. 139) concludes a dependency between the real interest rate and the amount that businesses invest. The lower the real interest rate, the more investment there will be.

1.4.2 Difference of Micro- and Macro Economic Factors as well as Governmental Incentive Schemes to enable a precise Delimitation

Microeconomics explain motives and factors of individuals (companies, households, persons), typical processes on the markets (Price, Quantity,…), market conditions as well as ways and concepts of how positive economic circumstances can be applied (Kampmann et al., 2010, p. 5). McEachern (2009, p. 7) defines Microeconomics as the study of individual economic behavior and examines choices and how markets coordinate the choices of various decision

makers. Microeconomics explains how price and quantity are determined in individual markets. Whereas Macro-Economic factors are framework conditions in countries, markets, branches, industries, etc., economic incentives are benefits or goods that a state or group of states offers or tenders to a targeted state in the hope of extracting political payoffs from the target (Blanchard et al., 2013, p. 6). Macroeconomics studying the performance of the economy as a whole (McEachern, 2009, p. 7) and puts all levels into one big picture. The difference between Economic Factors and Incentive Factors have to be sharply delaminated from each other to get clear view to be able to divide them exactly which than is also used separately in the scientific model. Following figure 1.3 shows the environment every company has to deal with and is influenced by (Mussnig, 2007, p. 40 f). It is derived from a quite an old model which has been developed by Ansoff (1965) which has been called the *double strategic fit*. This approach defines, that a company has to deal with two dimensions. The *internal fit* and the *external fit* (see figure 1.3). That means the internal fit defines the organization and the structure as well as the culture and strategy. But also the (Mussnig, 2007, p. 40ff) external environment such as the market, customers, technical environment, economic framework conditions, political and legal limitations, etc. have to be considered.

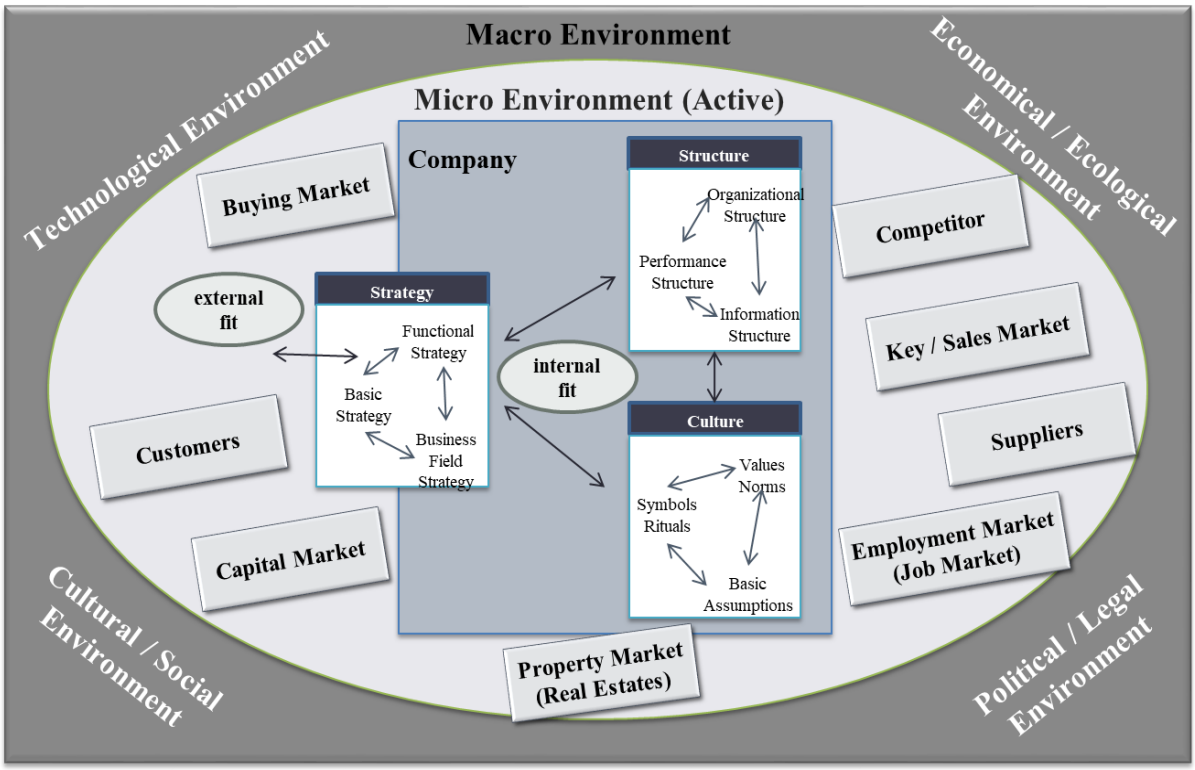

Fig. 1.3: Detailed view to the double strategic fit

(Source: Author's own construction based on Mussnig, 2007, p. 41)

Now, Foreign Direct Investment decision-making process is driven by many different factors. This thesis focuses on the economic influence from the macro perspective as well as on the

influence of incentive schemes to the management decisions. Whereas macro-economic factors are mainly long term trends driven by many different factors such as governments, technical development, infrastructure, interest rates, creditability, etc., incentive schemes are directly controlled by governments, parties, representatives for certain branches or industries, political goals and promises, etc. (Gilroy et al., 2005, p. 55). Incentive schemes are a tool to attract FDI for regional development and the OECD generally concluded, that FDI supports growth in developing, emerging and transition economies, irrespective of their initial state of development (OECD, 2003, p. 2).

1.5 Corporate Strategy, its Elements and Meaning on Expanding MNCs by using FDI. A theoretical Characterization of Automotive Industry Specific Requirements

Over the last decades, the concept and practice of strategic planning has been embraced on a global perspective and across different industry sectors because of its perceived contribution to organizational effectiveness (Arasa et al., 2012, p. 201). But there still is the open question if every firm always needs a written strategy. Wedeniwski (2015, p. 76) states, that every company has a strategy which is a part of its mission. No matter if it is consciously or unconsciously. Basically it has to be divided between strategic tasks and operating tasks. Strategic activities deal tasks to *do the right things* and working *on the system*. Operational activities deal with tasks to *do the things in the right way* and working *in the system* (Mussnig, 2007, p. 25). Strategies of firms are often seen as a psychological factor for the staff because of knowing what are the ways and the goals of the company (Barney, 2002, p. 6). And herewith coming to the next point of the goal of a strategy. Hungenberg and Meffert (2005, p. 18 f) say that with a strategy a company follows a desired direction and formulating goals which can be measured and controlled. On the level of strategic visions, formulations such as *cost leadership with a reasonable quality* or *best quality and long-life products on the automotive market* or even *being number one in our niche market* could be examples for visionary goals (cf. Hungenberg et al., 2005, p. 18). Especially for the automotive industry, Ruff (2015, p. 38ff) highlights five major elements of foresight practices: early detection in new business environments, trend research for the generation of product innovation, prospective evaluation of innovation ideas, exploration and development of new business, and cross-functional dissemination of future related issues.

The **corporate strategy** describes basically the overall aim, goal and general business framework which the whole company sets for its organization in order to fulfill the

expectations of the owners, shareholders or stakeholders. It is the basic framework for all followed strategies and strategic decisions (Wedeniwski, 2015, p. 76f). Companies with a portfolio of several different business units, products or services are, if they are not a monopoly position, in competition with other companies on the market. They are successful when the value of their business activities is above the stand-alone-value (Hungenberg et al., 2005, p. 12). Decisions about portfolio selection and the allocation of resources or structuring the relationship to the capital market control the business activities, finding new opportunities and to repel threats is called corporate strategy (Hungenberg et al., 2005, p. 12 f). Strategy as an integration (Krystek, 1997, p. 9) of aims, actions and resource based decisions should be more a constant and continuous process of decisions, controlling and revisions than a unique effort (Hungenberg et al., 2005, p. 13). Developing and implementing strategies is combined with a lot of efforts. As Grant explains (2016, p. 8ff), corporate strategies need four basic elements to be successful. Clear, consistent and long-term goals building the first element. They need to be clearly described, the goals need to be consistent between their dependencies and should not be too short-term oriented (Wedeniwski, 2015, p. 77), because than we talk about operative levels. The second element is based on profound understanding of the competitive environment which is followed by the objective appraisal of resources. These three elements have one common prerequisite to become real. The fourth element is the effective implementation. (Grant, 2016, p. 8ff). A well-known study, the PIMS-Study (Barneck, 2016, p. 7), which stands for **P**rofit **I**mpact on **M**arket **S**trategies, analyzed a huge number of companies to measure the influence factors of success (Welge et al., 2017, p. 247f). And according to this study, these factors are market characteristics, relative competitive position (Porter, 2014, p. 21), the capital- and production structure which than relates to return on investment (ROI) (Welge et al., 2017, p. 249). Collins and Poras also did a research study with 18 extra ordinary successful companies and analyzed their history and management behavior and found out that they all were visionary companies. Visionary companies (Mussnig, 2007, p. 45f): → Do not necessarily have a great idea in the beginning. They even don‘t wait for that, they simply act! Instead aspire being a visionary product innovator, much more trying to be an institutional product innovator. → Do not base their success on charismatic and visionary leaders. They develop and educate their employees and leaders to visionary thinking people who live the values of the company. → Do not say *either – or*, the use *and*! Instead of taking a decision between A and B, they are searching for ways to reach A and B. → Do not have one *right* philosophy, they have an authentic philosophy which is lived and every employee can identify himself with the philosophy. → Formulate their company‘s philosophy. → Have solid basic values which have not to justify against

external stake-holders and are not bounded to upcoming trends or volatile market variations. → Avoid that the company loses on drive after reaching a goal. → Do not stuck. The development is ongoing. → The employees have their freedom and space to be creative. → Do not rest on their laurels. → Put all elements such as Strategy, Tactics, Mechanisms, Programs and Cultural Norms to one common *total work of art*! Through the PIMS study it could be seen, that a corporate strategy is an essential element for a company's success. It can be explained to a degree of approximately 70%, measured the variance of the return on investment (Welge et al., 2017, p. 249) of successful versus unsuccessful companies, that strategic factors (Welge et al., 2017, p. 250) such as market share, quality, vertical integration, power of innovation play a fundamental role.

Internationalization for a company and its employees is linked to many efforts, risks and uncertainties. A certain phenomena is moving jobs and workers across borders within the company (Marginson et al., 2012). Therefore a strong vision helps to overcome difficult situations. Problem solving is an integrated part of the organization which needs support from different levels of the company (Krystek, 1995, p. 9). Krystek also says that questions about the planning of internationalization strategies and actions or tasks are as much important as their implementation, the controlling and the tracking of the progress (1995, p. 9 f). A summary of strategy should at the very least include (Wedeniwski, 2015, p. 77) the long-term orientation, competitive advantages, distinction of action areas, resources and competences, values, economic determining circumstances. Saee (2007, p. 9) divides the term *Strategy* into different hierarchies. On the top there is first of all a strategy for the entire firm which covers all its plants, business units and this is referred to as corporate strategy (Thompson, 2001, preface). Secondly, there is a strategy for each separate business, or e.g. product group, the company has diversified into. And this is then known as a business strategy (Campbell et al., 2011, p. 191 ff). Further, there is a strategy for each specific function unit within a business. And those are known as functional strategies (Venzin et al., 2003, p. 201; Bouncken et al., 2008, p. 488). Saee (2007, p. 9), Slack et al. (2002, p. 3 ff) say, that on the bottom level of the strategy hierarchy there are still narrower strategies for basic operating units such as plants, sales districts, regions and departments within functional areas, which are commonly defined as operating strategies. A basic perception in terms of strategy definition was done by Ansoff (1965, pp. 5-6) where he stated, that a strategic problem is mainly concerned by establishing an *impedance match* between a company and its environment. And in other words he further states, that a company needs to be aware in what business the firm is and in what business it will seek to go. Whereas Mintzberg in the late 70s states (1979, p. 25) that a strategy needs to involve the environment and the development of consistent characteristics in the drift of

organizational decisions. Also Bowman (1974, p. 35), Hofer and Schendel (1978, p. 6) and Porter (1980, p. 3) all say, that the company's environment is essential by formulating and implementing a corporate strategy. It can be seen, that already in the 60s to 80s of the last century, researchers were aware of the importance of the environment of a company to its strategic considerations. A more detailed definition followed by dividing the environment into different dimensions and levels to make it more precise and considerable.

Special Characteristics in Terms of Strategic Changes especially for the Automotive Industry Sector:

Especially in the automotive industry, digital technologies and lifestyle changes create new expectations in how car consumers buy, own and use their vehicles (Grant, 2016, p. 553). Large car companies face strategic problems to deliver new services to consumers out of the automotive sector. When it comes to autonomous driving, satellite systems, communication software and data transfers are fundamental needs for this new technological development. Therefore, the car companies need to cooperate with non-traditional companies from outside the automotive sector (Grant, 2016, p. 553). There are three leading perspectives on strategic perspectives: Industry-based view, resource-based view and institution-based view (Barney & Hesterly, 2015, p. 26ff). Also the speed of change of vehicle designs, technology, production methods and more sophisticated consumer demand (Law after Bloomfield, 2017, Chapter 2) needs to be considered for long-term survival strategies. It can be seen, that the industry based view is a main perspective on strategies to its special framework requirements.

Each industry has its own formal and informal characteristics and environment (Kauerhof, 2017, p. 5ff). The automotive industry has its own developed standards and suppliers need to become certified to be allowed to deliver. These are strategic requirements to firms who want to get into business relationships in this industry. This industry is already affected by further changes in terms of *green thinking* and ecological requirements. Reduced emissions, electric mobility and integrated mobility services forcing this industry in a strong way (Wedeniwski, 2015, p. 81). The companies need to shape their strategies and business models to these new requirements which will be enforced by governmental laws. Another kind of change in strategies is the *reuse strategy* (Golinska, 2014, p. 8). The automotive industry consumes large volumes of resources which becomes increasingly important to reuse them. In many countries, especially in Europe it is already far developed, but in emerging markets and under developed countries there still is a potential for improvement. And the electric mobility again

forces the industry to think about (Golinska, 2014, p. 8f) resources and reuse of them. It can be divided into straight reuse by other users, refurbishment, repair/rebuilt and redeployment.

Also geographic changes may affect the current business strategies of the automotive industry. The current automobile manufacturer and their main suppliers are geographically strongly concentrated. North America, Europa and East Asia make 90% of the total production (Dicken, 2015; Nieuwenhuis, 2015, p. 56). Further countries also did have big growths within this industry. Mexico, South Korea, Brazil, India and Russia may impact current corporate strategies of the big players within this industry to rethink further possibilities of production or development centers. Both, North America and Germany followed outsourcing strategies of production and assembly works. This also has contributed to an outflow of automotive R&D know-how (Klier & Rubenstein, 2014; Jürgens & Krzywdzinski, 2009). Furthermore, Klier & Rubenstein (2016, p. 114) also state, that most of the new production plants in Europe go towards east which is strategically a big change and needs a lot of managerial know-how, efforts and time to become a success.

As it has been addressed in chapter 1.2, companies who intend to go abroad, a clear strategy and concept should be consciously defined, communicated and implemented. Adler (2008, p. 12) created a matrix for growing companies with four steps beginning with the domestic phase, than getting into the multidomestic phase and afterwards to multinational phase to end up in the global phase. These four steps of internationalization are linked with seven assumptions of influence factors, as these are: Strategy, Primary orientation, perspective, Cultural sensitivity, With whom, Level and Strategic assumption. The matrix of corporate cross-cultural evolution from Adler (2008, p. 12), gives a distinctive picture about the expansion process and the change of importance of some of the most critical influence factors in terms of going global. The internationalization of a firm forces the management in terms of cultural sensitivity, clear goals and visions, strategies as well as behavior in decision-making in a very tough way (Krystek, 1997, p. 5). Leontiades (1985, p. 9 f) says that a company which tends to do business in foreign countries has to deal with the given national environment. A market for a given product within a country typically is related to that country's overall macro-economic performance. And this turns into influences by its political, financial and legal institutions as well as cultural attitudes and priorities which requires a dual management perspective of its environment. The management hereby is forced as a system, as a process and as an institution (Krystek, 1997, p. 6 ff). Especially for the automotive industry (Wells, 2013, p. 231) in respect to its sustainability, that currently it isn't sustainable. He splits it into three segments: Economic: it is insufficiently profitable due to the capital

intensive industry needs (Nieuwenhuis & Wells, 2003). Seen from the Social aspect, the plants are very large and the production and developments sites are very concentrated, and not decentralized. Agglomerations leading to cities and areas which are very dependent on certain and specific industries (Wells, 2013, p. 232) and may have problems in over-crowding, rural depopulation and other negative dependencies. The third aspect according to Wells (2013, p. 232f) is the environmental view. Hereby a main aspect is the CO2 issue which is already strictly regulated by governments. And different kinds of transport systems, new technologies and social attitudes etc. (Burns et al., 2002) impacting the automotive industry. Expansion processes, and hereby it is meant doing Foreign Direct Investments, are complex projects for which companies have to deal with. Long-term oriented corporate strategies need to be understood as complex models. Dransfield (2001, p. 1) states, that managers need to understand the relationships between the organization and its environment.

A very well developed and deliberated model for corporate strategies is the model called *double strategic fit* (Ansoff, 1966) which still has validity and nowadays is as much important as it was when it has been developed. Mussnig (2007, p. 40 f) refers to this model when talking about corporate strategy. The model created by Ansoff (1966) on the one hand is based on quite a simple structure. It describes, that the strategy of a company has to fit into two directions. One of these directions is the internal fit. The strategy of the company has to fit to its structure and its culture to can be successful by its activities. Jain and Trehan (2010) define the internal environment by 5 Ms. These are: *man, material, money, machinery, management* (Jain, Trehan, 2010). Hereby it is important to communicate and bring it align with the goals and the values of the strategy with its organization.

On the other hand, the company has to adapt its strategy and strategic goals to the environment of the company. The so called external fit (Mussnig, 2007, p. 40 f). The external environment of a company can again be divided into a micro or operating environment and the macro or general environment (Jain, Trehan, 2010). The corporate strategy has to deal with many different influence factors which occur from different sources. These sources come from the so called *business environment*. Business environment includes all surroundings of possible factors, which can, or do, influence the business activities.

The Figure 1.4 graphically shows the hierarchy and complex environment companies are forced with by doing business.

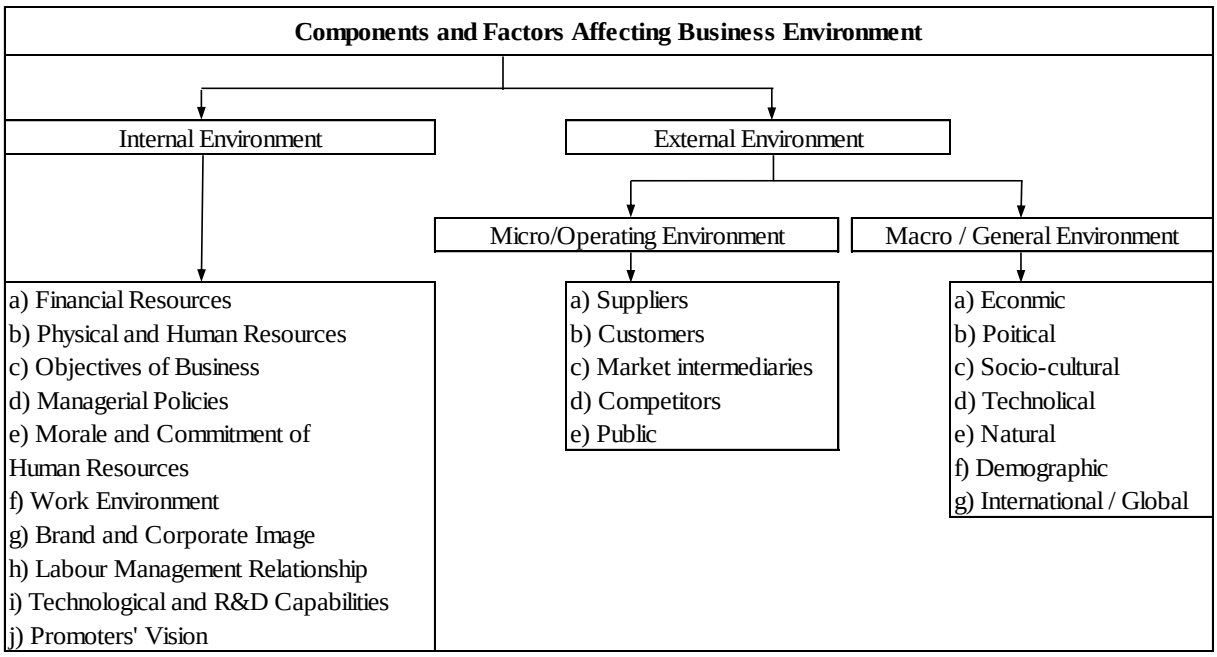

Fig. 1.4: Components of Business Environment

(Source: Author's own construction based on Jain, Trehan, 2010, p. 6)

Going abroad and conquer new markets and countries makes it much more complex due to different and often unknown environmental circumstances. And hereby in the literature it is called as Market-Development-Strategies according to the Product-Market-Matrix of Ansoff (1966, p. 132). The Market-Development direction is only one of four possibilities according to Ansoff's Matrix. The other three possibilities are the product-development strategy, the Market-Penetration-Strategy and the Diversification strategy (Ansoff, 1966, p. 132 ff). Focusing to the Market-Development-Strategy is meant to enter a new market with existing products (Ansoff, 1966, p. 132 ff). Hofbauer, Körner, Nikolaus and Poost describe the Market-Development Strategy as an aim to create a new market, which can be served with the existing product portfolio (Hofbauer et al., 2009, p. 97). This kind of strategy should be chosen when the possibility of the Market-Penetration-Strategy isn't any longer applicable and the market position can't be improved. Furthermore a weakening demand caused by the consumers due to the saturation of the market leads into the decision of market development (Hofbauer et al., 2009, p. 97 ff). Following actions can be done to create new market opportunities: o) Gaining additional markets by regional, national or international expansion for selling the products/services. o) Exploitation of the market by extension of the product usability and applicability. o) Exploitation of new sub-segments by the adjustment of the products/services to specific new target groups. Market-Development-Strategy is a kind of finding and development process of one or more new markets for existing products/services Schaper (2008). It is a possibility detecting new applications as well as strengthening the market position.

Internationalization Strategies and Foreign Direct Investments – Theoretical Approaches and Focal Points for Expanding MNCs:

On the beginning of every internationalization venture up front there was the general decision to get involved with entering foreign markets (Grünig, 2012, p. 16) and countries. The initiation for such projects can occur from the company itself or directly from the market (Barney, 2002, p. 20ff). The decision for going international can have far-reaching consequences, positive as well as negative, for the development of the company. Therefore such a decision-making processes should be done carefully and deliberately (Buckley et al., 2015, p. 10ff; Barney, 2002, p. 20ff). According to Sternad (2013, p. 10) entrepreneurs and managers who consciously considering to export goods or want to develop business activities abroad should think about 1.) the reason of why the company should do business abroad. As well as 2.) should consider the additional risks related to the internationalization and 3.) if the company is able to meet the requirements to be active on an international scale in terms of fitness and resources.

To have a clear perception about the motives for going international is so important because of the difference of those. Blitzenis et al. (2012, p. 52) defines nine different motives of going international of companies: Market Hunters; Strategic Market Hunters; Factor Hunters; Efficiency Hunters; Location Hunters; Exploiting Ownership Hunters; Financial Hunters; Political Reasons; Overcoming Imperfections. Dunning and Lundan (2008) see as the main motives of internationalization in resource-orientation, efficiency orientation and strategic aims to gain competitive advantages. The main motive is seen in the exploitation of new markets (Albaum&Dürr, 2008; Engelhardt 1992; Hollensen, 2011) The diversity of the motives easily shows the complexity of such ventures.

Going international always is connected with handling some risks. According to Jahrmann (2010, p. 292) risks can be divided into following sub-groups: Economic risks, political-legal risks, market risks. A company has to be aware of them take it into consideration for making a decision. All three categories can be split into sub-factors (Jahrmann, 2010, p. 292):

- Economic risks: exchange rate, inflation rate, credit risk, transport and storage risks.
- Political-Legal risks: installation of trade barriers, lack of legal security, capital transfer risks, security risks, corruption, tax risks, risk of misappropriation
- Market risks: qualitative and quantitative market risks, local market risks, temporary market risks, competition risks

The third point about the *fitness* of being prepared for the international market can be proofed, when the first two questions have been answered positively. This part focuses on the strengths

of the company's product or services as well as its organizational structure. To make use of an existing USP would be a opportunity for going abroad. Delivering Added Values and competitive advantages for the customers (Delgado-Gomez et al., 2004; Peng, 2001) or having access to special resources would be potential success factors. Entering cooperations with partners could be arguments for internationalization strategies. The management of the company has to commit to the internationalization. And the process, time schedule, goals, aims (Sousa et al., 2008) have to be very clear for all members which are affected by this venture.

Following figure 1.5 shows the process of going international. Grünig et al. (2012, p. 2) recommends to start the internationalization process with the analysis of the home market. When external analysis shows that the home market is growing or has stabilized on a high level, and the competition is below average, then a business entity may decide not to enter new markets or countries. But such decisions are strongly dependent on the strategic goals of the companies, their financial situation, specific business requirements or relationship to existing customers as this often is the case specifically in the automotive industry.

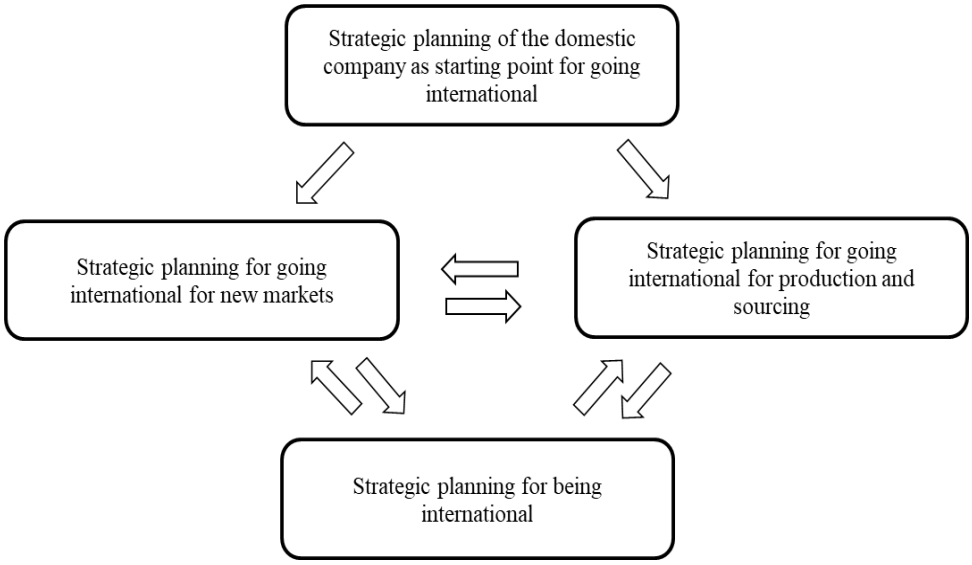

Fig. 1.5: Framework for going and being international

(Source: Author's own construction based on Grünig et al., 2012, p. 3)

According to Buckley et al. (2015, p. 6) there are basically three strategies of doing international business. It is exporting, foreign licensing and foreign direct investment. And each of these strategies has a variety of sub-types including the direct exporting, indirect exporting by an agent or distributor, licensing, franchising, assembly, turn-key operations, sales subsidiary and production subsidiary. The ownership question again raises the complexity of internationalization processes and decision-making. And going abroad and entering new markets requires thorough preparation beforehand. At the beginning of such a

process a company needs to ask itself what is the aim of going international on the long term perspective. Which influence such a project has on the short and medium term perspective to the company and what skills, competences and resources are available or will be required to be successful (Neubert, 2013, p. 12). Many decisions have to be done before and during such important ventures. Main parts of those decisions are dealing with organization and environment, time decisions, uncertainties, goals and constraints (Buckley et al. after Aharoni, 2015, p. 10 ff). According to Neubert (2013, p. 12) the preparation for going international can be compared to preparation for a sports competition. At the end, the company is ready and in a position to prevail in global competition (Dereli, 2015, p. 1366). The first condition for going abroad is developing an international vision. This is the basis for an international strategy and a key management instrument for global managers. This helps them to establish a good international reputation (Klein, 2013, p. 18) in terms of cultural sensitivity, authenticity, honesty and reliability (Neubert, 2013, p. 12). It is not possible to separate the world of business from social aspects, because of the world of politics or ethics are constantly included into these processes. Since business action is a social activity, it implies that social, ethical and natural environmental issues are essential strategic items in international business (Jansson, 2007, p. 9). The second step according to Neubert (2013, p. 12) requires defining internationalization objectives whereby it is important in this case to distinguish basically between objectives that are geared towards strategy, sales, efficiency and resources. Usually internationalization goals and objectives depending on the industry, position and business model. One conventional internationalization objective is the positioning of the company (Ansoff, 1966, p. 131 ff; Porter, 2008, p. 71 ff; Mussnig, 2007, p. 220) as a market leader in a clearly defined market segment or niche and gaining market shares (Miniter, 2002, p. 3; Hooley et al., 2008, p. 9) or defending them by developing competitive advantages (Porter, 2014, p. 21) with this objective in mind (Neubert, 2013, p. 13). Grünig (2012, p. 15 f) mentions **four major indicators** which provide evidence to the tendency for the economies of different countries to become increasingly enmeshed in internationalization:

Export and import of goods and services are the first two indicators. The World Bank in 2010 reported, that exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, travel, royalties, license fees, insurance, transport and other services. And they exclude compensation of employees and investment income. In the same way, imports include all goods and market services provided by the rest of the world. Only, when exports and imports grow faster than the Gross Domestic Product (GDP), globalization grows. Therefore (Grünig, 2012, p. 15), these two indicators are expressed as percentages of GDP.

The other two indicators for internationalization derive from the Foreign Direct Investments (FDI). The two possibilities are net outflow or net inflow of investment to acquire a lasting interest in or management control over an enterprise operating in a business other than that of the investor, the World Bank reported in 2010. Furthermore the World Bank reports (Grünig, 2012, p. 15), that it is the sum of equity capital, reinvested earnings and other long- and short-term capitals. The enmeshment occurs as companies in the country under consideration invest in other countries. But also economies become enmeshed if the investment takes place in the reverse direction. Hereby it is meant, that both outflows and inflows are relevant to that. To get a trend for internationalization, annual outflows (Grünig, 2012, p. 15 f) are expressed as percentages of GDP. According to Graham (1997. P. 29 ff), **Trade and FDI are to be seen as complementary approaches**. FDI creates cross-border trade. Production facilities based outside the home country will be marketed in several countries. Often also being exported back to the home market. In many cases it is the FDI which creates the possibility of entering new markets. This is particularly so (Grünig, 2012, p. 16) if the products produced outside the home country are significantly cheaper than those produced in the home country.

Foreign Direct Investment – Theoretical Definition, Advantages and Disadvantages and its Meaning to Macro-Economic Stability:

Foreign Direct Investment is a term describing a process where an entity from a country provides capital to an existing or newly established entity in another country (Jones et al., 2006, p. 7). The OECD (1996, p. 7 f) defines Foreign Direct Investment (FDI) as an object of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise). Patterson et al. (2004, p. 3) say, that FDI comprises not only the initial transaction for establishing the relationship between the direct investor and the direct investment entity but all subsequent capital transactions between them and among affiliated enterprises resident in different economies. A slightly different definition gives Sternad (2012, p. 62) where he says, that FDI is a capital-wise participation on foreign firms with the aim of getting a manageable influence to these firms. And furthermore he says, that during the investment phase there is the possibility to getting part of an existing company or to establish a new company abroad (a so called *Greenfield-Investment*). If the investment is done with partners, then it is called a *Joint Venture* (Sternad et al., 2012, p. 62). A Joint Venture, according to Wolf (2000, p. 6) is a special kind of doing business by one party in a jurisdiction to enter a stable and permanent legal entity with another parts. No matter if it is a domestic or foreign relationship. It is

economic independent and a lawful commercial purpose. International Joint Ventures are meant when at least one party is doing business in a jurisdiction that is not the country of origin.

Sometimes, the term FDI is used with misconceptions. Patterson et al. (2004, p. 3) gives some examples of what FDI is not:

- The first misconception: FDI does not necessarily imply control of the enterprise, since only a 10% ownership is required to establish a direct investment relationship.
- The second misconception: FDI does not constitute a 10% ownership (or more) by a group of unrelated investors domiciled in the same foreign country. FDI includes only one investor or a related group of investors in one or more countries.
- The third misconception: FDI is not based on the citizenship or nationality of the direct investor. FDI is based on the residence of the direct investor.
- The fourth misconception: Borrowings by direct investment enterprises from unrelated parties abroad that are guaranteed by direct investors are not FDI.

FDI has a kind of a range of definition, but there are also limits of what is not FDI. And this is important to be aware of when talking about Investments into foreign firms.

FDI decision-making process can generate advantages as well as disadvantages for the company. Grünig et al. (2012, p. 199) says, that for establishing own productions abroad, a main **advantage** of direct investment is that it allows a high level of control about the activities in the foreign country. And it is usually easier to ensure a certain level of quality and transparency in an own firm abroad (or a co-owned firm) than with an independent manufacturing partner. In a co-owned firm there is full transparency of costs. The own or co-owned firm can be specialized in very specific products, components or services. And this is something what independent companies may not be able for or even not want to be because of avoiding dependency of other external parties. The production is fully devoted to and developed for the requirements of the domestic company. The supply is secured due to the ability of the overall control of the own or co-owned company. Environmental uncertainties, which occur from macro-environmental factors (Pfaff, 2004, p. 95; McCarthy et al., 1975, p. 37; Kieser et al., 1976, p. 61, 224; Mussnig, 2004, p. 41; Mintzberg, 2009, p. 173; Ansoff, 1965), cannot be eliminated. But direct investment avoids or even has much more influence to any uncertainties about behavior of an independent foreign company who might decide to ask for a higher price for the upcoming years or who might decide not to deliver at all if there is a supply storage. These internal factors are called micro-economic factors (Porter, 2008, p. 37 f; Kreutzer, 2006, p. 42 f; Ansoff, 1965). FDI can bring big advantages for business

opportunities (Estrin et al., 2004, p. 3). Multinational enterprises used this instrument for growth and taking market shares before others. Emerging markets are very attractive for such MNEs (Estrin, et al., 2004, p. 3)

Grünig (2012, p. 199) also mentions some **disadvantages** for establishing own productions abroad. The major disadvantage Grünig says, is that it requires considerably higher resources to be committed than other FDI ventures. Mainly for SMEs, it is too resource-intensive setting up a new production abroad. Therefore FDI decision-making process has to be analyzed very detailed before taking a final decision. According to Estrin et al. (2004, p. 27) the investing firm needs to able to purchase or obtain sufficient resources in order to function successfully and the factors determining where these resources are obtained will depend in part upon the character of the investing firm itself. An example is, if the investment firm is already a MNE and has experience with such ventures and has possesses rich intangible assets, the potential for success is much higher than for others with less resources.

