

Curtin Business School

**Location Decision-Making Processes of Internationalising Firms:
A Multiple Case Study Investigation**

Marwan Nayef Mustafa Al Qur'an

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of
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Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgement has been made.

Signature:

Date:

Abstract

Research into the location decision of Australian international firms was primarily directed toward investigating motivations of Australian investors for setting up their foreign direct investments (FDI) in specific foreign countries. Nevertheless, the strategic decision-making process concerning the selection of a beneficial foreign country for either Australian or Western Australian international operations has been neglected in the existing literature; hence, an evident and significant gap was identified. Therefore, the current exploratory investigation used an interpretive paradigm to examine *'how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion.*

As an attempt to provide rich and deep insights into managerial actions and procedures, as well as critical success factors, that should be considered in effective international location decision-making process to attain a beneficial foreign location choice, five empirical comparative in-depth case studies excluding a pilot case study were purposefully selected from among sixteen potential Western Australian firms which established manufacturing and service operations abroad. Furthermore, seven international location decision-making processes were examined within these five cases through relying on several data sources: in-depth face to face interviews, short telephone and follow-up interviews and questionnaire instrument as primary data sources besides field notes, documents review when available and internet sources as secondary data sources. Two main stages of analysis were undertaken in the current research, namely, within and cross-case analyses.

The empirical findings of the extant research show that a thorough consultative and international experience-based strategic decision process should be considered to attain effective foreign country selection decisions. The consultative decision process encompasses five crucial managerial phases; that is, (1) strategic analysis of internationalisation drivers, (2) strategic searching and development of location factors and alternatives, (3) acquiring of adequate and relevant information about the prospective locations and, hence, strategic assessment for these alternatives, (4) strategic selection of final beneficial foreign location choice, and finally, (5) effective implementation of the selected location choice. Results reveal that the decision process cannot separately lead to the selection of a beneficial foreign location choice in the absence of four critical success factors, i.e., (1) international business experience of the selected location team, (2) the country knowledge about the potential foreign locations, (3) in-house and external consultations with international business experts and (4) identification of a trustworthy and internationally experienced manager or local partner for the international operation.

The findings also illustrate that the comprehensive foreign country selection decision process is a multi-stage decision process which incorporates three separate location selection processes, namely, (1) country selection, (2) city selection and (3) site selection process.

The current research extends the satisficing or bounded rational decision theory by confirming the appropriateness and the effectiveness of the theory in foreign country selection decisions. In addition, the earlier critical success factors are adding new and important aspects of knowledge to the existing research on location decision-making process in international business, as well as foreign direct investment decisions. Accordingly, the former management phases and critical success factors were integrated into a conceptual model. The major and the unique contribution of the current thesis to existing theory is the development of a decision model which combines two fields of management research; that is, strategic decision-making and location decision-making in international business.

The research provides important methodological contributions to international business research in relation to an effective multiple case study approach to capture elements of the comprehensive and complex international location decision-making process. Finally, the research findings and decision model have practical managerial implications for both international and internationalising firms by assisting them to improve the effectiveness of their foreign country selection decision processes. Further, the findings provide benefits for foreign investment policy-makers as well as local development officials in both home and host countries by assisting them to increase their outward FDI and attract more inward FDI and, consequently, boost the economic development movement in their countries.

Keywords: Internationalising firms, foreign country selection process, beneficial foreign location choice, international operations, comparative case studies, ‘best practice’ strategic decision model.

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“Say, `my Prayer and my ritual sacrifice, and my living and my dying, all are for God, the Lord of the world, who has no associate; and even so I have been commanded, and I am the first of those who have surrendered (Muslim)” (Qur’an 6:163-164)

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“Abu Hurairah (May Allah be pleased with him) reported: The Messenger of Allah (PBUH) said, "When a man dies, his deeds come to an end, except for three: A continuous charity, knowledge by which people derive benefit, pious son who prays for him” (Ad-Dimashqi 2005, 6:162:949)

Dedication

This dissertation is dedicated to the memory of my father, who passed away during this research journey while I was in Australia. His deep love of his children, respect for others and sacrifices shaped my academic ambitions and all aspects of my life and to whom I promised I would complete this doctorate.

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List of Acronyms

IFs	International Firms
FDI	Foreign Direct Investment
IB	International Business
MNCs	Multinational Corporations
IJV	International Joint Venture
IO	International Operation
OECD	Organisation for Economic Co-operation and Development
GDP	Gross Domestic Product
GNP	Gross National Product
CBA	Cost Benefit Analysis
BEA	Break-Even Analysis
AHP	Analytical Hierarchy Process
ABS	Australian Bureau of Statistics
DoIR	Department of Industry and Resources, Australia
WACCI	Western Australia Chamber of Commerce and Industry
Austrade	Australian Trade Commission
CEO	Chief Executive Officer
MD	Managing Director
GMD	Group Managing Director
GED	Group Executive Director
GM	General Manager
CBD	City Centre

CHAPTER 1

Introduction

1.1 Background to the Research

Overall, international business phenomenon and the internationalisation activity of firms have received growing research attention among scholars and practitioners during the last decade due to the significant contribution of these movements to the economic development in both home and host countries (Akbar & McBride 2004; Calle Pardo 2001; Jansen & Stockman 2004; Leo & Neil 1991; OECD 2002; Porcano 1993; Rachel 1993; Vernon 1966). Likewise, experienced researchers in the field of sustainable development put enormous emphasis on the importance of the international business activity and international firms to the sustainable development in developing countries (Ahmed 2004; Ahmed & Stein 2004).

