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Abstract

This study analyses the foreign direct investment decision making processes of MNEs in a qualitative manner. The choice of investment location and its importance in this process are also investigated. The reason for the choice of the study subject is the rapidly changing business environment, which challenges MNEs to reach better decisions within a shorter time period in order to remain competitive. The empirical part of this study is based on the FDI decision making processes of three MNEs. As a basis for this analysis the study presented several decision making theories as well as locational theories, which are mirrored to the practical case examples.

The three MNEs, two of which conducted a manufacturing investment and one an acquisition investment, demonstrated similarities in their way of describing an FDI decision making process. The content of each decision making stage still varied with each case MNE. Very different stimuli triggered the decision making process. For one of the case MNE the triggering factor was the relocation of an important client to a new market area. Another case MNE had an employee who discovered a new significant customer in a new market area. This led firstly to trading through intercontinental transportation and later to a manufacturing site being built in the new market area. The third case MNE conducted an FDI through acquisition. This opportunity was discovered through strategic intelligence in the investment location. After initial interest this was followed by negotiations, due diligence and other formalities. All three investment processes consisted of information gathering, analysis and internal discussions with the final decision in different time frames. In two case MNEs with a longer history and more established ways of working, decision making followed a path built through years of experience. On the other hand the third case company with a shorter history had built a clear pattern of what a decision making process was to be like in the MNE. Less traditions but more specific strategic planning influenced this MNE's actions. Overall the importance of strategy as a basis for FDI decision making was considered great as it provides a vision for the future development of the company and guides decision making.

The choice of location was an issue, which was according to the interviewees surprisingly small. The discussion revolved around the attributes of the location brought to the investment process equation. This meant being closer to a client in order to provide services, being in an area with massive growth potential in the near future or getting cheaper labour force or production conditions.

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| Key words | foreign direct investment, decision making, process, investment location, strategy |
| Further information | |