FDI decisions have impact to the macro-economic stability (Strat et al., 2015, p. 636; Fry, 1993, p. 25). By macro-economic stability it is meant sustainable economic growth, a low degree of inflation and exchange rate risk, a small amount of unemployment, as well as fiscal discipline and enough reserve coverage (Neuhaus, 2006, p. 147). A lack of macro-economic stability may create a high degree of uncertainty in any investment project. No matter if domestic or foreign. Potential future investments are determined by the aggregated level and volatility of the growth rate of the target country. Dunning (1988) already has provided three main potential influence factors on FDI from the macro-economic perspective (Wagner et al., 2016, p. 133) as these are: *ownership advantage*, *location advantage* and *internationalization*. This framework builds a basis for other empirical research projects. Most of them were focusing on the location advantage: natural resource endowments of host countries, availability of relatively cheap but productive labour, endowment of human skills, infrastructure facilities, the system of incentives and regulation of investments in host countries, trade policy of host countries and the economic environment in general as signified by macroeconomic and exchange rate stability (Wei et al., 2004, p. 1 f). Attracting FDIs must be linked with recognition of the efficacy of FDI. Efficiency is much more important than volume (United Nations, 2002, p. 79). FDI is not only capital flow, but also a bundle of technology, managerial know-how, marketing skills and, of course, capital. A summary of factors that facilitate increased flows of FDI and efficient utilization of FDI in the promotion of development objectives are universal. Raluca et al. (2012, p. 1195) say, that foreign

investors are likely to be attracted by large markets which allow them to grow. According to the United Nations (2002, p. 80) the most significant factors are:

- Host countries with sizeable domestic markets, which are measured by GDP per capita and sustained growth of these markets, measured by growth rates of GDP → these factor attracts relatively large volumes of FDI.
- An important factor for investment decisions by foreign firms are resource endowments, including natural resources and human resources.
- Further important factors for attracting FDI are determinants such as infrastructure facilities, including transportation and communication networks.
- Macroeconomic stability, determined by stable exchange rates and low rates of inflation, are significant factors in attracting FDI. Transparency and stability in terms of political and legal affairs are important for potential investors due to risk reduction.
- Also in terms avoiding surrounding potential risks besides the daily business, foreign firms place a premium on a distortion-free economic and business environment.

Griebeler et al. (2017, p. 345) states, that conservative policies may signal a foreign-capital friendly government.

It can be seen that the literature excerpt for FDI and its influence to macro-economic stability (Strat et al., 2015, p. 636) as well as which advantages and disadvantages occur with FDIs are a broad field of different opinions as well as possibilities. FDI is dependent on certain macro-economic factors which partially can be influenced (Neuhaus, 2006, p. 141) by governments, but not from foreign investors. For this research project it is the aim to find out what are the main factors for investors in the automotive industry (Mathivathanan et al., 2018) environment and hereby focused to Austrian and German MNEs.

Delimitation of Horizontal and Vertical FDI Activities and its Impact Factors:

FDIs can be horizontal or vertical oriented (Peng, 2014, p. 177; Rivera-Batiz et al., 2003, p. 168). Moran et al. after Bloningen and Wang (2005, p. 273) say that FDIs into developed countries are most of the time horizontal wise. The entire manufacturing process (but not necessarily included are distribution and retailing of the goods) are reproduced in a foreign location in approximately the same way as it is done in the home country (Moran et al. after Bloningen et al., 2005 p. 273 f). Peng (2014, p. 177) defines horizontal FDI as a kind of duplication of the home-country activities to a foreign country to gain a unique asset (Jones et al. after Caves, 2006, p. 31), at the same value-chain stage, it is a horizontal FDI.

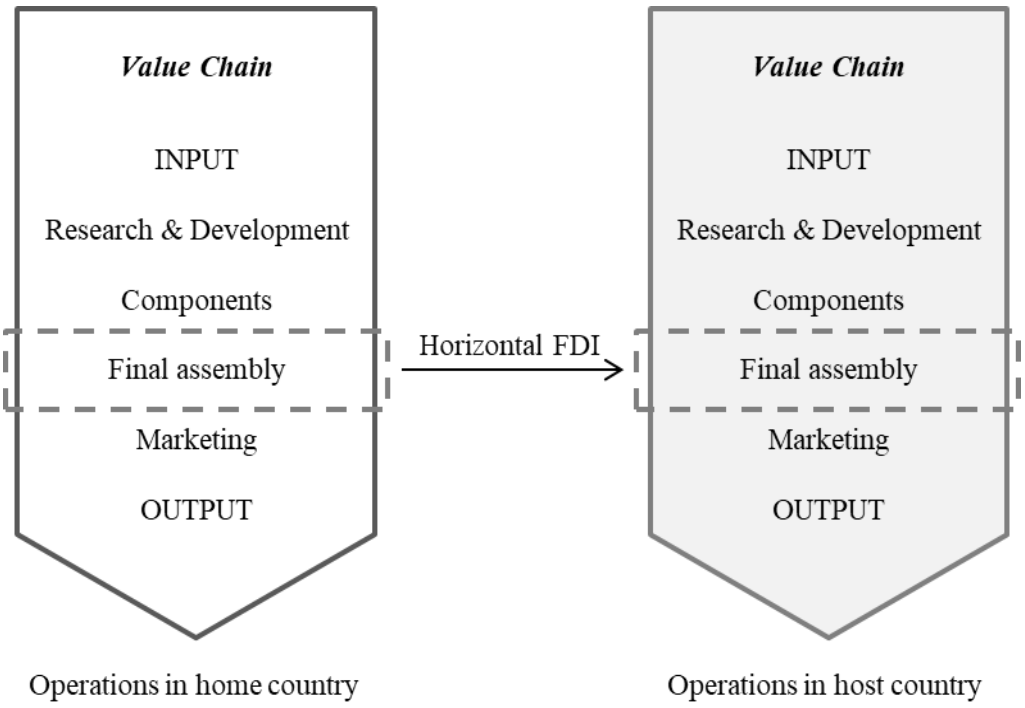

Fig. 1.6: Schematic visualization of horizontal FDI

(Source: Author's own construction based on Peng, 2014, p. 177)

If a company divides the value chain and does FDI into a host country to produce components for the home country to assemble them to a system, it is called vertical FDI (Peng, 2014, p. 177). Vertical FDI is often used in developing countries (Moren et al. after Blonigen et al., 2005, p. 274). It is a way for companies in developed countries to transfer processes into low-wage countries and gaining competitive advantages (Jones et al. after Caves, 2006, p. 32; Porter, 2014, p. 21). E.g. Transfer of intensive production cost into foreign developing countries to decrease product cost. Many of these firms import intermediate goods or produce an intermediate good (Moren et al. after Blonigen et al., 2005, p. 274) to than export them to the parent company.

It also can be divided into *upstream* and *downstream* vertical FDI. When going back in the value chain and doing FDI to get out goods, resources, services for perpetuate processes, an upstream vertical FDI (Stephan, 2013, p. 19) has been done. A downstream vertical FDI (Stephan, 2013, p. 19; Peng, 2014, p. 177) is meant, when the investment has been put for process along the value chain

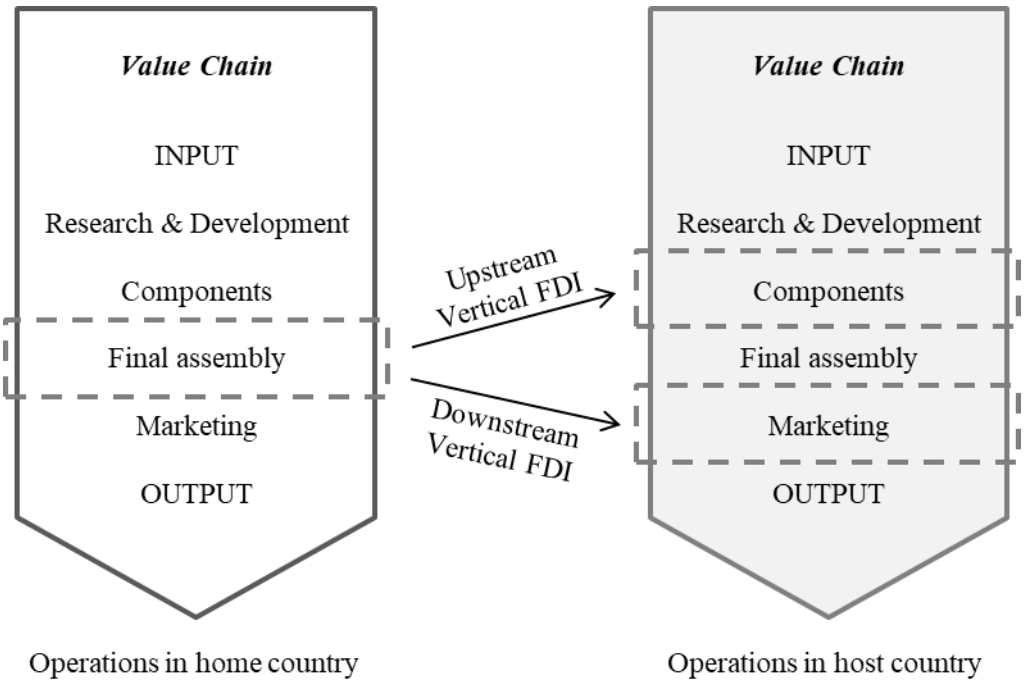

Fig. 1.7: Schematic visualization of vertical FDI

(Source: Author's own construction based on Peng, 2014, p. 178)

Companies often are confronted with the decision-making of doing FDI or Exporting. Comparing these two terms, when thinking about FDI, it is meant horizontal FDI (Rivera-Batiz et al., 2003, p. 168). The choice between exporting and horizontal investment often depends on the characteristics of foreign locations and the optimal production decisions. The key decision is whether to stay with the production in the home country, to shift it to the host country or produce in both countries as a kind of duplication (Peng, 2014, p. 177). According to Rivera-Batiz (2003, p. 168) the decision if doing export or horizontal FDI is taken on the basis of advantages at the host location. Ownership and internationalization advantages are not a sufficient condition for choosing horizontal investments over exportation. On the one hand, ownership advantages such as common headquarters can be exploited by ether foreign investing or exporting. And on the other hand, both exporting and FDI entail full internationalization of decisions (Rivera-Batiz et al., 2003, p. 168). In studies done by Markusen, Horstmann, Brainard and Venables (Rivera-Batiz et al., 2003, p. 168) a better firm productivity and heterogeneity leads to more FDI. Trade is an important factor for taking a decision in doing export or FDI. Hereby proximity to the market is characteristic which influences this decision. Minimizing trade costs is a focus of many firms, therefore a FDI in setting up a plant in the near of the market could be an opportunity. But production costs are lower if production is concentrated on a single place – economies of scale (Rivera-Batiz et al., 2003, p. 168). The situation is different from firm to firm, from location to location and

depends on the products and competitive situation (Porter, 2014, p. 21) as well as on the specific market conditions.

FDI Inflow and Outflow: Relation to GDP and Importance on the Global Market

FDI has become an important factor for the global economy and its growth of industries in the 20th and 21st century (Dunning et al., 2008, p. 17 ff). The Gross World Product (GWP) in 2014 was at approximately $ 78,28 trillion (CIA Factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html). The global stock of FDI abroad (outward) in 2014 was $ 27,45 trillion and the stock of FDI at home (inward) was $ 26,25 trillion (CIA Factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html). The FDI stock abroad is more than a third of the GWP. The outward stock lies in approximately the same range. So it can be seen that this are main drivers for growth or shrinks in the world economics. The large absolute rise in FDI also implied that FDI grew faster than the world production and trade (output), especially during the 1990s (Mody, 2007, p. 3). FDI flows to developing countries rose from just under $ 40 billion in the '90s to over $ 240 billion in the 2000s. This represents a six-time increase in just one decade (Mody, 2007, p. 3). The ration of FDI to GDP rose steadily for developing countries from less than a quarter per cent in the 1970s to almost 1% in the 1990s. Afterwards until the 2000s (Mody, 2007, p. 3) to more than 4%. A steady and also accelerating rise of FDI again shows the important economic factor for countries development and its economy. Lucas (1990, p. 92 ff), in the 1990s pointed out, that poor countries with narrow resource of capital, should provide much higher marginal returns to capital than rich countries. And that should result, in virtually, all new investment occurring in the poor developing nations. In reality, it is not even close to this prediction. 80% of the world's population resides in developing countries but they produce only 20% of the world's GDP (Mody, 2007, p. 6). FDI and trade (Soysa, 2003, p. 2) are widely regarded as pillars of economic globalization. According to Chakrabarti (2001, p. 89 ff), growth of GDP per capita in the host country is a strong indication of its market size. The market size is considered as one of the most important determinants of FDI. And growing FDI flows are significant factors of globalization processes (Pekarskiene et al., 2015, p. 208f) GDP per capita growth refers to purchasing power and the level of economic development. A continuing few give Shirazi et al. (2008) where they highlight the importance of the level of economic development in different sectors to FDI inflows to a region. They explain that if FDI flows into a country for its high purchasing power, then there is a positive relationship between GDP per capita and FDI. A further finding is, if it is targeting sales to third countries, a high GDP per capita implies high labour costs, and a negative relationship can be

determined between FDI and GDP per capita. And the assumption that foreign investors put capitals into emerging markets for the sake of exports is also supported by Carr et al. (2004, p. 383 f). More than 60% of the total sales are made in the domestic market of the host country (Erdogdu et al., 2016, p. 229). But of course not only FDI and GDP are influenced by each other. Corruption is an indicator which negatively influences FDI inflows and limits development activities (Marinova, 2015, p. 101). And it is generally believed that corruption has a negative influence for investors (Habib et al., 2002, p. 291 ff) due to incalculable and unforeseeable risks may occur from intransparency.

The continuous Development of FDI flows – Statistical Data and Trend Analysis

In 2013, almost 50% of the global FDI inflows were hosted by only five countries: China, United States of America, Brazil, Canada and Russia. The recovery of cross-border investments is proving elusive after the 24% decline record in 2012: The global foreign direct investment flows increased by only 4,5% in 2013 to USD 1'333 billion and remain over 30% below the pre-crisis levels reached in 2007 (OECD, 2014, p. 7). It furthermore concludes in that paper, that a sluggish economic performance owes a number of sources of uncertainty which than discourages MNEs from investing, including persistent Eurozone sluggishness, slowing growth in China and gears in regards to financial stability of emerging markets in general. Geopolitical tensions as it has been in the eastern Ukraine, the Korean peninsula and the Middle East are probably also moderating the international investment intentions of MNEs. This seems to be reflected in international M&A activity, a strong leading indicator for FDI, which had a strong drop-off in the first quarter 2014 (OECD, 2014, p. 7). According to Jones et al. after Hymer (2006, p. 29) there are two reasons why companies engage in foreign direct investment. Firstly, the company removes competition from within the industry, by taking-over or by merging with companies in other countries. Secondly, the company has advantages over other companies to acquire factors of production at a lower cost level, getting better distribution channels, to ownership of knowledge not known to its rivals or a differentiated product or service which is not known in the foreign country. Both reasons stress the importance of market imperfections and the precondition that the investor has full control of his investment. The **world FDI Inflow** in 1990 was 205 billion USD. It rapidly increased to 1'363 billion USD in 2000 and in 2014 it was at 1'228 billion USD. The all-time high was just before the world economic crisis in 2007 with 1'872 billion USD (UNCTAD, 2015). In **Europe** the **FDI Inflow** was 103 billion USD in 1990 and rose up to 714 billion USD in 2000. Afterwards was a big downturn trend. In 2014 the FDI Inflow was down at 289 billion USD. The **FDI Outflow worldwide** in 1990 was 244 billion USD, which was one

quarter more than FDI Inflow in the same year. This changed dramatically in 2000. The FDI outflow was 1'166 billion USD, which was only 86% of the inflow. And in 2014 the FDI outflow increased again to 1'354 billion USD and slightly above the FDI inflow (UNCTAD, 2015). The **European FDI Outflow** in 1990 was 141 billion USD and 40% above the FDI Inflow. In 2000, it rose to 848 billion USD and was again above Inflow, but declined to +19%. In 2014 it dramatically declined to 316 billion USD. But also the FDI Inflow declined in more or less the same way (UNCTAD, 2015).

Following table 1.4 presents an overview about the progression and development of FDI Inflows and Outflows for the period of time starting with 1990 until 2014. Four main economies have been selected to see differences between developed economies, such as Europe or United States and developing economies (UNCTAD, 2009, p. ii). For a better understanding, the World FDI has been taken as a reference.

Tab. 1.4: Comparison and Trend of FDI Inflow and Outflow from 1990 – 2014

		1990 in billion USD	2000 in billion USD	Change '90/'00	2014 in billion USD	Change '00/'14
World	Inflow	205	1363	565%	1228	-10%
	Outflow	244	1166	378%	1354	16%
Europe	Inflow	103	714	595%	289	-60%
	Outflow	141	848	502%	316	-63%
United States	Inflow	48	314	548%	92	-71%
	Outflow	31	143	360%	337	136%
Developing Economies	Inflow	35	232	571%	681	193%
	Outflow	13	89	579%	468	426%
China	Inflow	3	41	1068%	129	216%
	Outflow	1	1	10%	116	12567%

(Source: Author's own construction based on UNCTAD, 2015)

It is interesting to see the enormous growth of FDI Flows (Inflow and Outflow) in all main economic areas. This is a strong indicator for the globalization process and in this case the business activities which are more and more spread out over the globe. China, as an example out of the table shown above, is a good example. In 1990, there haven't existed almost no FDI flows. Which changed dramatically 10 years later and again in 2014 there was a big growth in these terms of business. In Europe it was completely different. There can be observed a big growth from 1990 to 2000. But afterwards, there was again a strong downturn. According to The World Bank (2014, p. 86) inflows of personal remittances have proved the resilient to economic downturns in Europe. And when comparing to with inflows of FDI, personal remittances received as a percentage of GDP continuous a slow but steady growth. Despite signs of recovery in 2011, FDI inflow as a percentage of GDP decreased by 15% in 2012. This shows that Europe had not fully recovered from the financial crisis.

Theoretical Framework Limitations and Preparation for in-depth Causal Analysis of potential Macro-Economic Impact Factors on FDI Motives:

This thesis deals with the complex issues of possible impact factors for decision-making of FDI on the macro-economic level and applied to the **special branch characteristics** of the **automotive manufacturing and automotive supplier industry**. And hereby the focus is on headquarters which are located in Germany or Austria. The aim is to find out those factors which may influence the investment behavior of MNEs in the strongest way. The literature shows a huge number of possible influence factors. Therefore, it has been clearly limited and focused on the macro-economic perspective for this thesis. But also the area of macro-economics is a broad and multifaceted field. The literature research shows a collection of the current research. Out of these research findings the core factors have been filtered and separated into three categories for this research paper. The factors are divided into three main categories: **Demand, Supply and Public- and Governmental Factors** (Griffin, Pustay, 2007, p. 169). The literature excerpt also mentions factors which may **intervene the FDI** decision-making process. These factors also have been considered into this work and are divided into two main variables: The **incentive schemes** and the macro-economic **uncertainties**.

The **time wise limitations** for this research are investment decisions within the **last ten years** from the date the questionnaire has been sent out. FDIs which have been done before this period are not going to be considered in this research paper due to the environmental changes which are permanently ongoing. Also the kind of FDI is clearly limited. Only **production sites established by FDIs** will be considered in this research paper. All other possible FDIs, such as License Contracts, Franchising, Joint Ventures, Sales Offices, etc. will not be considered in this work.

To evaluate the impact of macro-economic factors to FDI decision-making and analyze the strength of intervening variables, participants **have been selected with certain criteria for the survey.** Managers from the Automotive Industry from Germany or Austria with experience in FDI **represented the target population. The selection of the experts has been done by company directories, professional contacts and mailing.**
The **next chapter** works out the theoretical framework to be able to get an understanding about the meaning of macro-economic factors on FDI decision-making processes and compiles further knowledge on potential intervening factors.

2 THEORETICAL FRAMEWORK – MEANING OF THE RELATIONSHIP BETWEEN FDI DECISION-MAKING PROCESS AND MACRO-ECONOMIC FACTORS

The second chapter determines the theoretical framework of macro-economic factors and its potential relationship on FDI decision-making process. Furthermore, also FDI incentive schemes to attract FDI inflows and risk/uncertainty factors which are included as disturbing factors, are going to be empirically determined. The chapter ends with a summary of current models of FDI decisions and the adaption to applied industry.

2.1 Decision-Making Determinants of FDI and Macro-Economic Factors

Empirical studies show, that FDIs have a positive influence to growth rates in the target country (Neuhaus, 2006, p. 135ff). FDI can accelerate growth and may be a driver for innovations and development of countries. Studies show a growth of 60 percentage points more by FDI than with just having domestic investments. This can, and currently is, in many countries, a driver for economic development. This work consists of the whole group of Eastern and South-Eastern European countries as these countries show a strong growth of FDI and especially in the automotive industry as target countries for FDI.

Dunning (1977, 1983) already has developed a milestone in the theoretical research of FDI determinants. He called this eclectic paradigm the OLI paradigm. OLI is an abbreviation for three different classes of factors which explain the reasons for FDI: O=Ownership advantages, L=Locational advantages and benefits of Internalisation (I) (Neuhaus, 2006, p. 141). Whereas the O-Types and the I-Types are internal advantage factors and drivers for a company, the L-Types are external influence factors. According to Neuhaus (2006, p. 142) the L-Type advantages seem to be of the highest relevance for FDI flows from developed to developing countries. The L-Types are in the focus of this research work as independent variables to a special branch and it will be tested, which intervening variables have impact to the FDI decision managers do. As the dependent variable, the management decision-making process for FDI is used. And hereby the O-Type (Ownership) characteristics are also being considered. The L-Type in this work has been included into the independent SUPPLY variable. Following table 2.1 shows the link between Dunning's OLI-advantages and the mode of Entry of companies.

Tab. 2.1: OLI Advantages and Mode of Entry according Dunning's Paradigm

Relationship between OLI-Advantages and Mode of Entry based on Dunning's Eclectic Paradigm.				
		Advantages		
		Ownership	Location	Internalisation
Mode of Entry	FDI	Yes	Yes	Yes
	Exports	Yes	Yes	No
	Licensing	Yes	No	No

(Source: Author's own construction based on Perlitz, 1997, p. 132)

Dunning (1977, 1983) brought two different types of theory together in terms of international operation of firms. Internalisation theory and traditional trade economics to create the eclectic paradigm of FDI, synthesizing the reasons for firms to operate internationally (advantages) and the mode of entry – Licensing, Export or FDI (Faeth, 2011, p. 43). **Ownership advantages:** Refer to company's production processes, to ensure a competitive advantage over domestic firms and include patents, technical Know-How, management skills and reputation (Faeth, 2011, p. 43). **Location advantages:** Refer to motives to produce abroad including the access to protected markets, better tax treatments, lower production and transport costs, lower risk in terms of volatile economic changes and better structure of competition (Faeth, 2011, p. 43). **Internalisation advantages:** Occurred due to the public good nature of ownership advantages and had the advantage of lower transaction costs, minimizing technology imitation increasing the firm's reputation through effective management and quality control (Faeth, 2011, p. 43). Based on these characteristics, Faeth (2011, p. 43) assumes that the degree of foreign ownership in an industry should be higher the more research-, technology- or marketing-intensive products they have. According to Dunning (1988, p. 30f) there are differences in the levels of economy. The OLI framework can be applied to different levels. Dunning (1988) describes three levels: The Country level, the Industry level and the firm-specific structural characteristics. Following table 2.2 shows a matrix about the differences for each OLI-advantage factor.

Having a closer look on the different **entry modes**.

Licensing (Faeth, 2011, p. 43; Perlitz, 1997, p. 132) is a way to get access to new markets and/or to exploit technology (Casson et al., 2018, p. 1152) with just the right and ownership of the licensed object but without any ownership of e.g. properties. An advantage hereby is the flexibility and adjustability to changing circumstances. Also resources in terms of personal staff or investments into machinery and properties abroad are not necessary. But the

cost of licensing and the mid- and long-term rights need to be clearly defined and calculated if licensing is economically wise the proper solution (Casson et al., 2018, p. 1155).

Another entry mode according to Faeth (2011, p. 43) and Perlitz (2011, p. 132) is **Export**. This form is also acknowledged as an internationalizing possibility for companies, besides FDI and licensing (Casson et al., 2018, p. 1151). Exporting goods doesn't need high investment into new properties abroad and is a way to explore new markets without long-term investment risks. Current production sites and machineries can be used and the goods will be distributed wherever it is intended. But this entry mode involves both, production costs in the home country and costs of international logistics (Casson et al., 2018, p. 1155) including potential taxes, customs duties and trade barriers. Albaum and Dürr (2008) also divide the export strategies into pro-active and reactive motives. Proactive motives for export are growth strategies, internationalize existing business, recognition of chances of foreign markets, etc. Reactive motives are following existing customers, home market is too small or saturated, usage of currency fluctuations, etc. So export can be a fast tool for internationalization without high investments and relatively low risk.

The third entry mode according to Faeth (2011, p. 43) is **FDI**. This entry mode is the most intensive strategy in opposite of the two before mentioned ones. The advantage is the ownership, locational and internalization (Dunning, 1988) of the business activities. Instead exploiting technology from others by licensing, the firm internalize the foreign knowledge (Casson et al., 2015, p. 1151). This can be used as a strategic asset (Dunning, 1988) because of its independency to any other third parties. Also trade barriers, long transit ways, logistics costs, taxes, etc. can be reduced. FDI also involves the transfer of knowledge into the target country, which bears the risk of know-how loss and binds resources during transfer. Due to the high investments it is mainly seen as a long-term strategy.

Tab. 2.2: Matrix of OLI characteristics referred to different economic levels

Matrix of how OLI Characteristics may vary in different levels (Country, Industry, Firm)			
	Country (Host-Home)	Industry	Firm
Ownership	Factor endowments (e.g. resources and skilled labour) and market size and character; government policy towards innovation, protection of proprietary rights, competition and industrial structure, government controls on inward direct investment.	Degree of product or process technological intensity; nature of innovations; extent of product differentiation; production economics (e.g. if there are economies of scale); importance of favored access to inputs and/or markets.	Size, extent of production, process or market diversification; extent to which enterprise is innovative, or marketing-oriented, or values security and/or stability, e.g. in sources of inputs, markets, etc.; extent to which there are economies of joint production
Location	Physical and psychic distance between countries; government intervention (tariffs, quotas, taxes, assistance to foreign investors or to own MNEs, e.g. Japanese government's financial aid to Japanese firms investing in South East Asian labour-intensive industries).	Origin and distribution in immobile resources; transport costs of intermediate and final goods products; industry specific tariff and non-tariff barriers; nature of competition between firms in industry; can functions of activities of industry be split? Significance of sensitive locational variables, e.g. tax incentives, energy and labour costs.	Management strategy towards foreign involvement: age and experience of foreign involvement (position of enterprise in product cycle, etc.); psychic distance variables (culture, language, legal and commercial frame-work); attitudes towards centralisation of certain functions, e.g. R&D, regional office and market allocation etc.; geogr. Structure of asset portfolio and attitude to risk divers.
Internalisation	Government intervention and extent to which policies encourage MNEs to internalize transactions, e.g. transfer pricing; government policy towards mergers; differences in market structures between countries, e.g. with respect to transaction costs, enforcement of contracts, buyer uncertainty, etc.,; adequacy of technological, educational, communications, etc.; infrastructure in Host countries and ability to absorb contractual resource transfers.	Extent wo which vertical and horizontal integration is possible/desireable, e.g. need to control sourcing of inputs or markets; extent to which internalizing advantages can be captured in contractual agreements (cf. Early and later stages of product cycle); use made of ownership advantages; extent to which local firms have complementary advantage to those of foreign firms; extent to which local firms have complementary advantage to those of foreign firms; extent to which opportunities for output specialisation and internalisation division of labour exist.	Organizational and control procedures of enterprise; attitudes to growth and diversification (e.g. the boundaries of a firm's activities); attitudes toward subcontracting ventures, e.g. licensing, franchising, technical assistance agreements etc.; extent to which control procedures can be built into contractual agreements.

(Source: Author's own construction based on Dunning, 1988, p. 31)

Varieties in the advantages stated in table 2.2 refer to certain specialities in the levels (Faeth, 2011, p. 43f). Countries can vary on their economic development (developed or developing), in their size, industrialized or not, etc. Whether industries were high or low technology based, innovatory or mature, processing or assembly, competitive or monopolistic or whether on the firm level, if they are large or small, old or new, leader or follower, innovator or imitator. Caves (1982) said, that the degree of multinationality is related to R&D, marketing

expenditures, innovative products (newness) and complexity, product differentiation and number of scientific and technical workers. The entry modes which are shown in tab. 2.1 may show different possible types of entry modes which are used by companies to enter new markets. Those shown varieties of characteristics depend on many different base factors. To allow a certain analysis, this work focuses only on MNEs where the headquarters are located whether in Austria or in Germany. As target branch the automotive industry has been selected. Furthermore only FDI have been filtered, where a production site has been established abroad. The focus of this thesis therefore has been put just on the entry mode FDI.

2.2 Incentives Schemes and Climates affecting FDI Decision-Making

Foreign direct investments are strongly driven by investment climate and investment policies (The World Bank, 2003, p. 78ff). The World Bank stated, while FDI flows to developing countries receive much attention and have special characteristics that can benefit recipients, most own investments in these development countries remain domestic in their origin country (2003, p. 78). This fact reflects the importance of policies likely to affect the level and productivity of all investment, not just foreign ones. Baumol et al. (2007, p. 139ff) found out that a high level of sales and expectations of rapid economic growth creates an atmosphere and a climate that increases the potential of foreign investments. And this is only one factor of affecting investments. Growth of economies can be divided into three main pillars (Baumol et al., 2007, p. 147). As there is the first pillar *Capital*, followed by *Technology* and *Education and Training.* → **Capital**, by which is meant the volume of investment expenditures for business related objects, such as plants, buildings, equipment, software. This process is called *capital formation* (Baumol et al., 2007, p. 138). Capital flow is strongly driven by real interest rates. Baumol et al. (2007, p. 138 f) states, that the most obvious way to increase investment by private businesses is to lower real interest rates. Further he states, that when the real interest rates fall, investment normally rises. The question of why this is the case is because of enterprises often need to get financial support from external resources for their investments, and the real interest rate influences the payback rate and the limits the amount of borrowed funds. Also included in the field of capitals (Baumol et al., 2007, p. 139), are the tax provisions. This part of capital formation also can directly influence investment spending. Governments have, and often use, the possibility by altering various provisions of the tax code. The major argument for lowering capital gains taxes was the claim, much disputed by the critics, that it would lead to greater investment spending. In general, the tax laws allow governments many ways to influence business spending on investment goods (Baumol et al., 2007., p. 139) as well as foreign direct investments. A criticism of foreign direct investment

in certain instances is that the money often is not well spent. Without honest and well-functioning governments, well defined property rights and so on (Baumol et al., 2007, p. 147), this can lead into real non-transparent capital flows. → The next pillar, according to Baumol et al. (2007, p. 148) is **Technology**. Making a visit to poor countries, the level of technology is generally far below of the current state of the art. This handicap, according the hypothesis of Baumol et al. (2007, p. 148) should be easy to overcome. Those countries do not have to invest into new developments, they just have to copy existing ones. Some countries in the last decades did this in a great way. But others they don't even came into contact to new technologies and almost had no growth in these sectors. There are several instances which may also affect this situation. Willingness of governments to cooperate with other countries, lack of necessary scientific education and engineering know-how, infrastructure, educated staff, etc. Solutions hereby often are foreign direct investments by multinational enterprises. Those companies can bring big advantages with them. They bring capital, new technologies, bring knowledge of which local people can make advantage out of it. Improvement of local infrastructure, communication networks, trainings,... But of course, these countries want to make profit and want to take competitive advantages out of it. This may can also have a negative impact on those countries (Baumol et al., 2007, p. 148). For this reason of risk, many countries did not, and even do not welcome foreign direct investments. → The third pillar is **Education and Training** (Baumol et al., 2007, p. 148). There exist huge differences between developing countries and developed countries. Whereas in the United States the average of educational attainment is at 12,3 years, in India it is less than five years and in Sudan even less than two years. And in most of the industrialized countries, universal primary education, high rates of high school educations and a high level of university degrees are already reality. In many poor countries, even completing the primary school is an exception. Basic skills such as reading, writing and basic arithmetic often failed. Also in traditional societies, where women are second-class, this has a big influence to growth and industrialization. Incentive schemes can attract foreign investors to bring with them benefits that not every domestic investor can confer on the host economy. The benefits which foreign investors can bring with them are generally divided into three forms (OECD, 2003, p. 2):

- Firstly, the presence of foreign corporate enterprises commonly leads to improved trade activities between regions as well as internationally. In the past, policies were using foreign investors as a tool for import substitution or boosting exports. Nowadays, it is increasingly recognized that foreign corporate presence tends to boost both, imports as well as exports by giving the host location better access to the investors' global networks.

- Secondly, FDI can have a direct beneficial effect on domestic enterprises and markets. The results of the OECD study (2003, p. 2) identified a number of cases in this the experiences with foreign representatives in privatization have been positive, in the sense that the entry of foreign strategic investors helped improve corporate governance, introduce new technology and boost efficiency. In many cases, foreign market entries had a positive effect on competition in previously shielded markets. But, still there are risks which should be considered (OECD, 2003, p. 2) when foreign entrants become dominant in certain markets, competition and trade policies will increase to weaken their position.
- Thirdly, foreign corporate enterprises' presence is capable of producing significant spillovers to the local market in certain branches or business sectors. Two areas, where this channel seems to be particularly strong are technology transfer and human capital formation. By the connection with domestic enterprises, foreign owned enterprises may share their know-how with the local business community. The OECD (2003, p. 2) defines that as human capital, foreign owned enterprises tend to spin off a number of trained employees, and in many cases also managers, whose specialist skills then benefit unrelated enterprises or serve as a source of entrepreneurship in the local economy.

The World Bank (2003, p. 78 ff) gives some regularly used examples of incentive schemes to attract foreign direct investments. In general governance, corruption and property rights matter for FDI. As well as policies to channel private investment warrant caution and tax incentives. These attendant circumstances have influence to the FDI decision-making process. A more detailed view on examples for incentives to gain FDI which the The World Bank has worked out (2003, p. 80) is illustrated in figure 2.2:

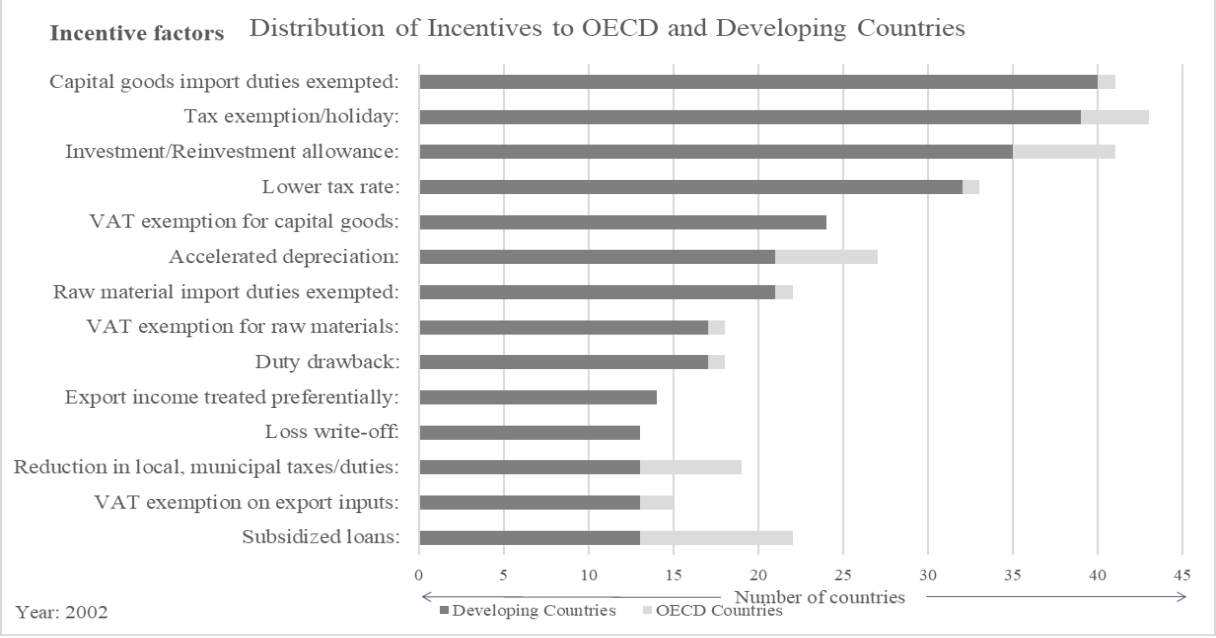

Fig. 2.1: Distribution of incentives to OECD and developing countries [n° of countries]

(Source: Author's own construction based on The World Bank, 2003, p. 80)

A critical dimension for FDI of the domestic policy environment is whether the government operates with transparency, credibility and stability (The World Book, 2003, p. 78). Governance, which operates properly, including independent agencies, mechanisms for citizens to monitor public behavior and rules that constrain corruption is essential to development. Transparency is among the most important components of the domestic enabling environment for FDI (The World Book, 2003, p. 79). But policies to channel private investment may warrant caution. Building a strong and stable investment climate is neither easy nor fast. It happens, that governments hope to compensate a poor investment climate through targeted policies intended to draw investors. Hereby mainly foreign investors are affected. Governments sometimes compete for foreign investment in higher value added industries as a way of moving ahead the technology hierarchy of international trade and production. The aim of such targeted policies is obvious: Incentives for FDI can be legislated quickly and investment that happen after the incentives are in place can be counted as a success. Main incentives for investors to gain FDI are divided into three policies (The World Book, 2003, p. 80): Tax incentives, subsidies to promote industrial clusters and measures to encourage industrial development through export processing zones (EPZ).