International business embodies all business transactions at both private level such as foreign direct investments (FDI) and at governmental level such as exporting, which involve two or more countries (Daniels & Radebaugh 1995; Hill 2003). As a result, the international business activity unquestionably encompasses the internationalisation of firms which refers to a process, over time, wherein business organisations expand growing participation in operations outside their home countries (Welch & Loustarinen 1988). According to the 'eclectic paradigm of international production' proposed by Dunning (1980, 1988a), firms which decide to internationalise their business activities and have international operations confront a very critical, challenging and strategic decision which relates to deciding about the foreign location or country for their international operations. Consequently, once the country has been selected, international firms have to choose the most appropriate entry mode strategy for that selected foreign market such as exporting, franchising, licensing, joint venture and wholly owned subsidiary (Buckley & Casson 1998; Edwards & Buckley 1998; Hill, Hwang & Kim 1990).

Furthermore, recent researchers in the area of the performance of international firms have found empirically that the host country characteristics of international operations are a critical determinant of the success or failure of international firms and multinational corporations (MNCs) (Christmann, Day & Yip 1999; Dimitratos 2002; Liu Yingli, Li & Gao 1999; Vanhonacker & Pan 1997).

Research into the location decision of international firms has extensively examined motivations of firms locating their foreign operations in particular countries. In other words, most of the extant studies on the location decision in international business have focused on uncovering important factors that influence the perceived attractiveness of a country for inward foreign direct investments, such as access to markets, infrastructure facilities, the presence of competitors, political and economic stability, foreign investments policies, market size, market growth, access to raw materials and low-cost labour (Bhatnagar, Jayaram & Phua, 2003; Boddewyn & Brewer 1994; Edwards & Buckley 1998; Edwards & Buckley 1997; Edwards & Muthaly 1999; Fittock & Edwards 1998; Glaister & Tatoglu 1998; Johanson & Vahlne 1977; Kim & Hwang 1992; Mellahi & Guremat 2001; Nonaka 1994; Porcano 1993; Root & Ahmed 1979; Terpstra & Yu 1988; William 1980; Yang, Delios & Zhou 2002).

Nevertheless, few studies have addressed the strategic decision-making process concerning the selection of the firm's business location (Augustin 1999; Badri 1999; Badri, Davis & Davis 1995; Canel & Das 2002; Robert, Hosseini & Javalgi 1990; Blair & Premus, 1987; Haigh 1990; Phillips 1991; Schmenner 1994; Schmenner 1982). Most of these studies have concentrated on site selection by domestic firms and, in particular, for the manufacturing sector (Augustin 1999; Blair & Premus 1987; Phillips 1991; Schmenner 1982). On the other hand, a small number of studies has investigated the location decision-making of international firms (Badri 1999; Canel & Das 2002; Haigh 1990; Javalgi, Hosseini & Armacost 1990). The vast majority of these studies proposed normative or mathematical decision models for selecting the final foreign location choice once the alternatives are narrowed (Badri 1999; Canel & Das 2002; Javalgi, Hosseini & Armacost 1990).

In other words, these prior studies described how the final country choice should be selected among the narrowed options. However, very few studies have dealt with the descriptive approach concerned explaining the mode wherein international location selection decisions are made in the real complex environment of foreign investments (Haigh 1990). Haigh's (1990) study was limited merely to describe the site selection process of various international firms which established manufacturing subsidiaries in the U.S. Furthermore, the internationalisation activity of Australian firms is a relatively recent phenomenon and generally has attracted little concern from scholars (Edwards & Buckley 1998; Maitland & Nicholas 2000). Previous research on the location decision of Australian international firms or outward foreign direct investments has mainly looked into the locational determinants or factors of Australian FDI (Edwards & Buckley 1998; Edwards & Muthaly 1999; Fittock & Edwards 1998). Nevertheless, no particular academic interest has been given to both the location decision-making process of either the Australian or the Western Australian international firms.

In conclusion, the extant literature has not provided rich insights into the managerial actions and procedures involved in the international location decision-making process as well as the critical success factors which require to be considered in this highly complex decision-making process so as to arrive at a beneficial foreign country choice and, ultimately, at successful international expansion. The author therefore seeks to address this evident shortcoming in the international business literature on the international location decision-making process of Australian firms; primarily, particular, by exploring the strategic decision-making processes undertaken by Western Australian international firms in selecting foreign locations for their international operations.