2.3 Factors influencing FDI Decision-Making Process in the Automotive Industry Sector

Basically, according to Sturgeon et al. (2008, p. 297), vehicle manufacturer need to build their cars where they sell them on account of logistical reasons, political pressure and local content requirements. The automotive industry is a global acting network with certain key-areas where OEMs have their productions and where a supplier network also has been established.

Ernst and Young (2016, p. 5) see following key drivers for cross-border deals in the Automotive industry: → Growing domestic demand for global products in emerging markets; → Gradual easing of FDI and related regulatory processes; → Access strategic proprietary assets and → low labour cost; Leverage cost base/economies of scale.

The **first factor** focuses on growth and conquering new markets with existing products. This is according to the Product-Market-Matrix from Ansoff (1966, p. 132) a market development strategy. The **second factor** of easing of FDI is also linked to lowering entry barriers by often creating incentive schemes (Bora, 2002) for foreign companies by governments to attract them for investments. The **third factor** is to gain strategic valuable proprietary assets through

FDI (Griffin, Pustay, 2007, p. 169; Aswathappa, 2008, p. 100) in getting competitive advantage and the fourth factor deals with cost optimized value chain production.

Following figure 2.3 shows kind of deals and values on a global perspective for the automotive industry for first half year 2016. Domestic deals are more often (e.g. establish or expand production sites) than cross-border deals. It can be seen that big amounts of financial flows are a fix part of this industry.

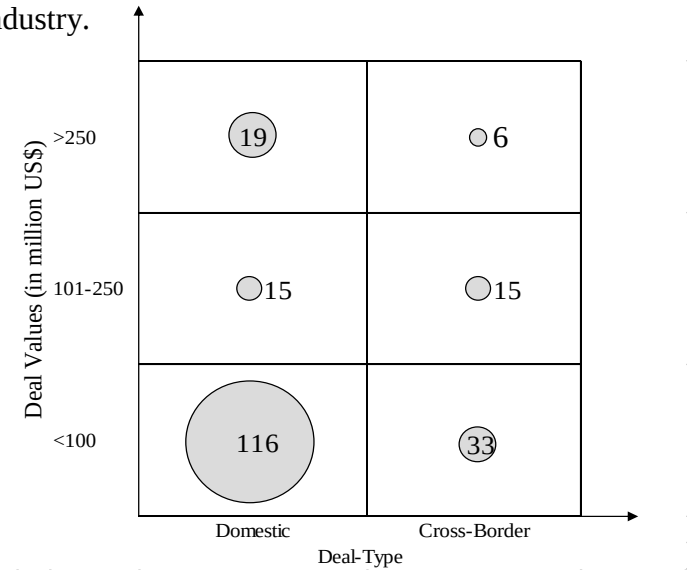

Fig. 2.2: Deals in the Automotive Industry 1st Half Year 2016

(Source: Author's own construction based on Ernst and Young, 2016, p. 5)

The size of the circle represents the deal values which have been disclosed. The numbers in the circle represent amount of deals within the first half year in 2016.

Ernst and Young (2016, p. 6) published the main drivers for the automotive value chain for the first half year 2016. For vehicle manufacturers following factors were most important:

- Restructuring of underperforming operations
- Optimizing costs and achieving operational efficiencies
- Accessing emergent technologies and innovation, such as self-driving cars and light-weighting.

For suppliers in the automotive industry, following factors were most important for their transaction activities (Ernst & Young, 2016, p. 6):

- Geographic diversification to manage regional demand volatility
- Expanding or rationalizing product portfolio to maximize return on capital
- Access to new customer segments, products and industrial solutions

The innovation power of the vehicle manufacturer in the automotive sector pushes Merger and Acquisition activities. During first half year in 2016, deals were mainly driven by business integrations aimed at capacity improvement, networks in emerging markets and technology advancement (Ernst & Young, 2016, p. 7). The strategy outlook for Merger and

Acquisitions for this industry, and especially for the vehicle manufacturer, is in the short-term mainly operational restructuring to unlock capital for expansion, mid-term activities will be access to autonomous driving and connectivity technologies, and future mobility solutions/serves, and on the long-term they are going to improve efficiency with complete integration of subsidiary businesses. Ernst & Young (2016, p. 5) also state, that with global growth moderating and uneven, cross-border Merger and Acquisition strategies are driven by companies seeking pockets of growth abroad. Steady cross-border acquisition activities highlight the increasing interconnectedness within the global economy. This again shows, that the already ongoing globalization and internationalization (Westerfield et al., 2004, p. 180) as well as the interconnection between the companies will increase over the next decades. But not only the OEMs are going to expand and do transactions and FDIs to enlarge their market power. The suppliers in this industry, and herby mainly the Top-Tier supplier (1^{st}, 2^{nd}, 3^{rd}-Tier) (Liegl, 2017) are going to expand their business as well. Ernst & Young (2016, p. 8) state, that the transaction activities of suppliers in this industry 2016 were driven by portfolio rationalization and expansion. In mid-term perspective, scaling-up of global presence, monetization of non-strategic business divisions and in the long-term gaining access to new safety and electronics technologies. The most important internationalization motives according a survey of Holmlund (2007, p. 469) are shown in table 2.3. 178 small- and medium sized Finnish companies has been asked about their motives to go international.

Tab. 2.3: Motives for Internationalization

No.	Motive	Influence *
1	Interest of Management	3,74
2	Small Homemarket	3,56
3	Customer Request from Abroad	3,02
4	Free Production Capacity	2,90
5	Possibility to increase Profit	2,78
6	Follow an Existing National Customer Abroad	2,65
7	Unique Products	2,61
8	Follow the Competition Abroad	2,21
9	Requests from a Business Partner	1,82
10	Technical Advantages	1,67
11	Achieve of Size-Advantages	1,56
12	Support of a regional Organization or a similar Facility	1,53
13	Cooperation with Competitors or Business Partner	1,52
14	Cooperation with Suppliers	1,33
15	Distance to Customers or/and Harbours	1,31
16	Tax Reasons	1,03

* 0 = no influence; 5 = strong influence

(Source: Author's own construction based on Holmlund et al., 2007, p. 469)

This survey (Holmlund et al., 2007, p. 469) shows a strong influence of the strategic willingness of the management itself to go abroad or not. Also the existing market is for those companies an important factor. Growth hereby is a factor. But also request from abroad is often a driver to take the decision to start such a venture. And of course free production capacity and increasing profit is an economic factor which has to be considered. Interesting is the low influence of tax reasons or the closeness to customers and/or harbors (Holmlund et al., 2007, p. 469). And which motives for internationalization are in the foreground is influenced by, and dependent to, a broad number of different factors.

2.4 Determination of main Group of ME-variables influencing FDI Decision-Making Process

FDI has been grown-up as a big factor in many economic sectors. The globalization and interconnection of markets and trends on a global basis also allowed companies and enterprises to expand to foreign countries to conquer new markets and to meet demands. The upward trend in FDI accelerates in almost all main country groups. Developed countries, developing countries and transition economies (United Nations, 2007, p. 3). To take the decision and doing investments is always affected by different factors. Investments of companies who may spend big amounts of money into foreign countries are even more complex and often are combined with risks and the potential to lose money. According to Pustay and Griffin (2007, p. 169) three major factors affecting FDI decision-making process. And these can be classified into *Supply Factors*, *Demand Factors* and *Government Factors* as shown in table 2.4.

Tab. 2.4: Factors Influencing FDI Decision-Making Process

Factors Affecting FDI Decisions		
Supply Factors	**Demand Factors**	**Government Factors**
- Production Cost	*- Customer Access*	*- Economic Priorities*
- Logistics	*- Follow Clients*	*- Avoidance of Trade Barriers*
- Resource Availability	*- Follow Rivals*	*- Economic Development Incentives*
- Access to Technology	*- Exploitation of Competitive Advantage*	

(Source: Author's own construction based on Griffin, Pustay, 2007, p. 169)

Those main factors which affect the FDI decision-making process according to Griffin and Pustay (2007, p. 169) in the strongest way, will be enlarged to factors from other researchers, such as Dunning (1977, 1983) or from Earnest and Young (2016), which regularly publish

new empirical gained data about drivers for FDI decisions with special focus to certain branches and markets and also for the specific characteristics of the automotive branch.

Macro-Economic Factor *DEMAND* and its Indicators:

Demand Factors (Aswathappa, 2008, p. 101): The market expansion is a strong motive for FDI decisions. This includes Customer Access, Following Clients, Following Rivals, Exploitation of Competitive Advantage and Customer Mobility (Griffin & Pustay, 2007, p. 169).

Gaining **access to customers** often requires physical presence in their markets to be able to serve them in a proper way. Some countries bring a high level of quality reputation for certain products with them. German automotive engineering is a good example as a high quality reputation. The perception of buyers can enable firms to produce the goods in the country with the highest quality reputation and therefore be able to get premium prices. Although the company may is based in a different country. Companies with a high reputation and a valuable trademark or brand name or even technology may choose to operate in foreign countries (with subsidiaries) rather than export to them to gain **competitive advantage**. Also clients of companies often attract FDI. **Following clients**, who build facilities in foreign countries to enter new markets, enable the possibility to also expand business with existing customers by locating a new factory of its own nearby. It enables to continue to supply its customer promptly and attentively. This practice is often used in industries in which main goods are obtained from suppliers with whom the company has a close working relationship. Following clients also means a competitive advantage can bring win-win situations for both parties. The supplier minimizes the risk of gaining business after spending FDI and the customer doesn't need to establish a new and unknown supplier. A further possibility of gaining competitive advantage by spending FDI is to **follow rivals**. A competitor analysis enables to find out their geographic strengths and weaknesses of individual competitors and the followers can select markets for FDI for their ventures. Most of the MNCs (Griffin and Pustay, 2007, p. 169) regularly monitor market sizes and growth rates – also on a global perspective.

Macro-Economic Factor *SUPPLY* and its Indicators:

Supply Factors according to Griffin and Pustay (2007, p. 169) include: production costs, logistics, resource availability and access to technology.

Production costs can influence the competitive situation in both ways, negative and positive. MNCs often try to locate their production facilities in low wage countries to gain competitive advantage out of it. Not only labour costs are of importance for FDI (Boghean, 2015, p. 279),

but also real estate prices and lower taxes. Hunady et al. (2014, p. 224) says, that taxes are still often emphasized as a crucial determinant of FDI. In terms of **logistics**, MNCs seek to invest into subsidiaries in foreign markets if the cost of transport raw materials is high. Also infrastructure is a driver for FDI. **Natural resources** are often of essential importance for companies and their products. MNCs tend to utilize FDI to access natural resources. Natural resources attract many MNCs. Examples for important resources are iron ore and wood. Key Technology is also a main supply factor and affects FDI decision-making process. **Technology** (Aswathappa, 2008, p. 100) influences every aspect of the global market place, it drives innovation, affects partnership and locations and changes stakeholder relationships.

Macro-Economic Factor PUBLIC- AND GOVERNMENTAL CONDITIONS and its Indicators:

Political Factors Griffin and Pustay (2007, p. 169): Political activities are often influence factors to attract or repel FDIs. Economic priorities and strategic political directions of the host country, avoidance of trade barriers and development incentives are the main political impact factors for FDI (Aswathappa, 2008, p. 101). **Economic priorities** of emerging markets and development countries regularly have misalignments with profit-oriented strategies and goals of MNCs. The host countries want MNCs to invest into infrastructure and developing areas, but the international investors seek to invest more into consumer goods industries. Therefore, development countries impose restrictions on the flow of FDI into their economies. This is not in general, there are examples, see on the example of China or India (UNCTAD, 2015), which allowed and welcomed FDI to enable big economic growth. A driver to affect FDI flows is the **avoidance of trade barriers** (Aswathappa, 2008, p. 101). Such barriers reduce the flexibility and the willingness of FDI from MNCs which follow the profit-oriented strategies. Development incentives are interesting for MNCs and related FDI decisions. Governments offer **attractive development incentives** to MNCs to invest in their economies. In particular developing countries. The primary motive of developing countries to attract FDI (Griffin and Pustay, 2007, p. 169) is to fill the resource gaps from the industrialized countries.

2.5 Empirical Research of potential Intervening Factors on FDI Decision-Making

The influence of macro-economic factors on foreign direct investment motives and its decision-making process are the main focus of this thesis. To gain a broader and more in-depth view on potential impact factors, besides the micro-economic level, two main possible

intervening variables have been included into the causal model. Incentive schemes are seen as a potential positive influence factor on foreign direct investment decisions. Negatively driven factors are the risk and uncertainty perception in such complex ventures. This variable also has been considered in the construct.

Empirical Research of Incentive Schemes as potential Intervening Factors in the Automotive Industry related to FDI Decision-Making Process:

Countries often create policies to attract FDI. Host government policies are location specific factors that may influence profitability and MNE's decision for doing FDI in different ways. Such governmental policies include both, incentives and performance requirements (Gilroy et al., 2005, p. 55). Related to incentive schemes are performance requirements for FDIs. A host government can place performance requirements on investors to push to ensure that the benefits of FDI will be at the country. Examples for such requirements could be hiring and training of local personnel, local content, technology transfer and exporting of output. Such performance requirements may distract FDI flows. To decrease negative effects, governments often link meeting the requirements to FDI incentives (Gilroy et al., 2005, p. 55). This paper focuses only on the intervening power of incentive schemes to FDI decisions. Performance requirement policies are excluded in this paper.

Empirical literature shows, that the impact of government policies are less effected to positive FDI flows (Gilroy et al., 2005, p. 55). And furthermore, Helleiner (1989) stated, that specific incentives do not have a major impact on FDI flows. He says that incentives influence the decisions of investors only very marginal. And Dees (1998) did a survey for the decisions of US companies to invest in China. The evidence shows that removing restrictions and providing good business operating conditions will affect FDI flows positively. Incentive schemes are instruments which are used from governments to increase the attractiveness of their location (Gilroy et al., 2005, p. 55). The incentives aim to encourage FDI inflows by reducing costs and making investment more profitable for them. Specific advantages such as tax breaks and trade incentives, like duty-free imports of inputs. The incentive schemes are often closely linked to efforts and activities from the host government. The aim of them is to encourage investment in export industries or preferred sectors or in less developed areas of the country. Most host countries believe that incentive schemes are crucial and of high importance to attract FDI inflows because competing economies have similar schemes (Gilroy et al., 2005, p. 55). According to Herrmann et al. (2003, p. 39 f) developing countries are more likely to base their incentive schemes on tax holidays and other FDI measures that do not require direct payments of scarce public funds. But there are no reliable calculations of

how costly these programs are. He states that it is almost impossible to determine the value of FDI that would have flowed to each country in the case no incentives would have been given. Governments use investment incentives to certain policy objectives. Fiscal, financial and regulatory incentives are main elements (Tavares-Lehmann et al., 2016, p. 204). According to an UNCTAD survey of investment promotion agencies (IPAs), fiscal incentives are the most frequent used type of incentives for attracting and benefiting from foreign investment, whereas financial and regulatory incentives are less commonly used for these purposes (Tavares-Lehmann et al., 2016, p. 204). According to Tavares-Lehmann et al. (2016, p. 3) there are a many different and well-accepted definitions of investment incentives. A regularly used source to determine investment incentives was provided by the OECD (2003, p. 12) where they state that these are measures designed to influence size, location or industry of a FDI project by affecting its relative cost or by altering the risks attached to it through inducements that are not available to comparable domestic investors. And another often cited definition was developed by UNCTAD (1996, p. 11) where they state that these are measurable advantages provided by governments to particular companies or group of companies with an aim to force them to behave in some way. Wells et al. (2001, vii) define investment incentives as subsidies and states that incentives can be direct or indirect subsidies. Direct subsidies are cash payments or payments in kind, such as free land or infrastructure and indirect subsidies such as tax breaks of various sorts or protection against competition from rival firms, including import protection, etc. They are going to be more specific and say that using an illustration of a fiscal incentive it has to be considered that an real investment incentive, e.g. a tax break must not be available to all investors. It must be tailor-made to specific investors or types of investors (Well et al., 2001, vii). And Thomas (2007, p. 11) states that investment incentives imply that a subsidy affects the location of investment. The goal is to attract new investment or to retain an existing facility. Another aspect in terms of incentives is how to measure the influence of those intervening actions. Navaretti et al. (2004, p. 261) say, that FDI incentives include a number of different types of direct and indirect subsidies or tax reliefs. According to UNCTAD (1996) typical incentive schemes could be shown in table 2.5 as follows:

Tab. 2.5: Typical Basements for Incentive Schemes

Typical basements for Incentive Schemes	
Profit based	Value Added based
Capital Investment based	Import based
Labour based	Export based
Sales based	Based on particular expenditures

(Source: Author's own construction based on UNCTAD, 1996)

Those factors can appear as permanent or temporary incentives to a company. Typical incentives based on the in table 2.6 mentioned factors are (Navaretti et al., 2004, p. 261):

Tab. 2.6: Typical Incentive Schemes linked to different Basements

Typical Incentive Schemes linked to different basements	
Tax reductions	Exemptions from import duties
Investment allowances	Exemptions from export duties
Tax deductions	

(Source: Author's own construction based on Navaretti et al., 2004, p. 261)

The typical basements for incentive schemes which are shown in table 2.5 can be based on different prerequisites. A number of them are shown in table 2.6. Applicable measures for incentive schemes are also mentioned in the UNCTAD report. The most common financial incentive schemes to finance new foreign investments or operations are (UNCTAD, 1996):

- Government grants (direct subsidies) to cover capital, production or marketing costs
- Government credits at subsidized rates
- Government equity participation and government insurance at preferential rates
- Subsidized infrastructure or services
- Special market preferences or preferential treatment on foreign exchange

The effectiveness and influence of incentive schemes to foreign direct investments seems to be a controversial topic and different studies have produced different conclusions (Navaretti et al., 2004, p. 261). A study from UNCTAD (1996) concluded that incentive schemes seem to play a minor role relatively seen to other factors such as market size, economic stability, political stability, regulatory framework production costs or skill levels. But they also state, that incentives are not negligible. Especially when two or more interesting countries bring quite similar framework conditions with them for the investor. Then, incentives are a good tool to attract investors. Hanson (2001) did a number of case studies with the aim of analyzing the effect of incentive schemes to FDI. In particular he also did two case studies for the automotive industry. In this case study, generous incentive schemes, including both direct subsidies and long-term tax breaks were offered to attract the plants to different states in Brazil. And the incentives worked. They actually influenced the final location. For other industries and markets they got quite different results.

Empirical Research of Risks/Uncertainties as potential Intervening Factors in the Automotive Industry related FDI Decision-Making Process:

Every company which needs to take the decision if it would go international or not has to be conscious about the chances and risks which are linked to this decision (Jahrmann, 2010, p. 292). Multinational companies facing certain macro-economic risks which are completely outside of their control. These include cataclysmic events such as wars and natural calamities and also equilibrium-seeking or random movements in exchange rates, commodity prices, interest rates or even wage rates (Aliber et al., 1999, p. 155). And in addition to that, MNEs facing what is usually referred to in the literature as political risks (Gann, 1996, p. 175; Jahrmann, 2010, p. 292; Aliber et al., 1999, p. 155) but may be more appropriately called policy risks to emphasize that they arise from policy makers and their decisions and actions of national governments and not from either long-term equilibrium-seeking forces of global markets, nor short-term random fluctuations in economic variables arising out of stickiness or unpredictability of market mechanisms (Aliber et al., 1999, p. 155). There are diverse kind of risks which can be generally divided into the following three areas as illustrated in figure 2.3:

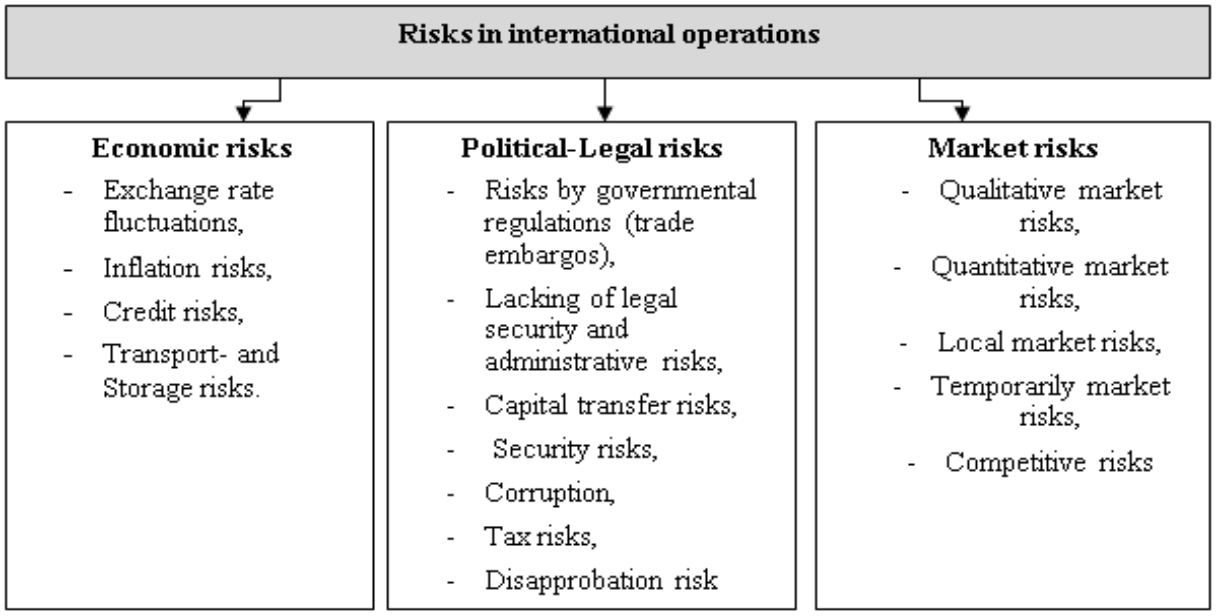

Fig. 2.3: Risks by international operations

(Source: Author's own construction based on Sternad et al., 2013, p. 13 after Jahrmann, 2010, p. 292)

As it is obvious, risks are often not directly controllable by the companies themselves (Aliber, 1999, p. 155). They depend on macro-economic varieties and volatile conditions. Political frameworks and subsidies can change very fast when politicians change, parties change or other circumstances make it necessary to change. Then, companies are forced with changes of their environment. This can bring changes but also may bring risks and uncertainties into the mid- and long-term success of a company (Hungenberg and Meffert, 2005, p. 320f). Gann

(1996, p. 174) includes foreign risks into the international investment decisions of multinational firms. He defines two main groups of factors for quantitative risk analysis: Country risk and currency risk. For the country risks he defines two sub-groups, the political country risks and the economic country risks. The same he does for the currency risk (Gann, 1996, p. 175). Hereby he mentions the conversion and transfer risk and the exchange rate risk. Following figure 2.4 shows the hierarchical construct for foreign risks by international business.

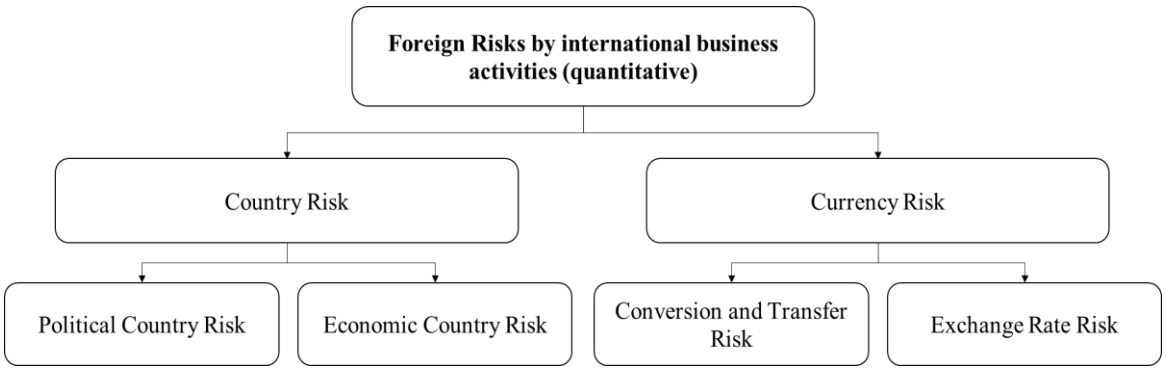

Fig. 2.4: Risks through foreign investments

(Source: Author's own construction based on Gann, 1996, p. 175)

The group of country risks includes factors which have the potential to bring losses on companies by disturbing their business activities. Occurring threats about unforeseeable changes of the host economy and political stability are critical for companies and its investors (Gann, 1996, p. 176). According to Brealy and Myers (1991, p. 879) a threat by foreign governments to investors is a break of a promise or understanding or to change the rule of game. This is not influenceable nor predictable by the investors. Country risks consist always political and economic components (Meyer, 1987, p. 16; De Haan, 1984, p. 34; Levi, 1990, p.401). **Political country risks** (Gann, 1996, p. 176; Goddard, 1990, p. 7; Jokisch, 1987; Schüning, 1991, p. 78) include the intervention of governmental institutions which limit the trade and business activities of companies (Büschgen, 1993, p. 207; Lessard, 1989, p. 197). Thereof, two sub-groups can be defined: The first group consists of **governmental actions** which limits the disposition freedom by intervening into the business activities, which again shrinks the competitive situation (Büschgen, 1993, p. 207; Lessard, 1989, p. 197). The second group consists of risks where **governments overtake properties** of companies (Meyer, 1987, p. 26). **Economic country risks** may occur when a nation or state is not able to follow the duty to pay of its foreign trades. FDIs can be temporarily, partially or completely be forbidden to do any foreign financial transfers (Gann, 1996, p. 177, Büschgen, 1993, p. 207). Conversion risks (Meyer, 1987, p. 21; Eilenberger, 1986, p. 18) may threaten a limitation of foreign currencies.

Cross-border investments contain financial inflows- and outflows and hold the risk of currency instabilities and changes. Uncertainties about currency developments (Gann, 1996, p. 190) may influence business activities in a positive or in a negative way. **Currency conversion calculations** may also influence the annual financial statements of companies (within the consolidation calculations). The term for this risk is called *translation risk* (Büschgen, 1993, p. 230; Levi, 1983, p. 3). **Currency exchange risks** define the difference by changing from one currency to another during cross-border financial flows. The term which is used for this kind of financial flow is *transactions* (Bernhard, 1992, p. 15; Cornell et al., 1983, p. 19; Fastrich et al., 1991, p. 8; Shapiro, 1992, p. 195; Büschgen, 1993, p. 233). FDIs are often forced with this topics and it is a factor a company can't influence by itself. Currency fluctuations are difficult to anticipate. The more long-term oriented vie into the future, the more vague the prediction. So, it can become a big topic for a cross-border trade company.

MNEs also facing certain competitive risks arising from the uncertainties of competitors' responses to its own strategies. Also including the strategy of doing nothing and trying to maintain the status quo (Aliber et al., 1999, p. 155). Almost all companies face such risks to a certain extent. Only monopolies and perfect competition (with special USPs) are very rare. The implications of the competitors' behavior are complex in the context of global strategies since the responses of competitors may take place in many different forms and in many different markets and technological risks can also be considered as a part of competitive risk when a new technology can adversely affect a firm only when it is adopted by a competitor and not vice versa (Aliber et al., 1999, p. 155). In general, competitive risks assume that a firm has defined its business correctly and has identified as competitors all the firms whose offerings are aimed at meeting the same set of market needs that the firm meets (Aliber et al., 1999, p. 169). According to Aliber et al. (1999, p. 155) MNEs also facing resource risks. These risks influence the strategy of an company and will require resources that the firm does not have, cannot acquire, or cannot spare. A key resource for the most firms is managerial talent. But resource risks can also arise from lack of appropriate technologies, or even capital.

Contract enforcement in FDI ventures is an important factor for managers who are responsible for their business activities. Poor contract enforcement has different effects on FDI decisions: The overall volume of transactions may be lowered through in transparent and unclear situations. But, FDIs which still occur may take the form of wholly owned subsidiaries because of the possibility of internal governance. Whereas other forms of FDI such as exporting, licensing or working with local partners that require external contracts

(Christensen et al., 2017, p. 603). Countries have different kind of laws and rules and differ in the kind of enforcement. Laws could be restrained or government could change court decisions for political reasons. Weak legal provisions and the lack of **effective legal enforcement** could result in **high corruption levels** and in transparent legal situations. The lack of law and order creates circumstances in which corruption can deploy very easy (Dorozynski et al., 2017, p. 336). Random interpretations and enforcement of laws and orders as well as regulations can create uncertainties that civil servants can take advantage of in their corrupt activities (Johnson et al., 2004). The standard of jurisdiction can be different from country to country. FDIs have to deal with such differences and the decision makers have to be aware of them when doing FDI. A working constitutional state depends on a predictability of legal decisions (Dufey et al., 2008, p. 62; Sternad et al., 2013, p. 14). He needs a transparent and independent justice, adequate duration of proceedings and the possibility to enforce court decisions. If not, the risk for investors about their contracts and its enforcement and validity increases (Sternad et al., 2013, p. 14). Bureaucracy is also a kind of legal barrier (Dufey et al, 2008, p. 62) which decrease the attractiveness of countries for investors.

Corruption is also main factor influencing FDI decisions (Arnone et al., 2014, p. 61; Sternad et al., 2013, p. 15). FDI is negatively influenced by high corruption levels (Dorozynski et al., 2017, p. 337). Further he states, that high corruption hinders and blocks FDI inflows as it is a sign that the government is malfunctioning, which adds costs to foreign investments (Hellman et al., 2002). This implies that FDI should be lower with corruption in a country with relatively high quality of governance (Dorozynski, 2017, p. 337). Corruption in many countries is a standard, mainly in less developed countries it is on the daily agenda. It happens in public sectors, such as politics and administration. For foreign investors a special attention is advisable. Before deciding to do business activities abroad, this factor should be consciously observed (Sternad et al, p. 15). Arnone (2014, p. 60f) states, that corruption has a particular significant impact on foreign direct investments. During decision-making process of investors on an international scale, corruption and involved costs are consciously considered in their choice. Also local competitors, who are **subsidized by public and governmental institutions,** can gain unfair market situations and are also a kind of risk for investors. FDI drives economic growth (Siddique et al., 2017, p. 112ff) in terms of technology and know-how transfer and is part of an innovation process (Tanzi et al., 2000, p. 11; Arnone et al., 2014, p. 61). Many economists assume a positive relationship between investment and growth. Therefore, if corruption affects investment, it must also affect growth (Tanzi et al, 2000, p. 10). Wei (1997) found out, that a one percentage point increase on the corruption index reduces the flow of FDI into a country by about 11 percent. It has even more effect that

an increase of marginal tax rate. Hereby they state, that an increase by a one percentage point on the marginal tax rate decreases the FDI inflow by about 3.3 percent (Tanzi et al., 2000, p. 11). Dunning (2008, p. 311) states, that among differences in corruption levels or inappropriate governance behavior within the OECD countries are seldom large enough to have enough impact on FDI flows. But for resource-based investment and for developing countries there may occur differences in the FDI flows. Cuervo-Cazurra (2006) investigated the effects of corruption to the choice of location by MNEs. He tested and found out that firms from countries that had signed the OECD Convention on combating bribery of foreign public officials in international business transactions are less willing to invest into more corrupt countries than the home country. His research proofed his hypothesis. It can be seen, that different studies showed different results. Reasons therefore may are the target countries and populations which have been contacted, there are differences in the business areas as well as studies with different contexts, such as comparing FDI flows with other influence factors. But basically it can be said, that corruption has an impact on FDI decisions. The power of such impact depends on the difference of the corruption levels between the investor's home country and the targeted host country.

Going abroad and setting up a new subsidiary is dependent on **getting skilled and trained staff**. This can hold big risks for the investors firstly, to get trained staff and secondly to keep them in the company. Often, the MNEs train local people for their working fields and try to increase their skills and to show them the MNEs values and standards. This costs time and money. While wage differentiation may help discourage trained staff from seeking alternative employment, it is less likely to keep them from seeking the potentially higher gain of setting up own enterprises (OECD, 2002, p. 114). They further state that in the most technologically advanced OECD countries, a leading source of entrepreneurship is essential for MNEs. Managers and technicians opting for self-employment. Through FDI, an equivalent source of human capital spillovers becomes available to developing and emerging countries. (OECD, 2002, p. 114). Companies with high standards of technology and complex technological processes are more dependent on skilled labour than others with less technology driven products or services. If companies do efficiency-seeking FDI, skilled labour is of high importance for them (Farole et al., 2014, p. 32). The Automotive Industry is a highly industrialized and technology driven sector. Skilled labour force is essential to stay competitive on the global market.

Comprehensive Chapter Summary:

The aim is to analyse and measure the impact of macro-environmental factors to the country selection in terms of expansion processes. For companies, those results can make it more secure to select the right country and for countries itself it is the basis to put actions in terms of increasing the attractiveness and possibilities for foreign direct investments. For this research work, different levels of managers and consultants which were or are involved in FDI decisions in their company. FDIs are always complex ventures and the decisions need be prepared beforehand. Different aspects have to be evaluated and many people are involved in such processes. The mix of different levels of management helps to gain a mean of the different functions in processes in the decisions process. An entrepreneur may has other aspects of doing FDI or not, than a middle-management employee. And an internal consultant, for example from the controlling department, may again have different arguments and views.

3 RESEARCH DESIGN AND METHODOLOGY INCLUDING RESEARCH RESULT ANALYSIS AND DATA INTERPRETATION

The chapter 3 transfers the in-depth literature review and theoretical input from the chapters before and apply them to the task to be able to answer how the decision making process of FDIs is impacted by macro-economic factors and influenced by risks and incentive schemes in the German and Austrian automotive industry. A detailed analysis of the gained data out of the postulated causal model and derived findings finalizes this chapter.

3.1 Research Design and Methodology of Evaluation of the Impact of Macro-Economic Factors on FDI Decision-Making Process

Chapter 3.1 does deeper probation of the literature research and describes the applied methodology for this work. Therefore the research questions are going to be described and the hypothesis will be derived. The causal model as main part of this chapter will be postulated and from this construct the questionnaire as a selected instrument for gaining the empirical data will be described. The selected target population as well as the industry sector are going to be determined as well.

3.1.1 Formulating of Research Questions about FDI and Management Decision-Making Process and derived Hypotheses

The impact of macro-economic factors on FDI decision-making process is only little described in the literature, as shown in chapter 1 and 2. Maybe because of the acceleration of the globalization and internationalization process this topic became more important than it was in the 20th century. Companies who intent to expand and enter new markets or secure resources or even to become more competitive are often driven by necessary FDI decisions. These are ventures which are not a daily business for the managers and have long term effect on the companies. The complexity of such decisions includes micro- as well as macro-economic considerations. The micro environment is more close to the company and its business activities and is changeable by the company itself. The macro-environment is a circumstance a company has to live with and is not directly changeable by the company. Different countries bear different opportunities, chances, threats and risks. This research project focuses on the macro-environmental influences to the company and analysis the impact of main economic factors to FDI decisions enlarged with intervening factors of FDI incentive schemes and the uncertainty/risk influence. The automotive industry and its supply

chain is strongly driven by the globalization process. The large car manufacturers (OEMs=Original Equipment Manufacturer) have big power on the markets and it can be observed, that the production of the vehicles is located where the demand of the market occurs. This means that also the suppliers of these big enterprises often want to follow, or even are forced to follow their customers into new and interesting markets. The automotive industry has become a more and more protected industry (Nieuwenhuis et al., 2003, p. 232). To enter this industry to become a supplier or to apply new technologies for mass production are very cost intensive. The release of such new technologies takes time and requires special certificates, such as ISO standards, etc. and need to go through a long and untransparent audit and release procedure. But, if a company passed these barriers and is a released and nominated supplier within this industry, it has access to a global automotive market. The global automotive market forces companies to deal with different cultures and environmental frameworks. The challenge for such international and global ventures is to consider and determine potential impact factors which can be both, positive as well as negative. The macro-economic level is given and is not directly influenceable by the companies. But these factors have direct impact on the companies and their business activities. The literature research showed lacks in the field of FDI motives and the impact of macro-economic factors including intervening variables of incentive schemes and unforeseeable risks and uncertainties. Especially for the automotive industry for Austrian and German based companies there are very little empirical results available.

Gaps of results out of the current literature research: The research results from the last twenty to thirty years showed an increase of numbers of published research works in the field of FDI motives, FDI behavior, FDI risks as well as influence of different factors. Hereby the micro-economic view has mainly been observed from the researchers, because this is directly linked to a company and its business activities. The macro-economic point of view often is only described but without empirical gained results. The importance of this global economic driven phenomenon is quite new and the decisions which managers have to take are long-lasting and often have big impact on the development of a company and its staff. In summary, such FDI decisions are influenced by micro- as well as macro-economic factors. The macro-economic factors are not changeable by the companies themselves but influence the business activities. And there are also two more factors which intervene such decisions. These may be incentive schemes and the risk/uncertainty factor. And these factors in the literature are only seen as self-contained factors and are not seen as disturbing factors (positively or negatively) between macro-economic factors and FDI decisions.

Gaps of Results of FDI Motives influenced by Macro-Economic Factors for the Automotive Industry:

The chosen industry for this work is the automotive industry. Beginning at the OEMs, its 1st Tier supplier and down on the supply chain (Liegl, 2017). It has been limited to companies which are located in Germany or in Austria. The literature research showed that for this economic sector there are almost no empirical data available despite the fact that especially this industry is global acting and very innovative and fast changing. Many companies which are working for this industry are forced by going abroad, following clients or securing technologies. These companies have to take decisions which are not their daily business and which have massive impact on the company itself. Empirical data for this industry are mainly limited to a certain point of view or to a certain country. But the general view to the whole decisions process of doing FDI or not is still a gap in the current literature.

Gaps in Terms of a Whole Macro-Economic Construct and its intervening Variables:

A lot of researchers made great models and tried to summarize factors and variables as well as indicators for the macro-economic point of view. FDI decisions and motives are also described very deep but with missing links to intervening variables such as incentive schemes or risk factors. So, the fragments are available in the current state of literature but the interlink between them is missing. This work combines the macro-economic factors with the intervening variables FDI incentive schemes and risks/uncertainty to FDI decisions in the German and Austrian automotive industry.

Due to the **identified gaps of research results** described before and the actuality of the topic, following propositions to defend have been designed in **research questions** as follows:

RQ_{Base}: How important are different macro-economic factors for FDI motives in the automotive industry?

This question should deliver answers about the degree of importance of macro-economic factors to FDI motives in the automotive industry. Three different sup-groups of macro-economic factors allow a more detailed view to the real influence factors.

RQ_1: Which macro-economic factors have the strongest influence on FDI motives in the German and Austrian automotive industry?

This question should deliver the answer of the most influenceable macro-economic factor to FDI decisions. This is going to be analyzed as a direct impact on FDI decision without any disturbing factors in between to get a clear picture about the dependence of macro-economic performance and FDI decisions.

Many countries establish and offer incentive schemes to foreign investors to attract settlements for certain industries which may influence the macro-economic impact on FDI decisions. Another intervening variable is the risk and uncertainty factor. This implies, that if interesting countries (e.g. emerging markets) hold unforeseeable risks for the investors, such as corruption, political instability, legal enforcement, etc. may hinders foreign investors to enter a new market. This leads to the following research question RQ_2 and RQ_3:

RQ_2: How do FDI incentive schemes impact the macro-economic factors?

RQ_3: How do the macro-economic factors impact uncertainty/risk and what influence does this have on FDI motives?

From the created research questions RQ_{Base}, RQ_1 - RQ_3, the **hypothesis** are going to be derived as follows:

Null Hypothesis:

H_0: There is no significant impact of macro-economic factors and intervening factors FDI incentive schemes and risk/uncertainty on FDI motives of German and Austrian Automotive companies.

The hypothesis H_0 assumes, that besides the micro-economic aspects (cf. Porter, 2008, p. 37 f; Kreutzer, 2006, p. 42 f; Ansoff, 1965), the macro-economic level as well as incentives and risk/uncertainty have no significant influence on FDI decisions. The macro-economic level has been divided into three main groups of factors according to Griffin's and Pustay's (2007, p. 169) model: demand factor, supply factor and public and governmental factor.

Derived Sub-Hypothesis:

SH_1: The macro-economic factor *Demand – Expected Market Volume* positively impacts both, the macro-economic factors *Supply – Production Factors* and *Public and Governmental Conditions.*

SH_2: The factor *Demand* impacts the *Risk/Uncertainty* factor in a significant positive way.

SH_3: The factor *Demand* impacts the *FDI Motive* more strongly than *Supply* and *Public* does.

SH_4: *Supply* has more influence on *FDI Motive* than on *Risk/Uncertainty*.

SH_5: *FDI incentive schemes* have a positive impact on macro-economic factors.

SH_6: The *Public* factor is reversely positively related to *Risk/Uncertainty.*

SH_7: The *Risk/Uncertainty* factor impacts *FDI Motives* significantly in a negative way.

The null hypothesis H_0 and the derived sub-hypothesis SH_1 – SH_7 shall grant a whole picture of macro-economic influence to FDI decisions extended with intervening variables of FDI

incentive schemes and risk/uncertainty factors. The aim is to find out the biggest influencing factors and potential relationships between them to than derive interpretations and conclusions. These results are only valid and limited to the selected industry, which is the German and Austrian located automotive industry.

The Pre-Determinants of the postulated Causal Model for the Empirical Analysis of the Impact of ME-Factors to FDI Behavior in the Automotive Industry:

The postulated causal model is based on the literature research in accordance to the topic of this work. A postulated causal model is a forecasting instrument used in econometrics and statistics to explain and explore dependencies between variables. Causal models firstly provide *explanations by modeling causal mechanisms*, and secondly, causal models also ought to be considered as a *model of explanation* (Russo, 2009, p. 166). The sciences use this kind of methodology to create a transparent model with various types of variables (dependent, independent, exogenous, endogenous, latent, which helps to gain knowledge out of actual phenomena and processes (Neuert, 2009, p. 135; Buch, 2007, p. 3 preface). Path diagrams are used to show potential relations between the variables used in the causal model (Weiber et al., 2010, p. 29). The model in this research work has three separate categories. The dependent variable in this causal model defined by the author of this work is the FDI decision/motive of managers in the German and Austrian automotive industry. It has been assumed, that the dependent variable is influenced not only by micro-economic factors, but also by macro-economic factors and intervening affects by incentive schemes and unforeseeable risks and uncertainties. This has been taken as the focus of this thesis. As independent variables following three sub-groups have been identified and extracted during the literature research: DEMAND, SUPPLY and PUBLIC AND GOVERNMENTAL CONDITIONS (Griffin and Pustay, 2007, p. 169). Each of them is a separate independent variable. The third category is the intervening factor. Two main groups of intervening variables have been identified and clustered: The FDI INCENTIVE SCHEMES (Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261) and the factor (Sternad et al., 2013, p. 13; Gann, 1996, p. 176; Brealy et al. 1991, p. 879) RISK/UNCERTAINTY.

3.1.2 Determination and Operationalization of the Variables in the Causal Construct

To be able to evaluate the variables used in this thesis, it is necessary to determine each variable in a precise way and deriving specific indicators for each single variable to operationalize them.

Determination and Operationalization of the Dependent Variable FDI Motive [Decision-Making] and Measuring Methodology:

A dependent variable is affected by independent variables. Independent variables are the cause and the dependent variables are the effects (Babbie, 2008, p. 237). The FDI decision and motive of managers of doing it or not as the depend variable in this postulated causal model has been brought into relation with following independent variables DEMAND, SUPPLY and PUPLIC AND GOVERNMENTAL CONDITIONS (Griffin and Pustay, 2007, p. 169). Considered intervening variables are FDI INCENTIVE SCHEMES (Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261) and RISK/UNCERTAINTY (Sternad et al., 2013, p. 13; Gann, 1996, p. 176; Brealy, 1991, p. 879)

The latent endogenous variables explain the dependent variable (Brown, 2006, p. 54). In this case explain the **company internal FDI decision/motives**.

According to the current literature research, the motives of doing FDI are driven by internal and external factors. The researchers have a number of different decision motives defined. The author of this work has summarized and operationalized them into to following indicators to measure the dependent variable of internal **FDI motives**:

Tab. 3.1: Operationalized latent endogenous variables for the dependent variable

Dependent Variable	Indicators for Operationalization	Ind. abbr.
FDI MOTIVE [Decision-Making]	We have a clear internationalization/globalization strategy.	FDI1
	The home market is too small.	FDI2
	The competition in home market is too strong.	FDI3
	If we wouldn't expand, we would not be able to survive on the long term perspective in general.	FDI4
	We have technological advantages and want to make use of them.	FDI5
	The target country serves interesting financial incentives to us.	FDI6
	Shift production to better conditions (cheaper workload, better Technology,...)	FDI7
	Reduce Tax disposal	FDI8
	Reduction of political risk by diversification of production sites	FDI9

(Source: Author's own construction)

The operationalized latent endogenous variables as shown in table 3.1 for the dependent variable FDI motives/decision-making is going to be integrated into the postulated causal model, created by the author of this thesis.

Determination of the Independent Variables Demand, Supply and Public and Governmental Conditions:

To determine the independent macro-economic variables, the study of current research results brought three main groups of variables which may influence upcoming FDI decisions managers have to take. Following variables have been extracted and operationalized for the postulated causal model:

Demand: This independent variable in the postulated causal model summarizes the influence factors of the **expected market volume**. Griffin & Pustay (2007, p. 169) have defined following indicators for the demand level: Access to customers, follow existing clients, follow current rivals and exploitation of competitive advantage. This factor has been expanded with further influence factors linked to expected market volume (Holmlund, 2007, p. 469): Gaining new market shares and launch existing products in new markets.

Tab. 3.2: Operationalized latent exogenous variable *DEMAND*

Independent variable	Indicators for Operationalization	Ind. abbr.
DEMAND [Expected Market Volume]	How important was the FDI to get access to new markets/customers?	DEM1
	How important was the FDI to follow existing Clients abroad?	DEM2
	How important was it to follow existing competitors?	DEM3
	Has it been important to gain Competitive Advantage?	DEM4
	What importance would you allocate to gain new market shares by doing FDI?	DEM5
	How important was the FDI to Launch an existing product into new markets?	DEM6

(Source: Author's own construction in accordance to Holmlund, 2007, p. 469; Griffin and Pustay, 2007, p. 169)

The demand factor is determined and operationalized by the indicators shown in table 3.2. After the survey and its analysis, each indicator is going to be analyzed if it fits to the model's criteria. If not, the indicator will be excluded from the model. This method will be applied for all indicators in the whole causal model.

Supply: The supply factor represents the factor of **production costs**. It summarizes the effect of direct costs for production, availability of resources, logistics advantages, available technological advantages (Griffin & Pustay, 2007, p. 169). Extended with (Holmlund, 2007, p. 469) labour costs and industry infrastructure.

Tab. 3.3: Operationalized latent exogenous variable *SUPPLY*

Independent Variable	Indicators for Operationalization	Ind. abbr.
SUPPLY [Production Factors]	Which influence created labour cost to your FDI decisions?	SUP1
	How important was it to follow the existing industry to other markets?	SUP2
	Which role played logistic advantages (Harbour, distance to customer,...)?	SUP3
	Which importance allocated access to resources for your FDI decision?	SUP4
	Which importance allocated Access to Technology for your FDI decision?	SUP5

(Source: Author's own construction in accordance to Holmlund, 2007, p. 469; Griffin and Pustay, 2007, p. 169)

This factor supply as shown in table 3.3 measures if the costs and supply goods are of high importance to the company's investment behavior.

➔ **Public and Governmental Conditions:** The third independent variable in the postulated causal model represents the (Griffin and Pustay, 2007, p. 169; Aswathappa, 2008, p. 101) official and administrative sector.

Tab. 3.4: Operationalized latent exog. variable PUBLIC AND GOVERNMENTAL CONDITIONS

Independent Variable	Indicators for Operationalization	Ind. abbr.
PUBLIC- AND GOVERNMENTAL CONDITIONS	How important would you indicate the avoidance of trade barriers?	PUB1
	Which importance would you allocate to a low corruption index in the target Country?	PUB2
	How important is the Industrial Production Growth Rate in the target Country?	PUB3
	How important is the GDP Real Growth Rate in the target Country?	PUB4
	Which importance did you allocate to the factor GDP per Capita in the target Country?	PUB5
	How important did you see the Tax Rate in % of Profit in the target Country?	PUB6
	How important was the size of the target economy?	PUB7

(Source: Author's own construction in accordance to Griffin and Pustay, 2007, p. 169; Aswathappa, 2008, p. 101).

This latent variable shown in table 3.4 consists indicators according to Griffin and Pustay's (2007, p. 169) extended by indicators extracted from further literature resources.

Determination of <u>Intervening Factors</u> in FDI Decisions in the Automotive Industry:

As it has been compiled in the literature research in chapter 2, there are two main intervening factors in terms of FDI activities. On the one hand, as a factor in for a positive influence to attract FDI inflows, FDI incentive schemes are able to attract foreign direct investments. These activities are used from governances as drivers for increase of FDI inflows for certain branches, technologies or regions. On the other hand, FDI activities are always concerned by taking risks and uncertainties, which represent a negative influence on FDI activities, respectively on the macro-economic factors in this thesis.

OPERATINALIZATION OF INTERVENING FACTOR: FDI INCENTIVE SCHEMES

As a condensed excerpt from the literature research (Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261), following main indicators are going to be used for this thesis to operationalize this latent variable as an intervening factor on macro-economic influencers.

Tab. 3.5: Operationalized latent intervening variable FDI INCENTIVE SCHEMES

Interviening Variable	Indicators for Operationalization	Ind. abbr.
FDI Incentive Schemes [Attracting FDI]	No cost for green land for production site.	FIS1
	No rent for governmental owned buildings for production for first 5 years.	FIS2
	Tax holiday for first 3 years	FIS3
	No import and export duties for first 3 years	FIS4
	New infrastructure born by host country for production facility.	FIS5

(Source: Author's own construction in accordance to Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261)

FDI incentive schemes are going to be included into the postulated causal model as potential impact factor to attract FDI inflows.

OPERATIONALIZATION OF INTERVENING FACTOR RISK/UNCERTAINTY

The risk and uncertainty intervening factor on FDI activities has been compiled from existing literature and following indicators have been taken for operationalization of this latent variable. Table 3.6 illustrates the variable and its indicators.

Tab. 3.6: Operationalized latent intervening variable RISK/UNCERTAINTY

Independent Variable	Indicators for Operationalization	Ind. abbr.
RISK/UNCERTAINTY	Political Stability	RIS1
	Proprietary rights	RIS2
	Corruption	RIS3
	Unclear Market Situation and Development	RIS4
	Contract Enforcement	RIS5
	Local governmental supported and subsidized competitors	RIS6
	Getting trained staff / labour skills	RIS7
	Currency stability	RIS8

(Source: Author's own construction in accordance to Jahrmann, 2010, p. 292; Gann, 1996, p. 176; Brealy et al. 1991, p. 879)

The risk/uncertainty factor is going to be included into the postulated causal model as potential intervening factor.

Construction of the Cause-Effect Model:

The aim of this thesis is to construct a cause-effect-model to find out the influence of macro-economic factors with respect to potential intervening factors on FDI motives. The model has a three-level approach. On the first level, three factors have been designed to collect certain groups of macro-economic influence possibilities, as these are DEMAND – Expected Market Volume, SUPPLY – Production Factors and PUBLIC AND GOVERNMENTAL CONDITIONS. On the second level, potential intervening factors have been collected and summarized into two groups as these are FDI INCENTIVE SCHEMES, i.e. actions which may attract FDIs and RISK/UNCERTAINTY which summarize potential unforeseeable risks.

Out of the before mentioned variables, following fig. 3.1 illustrates all variables into one common postulated causal model including paths and indicators.

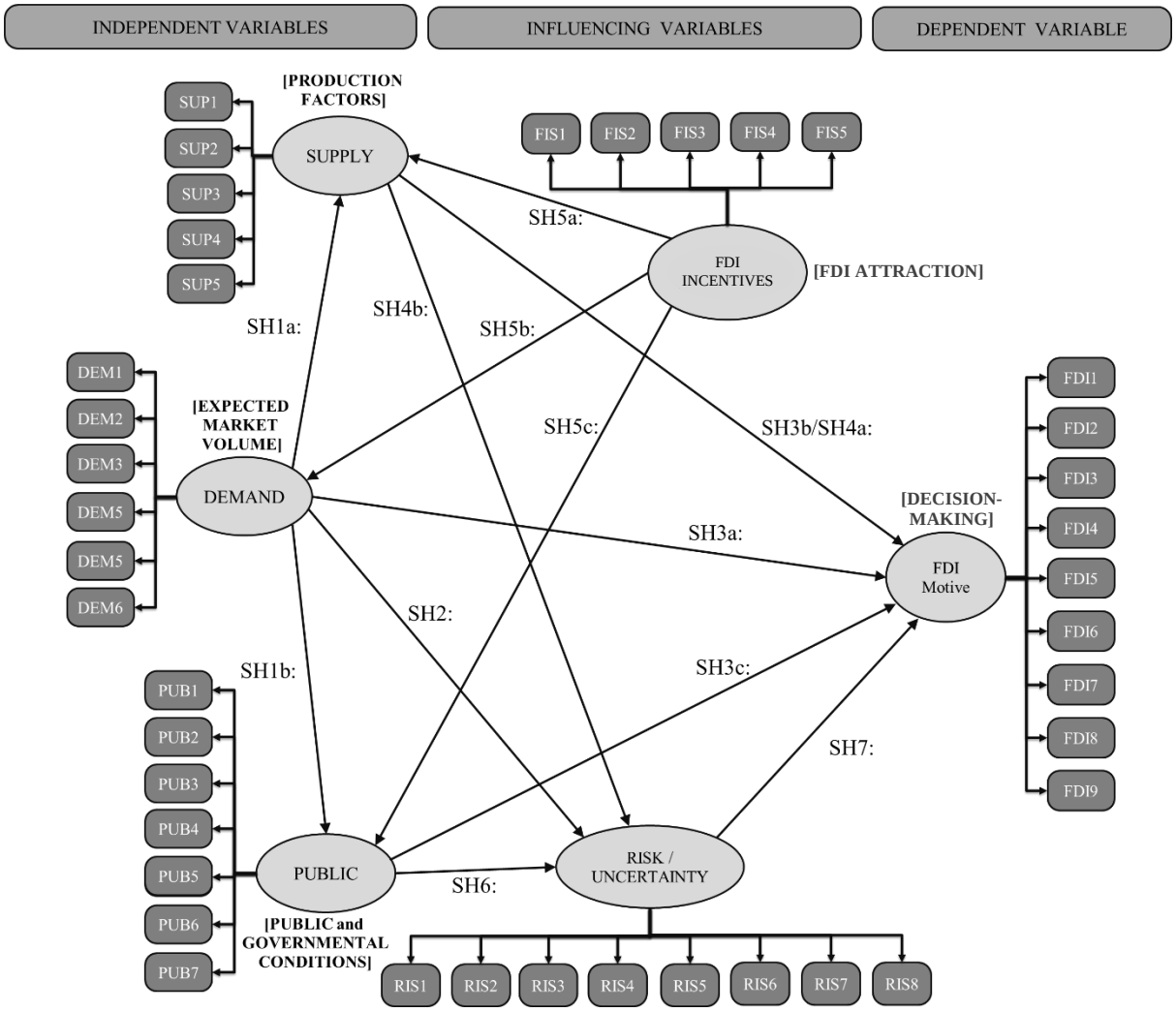

Fig. 3.1: Complete postulated causal model with indicators and paths

(Source: Author's own construction)

The model is based on the research questions and derived hypothesis which were carried out for this work and are going to be analyzed and answered within this thesis. The direction of the arrows is linked to the research question and hypothesis and represents the way of analysis.

3.1.3 Target Population and Requirements for Survey Considerations

To set-up the target population for this research work was done by a clear definition of the requirements, which are necessary to get reliable data and results out of it. There have been seven groups of requirement been defined and checked during the survey which are described as follows:

Only the B2B Sector will be Targeted by this Survey:

This research work is limited in its generic view. The business sector which has been selected for this research project is limited to B2B business activities. FDI decisions in the B2B sector normally are taken in groups of different persons within a company due to long-term effects on loss and profits, competitive situations, market positions and may have effects on liquidity situations. Whereas in the B2C sector decisions in terms of investments are very often taken just by one person. Multi-National-Enterprises and their organizations often use different departments to come to final conclusions. It was the aim to do the survey with persons in different departments who are involved in such decisions to get a whole view on the important influencing factors of FDI decisions on the macro-economic level.

Selected Industry Sector: The Automotive Industry

As the target for this work, it has been selected the automotive industry sector (Xia et al., 2015; Mathivathanan et al., 2018). This industry develops and produces motor vehicles for many different means of transport. Passenger cars, trucks, motorcycles are the main products. No difference even they are conventionally motorized with combustion engines or electric driven. This industry is global acting and is presented in most of the countries worldwide. Within the automotive industry, the OEMs are on the top of the supply chain and are the main drivers within this industry. In Germany in 2014 the OEMs and direct suppliers reached a turnover of 367.9 billion Euro (VDA, 2014), thereof 236.8 billion came through exports (VDA, 2014). In Austria the automotive industry reached more than 43 billion Euro turnover in 2013 with 247.500 produced motor vehicles (Fachverband der Fahrzeugindustrie, 2013). In terms of the employment rate the German automotive industry also represents an important industry sector with more than 808.000 jobs in 2016 which represents more than 15% of the industry sector as a whole (Diez, 2018, p. 187). In Austria, 450.000 jobs are directly and indirectly involved in the automotive industry, which is every ninth job in Austria in total (Fachverband der Fahrzeugindustrie, 2013). These values represent a strong impact on the German and Austrian economy. They are big players with strong market power and influence also on the macro-economic level (law regulations, employment rates,…). If such OEMs are going to enter new markets, there are the phenomena that also many suppliers follow them and are going to establish their subsidiaries nearby their customers. Also the position in the supply chain is crucial to a firm's success (Sinha, 2017). First Tier Supplier, which are on the second level of the supply chain also, in most of the times, are multi-national-enterprises with strong market power in their segments. But also suppliers down the supply chain pyramid (2^{nd}-Tier, 3^{rd}-Tier,…) (Liegl, 2017) are influenced by internationalization and globalization

processes and have to deal with such complex ventures. The OEMs as well as their suppliers are the target population of this work.

Local Limitations: German and Austrian based Multi-National Enterprises from the Automotive Industry

The survey has been limited locally wise too. The automotive industry is a strong driver for the economies (Xia et al., 2015) in central Europe. The German and Austrian states have been selected for this survey because of the strong influence of this industry to the whole economic situation (Fachverband der Fahrzeugindustrie, 2013; Diez, 2018, p. 186f; VDA, 2014) . Only MNEs from the automotive industry where the headquarters or large entities which are based in Germany or Austria were selected for this research work. OEMs such as Daimler, Volkswagen, BMW, and Audi are located in this area. Large 1st Tier supplier (Liegl, 2017) such as Bosch, ZF, BorgWarner, Schaeffler, Magna, etc. are also global acting companies within this industry sector. Further down the supply chain there are many further companies which are direct suppliers to this industry.

Experience: Only Persons with Experience in FDI and Employment Duration

FDI experience: A base requirement about the experience of the targeted persons was that they are experienced in FDI ventures and decision making. Experienced managers who directly took decisions as well as members in a panel or advisory board who delivered facts and figures to ensure direct progress into decisions making of doing FDI or not were valid persons for this survey. It has been divided into several experience levels: Very experienced persons with six or more FDI decisions to establish a subsidiary abroad. The next level was four to five decisions done, further down from one to three decisions as well as persons who haven't done FDI, but are currently in the decision process were also accepted for this survey. Other persons without any experience in this area have been removed from the analysis.

Employment duration: The second requirement in terms of experience was the employment duration. The survey conducted addressed persons with a certain durability of employment in the company and its business area. It has been asked about following duration levels: 1-3 years, 4-6 years, 7-10 years and more than ten years.

Management level of Decision-Making Group Member:

A part of the survey also considered the management level. When an FDI decision has to be made, often different management levels are concerned. Dey and Sinha (2016) suggest an integrated approach towards decision making. Most organizations have certain levels of management which, according to Lawson (2004, 88), typically can be divided into the following levels: Strategic, tactic and operational level.

Strategic level: According to Lawson (2004, p. 88) managers in this top-level are mainly concerned with long-term organizational planning and structuring. Decisions tend to be unstructured and are not made in a frequent way. The decisions made at this level often do have large impact on the long-term perspective to the company and its organization as a whole and cannot be reversed quickly. The strategic level management in the survey is equivalently used as TM = Top Management Level.

Tactic level: In accordance to Lawson's model (2004, p. 88) the tactical level is largely concerned with mid-term planning. These managers monitor and track the performance of the organization, allocate and analyze capacities and resources, control budgets and set-up policies. Decisions taken at this level mainly are done for medium-term goals and targets and should set basics to reach the long-term strategic visions and goals done by the top-level. The tactical management level in the survey is equivalently used as MM = Middle Management Level.

Operative level: The operative level mainly deals with short-term goals and decisions and organize, plan and control the day-to-day business activities. Decisions taken at this level direct the organization's efforts towards meeting the medium-term goals, abiding by the budgets, procedures and policies and don't have big impact on the organization as a whole (Lawson, 2004, p. 88). The operative management level in the survey is equivalently used as LM = Lower Management Level.

A pre-survey with persons who dealt with FDI decisions in the past showed, that with such complex and long-term oriented decisions, also consultants are used to prepare data, making country analysis, experts from target countries,… are being used. Therefore the survey consists of two more groups of possible interview partners: external consultants and internal consultants.

External consultants: Are often contacted directly from executive managers who are going to get special knowledge into the company and its organization (Anderson, 2010, p. 88f). Reasons for conducting a consultant may are non-regular decisions which have to be made and where an expert is highly needed. Also to avoid only internal views and opinions without taken any other point of view into consideration. FDI decisions are a very good example for long-term oriented decisions which have large impact on a company and normally are on a non-regular basis.

Internal consultants: They should assist the other decision maker with data and visualized analysis of a certain topic. They are often expert in a special field and therefore are hired and used to get a better knowledge for taking decisions. Internal consultants often are more trusted

with confidential information from the management than external ones (Anderson, 2010, p. 88f). A disadvantage may is, that internal consultants again see only the internal company's view which may limits the possible ways for an upcoming decisions.

One additional group has been included for selection in the survey which is called *Others*. This is for persons which are not directly part of the before mentioned groups but with influence to FDI decisions.

Position in Supply Chain:

A part of the survey also considered the position of the company within the supply chain (Liegl, 2017). Due to the fact that many companies are in diverse positions of the supply chain (customer A = 1st Tier, customer B = 2nd-Tier,…) the interviewee should select the position, where most of business activities are done. A study performed by Sinha et al. (2017) states, that a company's success is strongly connected to a clear decision of in which position the company makes business within the supply chain. The supply chain (Liegl, 2017) has been divided into following vertical sub-groups: OEM = Original Equipment Manufacturer, 1st-Tier supplier, 2nd-Tier supplier and 3rd-Tier and more suppliers.

3.1.4 Data Collection and Sample Considerations for the Automotive Industry Sector

The automotive industry as the targeted industry of this research work basically deals in the B2B business. So, the companies which are selected for the survey start at the top from the supply chain, at the OEMs, which are in this case the vehicle manufacturer, and goes down the supply chain up to 3rd-Tier and more suppliers. The supply chain upwards (Liegl, 2017) from OEM to distributors and selling process to end-consumer has clearly been skipped from this study.

The automotive industry is a kind of protected industry sector. Only released and validated suppliers are allowed to deliver goods and services to their customers. Often a long and complex releasing procedure including audits, sample productions, special certificates are necessary to get access to this industry.

The ongoing internationalization and globalization process has also been hit this industry. Companies within this industry are forced with this development and FDI decisions are more often to be done than ever before. The OEMs are often the first companies to set-up directions for the upcoming decades. Conquer new markets and enter foreign countries wherever the potential markets occur are their targets. Suppliers within this industry follow them to secure the customer-supplier relationship and to foster their market position. On production sites of

OEMs there are also following supplier networks. Or they are forced from their existing customers to follow, or to be skipped out as a whole of the supply chain. So, it can be seen, that such decisions are very complex and long-term oriented and have impact on the company as a whole.

Current Models of FDI Decisions and Adaption to Selected Industry:

Fast changing environmental conditions of companies influencing the daily business activities as well as have effects on the long term perspectives.

The automotive industry is a global working network. Emerging markets, such as India could see rapid and steady growth of the automotive industry by getting large FDI inflows (Jacob et al., 2017, p. 37) and new targets for this industry and this brings the necessity of FDIs. Business entities have to handle changes of the economic situations, different cultural aspects, trade barriers, currency risks, etc. and have to be aware of them. One big impact has the globalization and internationalization to those changes. The competitive situation becomes tougher because of the not any longer limitation by distance. The so called *global competition* (Gerber, 2010) forces the companies to be innovative, to be up-to-date, to understand the customer's needs and to serve the right markets with the right goods. Even if it is the strategic goal of a company to enter new markets, new countries, to gain more market shares or to serve new customers, to selection of the right country becomes a serious topic which has to be solved. Of course, the micro environmental conditions, such as serving customers, markets, fulfilling demands, enter emerging markets, etc. in the most cases firstly play the biggest role in terms of such ventures. But in such complex projects, managers often come relatively soon to the point where they start thinking about the macro-economic conditions of the countries. Those conditions may have a big and strong influence to the expansion process and can become the essential factor if it will end in a success story or it runs into a disaster. Holmlund et al. (2007, p., 469) did a survey about the most important internationalization motives of 178 Finnish small- and medium sized companies. The following motives have impact on the internationalisation. It was measured on a 5-level Likert scale, whereas 0 = no impact at all, 5 = very strong impact on the internationalisation motive. Interest of Management (3,74), Home market too small (3,56), Customer request from abroad (3,02), Free production capacities (2,90), Possibility to increase profit (2,78), Follow an existing national client (2,65), Unique products (2,61), Follow competitors abroad (2,21), Requirements from an existing partner (1,82), Technological advantages (1,67), Achieving of economies of scale (1,56), Support from a regional union or similar (1,53), Cooperation with competitors or business partners (1,52), Cooperation with suppliers (1,33), Closeness to customers and/or harbours (1,31), Tax

reasons (1,03). According to Liebscher et al (2007, p. 136) who did an excerpt of a large body of available literature results about main FDI motives, he comes to following findings: market imperfections, internationalization strategies, absolute and comparative advantages, the direct control of foreign operations in a less known foreign environment and, in a more general seen way, establishing a better knowledge of foreign markets.

Identification of the Decision Makers and involved Persons in Terms of FDI:

The targeted contacts for this survey are employees of these companies which are, or were, part of an FDI decision to establish a new entity in a foreign country. As already mentioned before in this work, such preparations and decisions are normally not taken by a single person, but are taken by a group of different people. This work tried to contact people from different management and experience levels. In order to allow a high representatively for this industry, companies have been contacted through the supply chain without any limitation about the size of the company to allow a more generalizable picture of such decisions. The main companies of the German and Austrian automotive industry have been contacted via paper studies and company directories as well as direct contacts. Persons were contacted who…are currently working on FDI ventures, had direct influence on FDI decisions and were involved as consultants (external or internal) in FDI decisions. Only if one of the before mentioned characteristics is fulfilled, the interviewee has been taken into consideration for this survey.

3.1.5 Description and Evaluation of the Survey Method and Structure

To evaluate and collect data about the influence of macro-economic factors including intervening factors to FDI decisions, a structured questionnaire has been created and distributed to experienced persons out of the focus group of employees of German and Austrian based companies from the automotive industry sector. A structured questionnaire and interview is the most popular way in psychological research (Mitchell et al., 2010, p. 276f) in which all respondents are asked a standard list of questions in a standard order. A structured questionnaire includes the advantage to reduce bias and increases reliability. Important is to only use fixed-alternative questions. Another advantage according to Bechhofer et al. (2000, p. 75) is that they are ideal for statistical descriptions and factual matters. This structured questionnaire is based on the causal model which has been created under consideration of existing research results from different scientific researchers and adapted to author's postulated model.

The **first and second section** (see table 3.7 - S1 & S2) of the questionnaire consists a general explanation of the aim of the survey questions to identify if the person will be taken into consideration to the survey or not as well as to screen which experience the person has, level of management, company data as well as personnel data. Table 3.7 shows the structure and type of data input.

Tab. 3.7: Explanation of section 1 and 2 from structured questionnaire

Section	Content	Type of data / Evaluation / Scale
S1	Explanation of survey content	-
S2	General characteristics: Hierarchical position Experience with FDI decisions (years) Number of FDI decisions Country in which the person's company is located Subsidiaries locations Supply chain position of company Size of company Gender Age	 Single choice Single choice Single choice Single choice Multiple choice Single choice Single choice Single choice Single choice

(Source: Author's own construction)

The **sections 3 to 5** (S3, S4, S5) evaluates the allocation of importance of the independent variables DEMAND – expected market volume, SUPPLY – production factors and PUBLIC AND GOVERNMENTAL CONDITIONS. Summarized in table 3.8.