1.2 Research Problem

It is essential for researchers to unambiguously define their research problem as an instrumental element in the research activities and literature search (Perry 1994; Zuber-Skerritt & Knight 1986). Establishing an explicit research problem normally requires asking the familiar questions of ‘who’, ‘what’, ‘where’, ‘how’ and ‘why’ to set the appropriate boundaries around the research problem (Yin 1994, 2003).

Generally speaking, it is well-known in the international business field that entry to a foreign market is optional; however, exiting from that market can be compulsory due to various driving factors such as competition, country economic conditions and cultural factors which may force international firms to relocate their operations to another foreign location or to withdraw from the foreign marketplace (Akhter & Choudhry 1993; Hill 2003). Furthermore, as discussed earlier, it has been argued that failure to select a beneficial location affects negatively on the performance of the international operation in particular and, thus, on the overall performance of the parent firm. Likewise, economists claim that the foreign country characteristics such as political and economic stability and level of economic development relating to the quality of infrastructure and human resource, have a significant impact upon the competitiveness of international operations in that country (Mahmood 1999, 2000). Accordingly, international firms have to select suitable foreign locations for their international operations to avoid the forced withdrawal from the foreign marketplace.

In the context of Australian foreign direct investments, the Australian firms have engaged slightly in outward foreign direct investments compared with other similar developed countries (Maitland & Nicholas 2000). A recent study of Australian foreign investments abroad by Merrett (2000) has shown that Australian investors performed mainly bounded and ineffective international strategies. Consequently, the location strategy is one of the most important international business strategies

which require to be formulated thoroughly and conscientiously by international firms to enable them to select the most beneficial and valuable foreign locations and hence undertake successful international expansion. More specifically, Western Australia maintains a significant international business involvement with foreign countries and currently enjoys a record of 28.7% share of Australia's total exports (DoIR 2005) as the Australia's largest exporter (Australian Bureau of Statistics 2005). Notwithstanding considerable international business participation, Western Australia has a small number of foreign direct investments abroad (DoIR 2003).

In brief, based on the previous debate, selecting the right and the beneficial foreign location is one of the most important strategic decisions that require to be performed correctly by Western Australian firms to increase their outward foreign direct investments and to benefit from the advantages of that movement. Research into the location decision-making process of international firms has not indicated how international firms in general or the Western Australian internationalising firms in particular can select effectively beneficial foreign locations. Accordingly, the major research problem addressed in the current research is:

- *How do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion?*

1.3 Research Purpose and Questions

At heart, the current thesis aims through reviewing the relevant literature on strategic decision-making as well as international business relating to the selection of foreign locations for international operations and by carrying out multiple in-depth case studies to develop a 'best practice' strategic decision-making model for international location selection decisions to assist academics and business decision-makers to better and successfully undertake international expansion. A set of questions was derived from the literature review (Chapter 2). Answering these questions through undertaking multiple case studies has resulted in solving the identified research problem. Accordingly, the present research included mainly one broad exploratory question: viz,

- *What are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?*

Research Sub-Questions:

With the purpose of answering the major research question, a number of minor questions were designed:

Question 1: *What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?*

Question 2: *What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?*

1.4 Justification for the Research

The justification for the present research derives mainly from the importance of the decision outcomes and decision-making in our life in general and in organisations in particular (Hale & Whitlam 1997).

In the organisational context, decision-making is the most important activity in all organisations regardless their types (Harrison 1999). More precisely, understanding the organisational decision-making process and all steps and actions involved in that process is crucial for managers so as to make right and successful decisions as these steps represent ‘stepping stones’ of the decision-making process (Drucker 2001). Therefore, the strategic decision-making in international business concerning how international firms select the foreign location for their international operations is a worthy and valuable area of research from theoretical, practical and methodological perspectives. The theoretical, practical and methodological justifications for conducting the current research are addressed in the next sub-sections.

1.4.1 Theoretical Justification

At the organisational level, decisions vary in their importance and become more vital, complex and, therefore, strategic when their outcomes are critical and have a direct effect on the organisation’s success or failure (Bass 1983; Harrison 1992; Harrison & Pelletier 1998; Johnson & Scholes 2002).

Organisational decision-making researchers have argued that our academic understanding of organisational decision-making is still incomplete (Jennings & Wattam 1994; Kleindorfer, Kunreuther & Schoemaker 1993) and strategic decisions generally have a significant impact on a firm's performance (Fredrickson 1985). Further, it has been claimed that research on strategic decision-making is fairly small, mostly theoretical and empirically untested (Bourgeois 1980; Eisenhardt & Zbaracki 1992; Mintzberg 1978; Mintzberg & Waters 1985) as it adopts the normative or descriptive approach which describes how decisions should be made rather than how decisions are actually made (Fredrickson 1983; Shrivastava & Grant 1985).

In the international business context, it has been argued that the vast majority of research on strategic decision-making, as with research on most other topics in management, has been conducted in the United States and slight attention has been paid to this area of research in other countries (Schwenk 1995). In fact, little research on strategic decision-making has been carried out in Australia and to the best of the author's knowledge no empirical research has underlined the foreign country managerial selection process of either Australian or Western Australian international firms.

As indicated earlier, strategic decision-making in international business concerning how international firms select foreign locations for their international operations has been ignored and neglected in the current literature on the location decisions of international firms, as the existing body of knowledge it has concentrated broadly on investigating locational determinants of international firms. Furthermore, studies on international location selection decisions have suggested untested normative models for selecting the final country choice and have ignored how that decision is made in reality within the high risk and uncertainty associated with foreign direct investment's environment. In addition, in the field of strategic management and, specifically, in the strategic decision-making process arena, normative models have limited validity, suitability and value in arriving at effective decisions (Shrivastava & Grant 1985).

In conclusion, based on the earlier discussions and the identification of evident gaps in the literature, it was viable to undertake the current research for several reasons. At first, as explained previously, the foreign location selection decision of international firms is a complex and challenging decision and an unexplored area of research. Hence, the findings of the current research contribute significantly to the growing corpus of academic literature on internationalisation of firms, foreign direct investment and international business strategy and in particular on the location strategy of the international firms through identifying the most imperative components of a successful foreign location strategy. In addition, the research results provide a contribution to the body of knowledge on the risk management of foreign direct investments by uncovering how the

global risk factors associated with the country selection decision are assessed and evaluated. Finally, the research outcomes add value to strategic management and strategic decision-making literature by providing additional empirical evidence on the strategic decision processes and models adopted by the Western Australian internationalising firms to make their location decision as very little is known about strategic decision-making within the Australian context.

1.4.2 Practical Justification

In general, the practical justification of the present research draws from the importance of the business location on the competitive position and business performance of international firms in particular and, consequently, on the success or failure of firms in general (Christmann, Day & Yip 1999; Dimitratos 2002; Liu Yingli, Li & Gao 1999; Vanhonacker & Pan 1997). Therefore, the findings of the research have practical implications for both international firms which are engaged in internationalisation as well as internationalising firms which are local firms willing and seeking to establish international operations. As a result, these implications go straightforwardly to the firm's selection of countries for entry and foreign direct investment and in managing the risk associated with outward foreign direct investments.

For Western Australian international firms, the findings of the current research have important implications for improving the foreign country selection decision-making process for entry and investment. Likewise, given that the research develops a decision model for the selection of a beneficial foreign location for the international operation, this model assists substantially Western Australian internationalising firms in improving their international location decision-making for any potential international expansion by learning from experiences of the first-mover. Deliberately, the findings of the current research assist both Western Australian international and internationalising firms in:

- Gaining a better, richer and more comprehensive understanding of the significant managerial procedures as well as critical success factors in order to maximise the international location decision-making process and, hence, undertaking successful international expansion
- Gaining better understanding about the tools and techniques of location strategy analysis and, hence, learning how to develop location strategies that will deliver sustained competitive advantage.

In addition, the current research findings provide benefits for foreign investment policy-makers as well as local development officials in both home and host countries of foreign direct investments.

Within the Australian and the Western Australian context, the findings have important implications for foreign investment policy-makers, trade department officers and local development administrators in Australia from both angles; as a home country for outward foreign direct investments and as a host country for inward foreign direct investments.

1.4.3 Methodological Justification

Practised researchers in the field of international business assert that most international business empirical research relies on secondary data and/or questionnaire responses which involve critical problems (Boddewyn & Iyer 1999). Further, they state that these studies have not provided rich theoretical analysis about important issues in international business. Accordingly, the current thesis has identified an evident gap in the literature on research method in international business which provides important motivation for undertaking in-depth case studies of Western Australian international firms to explore deeply and comprehensively the foreign country selection process as an extremely strategic and important theme in international business research.

1.5 Research Design and Methodology

As pointed out earlier, selecting a foreign country for international operations or foreign investment is a complex, challenging and strategic decision, as each firm tends to make that decision under different conditions and with different goals and criteria depending upon the firm's overall strategy and its location strategy (Allen 1991; Atthirawong & MacCarthy 2002; Badri 1999; Carla 1994; Galbraith, DeNoble & Estavillo 1990). Moreover, the international location decision is an outcome of a strategic decision-making process accomplished by senior managers in the organisation.

As a result, the interpretive paradigm is the most appropriate paradigm to be adopted in the current exploratory investigation by 'getting inside' the decision-makers' minds and seeing the international location decision-making process from their point of view (Hassard 1993) and experiences (Smith & Heshusius 1986; Yeung 1995). Furthermore, the research problem 'how do' and the main question 'what are' are descriptive rather than prescriptive which require a theory-building approach (inductive) rather than a theory testing one (deductive) and that also require the utilising of the interpretive paradigm (Perry 1998).