Tab. 3.8: Explanation of section 3 to 5 from structured questionnaire

Section	Content	Type of data / Evaluation / Scale
S3	Evaluation of latent variable Demand – Expected Market Volume: 6 Indicators for latent independent variable to explain the not directly observable Demand – Expected Market Volume for FDI decisions. Griffin & Pustay, 2007, p. 169; Holmlund, 2007, p. 469.	5-point Likert scale (1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important)
S4	Evaluation of latent variable Supply – Production factors: 5 Indicators for latent independent variable to explain the not directly observable Supply – Production Factors for FDI decisions. Main references: Griffin & Pustay, 2007, p. 169; Holmlund, 2007, p. 469.	5-point Likert scale (1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important)
S5	Evaluation of latent variable Public and Governmental Conditions: 7 Indicators for latent independent variable to explain the not directly observable Public and Governmental Conditions for FDI motives. Main references: Griffin, Pustay, 2007, p. 169; Holmlund, 2007, p. 469.	5-point Likert scale (1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important)

(Source: Author's own construction)

The table 3.9 explains the **section 6 and 7** from the structured questionnaire, which are the intervening variables FDI INCENTIVE SCHEMES and RISK/UNCERTAINTY in the postulated causal model. Both sections are designed and evaluated by a 5-point Likert scale.

Tab. 3.9: Explanation of section 6 and 7 from structured questionnaire

Section	Content	Type of data / Evaluation / Scale
S6	Evaluation of latent variable FDI Incentive Schemes: 5 Indicators for latent intervening variable to explain the not directly observable FDI Incentive Schemes for FDI decisions. Main references: Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261	5-point Likert scale (1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important)
S7	Evaluation of latent variable Risk/Uncertainty: 8 Indicators for latent intervening variables to explain the not directly observable Risk/Uncertainty for FDI decisions. Main references: Sternad et al., 2013, p. 13; Gann, 1996, p. 176; Brealy et al. 1991, p. 879	5-point Likert scale (1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important)

(Source: Author's own construction)

Following table 3.10 shows the evaluation of **section 8** of the structured questionnaire which measures the latent dependent variable *FDI Motives* which reflect the company's internal motives to decide into investment in foreign countries.

Tab. 3.10: Explanation of section 8 from structured questionnaire

Section	Content	Type of data / Evaluation / Scale
S8	Evaluation of latent variable FDI Motive: 9 Indicators for latent dependent variable to explain the not directly observable FDI Motive. Main references: Babbie, 2008, p. 237; Liebscher et al., 2007, p. 136; Ernst & Young, 2016, p. 5	5-point Likert scale (1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree)

(Source: Author's own construction)

The latent dependent variable *FDI Motive* is also measured by a 5-point Likert scale and consists of 9 indicators.

The questionnaire attached in appendix 1 and 2, was done in two languages. The English version can be seen at appendix 1 and the German one in appendix 2. The respondent could choose the version to not limit the survey by language barriers. The survey consists of 50 questions to evaluate the latent variables and gaining a complete picture of the postulated causal model.

It has been sent to **481 employees** in Austria and Germany which are working for in the automotive industry. **138 persons fulfilled the survey requirements** which results into a **reply rate of 28,7%**. For distributing the questionnaire, representatives were contacted mainly personally and via company directories. The questionnaires were addressed electronically with a special survey tool. The tool which was used was ***Google Formulare***. It is an open platform with flexible design elements to address specific target groups. The tool prevents multiple answers from one IP address and increases validity of the survey. The survey was designed as a structured questionnaire where the respondents had to answer the question before they were allowed to go to next questions.

The survey underlays a **time wise limitation** and it has been distributed to the selected contact persons on February 2nd, 2016. Closing date of the survey was March 1st, 2016, 24:00h. The respondents have been informed about the duration of the survey.

3.2 Research Results and Findings, Data Interpretation and Deductions of the FDI Motives and their Macro-Economic Impact Factors in the Automotive Industry

This chapter analysis the carried-out survey meta data with respect to the postulated causal model and defined hypothesis. It starts with presenting the statistical analysis and descriptive statistic of the survey data set. The validity and reliability of the data are going to be checked to than proceed with detailed analysis of the SEM with respect to the research questions and designed hypothesis. It proceeds with explorative statistical analysis and testing the correlation in the causal model. The chapter ends with the interpretation of the research results and answering of the research questions. A set of statistical data are put into the appendix of this work for further details. Appendix 3 shows detailed descriptive analyses of the survey and appendix 4 shows the original SEM. Appendix 5 serves indicators of the SEM model including factor loadings and in appendix 6 are supplementary statistics for further evaluation. Appendix 7 shows detailed results of the quality of the SEM model.

The programs which have been used for the statistical analysis are SPSS and SmartPLS.

3.2.1 Descriptive Analysis of FDI Decision Makers from the German and Austrian Automotive Industry

The general part of the survey explains the respondent's professional experience and shows details of their companies as well as FDI projects.

The first question was about the Country location where the employee is located. The question in the questionnaire was as follows:

In which country is currently your main work place?

The analysis of the 138 respondents shows following distribution with respect to locational aspect:

Tab. 3.11: Data description from location evaluation

		Frequency	Percent
	Austria	60	43,5
	Germany	78	56,5
	Total	138	100,0

(Source: Author's own construction analysed with SPSS)

Out of the 138 respondents, more than the half is out of German located companies (78 employees). The others are from Austrian located companies throughout the supply chain of the automotive industry sector.

The second question of the general section of the survey was about the current position of the respondent. The question was as follows:

What is your current position in your company?

The data of the survey showed, that most of the respondents were from the middle and top management followed by lower management levels. Internal and external consultants only represent a minority within the sample size. See following table 3.12 with percentage distribution:

Tab. 3.12: Data description for respondent's current professional position

		Frequency	Percent	Cumulative Percent
Valid	Top Management	45	32,6	32,6
	Middle Management	49	35,5	68,1
	Low Management	26	18,8	87,0
	Internal Consultant	11	8,0	94,9
	External Consultant	1	,7	95,7
	Others	6	4,3	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

The next question evaluated the experience of the respondents with FDI in years. This was an important point to see if the respondent is experienced in FDI ventures and was involved in such decision processes. The responded data represent an equal distribution of short term experiences (<3 years to 4-6 years). The main respondents have long-term experience of more than 7 years (see table 3.13).

Tab. 3.13: Data description for respondent's experience with FDI [in yrs.]

		Frequency	Percent	Cumulative Percent
Valid	<3 years	27	19,6	19,6
	4-6 years	27	19,6	39,1
	7-10 years	44	31,9	71,0
	11 years and more	40	29,0	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

The following question evaluates the personal experience with current or upcoming FDI decisions or decisions in the past. Table 3.14 shows the frequency and percentage distribution.

Tab. 3.14: Data description of respondent's FDI decisions [number]

		Frequency	Percent	Cumulative Percent
Valid	Never before, but planned	12	8,7	8,7
	1-3 times	98	71,0	79,7
	4-5 times	17	12,3	92,0
	6 times and more	11	8,0	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

It can be seen, that for most of the respondents it is a situation which is not done on a regular basis and for most of them not the daily business. 98 from 138 respondents say that they had experience with FDI only 1-3 times. That represents 71% of the whole sample size. Only 8% (or 11 respondents) had more than six times to deal with FDI decisions.

The next question focused on the subsidiaries of the respondent's companies founded by FDI within the last 10 years, based on the date of evaluation in January to February 2017. This question was a multiple-choice question. Therefore 494 subsidiaries have been established out of 138 respondents. That results in a mean value of 3,61 subsidiaries per respondent

Tab. 3.15: Data description of subsidiaries established by FDI [last 10 years]

		Responses	
		N	Percent
FDI last 10 years	FDI last 10 year: Central Europe	69	14,0%
	FDI last 10 year: Eastern Europe	100	20,2%
	FDI last 10 year: China	97	19,6%
	FDI last 10 year: USA	83	16,8%
	FDI last 10 year: Latin America	45	9,1%
	FDI last 10 year: Russia	16	3,2%
	FDI last 10 year: India	35	7,1%
	FDI last 10 year: Other	49	9,9%
Total		494	100,0%

(Source: Author's own construction analysed with SPSS)

It can be seen that most of the asked companies founded subsidiaries in Eastern Europe (100 subsidiaries) and China (97 subsidiaries), followed by the US (83 subsidiaries). The rest is distributed in Latin America, Russia, India and Others (145 subsidiaries in total).

The numbers of the established subsidiaries by FDI within the last 10 years shows the distribution of Austrian and German based automotive companies, where they had their main business activities. It does not represent a general economic development of a certain country or region. But it serves a good overview about the interest of those companies to make business abroad.

Following statements have been given by the respondents for the *position of the supply chain of their company, size of the company (whole entity incl. all sites), Gender* of respondent and *age group*.

Where is your company mainly located in the supply chain in the automotive industry?

Tab. 3.16: Position in the supply chain of the respondents

	Frequency	Percent	Cumulative Percent
OEM	18	13,0	13,0
1st Tier	46	33,3	46,4
2nd Tier	32	23,2	69,6
3rd Tier and more	42	30,4	100,0
Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

Table 3.16 shows the distribution of the position in the supply chain of the responded companies. Some companies are in different position for different customers or different

products. The respondent has been asked to choose the main position where to company makes business. The next question was about the size of the company with regards to the number of employees. It has been divided into four main groups. Starting from 1-500, second group was 501-1.000, followed by a group of 1.001 to 5.000 and more than 5.000 employees. It was asked to count the whole entity including all sites and subsidiaries. See table 3.17.

Tab. 3.17: Distribution of company size of respondents

		Frequency	Percent	Cumulative Percent
Employees	1-500	27	19,6	19,6
	501-1000	28	20,3	39,9
	1001-5000	44	31,9	71,7
	5001 and more	39	28,3	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

The gender of the respondent was also a question in the survey. Only 17 females responded to the survey which represents 12,3% of the total sample. Details see table 3.18. The gender has not been evaluated in the cause-effect model but some further statistical analysis can be found at the appendix 3 from this work.

Tab. 3.18: Gender distribution of responded participants

		Frequency	Percent	Cumulative Percent
Gender	Female	17	12,3	12,3
	Male	121	87,7	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

The last general question about the respondent was the age group in which he/she is referred to. The choice was between five predefined groups.

Tab. 3.19: Age distribution of responded participants

		Frequency	Percent	Cumulative Percent
Years	25 or younger	12	8,7	8,7
	26-35	15	10,9	19,6
	36-45	54	39,1	58,7
	46-54	1	,7	59,4
	46-55	33	23,9	83,3
	56 or older	23	16,7	100,0
	Total	138	100,0	

(Source: Author's own construction analysed with SPSS)

The main part of participants came from the age group of 36 – 45 years, followed by the group 46 – 55 years. Still 16,7% were 56 years or older. The age group 46 – 54 is very low. This may is due to the sample size. Hereby a larger sample size could decrease this gap. It should be stated, that the age group 25 or younger mainly consist internal consultants in companies (e.g. controlling department).

Descriptive Analysis of Macro-Economic and Intervening Factors on FDI Motives from the German and Austrian Automotive Industry:

The postulated causal model has been designed to evaluate the influence of macro-economic factors with respect to potential intervening factors on FDI internal driven motives. Following details descriptive analysis represent the results of the responded data with respect to the fulfilled limitations which have been set for this specific work. Three latent independent variables have been defined in the postulated causal model with respect to in-depth literature research. The first variable has been defined as DEMAND – Expected Market Volume. Selected and compressed from the literature research, six indicators have been used for operationalization of this item.

For evaluation of the indicators for the independent variable DEMAND a 5-level Likert scale has been used. 1 represents a very low conformity and 5 represents a very strong conformity to the question. Following results were gained from the survey:

Tab. 3.20: Descriptive statistic of independent latent variable Demand

Indicators	Ind. abbr.	Mean	SD
n=138			
How important was the FDI to get access to new markets/customers?	DEM1	3,84	1,10
How important was the FDI to follow existing Clients abroad?	DEM2	3,83	1,14
How important was it to follow existing competitors?	DEM3	4,07	,95
Has it been important to gain Competitive Advantage?	DEM4	4,09	,79
What importance would you allocate to gain new market shares by doing FDI?	DEM5	4,16	,91
How important was the FDI to Launch an existing product into new markets?	DEM6	4,01	1,18

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole DEMAND factor is 4,00 and the standard deviation (SD)-mean is 1,01 for this sample size. The lowest mean-value represents DEM1 with 3,84 and the highest conformity by the participants received DEM5 with 4,16. It can be seen that new market shares are one of the most important aims companies follow by doing FDI. A very low SD can be seen at DEM4 with 0,79 and the highest value received DEM6 with 1,18.

It seems there are often different reasons besides launching an existing product abroad by doing FDI.

The second independent latent variable is SUPPLY – Production factors. Selected and compressed from the literature research, five indicators have been used for operationalization of this item. Following results were gained from the survey:

Tab. 3.21: Descriptive statistic of independent latent variable Supply

Indicators	Ind. abbr.	Mean	SD
n=138			
Which influence created labour cost to your FDI decisions?	SUP1	3,32	1,23
How important was it to follow the existing industry to other markets?	SUP2	3,80	1,10
Which role played logistic advantages (Harbour, distance to customer,...)?	SUP3	3,29	1,20
Which importance allocated access to resources for your FDI decision?	SUP4	3,28	,94
Which importance allocated Access to Technology for your FDI decision?	SUP5	3,87	,87

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole SUPPLY factor is 3,51 and the standard deviation (SD)-mean is 1,07 for this sample size. For this independent variable the indicator with the highest impact was SUP5 with a value of 3,87 followed by SUP2 with 3,80. This allows the conclusion that technological access as well as exploring new markets by following the existing industry is a strong driver for FDI motives during the decision making process of managers.

The third independent latent variable is PUBLIC AND GOVERNMENTAL CONDITIONS. Selected and compressed from the literature research, seven indicators have been used for operationalization of this item. Following results were gained from the survey:

Tab. 3.22: Descriptive statistic of independent latent variable Public and Governmental Conditions

Indicators	Ind. abbr.	Mean	SD
n=138			
How important would you indicate the avoidance of trade barriers?	PUB1	3,32	1,06
Which importance would you allocate to a low corruption index in the target Country?	PUB2	3,25	1,13
How important is the Industrial Production Growth Rate in the target Country?	PUB3	3,83	1,15
How important is the GDP Real Growth Rate in the target Country?	PUB4	3,49	1,13
Which importance did you allocate to the factor GDP per Capita in the target Country?	PUB5	3,93	,80
How important did you see the Tax Rate in % of Profit in the target Country?	PUB6	2,96	1,01
How important was the size of the target economy?	PUB7	3,22	1,23

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole PUBLIC AND GOVERNMENTAL CONDITIONS factor is 3,43 and the standard deviation (SD)-mean is 1,07 for this sample size. Following variables are the potential intervening factors included into the postulated causal model. The highest impact indicator in this independent variable is PUB5 with a value of 3,93 followed by PUB3 with 3,83. It seems that the general economic prosperity of the target country is a strong attraction for FDI motives. This is also seen similar at PUB3 where the real industrial growth rate is almost as equal important as PUB5. A positive outlook and a wealthy economic situation is seen as potential target country for FDI from the investors during the decision process.

Descriptive Analysis of the Intervening Variables FDI INCENTIVE SCHEMES and RISK/UNCERTAINTY:

FDI Incentive Schemes:

Out of the literature research the incentive economic factor is huge and broad. This research has been focused to the FDI incentive grants. For operationalization of this variable, five indicators have been selected as a compressed evaluation for this variable as shown in table 3.23:

Tab. 3.23: Descriptive statistic of intervening latent variable FDI Incentive Schemes

Indicators	Ind. abbr.	Mean	SD
n=138			
No cost for green land for production site.	FIS1	3,46	,97
No rent for governmental owned buildings for production for the first 5 years.	FIS2	2,53	1,20
Tax holiday for first 3 years.	FIS3	3,10	1,12
No import and export duties for first 3 years.	FIS4	2,78	,94
New infrastructure born by host country for production facility.	FIS5	2,79	,93

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole FDI INCENTIVE SCHEMES factor is 2,93 and the standard deviation (SD)-mean is 1,03 for this sample size. FIS1 received the highest importance in terms of ranking within this variable with a mean value of 3,46. This factor which allows foreign direct investors to establish their business by getting incentives for the green land is attractive to reduce investments in the starting phase. A less importance got FIS2 with 2,53 and a SD of 1,20. Hereby it seems that governmental owned buildings are not

always the way where the respondents see their target to start production. Maybe this differs from other industry or branches.

Unforeseeable Risk / Uncertainty:

As a second intervening variable in terms of FDI decisions, Risk/Uncertainty has been used as a summary of unforeseeable and long-term oriented decisions. For operationalization of this variable, eight indicators have been selected as a compressed evaluation for this variable:

Tab. 3.24: Descriptive statistic of intervening latent variable Risk/Uncertainty

Indicator	Ind. abbr.	Mean	SD
n=138			
Political Stability	RIS1	3,84	1,01
Proprietary rights	RIS2	4,10	,91
Corruption	RIS3	4,14	,82
Unclear Market Situation and Development	RIS4	3,57	1,14
Contract Enforcement	RIS5	4,23	,74
Local governmental supported and subsidized competitors	RIS6	3,92	1,15
Getting trained staff / labour skills	RIS7	4,25	,85
Currency stability	RIS8	3,97	1,07

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole RISK/UNCERTAINTY factor is 4,00 and the standard deviation (SD)-mean is 0,96 for this sample size. Four out of eight indicators represent a very high rate with higher than 4,10 (RIS2, RIS3, RIS5 and RIS7). The investors keep the enforcement of their rights and contracts by law as very important to make decisions in terms of FDI. In addition, trained staff and getting skilled labour (RIS7) is also seen as an important factor during decision making process.

Descriptive Analysis of the Dependent Variable FDI MOTIVE [Decision-Making] from the Company's Internal Strategic Point of View:

The dependent variable in the postulated causal model is the company's internal motive of invest into foreign countries to establish a subsidiary for various reasons. This variable is going to be brought into relation to three independent variables, which are DEMAND, SUPPLY and PUBLIC AND GOVERNMENTAL CONDITIONS as well as complemented with two intervening variable as they are FDI INCENTIVE SCHEMES and RSIK /

UNCERTAINTY influences. For operationalization of this variable, nine indicators have been selected as a compressed evaluation from the literature research for this variable:

Tab. 3.25: Descriptive statistic of dependent variable FDI Motive/Decision-Making

Indicator	Ind. abbr.	Mean	SD
n=138			
We have a clear internationalization/globalization strategy.	FDI1	3,55	1,30
The home market is too small.	FDI2	3,72	1,15
The competition in home market is too strong.	FDI3	3,51	,95
If we wouldn't expand, we would not be able to survive on the long term perspective in general.	FDI4	3,53	1,01
We have technological advantages and want to make use of them.	FDI5	3,17	1,01
The target country serves interesting financial incentives to us.	FDI6	2,01	,93
Shift production to better conditions (cheaper workload, better Technology,...)	FDI7	3,32	1,05
Reduce Tax disposal	FDI8	2,23	,95
Reduction of political risk by diversification of production sites	FDI9	2,69	,85

1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree

(Source: Author's own construction analysed with SPSS)

The mean for the importance of the whole FDI Motive [Decision Making] factor is 3,08 and the standard deviation (SD)-mean is 1,02 for this sample size. The motives for decision making to do FDI are mainly driven by strategic goals in terms of growth strategies, internationalization, globalization which often is driven by increasing competition in the home market. FDIs are seen as long-term perspective instrument to secure a company's business. Financial incentives are seen as not a main driver for companies to decide for FDI. They may can attract them, but are not the initial source for positive investment decisions.

A summary of all variables from the postulated causal model show follow descriptive data (all numbers are mean values based on the single values from the indicators):

Tab. 3.26: Mean and SD values of variables from the postulated causal model

Indicator	Mean Total	SD-Mean Total
DEMAND	4,00	1,01
SUPPLY	3,51	1,07
PUBLIC AND GOVERNMENTAL CONDITIONS	3,43	1,07
FDI INCENTIVE SCHEMES	2,93	1,03
RISK/UNCERTAINTY	4,00	0,96
FDI MOTIVE/DECISION-MAKING	3,08	1,02

(Source: Author's own construction analysed with SPSS)

Table 3.26 shows, that the highest importance in terms of FDI influence factors is allocated to DEMAND and to RISK/UNCERTAINTY with an importance ranking of 4,00. This is according to the used Likert scale *very important*. SUPPLY and PUBLIC AND GOVERNMENTAL CONDITIONS got values of 3,51 and 3,43, which are also quite important to the companies. It can also be seen, that FDI INCENTIVE SCHEMES have less influence on FDI decisions than the other evaluated variables.

The dependent variable FDI Motive as the variable which is seen from the company's internal drivers has been assessed with 3,08 in terms of level of agreement to various internal motives.

3.2.2 Assessment and Criteria to Proof the Postulated Causal Model's Fit and Quality

After the descriptive analysis of the survey data, correlations are going to be analyzed in accordance to the postulated causal model which is shown in detail in fig. 3.1 including the paths which represent the research questions and hypothesis to be tested of this work. Validity and reliability of collected data underlying following criteria for proofing or rejecting hypothesis:

Tab. 3.27: Acceptance criteria for hypothesis testing

Characteristic	**Value description / definition**
Coefficient of Determination [R^2] (Chin, 1998, p. 22(1); Kuckartz et al., 2010, p. 237)	> 0,67 (substantial); 0,33 (average); 0,19 (weak)
Path Coefficient [β] (Sapp, 2006, p. 31f; Lohmüller, 1989, p. 60; Bühl, 2012, p. 20)	Null hypothesis: < 0,5 All Sub-hypotheses: > 0,1
Level of Significance [p-Value] (Kuckartz et al., 2010, p. 237f; Hair, 2014, p. 171)	< 0,05

(Source: Author's own construction in accordance to researchers shown in table)

To evaluate how strong and good a predictive statement is, i.e. how strong and good the predicted values accord with the observed values, the ***coefficient of determination*** is going to be calculated. The statistical abbreviation is $\boldsymbol{R^2}$. It puts the variance from the predicted values into proportion of the observed values (Kuckartz et al., 2010, p. 237) and results into following formula:

$$\text{Coefficient of Determination } R^2 = \frac{\text{Variance of the Predicted Values}}{\text{Variance of the Observed Values}}$$

To proof the significance level of one sample size to another one, a further test needs to be done. The ***level of significance*** is known as the ***p-value***. In social sciences a significant difference is given when the p-value is <5% or <0,05. This tolerance also has been taken for this work (Kuckartz et al., 2010, p. 237f; Hair, 2014, p. 171).

The ***path coefficient*** between the variables, which is expressed as ***Beta-Value (β)*** determines the ***standardized estimate*** (Sapp, 2006, p. 31f) between variables. The β-value for the main hypothesized relationships need to be > 0,5 (Lohmüller, 1989, p. 60) to be accepted. Sub-hypothesis is accepted (Bühl, 2012, p. 20) when the β-value is > 0,1.

For validation of the quality of the causal model, the internal consistency reliability has been measured. An established and broadly accepted criterion is the **Cronbach's Alpha** measurement characteristic. This value explains the quality of model and it is recommended that the value for the variables should be **0,70 or above** (Cronbach, 1951, p. 297ff; Hair et al., 2011, p. 139ff). **Indicators** with very low loadings (**<0,40**) is recommended to extract from the model (Hair et al., 2011, p. 140ff) to increase the internal consistency of the model.

Another characteristic for proofing the model fit is the average variance extracted value. Which abbreviation is called **AVE value** (Hair et al., 2014, p. 107). Hair et al. recommend values to be **≥0,5** for social sciences to have a resilient model. Another characteristic to evaluate the model's quality is the **composite reliability**. Hair et al. (2014, p. 102, 115) and Nunally et al. (1994) recommend a value of **≥0,7.**

3.2.3 Evaluation of the Predicted Postulated Causal Model of Macro-Economic Factors and Intervening Factors on FDI Motives in the German and Austrian Automotive Industry

To follow the criteria and the recommendation of Hair et al. (2011, p. 140ff) where they state, that indicators with a low outer loading (<0,40) should be removed from the original model when it gains an increase of the model fit and model quality. This has been evaluated for each indicator and the following haven't reached a loading of 0,40 or higher in the postulated causal model. Following table 3.28 presents the removed indicators for the final causal model.

Tab. 3.28: Indicators removed from causal model with low loadings

Variable	Indicator abbreviation	Factor loading (β-value)
FDI Motive/Decision-Making	FDI5	-0,051
FDI Motive/Decision-Making	FDI6	-0,005
FDI Motive/Decision-Making	FDI8	-0,049
FDI Motive/Decision-Making	FDI9	0,119
Demand [Expected Market Volume]	DEM4	-0,217
Supply [Production Factors]	SUP4	-0,031
Supply [Production Factors]	SUP5	-0,205
Public and Governmental Conditions	PUB4	0,240
Public and Governmental Conditions	PUB6	0,199
FDI Incentive Schemes	FIS3	0,218
FDI Incentive Schemes	FIS5	0,220
Risk/Uncertainty	RIS2	0,352
Risk/Uncertainty	RIS5	0,025
Risk/Uncertainty	RIS7	0,239

(Source: Author's own construction)

Table 3.28 shows that for the dependent variable FDI Motive/Decision Making four indicators had a lower β-value than 0,400, the independent variable DEMAND had only one weak indicator, SUPPLY, PUBLIC, FDI INCENTIVE SCHEMES had two weak indicators and for RISK three indicators had been removed.

After adjustment of the model and its indicators, the dependent variable FDI Motive/Decision Making consists of five indicators with loadings from 0,652 to 0,839. The independent variable DEMAND consists of five indicators with a wider range of loadings beginning with 0,476 to 0,792. SUPPLY is defined by three indicators with loadings from 0,530 to 0,798. PUBLIC has after adjustment five indicators with 0,465 to 0,753.

The intervening variable FDI INCENTIVE SCHEMES has three indicators with 0,592 to 0,731. RISK/UNCERTAINTY is defined by six indicators with loadings from 0,503 to 0,736. This adjusted model has been taken for the model proof of fit and result into following values.

Following table 3.29 shows the model fit criteria for this construct. Three characteristics will be proofed: Cronbach's Alpha, AVE, and Composite Reliability.

Tab. 3.29: Assessment of the measured values for the model fit

Model Fit Characteristic:	**Cronbach's Alpha**	**AVE**	**Composite Reliability**
Threshold Value:	*≥0,70*	*≥0,50*	*≥0,70*
Literature source:	Hair et al., 2014, p. 107	Hair et al., 2014, p. 107	Hair et al., 2014, p. 102, 115; Nunally & Bernstein, 1994
Used variables in the sem-model:	**Measured values:**		
FDI Motive/Decision-Making	0,790	0,545	0,856
Demand [Expected Market Volume]	0,753	0,591	0,808
Supply [Production Factors]	0,707	0,486	0,710
Public and Governmental Conditions	0,742	0,592	0,780
Risk/Uncertainty	0,760	0,541	0,781
FDI Incentive Schemes	0,731	0,503	0,750

(Source: Author's own construction)

Cronbach's Alpha value is recommended by Hair et al. (2014, p. 102) and Nunally & Bernstein (1994) with ≥0,70. For exploratory research, also ≥0,60 for each variable is acceptable (Hair et al., 2014, p. 115). In the author's postulated causal model the highest value is 0,790 (FDI Motive) and the lowest value is 0,707 (Supply).

The following characteristic to proof the convergent validity of the author's model is the AVE value. This value is more than the correlation squared of the other constructs (Fornell & Larcker, 1981). Discriminant validity has been assessed by the AVE value and is the extent to which a construct is really distinct from other construct, evaluated by empirical standards (Hair et al., 2014, p. 104). Discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model. The convergent validity which is measured by the AVE value should be higher than 0,50 (Hair et al., 2014, p. 107). The highest measured AVE value is 0,592 (Public) and the lowest value is 0,486 (Supply). The variable Supply is slightly below (0,014) the required 0,50. But due to a good value at Cronbach's Alpha and Composite Reliability and the almost reached target of the AVE value, it has been taken as valid for the construct. Furthermore, Hair et al. (2014, p. 107) describes these targets as rules of thumb for reflective measurement models and not as hard minimum targets. Therefore the author has decided to keep this variable with the adjusted indicators in the model.

The third measurement for evaluating the model's quality was the Composite Reliability. This value represents the internal consistency reliability of the model. In exploratory research it should be 0,60 to 0,70 to be considered as acceptable. The highest measured value in the construct was 0,856 for the dependent variable FDI Motive. The lowest measured value was

0,710 for the independent variable Supply. So, all AVE values are above the recommended limits to have a good base of the model fit for further investigations.

3.2.4 Assessing the PLS-SEM Model and Test of Hypotheses on the Example of the German and Austrian Automotive Industry

In accordance to Hair et al. (2014, p. 167ff) it is reasonable to follow a certain process to assess the structural model. That is why this model will be assessed by the recommended five steps, as they are:

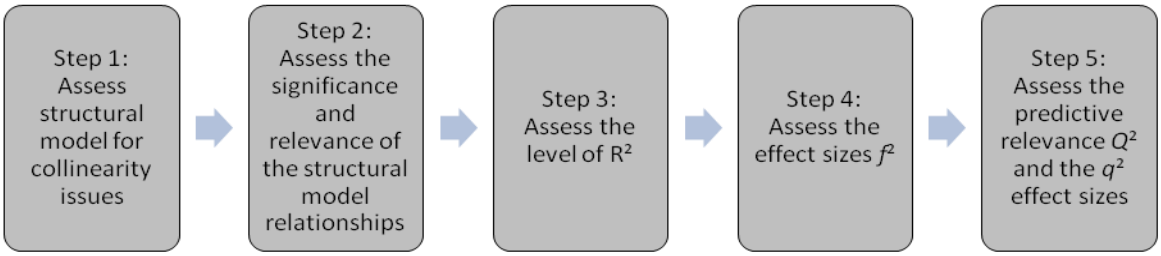

Fig. 3.2: Five steps to assess a SEM model

(Source: Author's own construction in relation to Hair et al., 2014, p. 169)

Step 1 (Hair et al., 2014, p.170): Assess structural model for collinearity issues: The collinearity proofs if there exist collinearities between variables which explain another variable in the model. The measurement which will be applied to check the collinearity is the Variance Inflation Factor which is commonly defined as VIF. The value which should not be exceeded is 5,00 (Hair et al., 2014, p. 170) as these predictor constructs are than indicators for collinearity. The lowest VIF value in the model of this thesis is FDI Incentive Schemes → Demand with a value of 1,000. The highest measured VIF value is Demand → FDI Motive with 4,653.

Assessment of Hypotheses – Testing and Interpretation of Significance and Relevance of Macro-Economic and Intervening Impact Factors within the Postulated Causal Model:

Step 2 (Hair et al., 2014, p.170ff): Assess the significance and relevance of the structural model relationships: In this step, the path coefficients represent the hypothesized relationships within the model. To evaluate this, the *t* distribution will be applied. For this thesis a significance level of <5% (p-value) will be taken as this is commonly used for such research projects. This significance level represents a *t*-value of ≥1,96. A *t*-value of ≥2,57 represents a

significance value of p <1%. The lowest measured *t*-value in the whole construct was 1.685 (Supply → FDI Motive) whereas the highest measured *t*-value was 9.955 (Demand→ Public).

Assessment of the Null Hypothesis H_0:

➔ H_0: There is no significant impact of macro-economic factors and intervening factors FDI incentive schemes and risk/uncertainty on FDI motives of German and Austrian Automotive companies.

The factor loading β, the p-value and the t-value for all three independent macro-economic variables are as follows:

Tab. 3.30: Assessment of the null hypothesis H_0

Path/Relationship Null-hypothesis [H_0]	**Factor loading β-value ≤0,100**	**t-value ≤1,96**	**p-value >0,05**	**Accepted/ Rejected**
H_0: Demand → FDI Motive	.451	4.053	0,000	Rejected
H_0: Supply → FDI Motive	.125	1.685	0,093	Rejected
H_0: Public → FDI Motive	.159	2.040	0,042	Rejected

(Source: Author's own construction)

The path coefficient Supply → FDI Motive has a minor and less strong explanation on FDI Motives. Due to the given limits of criteria, this path must be rejected. The total effects for the null hypothesis must be lower than 0,500 to be accepted as significant and relevant. The total effect is 0,741 and therefore the three macro-economic variables Demand, Supply and Public represent a strong explanation quality on FDI Motives in this certain model.

The null hypothesis H_0 is rejected.

Assessment of the Sub-Hypotheses:

SH_1: The macro-economic factor Demand – Expected Market Volume positively impacts both, the macro-economic factor Supply – Production Factors and Public and Governmental Conditions.

Tab. 3.31: Assessment of the sub-hypothesis SH_1

Path/Relationship	**Factor loading β-value ≥0,100**	**t-value ≥1,96**	**p-value <0,05**	**Accepted/ Rejected**
SH_{1a}: Demand → Supply	.250	3.293	0,001	Accepted
SH_{1b}: Demand → Public	.678	9.955	0,000	Accepted

(Source: Author's own construction)

The sub-hypothesis SH_1 consists of two paths in the causal model. The relationship between Demand and Supply is strongly significant (p=0,001; *t*=3.293) and has a quite high loading (β= .250). Again stronger is the relationship from Demand to Public. Hereby a β-value of .678 represents a high loading. Also the p and *t* values are strongly significant (p=0,000; *t*=9.955).

The sub-hypothesis SH_1 is accepted.

SH_2: The factor Demand impacts the Risk/Uncertainty factor in a significant positive way.

Tab. 3.32: Assessment of the sub-hypothesis SH_2

Path/Relationship	Factor loading β-value ≥0,100	t-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_2: Demand → Risk/Uncertainty	.596	7.424	0,000	Accepted

(Source: Author's own construction)

The sub-hypothesis SH_2 investigates the significant positive relationship between the macro-economic factor Demand and the intervening factor Risk/Uncertainty. The aim was finding out if there is a relationship between these two variables and if yes, is it positive or negative. In the model the factor loading was strongly positive (β-value .596) and significant (p=0,000; *t*=7.424).

The sub-hypothesis SH_2 is accepted.

SH_3: The factor Demand impacts the FDI Motive more strongly than Supply and Public does.

Tab. 3.33: Assessment of the sub-hypothesis SH_3

Path/Relationship	Factor loading β-value ≥0,100	t-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_{3a}: Demand → FDI Motive	.451	4.053	0,000	Accepted
SH_{3b}: Supply → FDI- Motive	.125	1.685	0,093	
SH_{3c}: Public → FDI-Motive	.159	2.040	0,042	

(Source: Author's own construction)

The sub-hypothesis SH_3 predicted a higher importance of Demand on FDI Motives than Supply and Public. The author assumed that an expected market volume (Demand) is more attractive on FDI decision maker than production factors (Supply) or public and governmental conditions (Public). It could be detected, that Demand has a much stronger factor loading (β-value = .451) than the other two variables (Supply = .125; Public = .159). In addition to underline the difference of the influence of the variables, Supply → FDI Motive even has a

weak significance level of p=0.093, *t*=1.685. Also Public → FDI Motive (p=0.042; *t*=2.040) is much lower than Demand → FDI Motive (p=0.000; *t*=4.053).

The sub-hypothesis SH_3 is accepted.

SH_4: Supply has more influence on FDI Motive than on Risk/Uncertainty.

Tab. 3.34: Assessment of the sub-hypothesis SH_4

Path/Relationship	Factor loading β-value ≥0,100	t-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_{4a}: Supply → FDI Motive	.125	1.685	0.093	Rejected
SH_{4b}: Supply → Risk/Uncertainty	.112	1.945	0.052	

(Source: Author's own construction)

The sub-hypothesis SH_4 examines the influence of the Supply factor on both, FDI Motive and Risk/Uncertainty. As it can be seen in table 3.34, the factor loading of β= .125 on FDI Motive and β= .112 on Risk/Uncertainty is acceptable, but low and quite similar. But due to the low significance levels where Supply → FDI Motive just shows a p-value of 0.093, *t*=1.685 and Supply → Risk/Uncertainty represents also only p=0.052, *t*=1.945 the hypothesis can't be accepted, even there seems to be a slight difference.

The sub-hypothesis SH_4 is rejected.

SH_5: FDI incentive schemes have a significant positive impact on macro-economic factors.

Tab. 3.35: Assessment of the sub-hypothesis SH_5

Path/Relationship	Factor loading β-value ≥0,100	t-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_{5a}: FDI Incentive → Supply	.623	8.310	0.000	Accepted
SH_{5b}: FDI Incentive → Demand	.755	8.565	0.000	Accepted
SH_{5c}: FDI Incentive → Public	.181	2.399	0.017	Accepted

(Source: Author's own construction)

The sub-hypothesis SH_5 assumes a significant positive effect of FDI incentive schemes on all three macro-economic variables as they are Demand, Supply and Public in this thesis. The strongest effect hereby represents the relationship SH_{5b} with a β-value of .755. But also Supply is influenced in a strong way by FDI incentive schemes (β-value = .623). Only the public and governmental conditions are less impacted by FDI incentive schemes (β=.181).

The sub-hypothesis SH_5 is accepted.

SH_6: The Public factor is reversely positively related to Risk/Uncertainty.

Tab. 3.36: Assessment of the sub-hypothesis SH_6

Path/Relationship	Factor loading β-value ≥0,100	t-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_6: Public → Risk/Uncertainty	.228	3.124	0.002	Accepted

(Source: Author's own construction)

The sub-hypothesis SH_6 assumes a positive influence from public and governmental conditions, which is represented mainly by general legal requirements and economic performance, on the factor risk/uncertainty, which again is indicated by legal risks, low enforcement, political risks, stabilities, etc. which may create a negative effect. The evaluation of the data shows a strong positive β-value of .228 with high significant values p=0.002 and *t*=3.124. This leads to a positive result of SH_6.

The sub-hypothesis SH_6 is accepted.

SH_7: The Risk/Uncertainty factor impacts FDI Motives significantly in a negative way.

Tab. 3.37: Assessment of the sub-hypothesis SH_7

Path/Relationship	Factor loading β-value (r) ≥0,100	*t*-value ≥1,96	p-value <0,05	Accepted/ Rejected
SH_7: Risk/Uncertainty → FDI Motives	- .194	2.298	0,022	Accepted

(Source: Author's own construction)

The sub-hypothesis SH_7 assumed, that risks and uncertainties in terms of FDI activities impact in a significant negative way. Wise versa it assumes that even if there are attractive macro-economic factors for doing FDIs, high risks and uncertainties of target countries reduce the willingness to invest significantly. The construct shows, that the β-value shows a negative value of - .194 which is acceptable for a one-path loading and a significant *t*-value of 2.298 as well as a significant p-value of 0,022.

The sub-hypothesis SH_7 is accepted.

Summary of the hypotheses results:

Tab. 3.38: Summary of the hypotheses results

Hypothesis No:	Description	Accepted / Rejected
H_0	**There is no significant impact of macro-economic factors and intervening factors FDI incentive schemes and risk/uncertainty on FDI motives of German and Austrian Automotive companies.**	**Rejected**
SH_1	The macro-economic factor Demand – Expected Market Volume positively impacts both, the macro-economic factor Supply – Production Factors and Public and Governmental Conditions.	Accepted
SH_2	The factor Demand impacts the Risk/Uncertainty factor in a significant positive way.	Accepted
SH_3	The factor Demand impacts the FDI Motive more strongly than Supply and Public does.	Accepted
SH_4	Supply has more influence on FDI Motive than on Risk/Uncertainty.	Rejected
SH_5	FDI incentive schemes have a significant positive impact on macro-economic factors.	Accepted
SH_6	The Public factor is reversely positively related to Risk/Uncertainty.	Accepted
SH_7	The Risk/Uncertainty factor impacts FDI Motives significantly in a negative way.	Accepted

(Source: Author's own construction)

Proof of Predictability by Assessing the Coefficient of Determination R^2 in the Postulated Causal Model for Null- and Sub-Hypotheses:

Step 3 (Hair et al., 2014, p.174f): After testing and evaluating the path coefficients for the null hypothesis H_0 as well as for each sub-hypothesis SH_1 – SH_7, the coefficient of determination, the R^2 values will be analyzed in the construct. The R^2 value measures the predictive accuracy of the construct and is calculated as the squared correlation between a specific endogenous variable's actual and predicted value. The coefficient represents the exogenous latent variables' combined effects on the endogenous latent variable (Hair et al., 2014, p.170). As already described in table 3.27, Chin (1998, p. 22(1)) and Kuckartz et al. (2010, p. 237) recommend a R^2 value of 0,67 as substantial, a value of 0,33 is average and 0,19 is weak. This very common recommendation for evaluating R^2 values is taken for this thesis. In addition to Chin's (1998, p. 22(1)) and Kuckartz' (2010, p. 237) recommendations, Hair et al. (2014, p. 175) says, that these recommended values can only be a rough rule of thumb, because it depends much on the complexity of the model and the study field. For some disciplines, R^2 of 0,20 is high, whereas for other studies results of 0,75 are going to be reached. To avoid bias in complex models, it is recommended also having a look at the

adjusted R^2 → R^2_{adj}. (Hair et al., 2014, p. 176). Hereby the criterion is modified according to the number of exogenous constructs relatively to the sample size.

Beginning with the endogenous dependent variable FDI Motive/Decision-Making, a R^2 value of .735 ($R^2_{adj.}$ .727) has been reached. This means, that the causal model describes 73,5% of the FDI Motives by the exogenous independent variables. According to Chin's recommended R^2 limits (1998, p. 22(1)), this value can be categorized as substantial. The demand factor, as this is one of the macro-economic variables with high loading on others, has still a strong coefficient of determination of .571, $R^2_{adj.}$ .567. The supply factor, as this variable represents the production factors and is impacted by the demand and FDI incentive variable, is predicted by an R^2= .686, $R^2_{adj.}$= .681. The public and governmental factor in this specific model is influenced by demand – expected market volume and FDI incentive schemes has a strong determination of R^2= .678 and $R^2_{adj.}$ = .673. The fifths R^2 determination can be found at the risk and uncertainty factor, which is influenced by supply, demand and the public variables. This factor represents the highest R^2 of .767, $R^2_{adj.}$ .762. In general it can be stated, that the coefficients of determination within the postulated causal model show a strong explanatory construct. Also the path coefficients (β-values) and significance values p and *t* characteristics (except a few weaker ones) show a good and stable model.

All coefficients of determination values as well as factor loadings and *p*- and *t*-values can be seen in detail in appendices 4 (SEM model incl. p- and t-values) 5, which presents the the indicators of the model including factor loadings, 6 serves supplementary statistics and appendix 7 summarizes the SEM quality results.

In **Step 4**, Hair et al. (2014, p. 177f) also recommends in addition to R^2 to check the effect size f^2. This measure evaluates whether there is a change in the R^2 value when a specified exogenous construct is omitted from the model has a substantive impact on the endogenous constructs. As rule of thumbs, Cohen (1988) states that 0.02 represents a small effect, 0.15 a medium effect and 0.35 a large effect of the exogenous latent variable. Analyzing the effect sizes f^2 in the path model with high loadings and significant levels, the highest effect has Demand and FDI Incentive with f^2 of 1.328. Another similar strong effect can be seen at Demand on Public (f^2 = .613). Demand on Risk still has a large effect size (f^2= .371). And FDI Incentive on Supply also has a large effect of f^2 = .530. Small and medium effect sizes (Cohen, 1988) can be seen at Supply on FDI Motive (f^2= .028), Demand on FDI Motive (f^2 = .136), Demand on Supply (f^2 = .086); Public on Risk (f^2 = .075); All other effects within the model are smaller than f^2 = .050.

Step 5 (Hair et al., 2014, p. 178f): The final step in Hair's recommendation in his 5-step procedure to proof a model's quality is the blindfolding and predictive relevance of Stone-Geisser's Q^2 (Stone, 1974; Geisser, 1974). Whereas the R^2 value examines the predictive accuracy, the Q^2 criterion measures the predictive relevance. When a Q^2 value is larger than 0,000 (when the value is positive) for a certain reflective endogenous latent variable, it indicates the path model's predictive relevance for this particular model (Hair et al, 2014, p. 178; Geisser, 1974; Stone, 1974). The dependent variable FDI Motive/Decision-Making has a Q^2 value of .362. The independent macro-economic variable Demand has a Q^2 value of .243. The second macro-economic variable Supply has a Q^2 of .283 and Public a Q^2 of .258. The intervening factor risk has also a quite high Q^2 value of .305.

3.2.5 Potential Impact Factors on FDI Motives - Interpretation of Research Results and Answering Research Questions including Expert's Opinion

For this research project, 481 persons from the contact network of the author have been invited to participate on the electronically based survey from February 2nd, 2016 until March 1st, 2016, 24:00h. After the survey has been closed, 138 responded were collected. This represents a participation rate of 28,7%. The sample size allows building up a reliable predictive picture from the automotive industry branch in respect to FDI motives and its dependency on macro-economic factors. The descriptive analysis shows, that for FDI decisions mainly managers from the middle (36%) and top management (33%) sector are involved, which again represents the importance of such complex ventures. Hereby also the experience of the respondents is significantly strong. 32% have more than 7 years experience, and 29% have more than 11 years experience in this field of investment decisions. This is again a signal of complexity and importance managers have to handle. Furthermore, such complex and normally long lasting projects are often not on a regular basis. In other words, that this is not a daily business or business as usual, which can be recognized in the analysis, where 71% of the respondents answered that they had just 1-3 times in their work experience to deal with FDI decisions. Therefore again, this highly forces manager's ability to take decisions in a framework of many different influence factors which are often also combined with uncertainties and high risks. The analysis shows, that the Austrian and German automotive companies mainly invested into eastern European countries (20,2%). A discussion with some managers after the survey was completed, mentioned, that going to eastern European countries mainly is driven by lower loans and production costs. Also getting trained staff and having the right equipment and infrastructure as well as currency stability (no

exchange rate due to same currency) is also seen as not being difficult. Especially in areas, where the automotive branch already established areas on which companies find partners (suppliers, customers) from the same branch. Only the political stability and legal conditions seems to become a sensitive topic in terms in the mind of the Austrian and German managers. Interesting opinions, which is aligned with the responded values of the survey, came up when investing into China. This brought a complete different picture than for investments into eastern European countries. When Austrian and German companies decide to do FDI in China and building up production sites, the main driver is the expected market volume. It is the aim of the companies to enter and conquer new markets and by that, gaining new market shares and becoming larger and more powerful. The credo is, on the one hand, going to economies which a strong economic growth rate and participating on new customer/consumer coming up. And on the other hand, do a local production and avoiding transports around the half globe and being at customer's site. But also hereby the legal and governmental conditions are seen as a potential risk as well as getting trained staff.

As the null hypothesis of this thesis was a prediction of a not existing significant positive impact of the three main macro-economic factors *Demand – Expected Market Volume*, *Supply – Production Factors* and *Public and Governmental Conditions*, it was the aim to analyze and evaluate this hypothesis. It could be explored, that DEMAND has the biggest impact on FDI motives. The strong positive factor loading and highly significant levels (β-value = .451; p=0,000; *t*=4.053) makes this relationship very strong. Whereas SUPPLY and PUBLIC are much weaker on FDI motives (Supply: β-value .125; p=0.093; *t*=1.685; and Public: β-value = .159; p=0.042; *t*=2.040). Only the total effect on FDI with 0,741 (limit is set at ≥0,500) made the null hypothesis H_0 rejected. Having **discussions with experts** from the industry during an interview and discussion, performed after the survey on such phenomena, it was mentioned, that expected market volumes (Variable: DEMAND) are the main drivers for establishing local productions and being at customer's site. Secured business with long-term relationships to well-known customers reducing financial risks and creating a framework in a kind of security and predictability. Production factors (Variable: SUPPLY) does not have such a broad and long-term perspective. Hereby FDI are mainly driven by cost sensitive products and processes. The goal is to reduce production cost and this is often not imperatively wanted, but necessary. This could be the interpretation why SUPPLY has a weaker direct influence on FDI motives. PUBLIC AND GOVERNMENTAL CONDITIONS have a significant positive impact on FDI motives, but the factor loading of β = .159 is also not as strong as the DEMAND factor. Out of the **personal interview with experts**, they concluded that PUBLIC AND GOVERNMENTAL CONDITIONS are only sub-factors and are not immediately

considered as the main driver for doing FDI. The can be effected by for example DEMAND and can both, positively as well as negatively impact the FDI motive.

The explanation of the FDI motive by the four factors DEMAND, SUPPLY, PUBLIC and RISK is very high with a R^2 = .735 ($R^2_{adj.}$ .727). This represents a strong indicator and independent variable construct. FDI INCENTIVE SCHEMES had, even this was **not estimated as high from the experts in the post-survey interviews**, a very strong positive effect on DEMAND, SUPPLY and PUBLIC factors. All three factors show strong and significant values combined with a high coefficient of determination (Demand: R^2 = .571; Supply: R^2 = .686; Public: R^2 = .678). One interpretation could be that FDI INCENTIVE SCHEMES are not a direct influence factor on FDI when there exists no other economic impulsion and reason for doing FDI. This intervening factor just can influence the macro-economic factors by helping companies in establishing their new businesses abroad. Also the **experts came to similar statements and interpretations**. One further opinion was mentioned, that if the FDI is more cost-driven, FDI INCENTIVE SCHEMES will become more important. But this significant difference couldn't empirically be explored in this thesis. What is also interesting is the strong positive impact of DEMAND on SUPPLY (β = .250) and DEMAND on PUBLIC (β = .678). This could be explained by the strong direct impact of DEMAND on FDI MOTIVES as the main driver for FDI and this has than a positive effect also on other factors such as SUPPLY or PUBLIC. Also the negative intervening factor RISK is strongly positively impacted by the DEMAND factor (β = .596; p=0,000; *t*=7.424).

All values can be verified in appendix 4 and 5 in detail. From the above mentioned research results can be derived and interpreted, that DEMAND, which stands for an expected market volume, has the strongest impact and the power also to decrease potential negative factors. Further statistical date are shown in appendix 6, which consists of supplementary statistical data of the SEM and appendix 7, which shows the detailed SEM quality criteria and results.

Answering the Research Questions:

RQ_{Base}: How important are different macro-economic factors for FDI motives in the automotive industry?

This main research question RQ_{Base} builds the core part of the model. It raised the question of how important the macro-economic factors been seen besides the micro-economic factors. The literature research showed a large number of surveys and research projects dealing with the micro environment of companies and its internal intentions of going abroad or not. Macro-

economic factors, which are not directly influenceable by the companies themselves, have not or just partly considered in those works. An in-depth literature research brought several different possibilities how macro-economic factors can be determined. As a condensed outcome, three major latent independent variables have been identified and taken for this work. They are defined as DEMAND, SUPPLY and PUBLIC AND GOVERNMENTAL FACTORS (Griffin & Pustay, 2007, p. 169). The postulated causal model shows strong relationships between the macro-economic factors and the FDI MOTIVE. The minimum level for the factor loading β is set ≥0,100 to be accepted. All three factors fulfill this limit (Demand: β = .596; Supply: β = .125; Public: β = .159. DEMAND and PUBLIC, both also represent a high significant value on FDI MOTIVE. Only the SUPPLY factor didn't reach the minimum significant limit of ≤0.05.

It also can be seen that DEMAND is positively related to SUPPLY and PUBLIC factors as well. It leads to the interpretation, that if DEMAND obviously exists, also the other macro-economic factors are positively affected. The FDI MOTIVE is highly explained in the model (R^2= .735) which proofs the model's quality and stability. The model shows, that macro-economic factors have a strong influence on FDI MOTIVES and influence it in a positive way. In addition to those factors, there exist peripheral intervening factors to increase or decrease the FDI decision. In this work, FDI INCENTIVE SCHEMES and RISK/UNCERTAINTY have been put into relation to the macro-economic factors and FDI MOTIVE to further see potential influences on the decision process.

RQ_1: Which macro-economic factors have the strongest influence on FDI motives in the German and Austrian automotive industry?

To be able to diversify differences macro-economic impact factors on FDIs, it was necessary to separate the huge amount of potential factors into certain groups. The separation has been done into *expected market volume* (DEMAND), *production factors* (SUPPLY) and PUBLIC AND GOVERNMENTAL FACTORS (*public*). The survey shows a significant difference between the factors. The DEMAND factor hereby is the strongest one in terms of impact on the FDI MOTIVES (β = .451; p=0,000; *t*=4.053). This factor is followed by the PUBLIC factors, but in much weaker way (β = .159; p=0.042, *t*=2.040). This factor is still significant according to the limits, but not as strong as DEMAND. And the weakest factor on FDI MOTIVES is SUPPLY (β = .596; p=0.093; *t*=1.685). This factor even hasn't no strong significant level and a weak factor loading. The explanation rate of each macro-economic factor by the indicators is high (Demand: R^2= .571; Supply: R^2= .688; Public: R^2= .678). This is the basis for a strong model. Also the FDI MOTIVE is explained by R^2= .735. It can be

concluded, that if a host country wants to attract FDI, the macro-economic performance of such a country is of high importance for investors. In addition to that, also FDI INCENTIVES have a positive impact on macro-economic performance, but political stability, unforeseeable risks, volatile legal frameworks can change investor's minds fast.

RQ_2: How do FDI incentive schemes impact the macro-economic factors?

The peripheral impact factor FDI INCENTIVE SCHEMES seem to have the power to positively impact macro-economic factors in relation to FDI behavior. A deeper look on the path coefficients and significant levels shows following values: FDI INCENTIVE → DEMAND: β = .755; p=0.000; t=8.565; FDI INCENTIVE → SUPPLY: β = .623; p=0.000; t=8.310; FDI INCENTIVE → PUBLIC: β = .181; p=0.017; t=2.399. The impact of FDI INCENTIVE SCHEMES on PUBLIC factor is weaker than on the other two, even though it is significant positive and acceptable. The analysis shows, that the efforts a country, government or public department puts into foreign-friendly environments, is accepted and granted by investors to reduce risks and uncertainties as well as being better able to start the business.

RQ_3: How do the macro-economic factors impact uncertainty/risk and what influence does this have on FDI motives?

The postulated causal model was set-up also to gain an insight into the relationship of macro-economic factors on risks and uncertainties. The RISK/UNCERTAINTY factor has a substantial explanation by the macro-economic factors and its indicators (determination of coefficient R^2 = .767). All three macro-economic factors directly impact the RISK/UNCERTAINTY variable in a positive way. The DEMAND factor again has the strongest positive impact on the RISK/UNCERTAINTY factor (β = .596; p=0.000; *t*=7.424) which can be explained by having a positive und stable outlook in terms of expected market volume and economic performance, the investor sees the risk and uncertainties less important in the conglomerate of potential intervening factors. The allocation of importance to potential negative impacts shrinks. The PUBLIC factor also has a significant and positive impact on the RISK/UNCERTAINTY factor, but less strong as the DEMAND factor has (β = .228; p=0.002; *t*=3.124). Here again it can be concluded, that if the public and governmental frameworks are of good health, the risks and uncertainties of investors are going to be reduced in their mind. SUPPLY has no significant impact on RISK/UNCERTAINTY (β = .112; p=0.052; *t*=1.945). This factor represents FDI MOTIVES, which mainly have the aim of reducing production costs (cost-driven decisions). This may is a reason why risk and uncertainty are more or less given and the decision is not that much dependent on such intervening factors. The influence from RISK/UNCERTAINTY on to FDI MOTIVES is

obviously negative related (β = -.194; p=0.022; *t*=2.298). Vice versa it can be concluded that if the risk and uncertainty factors can be reduced by the host country, it will have a positive impact on FDI inflows.

3.2.6 Expert Interview of Opinions on FDI Impact Factors and Interpretations

The post survey expert interview was a semi-structured open discussion of five experts with more than 20 years experience with FDI decisions in the automotive business. Three persons came from German and two experts from Austria located companies. The interview and discussion was split into five different questions.

The **first question** was designed to get to know, if and how macro-economic factors impacted previous FDI decisions how they were seen besides micro-economic issues [*Did macro-economic factors affect your previous FDI decisions? How are they set besides the micro-economic environment?*]. The quite common opinion of the experts in the post-survey interview was, that direct customers and potential business comes before the general market and its macro-economic potential. Reasons therefore are higher probabilities and faster business deals. But if the surrounding market conditions are with negative outlooks or very volatile, they have already make negative FDI decisions. Untransparent business environment and behavior, low ability of contract enforcement and/or high corruption are macro-economic impact factors which also being observed before any long-term investment ventures. Micro-economic factors, and hereby mainly the direct customers or business partners have the strongest impact on FDI motives/decision-making. In the automotive industry there is the special case of high entry barriers in terms of special certifications and audits to be able to become a nominated supplier. The car manufacturers from Europe often force existing suppliers to enter with them new developing markets (e.g. China, India,…). If the suppliers are not willing to go with them, they are confronted to may lose existing business in their core markets. That's why those suppliers are more dependent on micro-economic factors than on macro-economic perspectives. It is a bit different for the OEMs itself. They are in the first row of the supply chain and sell directly to the consumers (via distributors). They observe new emerging markets, the development of countries, spending capacity of the population, GDP development,… to conquer those markets. Hereby the macro-economic development, long-term perspectives, political stability,… are of significant high importance.

The **second part** of the interview was dealing with the different views on the most critical macro-economic factors for their business activities are [*What are in your opinion the most critical macro-economic factors in business activities?*]. Different opinions occurred during

the discussions from the experts. There were mainly two macro-economic factors which are seen as essentially important for their FDI decisions. The first ones are stable market conditions and positive forecasts on development. The framework conditions of entry barriers, public and governmental requirements as well as transparent administrative processes. Transparency as a whole including corruption was discussed heavily and is seen as critical for risk management. Production conditions, hereby seen the macro-level of means of transport, distances, infrastructure and access to resources are seen as important, but the common opinion is, that if the entered market has a good economic performance, the infrastructure normally follows quickly. An example intensively has been discussed about China. There are large areas which are economically wise associated with pure automotive firms (suppliers, OEMs). Infrastructure has been adapted for their special needs including schools, training centers and universities. This happened very fast and in parallel with the business developments. So, production factors are supporting factors to serve the certain needs of the companies.

The **third section** in the expert discussion was about the role of FDI incentive schemes during FDI decision making process [*Were FDI incentive schemes of importance for your FDI intention? Did they affect, and when yes, how did they affect the decision?*]. FDI incentive schemes are seen as additional side factors to support the investors to set-up their business activities. Examples hereby mentioned were support for green land, less tax during the first couple of years, no rent for governmental owned building, and support for infrastructure needs. The experts came to the conclusion that FDI incentive schemes are able to attract FDI, but when the main factors, such as market conditions, governmental conditions, laws, customers,... are not available, it is of not much impact on FDI decisions. Three of the experts also mentioned that FDI incentive schemes only are effective when they are clearly and specifically defined and the bureaucracy to get them isn't too complex. Two participants also mentioned that they make use of local consultants for getting the incentives and take care of all the administrative work at the authorities and bureaus.

The **question four** was about taking risks and uncertainties and their influence on FDI decisions [*Are risks and uncertainties factors which may rejects FDI decisions? What can be done against risks and uncertainties?*]. Commonly agreed comment by the interviewees: Every FDI decision is intrinsically tied to uncertainties and taking risks. As a conclusion of the outcome from the expert discussion, there are risks and uncertainties which are able to reject FDI decisions. One of the major discussed factors was property rights, followed by high corruption as well as variable law and governmental rules. When it is an FDI decision to gain

cheaper production cost and then exporting goods, currency stability is a strong factor. The risks and uncertainties should not overreach the positive factors, micro-as well as macro-economic ones. But those decisions often are more subjectively driven than based on numbers and hard facts.

The **last part** of the expert discussion was dealing with their opinions on influencing peripheral factors on their FDI decisions [*What are in your opinion the most influencing peripheral impacts during FDI decisions?*]. FDI ventures are projects over a long period of time and are based on long-term perspectives. During such projects and decision processes, markets may change, requirements change (e.g. regulations of Diesel cars,…) and this may affect at the end the decision go/no go. So, from the macro-economic perspective, laws and governmental rules and requirements are factors which became of more importance over the last couple of years. The Diesel affair has intensively discussed in the interview. When such cars are forbidden in certain areas, and the company is largely dependent on this business, it affects the FDI decisions. A foreseeable governmental behavior and outlook may help to decrease risks and negative decisions. Hereby, also the ecological aspects coming more into the focus of the consumer. These factors also need to be considered and may influence the FDI activities. Also the aspects of reduction of CO^2 emission by reducing transports and have better processes are peripheral impacting factors on management decisions.

Analysis and Comparison of Expert's Opinions and Interferences between the Questions

Having a deeper look on the different views of the experts and including the specialties of the automotive industry business, FDI has become a strong instrument for strategic development of the companies. Besides FDI to enter new markets also Joint Ventures became important to survive on the market. Making use of synergies, relationships to development partners, sharing of strategically important interfaces to companies are elements to gain strategic advantages. The experts had no clear view if FDI or Joint Ventures are of higher importance. They see Joint Ventures more at the beginning to enter new markets. The reason therefore they see at the lower risk, lower efforts and cost intensive than FDI and building up new entities abroad. Joint Ventures are good opportunities to learn more about the new market, to have a partner which knows already the circumstances and framework requirements. FDI than often is the next step to expand into new business areas. One comment form an expert also entered the field of using local consultants in the target country. He personally engaged a local consultant for more than two years to analyze the market, proof the administrative issues, getting all the permissions for the entity, etc. A major factor besides the economic issues, according to a comment of an expert, are the intercultural differences. All experts

agreed to this opinion and all of them concluded that after the first FDI ventures the intercultural competences have been intensified in the companies and the staff got more trainings to be prepared of to behave and learn about the differences. Such factors can become critical issues.

Conclusive Summary of Expert Interview:

As a finding from the expert interview can be concluded, that all five experts have a common understanding that a positive market development on a long-term perspective is a main driver for positive FDI decisions. Customers usually force their main existing suppliers to follow them abroad. It could be seen, that this industry has, in a certain extent, its own network and rules which have to be followed. The high entry barriers for new suppliers increase the interdependency of the customer – supplier relationship. But over the last decades, mainly driven by free-trade agreements and open borders, new markets occurred and brought new opportunities to the existing firms. But also new suppliers and manufacturers were established and intensify the competitive situation. FDI is a way were companies enlarge and safe their business activities by diversify their entities in different countries. This again leads into a stronger impact of macro-economic environment on their daily business.

3.2.7 Compiled and Assessed Final Construct of the Postulated Causal Model on the Macro-Economic Level on Foreign Direct Investments

The previously empirically raised values, which have been and statistically evaluated and analyzed, gained more knowledge about the macro-economic strength and weakness on FDI intentions (Wagner et al., 2016, p. 133). The additional dimension, which has been included into this postulated causal model, FDI incentive schemes (Gilroy et al., 2005, p. 55; Helleiner; 1989; UNCTAD, 1996; Navaretti et al., 2004, p. 261) and risk/uncertainties (Sternad et al., 2013, p. 13; Gann, 1996, p. 176; Brealy et al. 1991, p. 879), gained a deeper view on external influence factors, which are not directly influenceable by the companies themselves. FDI incentive schemes became common instruments in certain emerging economies to attract FDI inflows. Whereas the risk/uncertainty factor may have a negative impact on FDI decisions. In the model, the impact arrows have been put from the macro-economic factors on the risk/uncertainty factor to see, which potential of reducing the risk/uncertainty factor for FDI decisions they are able to develop. Following figure 3.3 shows the holistic causal model

including coefficients of determination (R^2-values), factor loadings (β-values), relevance (*t*-values) and significance levels (p-values).

The **assessment of the model** construct has been done by Hair's 5-step approach (2014, p. 169), as already explained in a detailed way in chapter 3.2.4, has been performed with a positive outcome. The **model fit has been proofed** by three consecutive and commonly used measures, recommended by Hair et al. (2014, p. 102, 107, 115) and Nunally & Bernstein (1994), as they are: Cronbach's Alpha, average variance extracted (AVE) and composite reliability.

All hypotheses are marked in the model accordingly and are numbered in relation to their identification given by the hypothesis numbers. The direction of the arrows shows the path of how the hypotheses are designed and define the way of explorative analysis. The β-value at each of the arrows shows the loading to the illustrated variable. All single values of each indicator and for each variable are explicitly shown in appendix 5. Indicators with a β–loading of <0,400 are marked with "x" and have been deleted from the final model for improving the quality of each variable and in accordance to the recommendations of Hair et al. (2011, p. 140ff). This model is the result of the extensive research work and developed by the author of this thesis. The aim was to determine the power of potential macro-economic impact factors on FDI motives and its decision-making process. It should diminish the lack of results in terms of the potential macro-economic impact on such ventures. The model is extended by potential intervening factors which may attract or distract managers for FDI decisions in the context of macro-economic perspective. The model is constructed for the B2B business activities only and the participants are entrepreneurs or employees exclusively from the German and Austrian automotive industry. Applying this model to other industries, countries, specific companies, etc. may need to adapt it to their specific environments and needs.

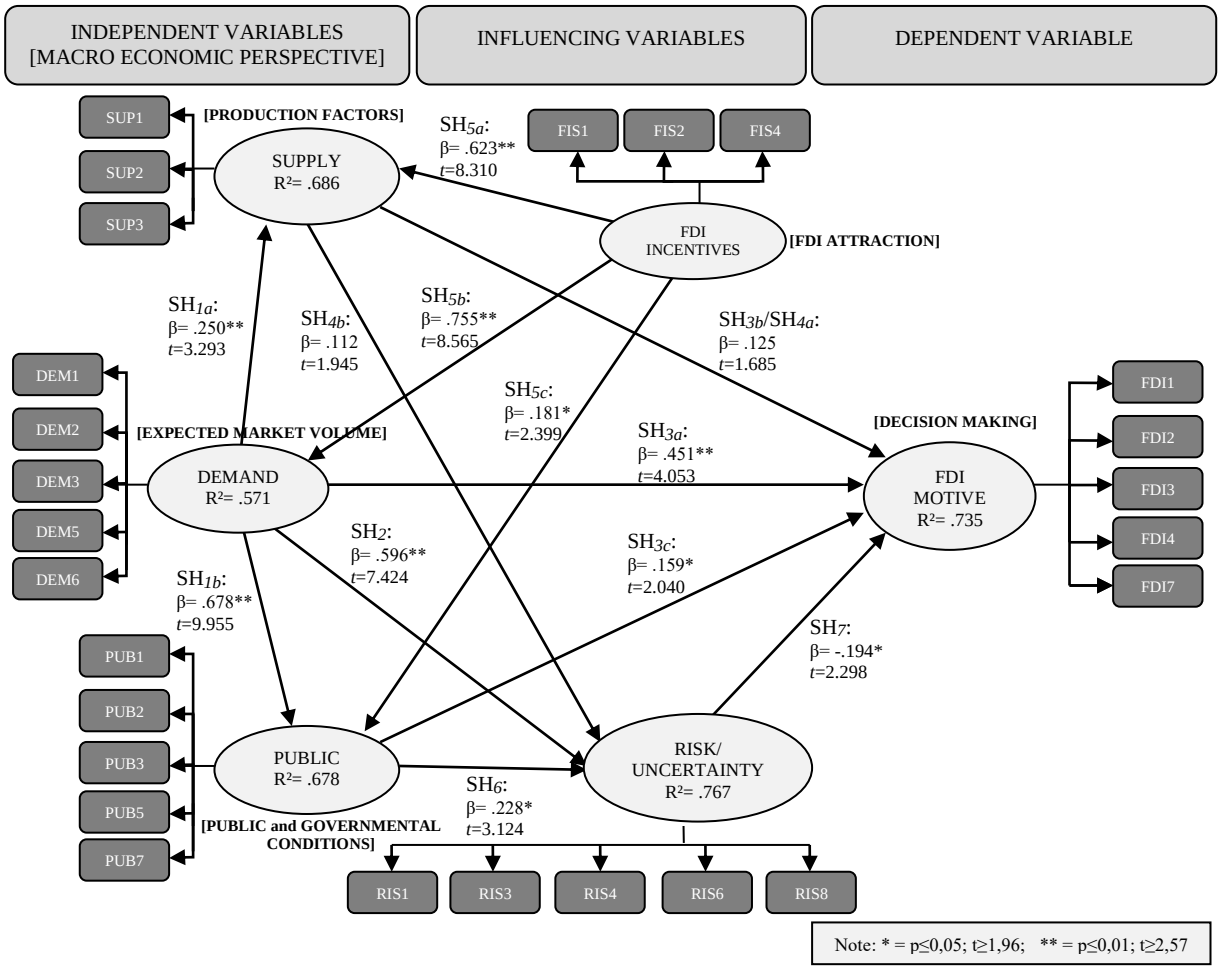

Fig. 3.3: Final postulated causal model including statistical values

(Source: Author's own construction)

The construct allows to gain resilient results for impact factors from the macro-economic perspective on FDI motives (Liebscher et al. 2007, p. 136). The in-depth analysis of existing literature and already existing research results has been executed for a holistic picture of this specific task. Latent variables have been analyzed and operationalized, indicators were selected by literature excerpts and existing papers of sub-fields. After this was completed, further investigations to build up a solid basement for developing hypotheses and modeling a causal construct needed to be performed. The main part of the existing research results in terms of influence factors on FDI motives/decisions are focused on the internal perspective and the immediate environment. The macro-economic perspective is only partly considered. The empirical evidence of not directly influenceable macro-economic factors by companies was just rarely available. Macro-economic factors are differently and inhomogenously defined in theory. A collection and comparison of the factors to gain specific variables and its indicators were of high importance for the further investigations of this work. They built the core part. A differentiation between the macro-economic variables was necessary to get a

diversified view, and subsequently measures to evaluate each factor about its impact on other factors. The three main variable have been differentiated into Demand = Expected Market Volume; Supply = Production Factors and Public and Governmental Conditions (Griffin, Pustay, 2007, p. 169).

Figure 3.2.4 shows the final construct of the postulated causal model. This model represents the essence of this promotional work. The main three macro-economic factors have been brought into relation to FDI motives/decisions. To complement this construct with potential intervening variables, the risk and uncertainty factor has been included to proof the impact of this dimension in such ventures. In addition to this, FDI incentive schemes have also been included into the model, as they have the potential to attract FDI inflows (Siddique et al., 2017, p. 112). The findings in the fourth chapter are, that the assessment of the new developed model showed a strong and resilient construct. Even though, there are intervening variables included which influence investment decisions (Moran et al., 2018, p. 2; Dutta & Roy, 2009, p. 81). Andreff et al. after Svetlicic (2017, p. 462) say that the main motive for investors after market-seeking are strategic asset seeking, efficiency seeking and resource seeking. This is similar to the results of the causal model's results. The focus on macro-economic levels in relation with FDI incentive schemes and risk/uncertainties in terms of FDI motives/decisions brought more evidence in this case. The impact of this level on planned investments is significant and often is seen as not considered in this certain context.