The case study method was adopted in the current thesis due to the close connection of this strategy with the philosophical assumptions and foundations of the selected interpretive (phenomenology) paradigm and because it represents one of the primary research methods for studies adopting interpretivism (Gephart 1999; Perry 1994). Furthermore, the case study method, entailing in-depth interviews, has been used widely by experienced researchers in examining the strategic decision-making processes in organisations (Bourgeois & Eisenhardt 1988; Krabuanrat & Phelps 1998; Ulaga & Sharma 2001).

Because of the exploratory nature of the research and the complexity of international location decision-making, the embedded multiple case study approach proposed by Yin (1994; 2003) was employed in the research as the most suitable case study design to gain a comprehensive and accurate understanding of the location decision-making process. The multiple case study strategy is a very well-designed instrument to gain insights into all aspects of how an organisation addresses complex strategic decision-making (Ulaga & Sharma 2001).

Five purposefully selected in-depth case studies (Patton 1990), excluding a pilot case study were undertaken from among sixteen potential Western Australian firms which established international operations in various foreign countries. The case studies were comparative as they included three service firms and two manufacturing firms.

Seven international location decision-making processes were examined within these five cases relying on several data sources: in-depth face-to-face interviews, short telephone interviews, questionnaires, field notes, documents review when available and internet sources. The data analysis methodology employed in the research for analysing the interview data was based on the descriptions written by (Miles & Huberman 1984;1994) which imply data reduction, data display and conclusion drawing and verification. Two main stages of analysis were utilised in the current research; that is, within-case and cross-case analyses (Ayres, Kavanaugh & Knafel 2003; Creswell 1998; Eisenhardt 1989a; Yin 1994; 2003).

The case study description, report or story was used as an analytic strategy for within case analysis due to its wide deployment in the extant strategic decision-making research (Allison 1971; Anderson 1983; Bourgeois & Eisenhardt 1988; Carter 1971; Eisenhardt 1989b; Janis 1982; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Ulaga & Sharma 2001). Emerging themes throughout the data analysis process illustrate the entire managerial actions involved in the international location decision-making process as well as the critical success factors. Further, pattern or theme matching, through comparing the emerged themes with patterns derived from the literature review, was utilised (Yin 1994; 2003).

In cross-case analysis, categorising the case studies based on the size and type of industry such as large firms vs. small firms, manufacturing firms vs. service firms, followed by searching for similarities and difference between these categories, was adopted as an analytic strategy for identifying cross-case patterns (Eisenhardt 1989a).

1.6 Outline of the Thesis

The current thesis incorporates six chapters. Chapter 1 presents the groundwork of the research concerning the purpose and the scope of the research, the research problem and rationales as well as motivations for undertaking the research.

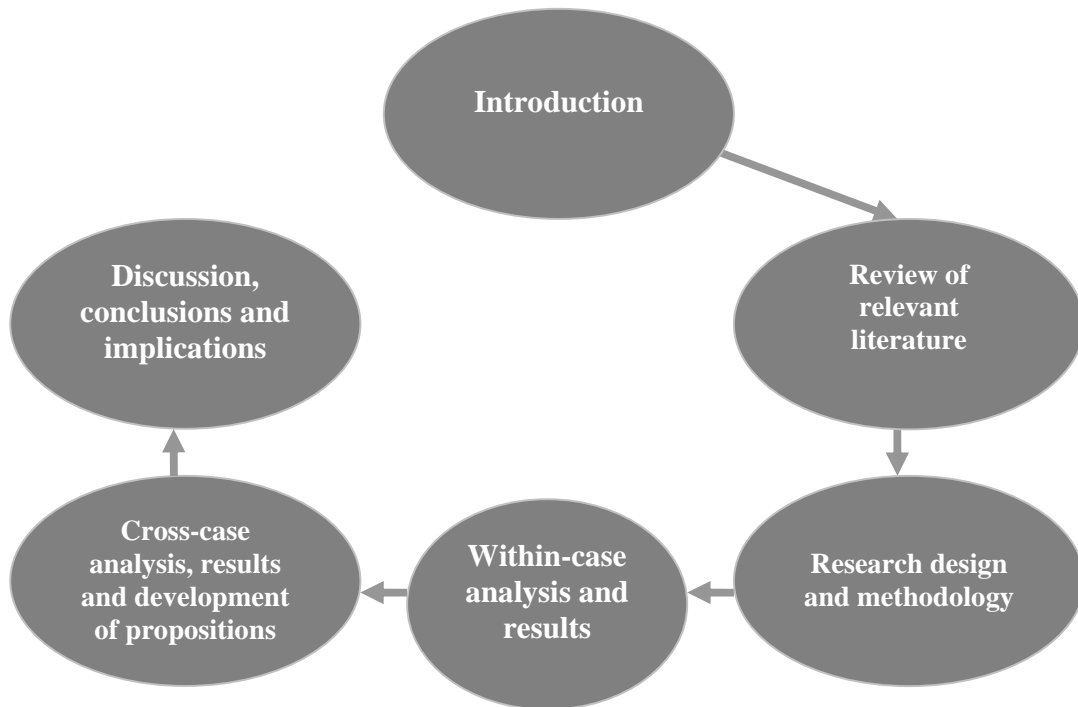
Chapter 2 reviews the existing theoretical framework on the defined research problem; that is, strategic decision-making and the international location decision-making academic research. As a result, the gaps in the extant literature are clearly distinguished, resulting in identifying one exploratory main research question and two associated minor questions with the aim of solving the recognised research problem and hence filling the gaps in the literature.