In Respect to the Postulated Null Hypothesis and the derived Sub-Hypotheses following Results can be Derived:

The **null-hypothesis** [H_0] had to be **rejected** because of a significant impact of the three defined macro-economic factors DEMAND, SUPPLY and PUBLIC AND GOVERNMENTAL CONDITIONS (Griffin, Pustay, 2007, p. 169). It could be seen, that besides the well-considered micro-economic factors, also the macro-level has a strong impact on FDI motives. Seven **sub-hypotheses** [SH_1-SH_7] have been derived from the null-hypothesis to get a more detailed view on each variable and its impact within the postulated causal model. The sub-hypotheses The three sub-hypothesis SH_1, SH_2 and SH_3 measured the impact factor from Demand on Supply and Public and Governmental factors [SH_1], Demand on Risk/Uncertainty [SH_2] and proofed if Demand has a stronger impact on FDI motives/decisions than on Supply and Public and Governmental factor [SH_3]. All three sub-hypotheses could be accepted. The fourth sub-hypothesis [SH_4] verified the size of impact of Supply on FDI motives/decisions and risk/uncertainty. It was hypothesized, that Supply has

more influence on FDI motives/decisions than on risk/uncertainty. This sub-hypothesis needed to be rejected because risk/uncertainties are more impacted by supply than FDI motives/decisions. Sub-hypotheses SH_5 predicted a significant positive impact of FDI incentive schemes on macro-economic factors. The high factor loadings and significance values showed a strong positive relation. The sub-hypothesis SH_5 could be accepted. SH_6 predicted a reversely positive relationship of public and governmental conditions on risk/uncertainty. The last sub-hypothesis SH_7 predicted a significant negative impact of risk/uncertainty on FDI motives/decisions. This prediction also could be accepted due to the values gained by the survey. It can be concluded, that the null-hypothesis needed to be rejected due to a significant impact of macro-economic factors on FDI motives. Only one [SH_4] out of seven sub-hypotheses needed to be rejected.

The quite high rate of impact of macro-economic factors allows the conclusion, that this environmental level is already significantly considered by decision makers for FDI motives/decisions.

Comprehensive Chapter Summary:

The third chapter derived from the previous theoretical foundations and frameworks concrete research questions and defined hypotheses. This was the basis to determine the variables and operationalize them to be able to build the construct for a causal model. Finally, a questionnaire and a target population have been worked out. Furthermore, distinctively showed the empirical evidence on the dependency of the variables of the postulated causal model. The descriptive analysis was done on the basis of 138 valid replies from a specifically addressed electronic survey with experts from the German and Austrian automotive industry. Subsequently, before analyzing the results, the model construct has been assessed in chapter 3.2.4. by using the approach from Hair et al. (2014, p. 169) and his recommended five-step model. This positive assessment than allowed to go into an in-depth analysis of the results including interpretations. A post-survey expert interview has been performed with five long-term experienced interviewees from the selected industry sector again gained evidence on FDI related impact factors. In accordance to the results gained out of this causal model shown in Fig. 3.3, the following sections in this work will conclude the findings and derive suggestions for scientific researchers and professionals.

CONCLUSIONS

1. Scientists in the field of management sciences to this time have done some strong and broad investigations in the field of decision making and influence factors. But in fact, there are still gaps for specific applications such as diversified macro-economic perspectives and special branch requirements.
2. Specifically, before taking decisions on FDIs, not just taking care of micro-economic factors, such as customers, products, suppliers, etc., but also having a deeper look on the macro-economic environment in the targeted country is necessary. This environment impacts the company on a mid- and long-term perspective and can't be changed directly by the company. It is a framework where the company is included and this framework has direct and continuous impact on its business activities.
3. It can be concluded, that FDI motives can be of various forms and are often based on mid- and long-term corporate strategies. The willingness to expand in this context is mainly the core objective, but impact factors from the macro-economic perspective are often not considered in early stages of the decision process.
4. The results of the model construct demonstrate, that positive impact power of FDI incentive schemes on FDI motives/decisions in the context of macro-economic perspective have a significant potential to influence FDI decision makers. Therefore, it can be concluded, that countries, which want to attract FDI inflows, have a strong instrument to steer them.
5. The factor demand in the model has the strongest positive and the most significant impact on FDI motives/decisions out of the three defined macro-economic dimensions (β= 0.451; p=0,000; *t*=4.053). It can be concluded, that an expected market volume therefore is more important or even a stronger driver than production cost of better and more stable public and governmental conditions. The main opinion of the experts in the post-survey interview was, that first comes the market and its potential. Secondly good and stable conditions are the base for economic success, and thirdly, production costs are an added value for the whole investment and can secure it in the long-term perspective.
6. The dependent variable FDI motive/decision-making is highly explained by the macro-economic independent variables including the intervening variable risk/uncertainty with a value of 73,5%. That means, that only 26,5% are explained by other variables which have not been included into the model. So, macro-economic factors have a strong influence on the FDI motive and if they vary, also the FDI decision will be influenced in both ways, negatively as well as positively. The main importance is linked to the demand factor with a

strong positive impact on FDI (β= .451). Conclusively summarized, if the expected market volume is stable and in good conditions, also the FDI willingness of the investors grows.

7. The public and governmental conditions also have a positive impact on FDI motives, they are much weaker than the expected market outlook and are by the experts seen more as supporting factors . The public factor has a loading of only β= 0.159 on FDI motive. It can be concluded, that public and governmental conditions are important in the second step of an FDI project. Firstly, the market conditions need to show positive aspects, then public and governmental factors are getting more in the focus of the companies to be able to evaluate the fluctuations in terms of instabilities, legal requirement changes, contract enforcement etc. Those supporting factors are important also to evaluate the influenceability and controllability of the company's investment in the future perspective.
8. The production factors (supply) also have a positive influence on the FDI motives, but again weaker than demand (β= 0.451) or public and governmental conditions (β= 0.159) with a factor loading of β= 0.125. Also the significance level of this factor is weak (p= >0.05; *t*=1.685). Production factors do not seem to be the main influence factors on FDI motives. Others, such as expected market volume are more strongly related to the FDI motive. Experts mentioned, that there can be, and there are reasons, where the production factors (lower labour cost, following existing industry to gain synergy effects, logistic advantages in terms of distance or harbors, etc.) are of essential importance. A lot of FDI decisions have been based on those factors, but nowadays and in the globalized business relations in the automotive industry, it is getting more important to produce locally.
9. The model construct also shows a strong relationship between the variable demand on supply (β= .250). It seems the demand factor as the driving motive in this construct has a positive influence on the supply factor. It can be concluded, that if the expected market volume increases, this has a positive influence also on the variable production cost. And hereby it can also be stated, that the supply factor is a supporting factor in this conglomerate of macro-economic factors on FDI decisions. It has less direct influence on FDI decisions, but in a positive relationship with the demand factor.
10. A further dimension in the causal model construct besides the influence of macro-economic factors on FDI motives included the FDI incentive schemes. It has been hypothesized, that FDI incentives have a significant positive influence on macro-economic factors and deal as moderating influencers. As this can be directly steered by governments and public institutions, it is an adjusting and regulating instrument in terms of effect on FDI inflows. The results show, that FDI incentive schemes have a strong positive and significant influence on the demand factor (β= 0.755; p=0.000; *t*=8.565). It

can be concluded, that if FDI incentive schemes increase, the factor demand thereby is positively influenced, which again increases the positive impact on FDI motives.

11. FDI incentive schemes are positively related to the production factors - supply (β= 0.623, p=0.000; *t*=8.310). The experts during the post-survey interview concluded, that when going abroad, costs, and hereby mainly production costs, are the main influence factor for success or failure. FDI incentive schemes may have the power of positively influence the cost sector. Investments can be better predicted and in the starting phase it helps to generate more potential of success by getting incentives.
12. Public and governmental factors are positively influenced by FDI incentive schemes (β= 0.181; p=0.017, *t*=2.399). The relationship isn't as strong as on others, even though, FDI incentive schemes increase the positive influence of public and governmental factors on FDI motives. Whereas public and governmental factors are not easily and in short-term changeable by governments, the FDI incentive schemes are directly adaptable and therefore can influence weak public and governmental conditions in a positive way.
13. The factor demand has a positive and significant impact on the risk/uncertainty factor (β= 0.596, p=0.000; *t*=7.424). It can be explained by the allocated importance of demand by the decision makers. When demand is positively rated, this has a very positive influence on the risk/uncertainty factor too. Experts' opinion in this case is, that the risk/uncertainty is going to be reduced (positively influenced) when the business opportunities are positive and in good conditions. The uncertainty becomes less important for the investors.
14. The risk/uncertainty factor as an intervening variable in the causal model construct has also been put into relation with the production factors (supply). In this thesis, the decision makers from in the automotive industry consider that production factors are not seen as that important on FDI motives and having no significant impact on risk/uncertainty (p=0.052). It can be concluded, that the macro-economic production factors are not able to strongly influence the risk/uncertainty factor in a positive way. Furthermore, it can be stated, that if risks and uncertainties increase and negatively influence the FDI decision, production factors are also negatively influenced by such a development.
15. A positive relationship between the public and governmental factors and risk/uncertainty has also been determined. A conclusion for this specific relationship is that, when those macro-economic conditions are stable with less legal and governmental fluctuations, it is able to reduce the negative influence of risks and uncertainties on FDI motives/decisions. A conclusion out of the post-survey interview was, that predictability for long-term investments needs to be based on a stable legal system and transparency.

16. A special position in the causal model construct is assigned to the risk/uncertainty variable because of its direct intervening potential on the FDI motive. The research results gained in the survey shows a significant negative impact (β= -0.194, p=0.022; *t*=2.298). It can be concluded, that if investments are planned into target countries, where political stability is poor, corruption is part of daily business, the market situation is not clear or unfair market conditions for foreign companies have significant negative impact on FDIs. Experts also stated that it is of essential importance and in the responsibility of the decision makers in the company, to collect as much information as possible about the target country and its environmental conditions before taking a decision. Even if expected market volumes are strong positive drivers for investments, the political and legal environment has to be analyzed beforehand.
17. The final postulated causal model as a whole is a strong and stable construct. All variables have a high coefficient of determination (all R^2 are >0,57). The FDI motive is mainly positively impacted by the demand factor in the model, whereas the supply factor and the risk and uncertainty factor also are positively related, but weaker. The risk and uncertainty factor impacts the FDI motive negatively and is able to reduce investors' willingness to go ahead. The FDI incentive schemes should not neglect the influence on macro-economic factors. It is noteworthy, that governments can influence this variable in a short time to attract investors whereas the other variables are more long-term oriented and not directly influenceable.
18. Internal consultants also need to understand that the external environment of the company, and especially of the target country, needs to be reliable and should be divided into sub-groups. Examples of macro-economic sub-groups are the independent variables and their indicators described in the present thesis.

    Researches may be able to gain more resilient knowledge on indicators to enhance the operationalization of variables on an empirical basis.

SUGGESTIONS

Out of the research results of this study, the suggestions from the author have been separated into three main target groups which are involved in the decision-making process. The groups are segmented into: *FDI decision maker*, *Internal and external consultants* and *Researches*. The last part is a conclusive summarized suggestion of the complete construct.

Suggestions Addressed to the FDI Decision Makers in the Automotive Industry Sector:

1. Decision makers for FDI should be aware of the positive impact of FDI incentives from the target countries. FDI incentive schemes and public funding are targeted on certain regions, technologies or industries and are limited for a certain time period. FDI incentives are able to increase the potential of success and help to start-up a business.
2. It is suggested to also have an in-depth understanding of potential uncertainties and risks of the target country. Corruption and political instabilities or other economic country conditions may have significant negative impact on business activities.
3. Managers should be clear of their motive or intention for investment. Indicators in this research work show the importance of internal growth strategy, too small home market, existing competition, shifting production to better conditions, etc. All these company internal drivers are affected by macro-economic factors. It is suggested, that also macro-economic development of potential target countries should be observed and analyzed on an appropriate period of time to get a better overview of the development of a country itself and of the specific industry which is targeted. This should be done on a regular basis before taking such long-term decisions.
4. External and local consultants should be used as a first-hand information source. They cannot replace internal company know-how, but they should gain an external and independent view on the environmental influences of the target country.

Suggestions Addressed to Internal and External Consultants for Foreign Direct Investors:

1. It is strongly suggested that consultants also should take macro-economic factors into their considerations. A proactive approach on providing information about macro-economic developments over a certain period of time, expected market volumes, production factors, public and governmental conditions, FDI incentive schemes and potential macro-economic risks and uncertainties should gain a better predictability of the FDI intention and is an additional important factor besides the micro-economic deliberations for managers to get a complete picture of the influencing environment.
2. Consultants should take care of the specialties of the automotive industry sector and its business models and consolidate it with the local market conditions and macro-economic development.
3. Local consultants or agents should also take specialties from a certain branch or industry into consideration and provide respective information to their clients. Macro-economic developments should be seen in a long-term perspective because of its inertial behaviors.
4. External consultants should help to prevent failures and misinterpretations of data and business conducts with their expertise.

Suggestions and Invitation to Scientific Researchers for further Investigations:

1. Researchers are asked to apply this newly developed causal model for their own research to gain more data for a broader understanding of the potential impact factors.
2. Researchers should also collect data from other industry sectors or branches or even should contact managers from other countries to collect more individual data. This could enable to derive and create a kind of a checklist with indicative impact factors for managers who can use this as a guideline for decision making.
3. It is also suggested, to do research projects on the receiving party (target country) of the FDI from the macro-economic perspective. Representatives from public and governmental institutions should be taken as target groups. This additional view on the complex procedure of decision making in the context of FDIs could provide a much better insight into potential positive as well as negative influence factors on FDI decisions.

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APPENDIX

Appendix 1: Questionnaire (English version)

Questionnaire

Dear participant!

You are invited to participate on an anonymious survey about the influence of macro-economic factors to foreign direct investment decisions. This survey focuses on the automotive industry sector.

The survey is developed for foreign direct investments to build-up subsidiaries. Hereby focused on production sites.
The results of this survey are anonymious and will be used for a dissertation in the scientific field of management sciences.
Working through the survey takes approximately 15 minutes of your honored time. I kindly ask you when answering the questions, think about your own experience and try to decide as a manager who has to take a decision and needs to rank the importance and risk of each factor for his foreign direct investment decision.
Please make sponaeous judgements.There are no "right" or "wrong" answers. Please, just make your own and personal judgement.
Thank you very much for participating on this survey.

With kind regards,
Helmut Birnleitner
University of Latvia, Riga

What is your current position in your company? *

- ☐ Top Management (Board of Directors, Managing Director, CEO,...)
- ☐ Middle Management (e.g. Department Manager)
- ☐ Lower Management (e.g. Team Leader)
- ☐ Internal Consultant
- ☐ External Consultant
- ☐ Sonstiges: _____

How many years do you have experience with Foreign Direct Investments?

- ☐ <3 years
- ☐ 4-5 years
- ☐ 6-10 years
- ☐ 11 years and more

In which Country are your Headquarters located?

- ☐ Austria
- ☐ Germany
- ☐ Sonstiges: _____

How often did you have to deal with Foreign Direct Investments to build up Subsidiaries abroad within the last 10 years? *

- [ ] Never before, but planned
- [ ] 1-3 times
- [ ] 4-5 times
- [ ] 6 and more times
- [ ] No experience at all and no FDI planned

If your company made FDIs, to which country/countries has been expanded to within the last 10 years?

- [ ] Central Europe
- [ ] Eastern Europe
- [ ] China
- [ ] USA
- [ ] Latin America
- [ ] Russia
- [ ] India
- [ ] Others

Where is your company mainly located in the supply chain in the automotive industry?

- [ ] Original Equipment Manufacturer (OEM)
- [ ] 1st Tier Supplier
- [ ] 2nd Tier Supplier
- [ ] 3rd Tier and more

How many employees does your company have?
In total (incl. all sites).

- [ ] 1 - 100
- [ ] 101 - 500
- [ ] 501 - 1.000
- [ ] 1.001 - 5.000
- [ ] 5.001and more

Gender:

- [ ] Male
- [ ] Female

Please indicate your age group:

- ☐ 25 or younger
- ☐ 26-35
- ☐ 36-45
- ☐ 46-55
- ☐ 56 or older

IMPORTANCE OF MACRO-ECONOMIC FACTORS TO FDI DECISION

When answering the following questions, please think about what Importance you would allocate to each of the following macro-economic factors, if you would have to decide about a Foreign Direct Investment.

Rate the "IMPORTANCE" for the factor in Terms of FDI from your perspective!

Please answer the following questions related to the importance for your FDI decision from the "Expected Market Volume" view:

	unimportant	somewhat important	quite important	very important	extremely important
How important was the FDI to get access to new markets/customers?	○	○	○	○	○
How important was the FDI to follow existing clients abroad?	○	○	○	○	○
How important was it to follow existing competitors?	○	○	○	○	○
Has it been important to gain competitive advantage?	○	○	○	○	○
What importance would you allocate to gain new market shares by doing FDI?	○	○	○	○	○
How important was the FDI to launch an existing product into new markets?	○	○	○	○	○

Please answer the following questions related to the importance for your FDI decision from the "Production Factors, Supply" view:

	1=unimportant	2=somewhat important	3=quite important	4=very important	5=extremely important
How important are labour costs to your FDI decision?	○	○	○	○	○
How important was it to follow the existing industry to other markets?	○	○	○	○	○
Which role played logistic advantages (Harbour, distance to customer,...)?	○	○	○	○	○
Which importance allocated access to resoures for your FDI decision?	○	○	○	○	○
Which importance allocated access to technology for your FDI decision?	○	○	○	○	○

Please answer the following questions related to the importance for your FDI decision from the "Public and Governmental Conditions" view:

	1=unimportant	2=somewhat important	3=quite important	4=very important	5 = extremely important
How important would you indicate the avoidance of trade barriers?	○	○	○	○	○
Which importance would you allocate to a low corruption index in the target country?	○	○	○	○	○
How important is the industrial production growth rate in the target country?	○	○	○	○	○
How important is the GDP real growth rate in the target country?	○	○	○	○	○
Which importance did you allocate to the factor GDP per capita in the target country?	○	○	○	○	○
How important did you see the tax rate in % of profit in the target country?	○	○	○	○	○

Please indicate the influence of FDI incentives to your FDI decision:

	1=unimportant	2=somewhat important	3=quite important	4=very important	5 = extremely important
No cost for green land for production site.					
No rent for geovernmental owned buildings for production for the first 5 years.					
Tax holiday for first 3 years.					
No import and export duties for first 3 years.					
New infrastructure born by host country for production facility.					

Please indicate the influence of uncertainty/unforeseeable risk to your FDI decision on the following factors:

	1=unimportant	2=somewhat important	3=quite important	4=very important	5 = extremely important
Political stability					
Proprietary rights					
Corruption					
Unclear market situation and development					
Contract enforcement					
Local governmental supported competitors					
Getting trained staff / labour skills					
Currency stability					

What were/are the company's internal strategic most important motives/intentions for the FDI decision?
(e.g. investement behaviour, home market,...)

	1=strongly disagree	2=disagree	3=neutral	4=agree	5=strongly agree
We have a clear internationalization/globalization strategy.	○	○	○	○	○
The home market is too small.	○	○	○	○	○
The competition in home market is too strong.	○	○	○	○	○
If we wouldn't expand, we would not be able to survive on the long term perspective in general.	○	○	○	○	○
We have technological advantages and want to make use of them.	○	○	○	○	○
The target country serves interesting FDI incentives to us.	○	○	○	○	○
Shift production to better conditions (cheaper workload, better technology,...)	○	○	○	○	○
Reduce tax disposal.	○	○	○	○	○
Reduction of political risk by diversifikation of production sites.	○	○	○	○	○

Appendix 2: Questionnaire (German version):

Sehr geehrte Teilnehmerin, sehr geehrter Teilnehmer!

Sie sind herzlich eingeladen an einer anonymen Umfrage hinsichtlich Auslandsdirektinvestitionen teilzunehmen. Der Fokus ist dabei einerseits auf firmeninterne Motive zur Entscheidung von Investitionen aufgebaut und andererseits werden die Einflüsse von makroökonomischen Faktoren abgefragt. Die Umfrage beschränkt sich auf die Automotive Branche, hierbei ausschließlich auf österreichische und deutsche Unternehmen.

Bitte nehmen Sie an Sie stehen vor der Entscheidung eine Auslandsdirektinvestition für einen neuen Produktionsstandort durchzuführen. Die Fragen beziehen sich auf interne Entscheidungsmotive und externe makroökonomische Einflussfaktoren, welche Sie anhand von Ihrer persönlichen "Wichtigkeit" bewerten.
Die Befragung ist anonym und kann nicht zurückverfolgt werden. Die Ergebnisse werden für eine Dissertation im wissenschaftlichen Feld "Management Sciences" verwendet.
Das Ausfüllen des Fragebogens dauert ca. 15 Minuten. Wenn Sie die Fragen beantworten, denken Sie an Ihre eigene Erfahrung und wie wichtig die einzelnen Fragen auf Ihre Entscheidung sich auswirken würden. Sie sind in diesem Fall der Entscheidungsträger.
Machen Sie am besten spontane Bewertungen. Es gibt keine richtigen oder falschen Antworten.
Machen Sie bitte einfach Ihre persönliche Bewertung.
Vielen Dank für Ihre wertvolle Zeit und Teilnahme an dieser Befragung.

Mit freundlichen Grüßen!
Helmut Birnleitner
University of Latvia, Riga

* Erforderlich

Was ist Ihre aktuelle Position im Unternehmen? *

- ☐ Top Management (Vorstand, Geschäftsführer, CEO,...)
- ☐ Mittleres Management (z.B. Abteilungsleiter)
- ☐ Unteres Management (z.B. Teamleiter)
- ☐ Interner Berater (z.B. Controlling, Finanz,...)
- ☐ Externer Berater (z.B. Unternehmensberater,...)
- ☐ Sonstiges:

Wie viele Jahre haben Sie bereits Erfahrung mit Auslandsdirektinvestitionen?

- ☐ <3 Jahre
- ☐ 4-5 Jahre
- ☐ 6-10 Jahre
- ☐ 11 Jahre und mehr
- ☐ Noch nie

In welchem Land ist Ihr aktueller Arbeitsplatz?

- ☐ Österreich
- ☐ Deutschland
- ☐ Sonstiges:

Wie oft hatten Sie bereits mit Auslandsdirektinvestitionen für Produktionsstätten in den letzten 10 Jahren zu tun? *

- [ ] Noch nicht, aber geplant
- [ ] 1-3 mal
- [ ] 4-5 mal
- [ ] 6 mal und mehr
- [ ] Noch nie und auch nicht geplant

Falls Ihr Unternehmen bereits Auslandsdirektinvestitionen getätigt hat, in welche Länder wurde dabei investiert?

- [ ] Zentraleuropa
- [ ] Osteuropa
- [ ] China
- [ ] USA
- [ ] Latein Amerika
- [ ] Russland
- [ ] Indien
- [ ] Andere

BEDEUTUNG VON MAKRO-ÖKONOMISCHEN FAKTOREN HINSICHTLICH AUSLANDSDIREKTINVESTITIONEN

Beim beantworten der Fragen bewerten Sie bitte die Bedeutung des jeweiligen Faktors auf Ihre Entscheidungsfindung hätte.
Hinweis: Im Weiteren werden "Auslandsdirektinvestitionen" mit "FDI" abgekürzt (engl.: Foreign Direct Investment).

Bewerten Sie die "BEDEUTUNG" bzw. "WICHTIGKEIT" für jede Frage aus Ihrer persönlichen Sichtweise.

Bitte beantworten Sie folgende Fragen im Hinblick auf die Bedeutung von öffentlichen Gegebenheiten und Regierungen auf Ihre FDI Entscheidung an.

	unwichtig	weniger wichtig	eher wichtig	wichtig	sehr wichtig
Als wie wichtig sehen Sie bei Ihrer FDI Entscheidung die Vermeidung von Handelsbarrieren?	○	○	○	○	○
Als wie wichtig beziehen Sie eine niedrige Korruption im Zielland in Ihre Entscheidung mit ein?	○	○	○	○	○
Wie wichtig ist für Sie in der Entscheidungsfindung die Industrie-Wachstumsrate im Zielland?	○	○	○	○	○
Wie wichtig ist für Sie die reale BIP Wachstumsrate im Zielland auf Ihre Entscheidungsfindung?	○	○	○	○	○
Wie wichtig ist für das BIP pro Kopf im Zielland für Ihre Investitionsentscheidung?	○	○	○	○	○
Wie wichtig ist für Sie der Faktor Ertragssteuern im Zielland?	○	○	○	○	○

Bitte beantworten Sie folgende Fragen im Hinblick auf ein erwartetes Markt Potential.

	unwichtig	weniger wichtig	eher wichtig	wichtig	sehr wichtig
Wie wichtig war FDI um neue Märkte/Kunden zu erschließen?	○	○	○	○	○
Wie wichtig war FDI um bestehenden Kunden ins Ausland zu folgen?	○	○	○	○	○
Wie wichtig war es um bestehende Wettbewerber zu folgen?	○	○	○	○	○
Wie wichtig ist es um einen Wettbewerbsvorteil zu erreichen?	○	○	○	○	○
Wie wichtig war der Grund mehr Marktanteile zu erreichen?	○	○	○	○	○
Wie wichtig war der Grund um neue Produkte auf den Markt zu bringen?	○	○	○	○	○

Bitte beantworten Sie folgende Fragen im Hinblick auf die Bedeutung von Ihrer FDI Entscheidung auf Produktionsfaktoren.

	unwichtig	weniger wichtig	eher wichtig	wichtig	sehr wichtig
Wie wichtig sind Lohn- und Gehaltskosten bei Ihrer Entscheidungsfindung für FDI?	○	○	○	○	○
Wie wichtig ist es der eigenen Branche ins Ausland zu folgen?	○	○	○	○	○
Welche rolle spielen logistische Vorteile (z.B. Hafen, Nähe zum Kunden,...)?	○	○	○	○	○
Welcher Bedeutung kommen der Zugang zu notwendigen Ressourcen zu?	○	○	○	○	○
Welcher Bedeutung kommen der Zugang von Technologien bei FDI Entscheidungen zu?	○	○	○	○	○

Bitte bewerten Sie den Einfluss von steuerlichen Anreizsystemen auf Ihre FDI Entscheidung.

	unwichtig	weniger wichtig	eher wichtig	wichtig	sehr wichtig
Keine Kosten für Bauland für Produktionsstätte.	○	○	○	○	○
Keine Miete für Gebäude in Regierungseigentum für die ersten 5 Jahre.	○	○	○	○	○
Steuerbefreiung für die ersten 3 Jahre.	○	○	○	○	○
Kein Einfuhr- und Ausfuhrzoll für die ersten 3 Jahre für Produktionsgüter.	○	○	○	○	○
Neue Infrastruktur für Poduktionsstätte wird von der Regierung vom Zielland übernommen.	○	○	○	○	○

Bitte bewerten Sie den Einfluss von Unsicherheiten und unvorhersehbaren Risiken auf Ihre FDI Entscheidung.

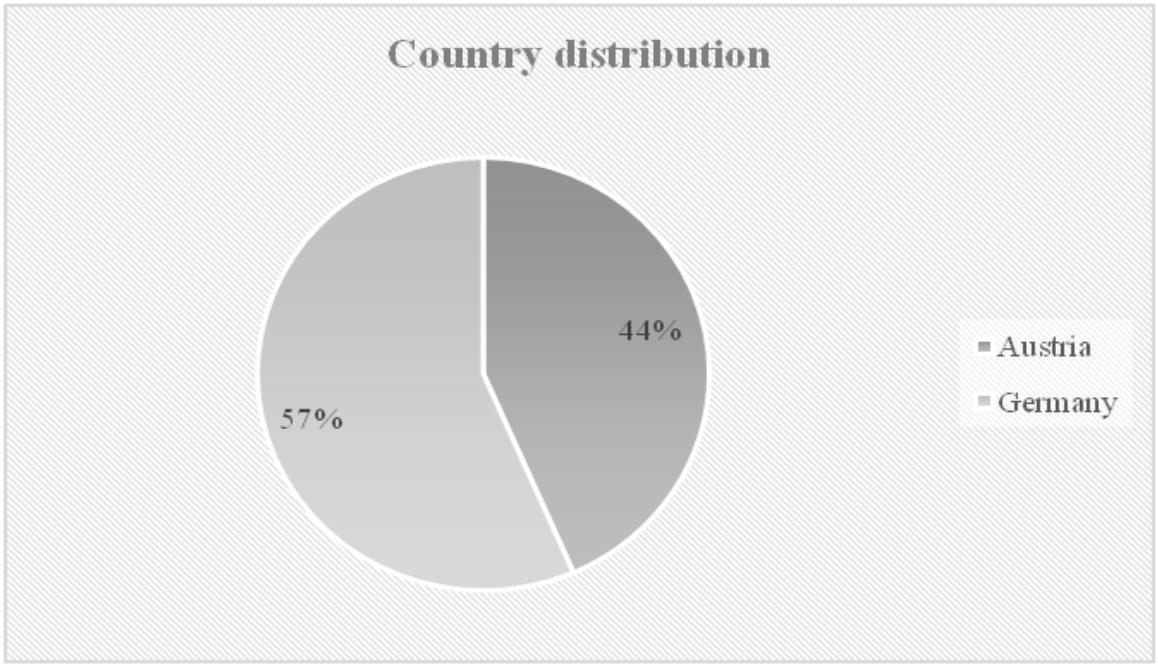
	unwichtig	weniger wichtig	eher wichtig	wichtig	sehr wichtig
Politische Stabilität	○	○	○	○	○
Durchsetzung von Eigentumsrechten	○	○	○	○	○
Korruption	○	○	○	○	○
Unklare Marktsituation und Marktentwicklung	○	○	○	○	○
Vertragsdurchsetzung	○	○	○	○	○
Lokale subventionierte Wettbewerber	○	○	○	○	○
Verfügbarkeit von fähigen Arbeitskräften (Know-how, Branchenbezogen,...)	○	○	○	○	○
Währungsstabilität	○	○	○	○	○

Was sind die firmeninternen wichtigsten strategischen Motive oder Intentionen für FDI Entscheidungen?

	stimme ich ganz und gar nicht zu	stimme ich weniger zu	stimme ich teilweise zu	stimme ich größenteils zu	stimme ich voll und ganz zu
Wir haben eine klare Internationalisierungs- bzw. Globalisierungsstrategie.	○	○	○	○	○
Der Heimatmarkt ist zu klein.	○	○	○	○	○
Der Wettbewerb im Heimatmarkt ist zu stark (unattraktiv).	○	○	○	○	○
Wenn wir nicht expandieren würden, wären wir auf lange Sicht nicht überlebensfähig.	○	○	○	○	○
Wir haben technologische Vorteile und möchten diese vermarkten und davon profitieren.	○	○	○	○	○
Das Zielland bietet uns sehr attraktive steuerliche Vorteile.	○	○	○	○	○
Standortverlagerung um bessere Arbeitsbedingungen vorzufinden (günstigere Arbeitsbedingungen, bessere Technologien verfügbar,...)	○	○	○	○	○
Nutzen von Steuervorteilen.	○	○	○	○	○
Reuzierung von politischen Risiken durch Diversifikation von Produktionsstätten.	○	○	○	○	○

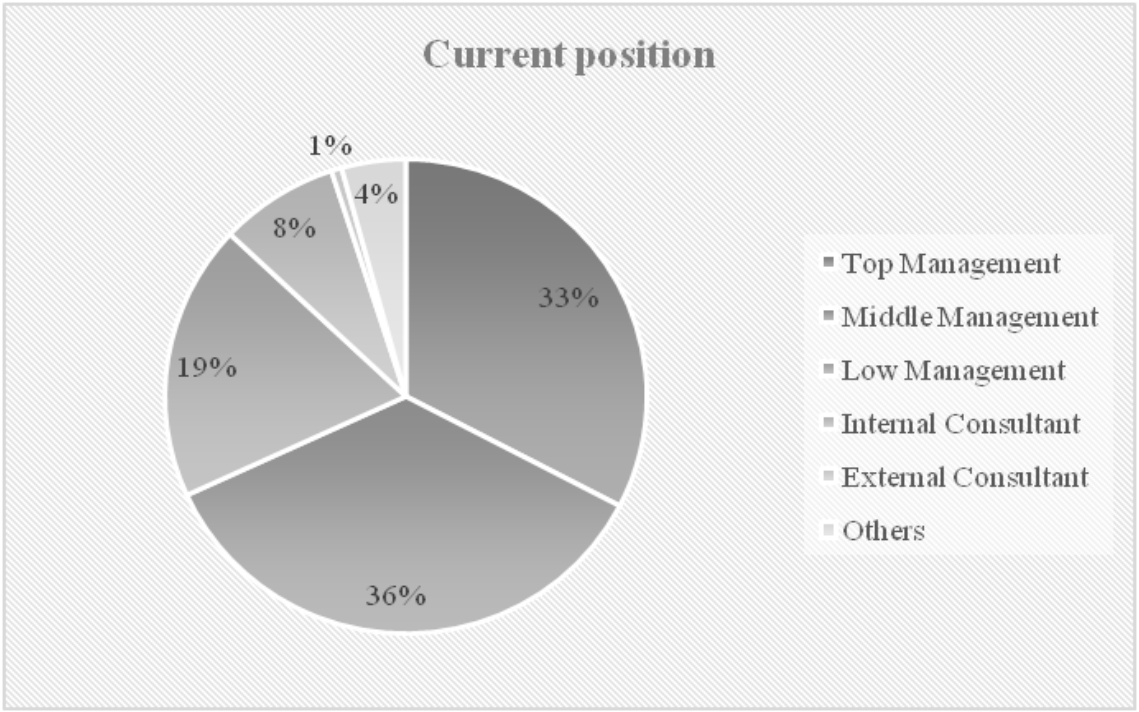
Appendix 3: Descriptive analysis - graphs and statistical evaluation

Locational distribution Germany and Austria



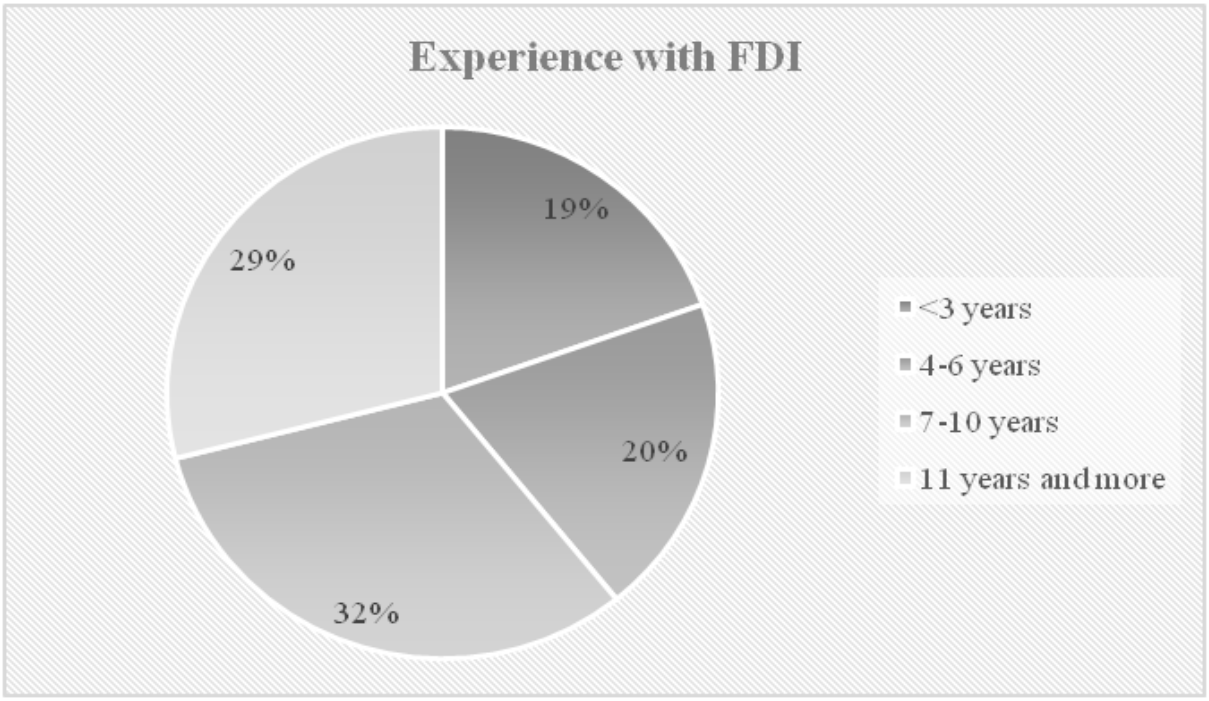
(Source: Author's own construction)

Distribution of respondent's current position:



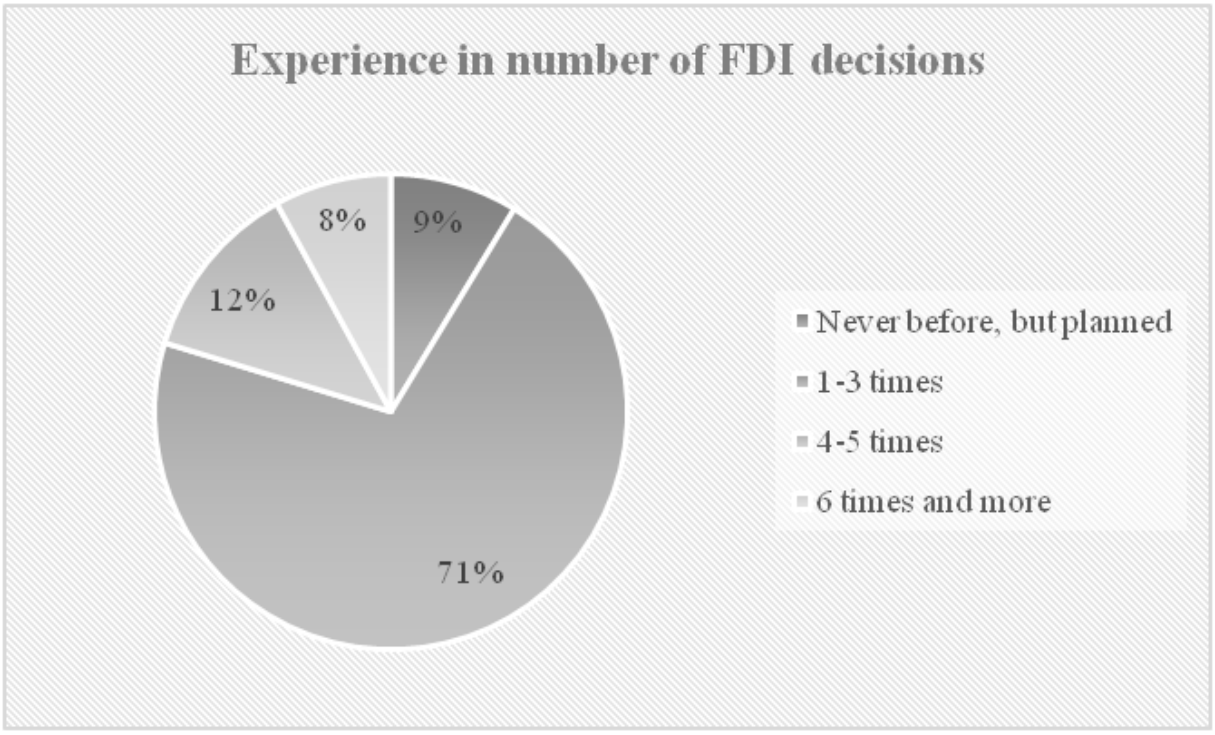
(Source: Author's own construction)

Distribution of respondent's experience with FDI [in yrs]



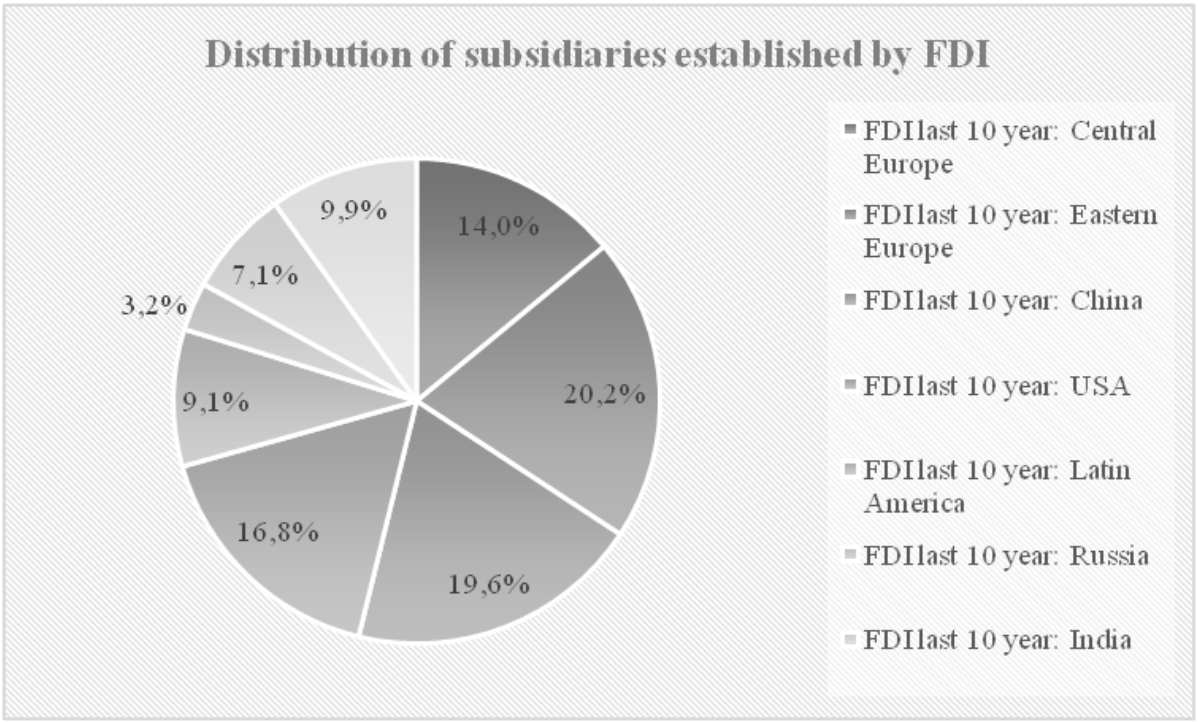
(Source: Author's own construction analysed with SPSS)

Distribution of respondent's FDI decisions [number, in %]



(Source: Author's own construction analysed with SPSS)

Distribution of subsidiaries established by FDI [last 10 years]



(Source: Author's own construction analysed with SPSS)

Descriptive statistic of independent latent variable DEMAND

Indicators	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
How important was the FDI to get access to new markets/customers?	DEM1	1,00	3,00	4,00	3,84	5,00	5,00	1,10	138
How important was the FDI to follow existing Clients abroad?	DEM2	1,00	3,00	4,00	3,83	5,00	5,00	1,14	138
How important was it to follow existing competitors?	DEM3	1,00	4,00	4,00	4,07	5,00	5,00	,95	138
Has it been important to gain Competitive Advantage?	DEM4	2,00	4,00	4,00	4,09	5,00	5,00	,79	138
What importance would you allocate to gain new market shares by doing FDI?	DEM5	1,00	4,00	4,00	4,16	5,00	5,00	,91	138
How important was the FDI to Launch an existing product into new markets?	DEM6	1,00	3,00	4,00	4,01	5,00	5,00	1,18	138

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

Descriptive statistic of independent latent variable SUPPLY

Indicators	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
Which influence created labour cost to your FDI decisions?	SUP1	1,00	2,00	3,00	3,32	4,00	5,00	1,23	138
How important was it to follow the existing industry to other markets?	SUP2	1,00	3,00	4,00	3,80	5,00	5,00	1,10	138
Which role played logistic advantages (Harbour, distance to customer,...)?	SUP3	1,00	2,00	3,00	3,29	4,00	5,00	1,20	138
Which importance allocated access to resources for your FDI decision?	SUP4	1,00	3,00	3,00	3,28	4,00	5,00	,94	138
Which importance allocated Access to Technology for your FDI decision?	SUP5	2,00	3,00	4,00	3,87	5,00	5,00	,87	138

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

Descriptive statistic of independent latent variable PUBLIC AND GOVERNMENTAL CONDITIONS

Indicators	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
How important would you indicate the avoidance of trade barriers?	PUB1	1,00	3,00	3,00	3,32	4,00	5,00	1,06	138
Which importance would you allocate to a low corruption index in the target Country?	PUB2	1,00	2,00	3,00	3,25	4,00	5,00	1,13	138
How important is the Industrial Production Growth Rate in the target Country?	PUB3	1,00	3,00	4,00	3,83	5,00	5,00	1,15	138
How important is the GDP Real Growth Rate in the target Country?	PUB4	1,00	3,00	4,00	3,49	4,00	5,00	1,13	138
Which importance did you allocate to the factor GDP per Capita in the target Country?	PUB5	2,00	3,00	4,00	3,93	5,00	5,00	,80	138
How important did you see the Tax Rate in % of Profit in the target Country?	PUB6	1,00	2,00	3,00	2,96	4,00	5,00	1,01	138
How important was the size of the target economy?	PUB7	1,00	2,00	3,00	3,22	4,00	5,00	1,23	138

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

Descriptive statistic of intervening latent variable FDI INCENTIVE SCHEMES

Indicators	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
No cost for green land for production site	FIS1	1,00	3,00	3,00	3,46	4,00	5,00	,97	138
No rent for governmental owned buildings for production for the first 5 years	FIS2	1,00	1,00	3,00	2,53	3,00	5,00	1,20	138
Tax holiday for first 3 years	FIS3	1,00	2,00	3,00	3,10	4,00	5,00	1,12	138
No import and export duties for first 3 years	FIS4	1,00	2,00	3,00	2,78	3,00	5,00	,94	138
New infrastructure born by host country for production facility	FIS5	1,00	2,00	3,00	2,79	3,00	5,00	,93	138

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

Descriptive statistic of intervening latent variable Risk/Uncertainty

Indicator	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
Political Stability	RIS1	1,00	3,00	4,00	3,84	5,00	5,00	1,01	138
Proprietary rights	RIS2	1,00	4,00	4,00	4,10	5,00	5,00	,91	138
Corruption	RIS3	1,00	4,00	4,00	4,14	5,00	5,00	,82	138
Unclear Market Situation and Development	RIS4	1,00	3,00	4,00	3,57	4,00	5,00	1,14	138
Contract Enforcement	RIS5	3,00	4,00	4,00	4,23	5,00	5,00	,74	138
Local governmental supported and subsidized competitors	RIS6	1,00	3,00	4,00	3,92	5,00	5,00	1,15	138
Getting trained staff / labour skills	RIS7	1,00	4,00	4,00	4,25	5,00	5,00	,85	138
Currency stability	RIS8	1,00	4,00	4,00	3,97	5,00	5,00	1,07	138

1=unimportant; 2=somewhat important; 3=quite important; 4=very important; 5=extremely important

(Source: Author's own construction analysed with SPSS)

Descriptive statistic of the dependent variable FDI Motive

Indicator	Ind. abbre-viation	MIN	Q1	Median	Mean	Q3	MAX	SD	n
We have a clear internationalization/globalizatio n strategy.	FDI1	1,00	3,00	4,00	3,55	5,00	5,00	1,30	138
The home market is too small.	FDI2	1,00	3,00	4,00	3,72	5,00	5,00	1,15	138
The competition in home market is too strong.	FDI3	2,00	3,00	3,00	3,51	4,00	5,00	,95	138
If we wouldn't expand, we would not be able to survive on the long term perspective in general.	FDI4	1,00	3,00	4,00	3,53	4,00	5,00	1,01	138
We have technological advantages and want to make use of them.	FDI5	1,00	3,00	3,00	3,17	4,00	5,00	1,01	138
The target country serves interesting financial incentives to us.	FDI6	1,00	1,00	2,00	2,01	3,00	5,00	,93	138
Shift production to better conditions (cheaper workload, better Technology,...)	FDI7	1,00	2,00	3,00	3,32	4,00	5,00	1,05	138
Reduce Tax disposal	FDI8	1,00	1,00	2,00	2,23	3,00	5,00	,95	138
Reduction of political risk by diversification of production sites	FDI9	1,00	2,00	3,00	2,69	3,00	5,00	,85	138

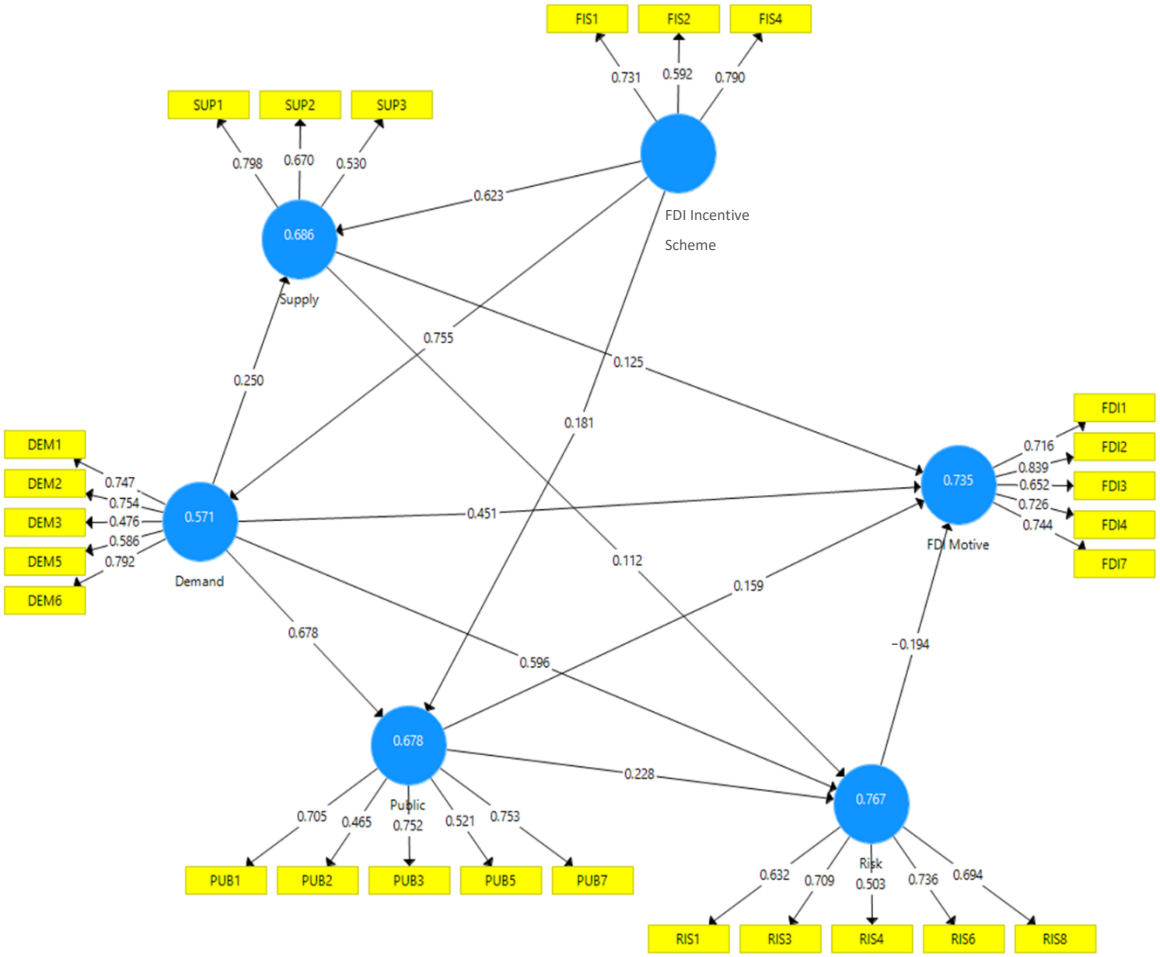
1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree

(Source: Author's own construction analysed with SPSS)

Appendix 4:

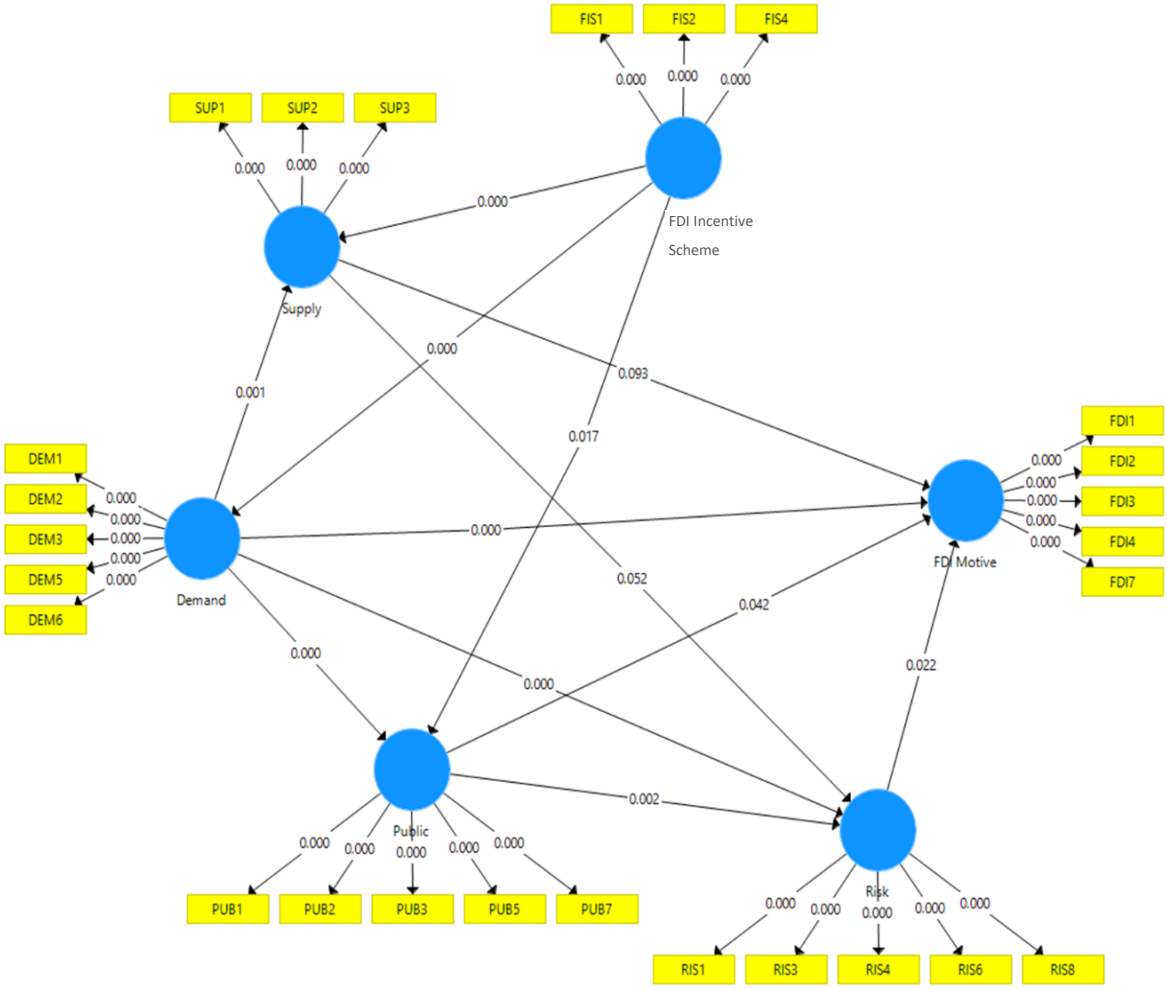
Causal model - PLS-SEM figure

- SEM model including path coefficients (β-values), coefficients of determination (R^2)



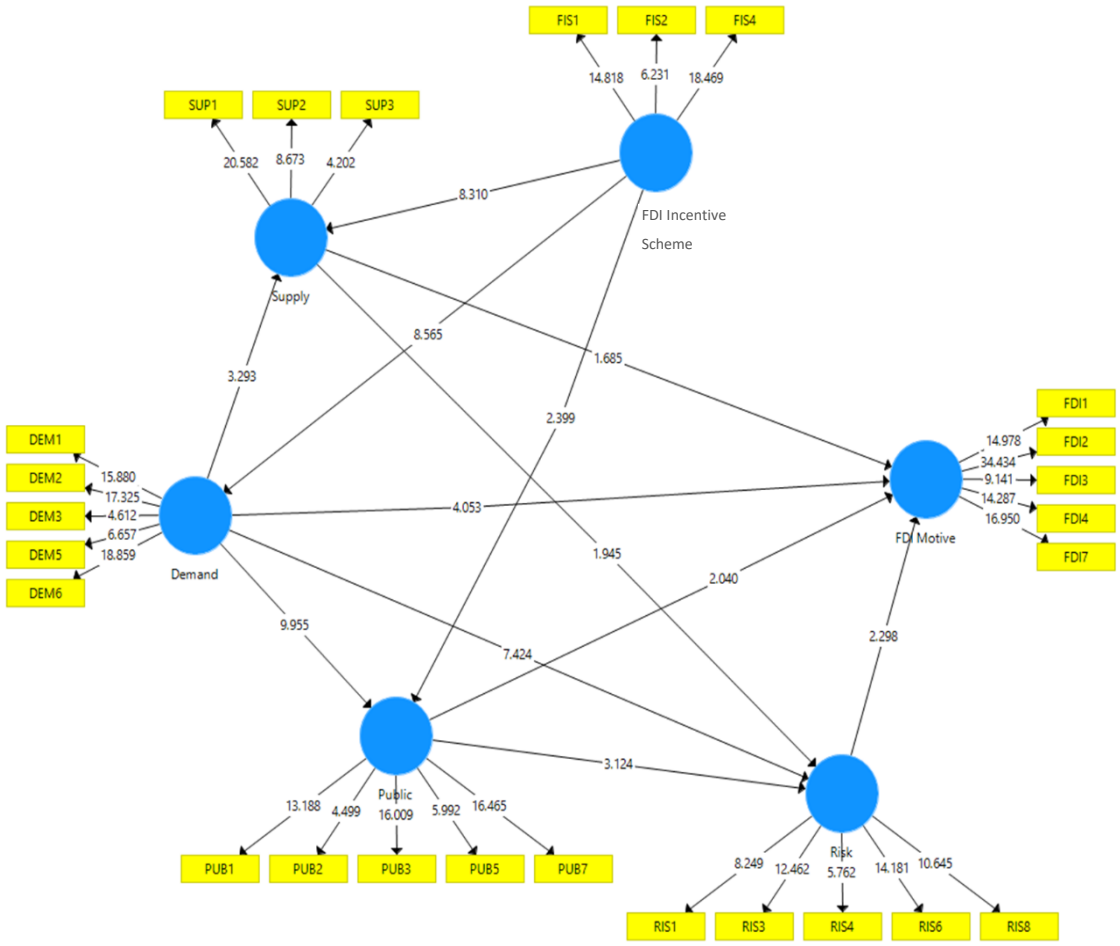
(Source: Author's own construction based on SmartPLS software)

- SEM model including significance levels (p-values)



(Source: Author's own construction based on SmartPLS software)

- SEM model including relevance levels (*t*-values)



(Source: Author's own construction based on SmartPLS software)

Appendix 5: Complete indicators of SEM model including factor loadings

Factor Loadings of Independent Variable *DEMAND*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x) Tol.: <0,400
DEMAND (Expected Market Volume)	DEM1	0,747	
DEMAND (Expected Market Volume)	DEM2	0,754	
DEMAND (Expected Market Volume)	DEM3	0,476	
DEMAND (Expected Market Volume)	DEM4	-0,217	x
DEMAND (Expected Market Volume)	DEM5	0,586	
DEMAND (Expected Market Volume)	DEM6	0,792	

(Source: Author's own construction)

Factor Loadings of Independent Variable *SUPPLY*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x)
SUPPLY (Production Factors)	SUP1	0,798	
SUPPLY (Production Factors)	SUP2	0,670	
SUPPLY (Production Factors)	SUP3	0,530	
SUPPLY (Production Factors)	SUP4	-0,031	x
SUPPLY (Production Factors)	SUP5	-0,205	x

(Source: Author's own construction)

Factor Loadings of Independent Variable *PUBLIC*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x)
PUBLIC (and Governmental Factors)	PUB1	0,705	
PUBLIC (and Governmental Factors)	PUB2	0,465	
PUBLIC (and Governmental Factors)	PUB3	0,752	
PUBLIC (and Governmental Factors)	PUB4	0,240	x
PUBLIC (and Governmental Factors)	PUB5	0,521	
PUBLIC (and Governmental Factors)	PUB6	0,199	x
PUBLIC (and Governmental Factors)	PUB7	0,753	

(Source: Author's own construction)

Factor Loadings of Intervening Variable *FDI INCENTIVE SCHEMES*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x)
FDI Incentive Schemes	FIS1	0,731	
FDI Incentive Schemes	FIS2	0,592	
FDI Incentive Schemes	FIS3	0,218	x
FDI Incentive Schemes	FIS4	0,790	
FDI Incentive Schemes	FIS5	0,220	x

(Source: Author's own construction)

Factor Loadings of Intervening Variable *RISK/UNCERTAINTY*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x)
RISK/UNCERTAINTY	RIS1	0,632	
RISK/UNCERTAINTY	RIS2	0,352	x
RISK/UNCERTAINTY	RIS3	0,709	
RISK/UNCERTAINTY	RIS4	0,503	
RISK/UNCERTAINTY	RIS5	0,025	x
RISK/UNCERTAINTY	RIS6	0,736	
RISK/UNCERTAINTY	RIS7	0,239	x
RISK/UNCERTAINTY	RIS8	0,694	

(Source: Author's own construction)

Factor Loadings of Dependent Variable *FDI MOTIVE/DECISION-MAKING*

Variable	Indicator Abbreviation	Factor loading (β)	Excluded from the final model (x)
FDI Motive (Decision-Making)	FDI1	0,716	
FDI Motive (Decision-Making)	FDI2	0,839	
FDI Motive (Decision-Making)	FDI3	0,652	
FDI Motive (Decision-Making)	FDI4	0,726	
FDI Motive (Decision-Making)	FDI5	-0,051	x
FDI Motive (Decision-Making)	FDI6	-0,005	x
FDI Motive (Decision-Making)	FDI7	0,744	
FDI Motive (Decision-Making)	FDI8	-0,049	x
FDI Motive (Decision-Making)	FDI9	0,119	x

(Source: Author's own construction)

Appendix 6: Supplementary statistical results from the SEM construct:

Path Coefficients [β]

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	-	0,451	-	0,678	0,596	0,250
FDI Motive	-	-	-	-	-	-
FDI Incentive	0,755	-	-	0,181	-	0,623
Public	-	0,159	-	-	0,228	-
Risk	-	-0,194	-	-	-	-
Supply	-	0,125	-	-	0,112	-

(Source: Author's own construction)

Latent Variable Correlations

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	1,000	0,836	0,755	0,814	0,865	0,721
FDI Motive	0,836	1,000	0,646	0,750	0,778	0,673
FDI Incentive	0,755	0,645	1,000	0,694	0,689	0,812
Public	0,814	0,750	0,694	1,000	0,768	0,580
Risk	0,865	0,778	0,689	0,768	1,000	0,688
Supply	0,721	0,673	0,812	0,580	0,688	1,000

(Source: Author's own construction)

Latent Variable Covariances:

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	1,000	0,836	0,755	0,814	0,865	0,721
FDI Motive	0,836	1,000	0,645	0,750	0,778	0,673
FDI Incentive	0,755	0,645	1,000	0,694	0,689	0,812
Public	0,814	0,750	0,694	1,000	0,768	0,580
Risk	0,865	0,778	0,689	0,768	1,000	0,688
Supply	0,721	0,673	0,812	0,580	0,688	1,000

(Source: Author's own construction)

Appendix 7: SEM Quality Criteria

Coefficients of Determination: R-Squares [R^2] and R-Squares Adjusted [$R^2_{Adj.}$]

	R Square [R^2]	R Square Adjusted [$R^2_{Adj.}$]
Demand	0,571	0,567
FDI Motive	0,735	0,727
Public	0,678	0,673
Risk	0,767	0,762
Supply	0,686	0,681

(Source: Author's own construction)

Effect Sizes: F-Squares [f^2]

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	-	0,136	-	0,613	0,371	0,086
FDI Motive	-	-	-	-	-	-
FDI Incentive	1,328	-	-	0,045	-	0,530
Public	-	0,038	-	-	0,075	-
Risk	-	0,016	-	-	-	-
Supply	-	0,028	-	-	0,038	-

(Source: Author's own construction)

Construct Reliability and Validity

[*Cronbach's Alpha, rho_A, Composite Reliability, Average Variance Extracted*]

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Demand	0,753	0,789	0,808	0,591
FDI Motive	0,790	0,812	0,856	0,545
FDI Incentive	0,731	0,761	0,750	0,503
Public	0,742	0,778	0,780	0,592
Risk	0,760	0,795	0,781	0,541
Supply	0,707	0,723	0,710	0,486

(Source: Author's own construction)

Discriminant Validity proofed with the *Fornell-Larcker Criterion*

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	0,682	-	-	-	-	-
FDI Motive	0,836	0,738	-	-	-	-
FDI Incentive	0,755	0,645	0,709	-	-	-
Public	0,814	0,750	0,694	0,651	-	-
Risk	0,865	0,778	0,689	0,768	0,617	-
Supply	0,721	0,673	0,812	0,580	0,688	0,675

(Source: Author's own construction)

Proof of Cross Loadings of Indicators in the SEM

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
DEM1	0,747	0,610	0,475	0,576	0,545	0,499
DEM2	0,752	0,744	0,535	0,662	0,722	0,542
DEM3	0,484	0,263	0,351	0,317	0,459	0,411
DEM5	0,583	0,571	0,378	0,467	0,428	0,387
DEM6	0,792	0,582	0,752	0,670	0,727	0,592
FDI1	0,617	0,716	0,377	0,647	0,546	0,418
FDI2	0,765	0,839	0,582	0,690	0,758	0,608
FDI3	0,484	0,653	0,487	0,326	0,437	0,491
FDI4	0,629	0,726	0,397	0,523	0,545	0,441
FDI7	0,545	0,744	0,536	0,514	0,529	0,518
FIS1	0,540	0,510	0,731	0,421	0,476	0,705
FIS2	0,394	0,343	0,593	0,315	0,360	0,586
FIS4	0,647	0,502	0,790	0,702	0,606	0,459
PUB1	0,496	0,544	0,378	0,705	0,446	0,384
PUB2	0,285	0,226	0,212	0,466	0,236	0,210
PUB3	0,715	0,541	0,771	0,753	0,664	0,504
PUB5	0,385	0,414	0,241	0,519	0,390	0,244
PUB7	0,629	0,613	0,468	0,753	0,618	0,445
RIS1	0,456	0,499	0,408	0,434	0,634	0,405
RIS2	0,289	0,128	0,267	0,145	0,359	0,330
RIS3	0,683	0,640	0,427	0,627	0,699	0,465
RIS4	0,436	0,316	0,256	0,399	0,508	0,352
RIS6	0,573	0,626	0,474	0,529	0,728	0,499
RIS8	0,655	0,466	0,651	0,546	0,690	0,489
SUP1	0,600	0,588	0,732	0,447	0,521	0,797
SUP2	0,448	0,373	0,583	0,380	0,473	0,672
SUP3	0,386	0,372	0,225	0,348	0,397	0,529

(Source: Author's own construction)

Collinearity Statistics – Outer Variance Inflation Factor [*VIF*] Values

	VIF
DEM1	1,472
DEM2	1,381
DEM3	1,141
DEM5	1,205
DEM6	1,519
FDI1	1,465
FDI2	1,837
FDI3	1,485
FDI4	1,477
FDI7	1,659
FIS1	1,140
FIS2	1,076
FIS4	1,193
PUB1	1,412
PUB2	1,192
PUB3	1,319
PUB5	1,132
PUB7	1,351
RIS1	1,300
RIS2	1,091
RIS3	1,237
RIS4	1,176
RIS6	1,380
RIS8	1,313
SUP1	1,085
SUP2	1,068
SUP3	1,046

(Source: Author's own construction)

Collinearity Statistics – Inner Variance Inflation Factor [*VIF*] Values

	Demand	FDI Motive	FDI Incentive	Public	Risk	Supply
Demand	-	4,653	-	2,331	4,121	2,331
FDI Motive	-	-	-	-	3,621	-
FDI Incentive	1,000	-	-	2,331	-	2,331
Public	-	2,974	-	-	3,130	-
Risk	-	-	-	-	-	-
Supply	-	2,085	-	-	2,166	-

(Source: Author's own construction)

Appendix 8:

Expert interview preparation sheet for post-survey discussion and its evaluation for interpretation input:

Guideline for expert discussion to gain result interpretation out of the research project

Date: _____ Time: _____

Participants: _____

_____

_____

Question 1 of 5: Did macro-economic factors affect your previous FDI decisions? How are they set besides the micro-economic environment?

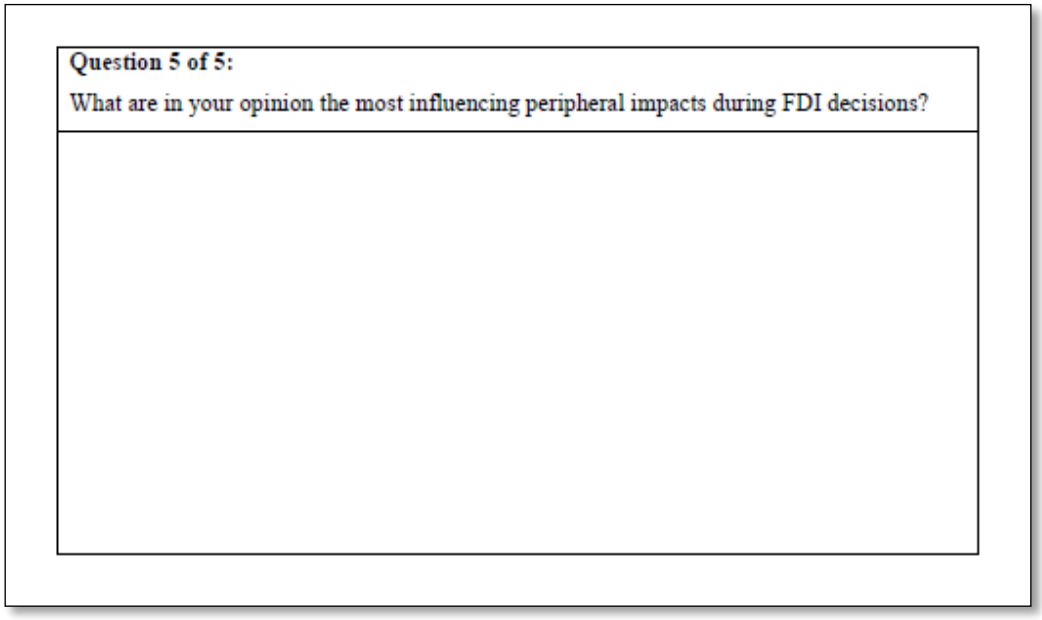
Question 2 of 5: What are in your opinion the most critical macro-economic factors in business activities?

(Source: Author's own construction)

Question 3 of 5: Were fiscal incentive schemes of importance for your FDI intention? Did they affect, and when yes, how did they affect the decision?

Question 4 of 5: Are risks and uncertainties factors which may rejects FDI decisions? What can be done against risks and uncertainties?

(Source: Author's own construction)



(Source: Author's own construction)