Subsequently, Chapter 3 presents and justifies the interpretive paradigm, qualitative methodology and the case study strategy as an appropriate research design and methodology framework for conducting the intended research. Further, the chapter discusses the appropriate data collection and analysis techniques and procedures as well as the adopted measures for maintaining the quality of the current case study research.

Later, Chapters 4 and 5 provide respectively the within-case and cross-case analyses and results of the data collected via in-depth interviews, questionnaires and secondary sources. Consequently, the empirical findings presented in Chapter 5 answer the main research question and from these findings, propositions are developed.

Finally, Chapter 6 ends the journey of the current research with a discussion of the empirical findings and the correlated propositions within the context of the academic literature reviewed in Chapter 2. Further, the conclusion about the overall research problem is discussed, and, accordingly, the revised findings and propositions were integrated into conceptual model. Next, the implications and contributions of the research findings and the developed conceptual model to theory, methodology, policy and practice are addressed as well as the limitations of the research. Finally, prospective directions for future research are presented. The structure of the current thesis is shown in Figure 1.1.

Figure 1.1: Outline of the thesis's chapters



1.7 Definitions

The definitions of terms vary from one scholar to another, therefore, the key terms and concepts incorporated within the current thesis are defined in this section to provide a clear picture about the meaning of important terms as used in this thesis. Some of these definitions are adopted from the literature; others are explained by the author.

Foreign direct investments are investments made by a citizen or a firm of one country (home country) with the purpose of establishing an ‘enduring interest’ in a business located in another country (host country) and it includes mergers with local firms, takeovers/acquisitions (brownfield investments), greenfield investments and international joint ventures (Jansen & Stokman 2004). Enduring interest refers to both the existence of a long-term affiliation and a considerable level of influence by the direct investor on the management of the foreign firm.

Location from the domestic business perspective, refers to a local area within a country where the business activity of local firm is positioned (O'Mara 1999). However, in the international business field, as in the current research, ‘location’ or ‘foreign location’ refers to the host country of foreign direct investments wherein the operation of the international firm is located or expected to be located.

Site refers to a specific parcel of property and/or construction(s) in a city within a country in which the business activities of international or local firm is physically located.

Country's inward foreign direct investments refer to all foreign direct investments and international firms hosted by or operating in a particular country (host country).

Country's outward foreign direct investments refer to all direct investments or firms from one country (home country) operating in various foreign countries.

Greenfield investments or wholly owned investments is one of several entry mode strategies to foreign markets and it refers to all the new inward foreign direct investments operating in a particular country which are completely owned by foreign investors or international firms.

International joint venture is one of several entry mode strategies to foreign markets and it refers to a foreign investor or international firm establishing a business partnership with a local investor from the host country.

International or foreign operation refers to the actual business activities of a certain firm in a foreign country; it includes the country's inward foreign direct investments and limited to greenfield and joint venture entry modes.

Internationalising firm refers to a local firm which is seeking and willing to be involved in the internationalisation process and, hence, establishing an international or foreign operation.

International firm refers to a firm which has business operation or activity in two or more than two countries.

Location decision-making process of international or internationalising firms refers to the managerial procedures involved in a decision process carried out by a firm from a specific country to select a foreign country from among alternatives for setting up an international operation.

Strategic management refers to that set of procedures in which top managers in an organisation investigate existing circumstances and situations and, accordingly, formulate strategies, put these strategies into actions, and assess/review/alter strategies as required to assist in achieving organisation objectives and goals (Coulter 1998).

Strategy refers to "a series of goal-directed decisions and actions that match an organization's skills and resources with the opportunities and threats in its environment" (Coulter 1998, p.5).

1.8 Delimitations of Scope and Key Assumptions

As described in the main research problem presented in Section 1.2, and based on the identified unit of analysis, the research population is Western Australian parent firms located in Western Australia which have established outward foreign direct investments (FDI); namely, greenfield (wholly owned FDI) and joint venture firms.

As a result, the current research was limited to exploring the international location decision-making processes of Western Australian greenfield and joint venture foreign direct investments because this type of entry to foreign countries entails greater risk and enormous financial and personnel commitment compared with other type of entry mode in international business such as exporting, licensing, franchising, turnkey projects or temporary contracting firms (Hill 2003). Furthermore, given that the research adopted the multiple case study approach as a research method, the scope of the research was limited to investigating seven international location decisions within five case firms (three service firms and two manufacturing firms) selected purposefully from among sixteen potential Western Australian firms which have established international operations.

1.9 Conclusion

Chapter 1 has presented the foundation and the background of the current research and has highlighted the need for undertaking the research. Accordingly, the major research problem and gaps were identified and the research's aims and objectives were introduced. Afterwards, the justification for the research as well as the research design and methodology were explained. Subsequently, the organisation of the dissertation with brief description of each chapter was portrayed. Finally, definitions of key concepts and delimitations of scope and key assumptions were discussed. Next, Chapter 2 analyses the research problem within the existing relevant literature.

CHAPTER 2

Review of the Relevant Literature

2.1 Introduction

Following the Chapter 1 presentation of the central foundations for the research, Chapter 2 issued to review and highlight the identified research problem within the existing relevant literature.

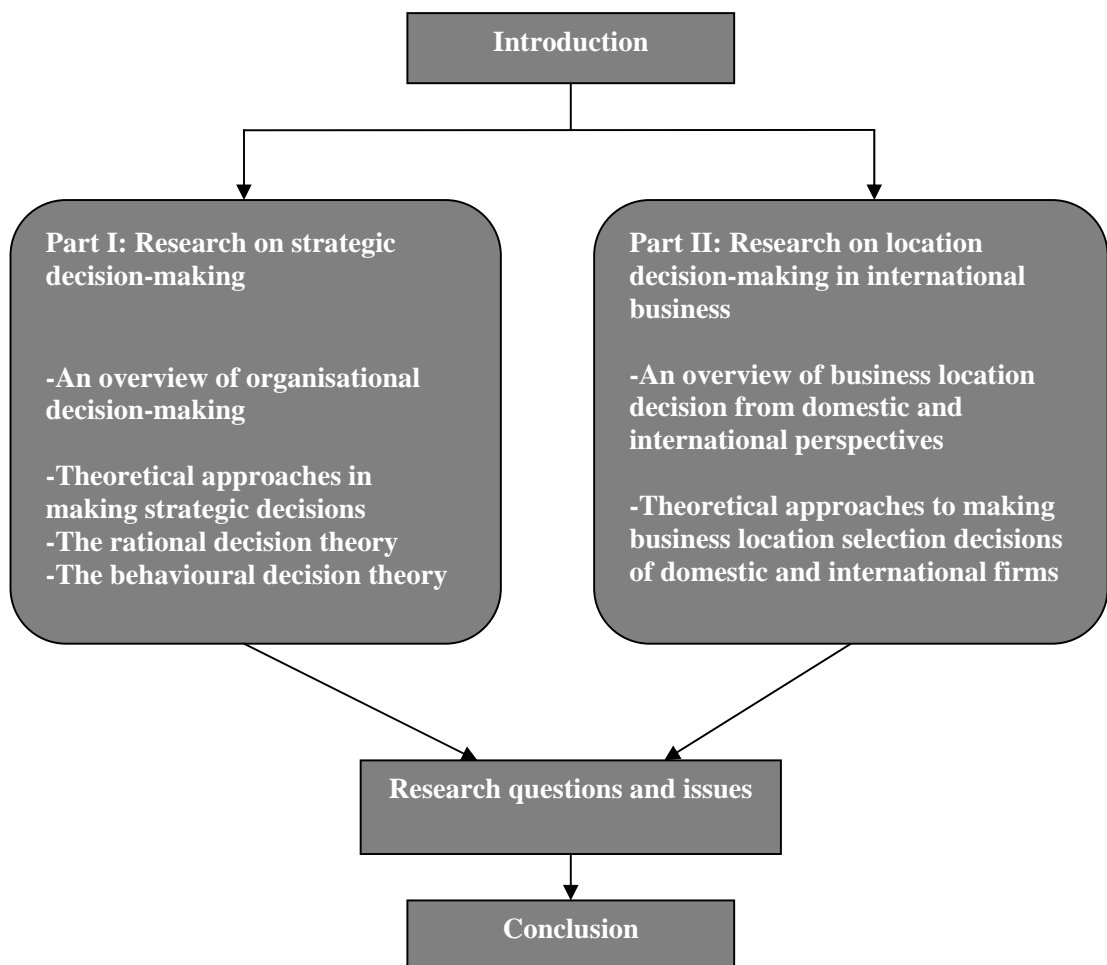
The focal point of the extant exploratory investigation was to provide rich insights into how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and, hence, attain successful international expansion. Apparently, this research problem entails the field of organisational and strategic-decision-making as a parent discipline and the location decision in international business as an immediate field. In view of that, the review of the related literature is built in two main parts. The initial part reviews the existing theoretical perspectives on organisational and strategic decision-making, while the second part analyses location decision-making of international firms within these former standpoints.

Given that the nature of the research problem is exploratory, the present literature review implies analysing variables involved in the international location decision-making process and, thus, research questions are developed at the end of this chapter to answer the defined research problem (Perry 1994). In other words, the current research was not explanatory and had not intention to examine cause-effect relationships between independent and dependent variables and, thus, no hypotheses are generated.

In the first part, the managerial and organisational decision-making overview is addressed through underlining the concepts of organisational and individual decision-making and the terminology of decision, decision-making, problem solving and the decision process. In this section, also discussed are the conditions and situations associated with decision-making in an organisation with regard to certainty, risk and uncertainty. Further, the nature and characteristics of a strategic decision are explained. Subsequently, the assumptions of the two leading theoretical approaches to making strategic decisions are outlined; that is, the rational and behavioural decision theories.

In the second part, the business location decision from both domestic and international perspectives is analysed through highlighting issues of uncertainty and risk linked with business location decision-making. Further, the section discusses the premise of international business location decision as a strategic decision as well as the typology of business location selection decisions. Next, theoretical approaches to making business location selection decisions of domestic and international firms are debated and, accordingly, research on the site selection process of domestic firms as well as on location decision-making process in international business is underlined. Ultimately, from that review of the parent and immediate disciplines related to the research problem, exploratory research questions are developed as an endeavour to answer the recognised research problem. Finally, the chapter conclusion is presented. The chapter structure is demonstrated in Figure 2.1.

Figure 2.1: Outline of Chapter 2



2.2 Part I: Research on Strategic Decision-Making

As discussed earlier, this major part, which reflects the parent theory, reviews and analyses the body of knowledge on strategic decision-making. In essence, it aims to lay emphasis on assumptions of the two leading decision theories to making strategic decisions, that is to say, the rational and behavioural decision premises. As, assumptions of these theories are contingent on terminological and situational issues relating to organisational decision-making, initially, the concepts of organisational and individual decision-making besides the terminology of decision, decision-making, problem solving and the decision process are thoroughly explained in this part. Further, certainty, risk and uncertainty as conditions and situations of organisational decision-making as well as the nature and characteristics of the strategic decision are examined. Accordingly, the assumptions and notions of rational and behavioural decision theories are debated within the context of strategic decision-making and empirical research on strategic decision-making process is analysed.

2.2.1 An Overview of Organisational Decision-Making

Decision-making has a significant impact upon the quality and success of our life in general and upon the success or failure of business organisations and enterprises in particular. As stated by Hale & Whitlam (1997, p.9):

Arguably one of the most fundamental of life skills required by human beings is the ability to solve problems and make decisions. Effectively it is this unique behaviour that has contributed significantly to the successful evolution of mankind and has been instrumental in determining our success as a species.

Hence, it is not surprising that the decision-making topic has received enormous attention among scholars in management science in particular (Bass 1983; Bourgeois & Eisenhardt 1988; Elliott 1998; Harrison 1999; Murray 1986; Shapira 2002; Simon 1977;) and other disciplines in general such as medical science and nursing (Backlund et al. 2003; Keck, Grover & Jette 2003; Yi 2003), philosophy (Dewey 1933; Hammond, McClelland & Mumpower 1980), information technology (Llori & Irefin 1997), mathematics (Luce & Raiffa 1957; Sraffin 1993; Von Neumann & Morgenstern 1953), education (Sr 2000) and political science (Levy & Lau 1998). Furthermore, due to the complexity and variability in the today's world, it has become essential that managerial decision-making should take into consideration the interrelated aspects of various disciplines such

as economics, mathematics, nursing, statistics, sociology, psychology and other disciplines (Harrison 1993). It has been argued by Jennings & Wattam (1994) that our academic understanding of organisational decision-making is still incomplete and managers often rely on their skills and perceptions acquired through experience when they make decisions. Moreover, decision-making is a vigorous and complex process and critical to both academic researchers and practicing managers. Further, Kleindorfer, Kunreuther & Schoemaker (1993, p.67) assert that “ it is not clear that we can ever fully understand the processes of judgment, evaluation, and choice ... indeed, being a good decision- maker does not imply that a person necessarily understands his or her decision process”.

In a word, the field of organisational or managerial decision-making is a worthy and demanding area of research and therefore the current research was undertaken to provide additional and rich insights into strategic decision-making process about foreign country selection in international business and, thus, maximising our understanding of strategic decision-making of international organisations. The following sub-sections were incorporated to discuss the concepts of organisational and individual decision-making as well as terminological issues in decision-making, conditions of decision-making and the typology of decisions are underlined.

2.2.1.1 Organisational and Individual Decision-Making

Fundamentally, decision-making is carried out at various levels, the most important being the individual and organisational levels. Individual decision-making refers to an individual's decision behaviour toward satisfying human needs (Harrison 1999). According to the hierarchy of needs theory (Maslow 1970), an individual behaves toward fulfilling his or her needs in hierarchy form, beginning with fulfilling (1) physiological, (2) safety, (3) social, (4) esteem needs, and ends with (5) self-actualisation. Therefore, decision-making behaviour practised by an individual during the journey to satisfy those needs, falls into the individual decision-making category. On the other hand, organisational or managerial decision-making involves decision-making by managers within the organisational context (Harrison 1999). In other words, in organisational decision-making, the organisation is considered as the unit of analysis and decision-making behaviour is the outcome of the managers' decisions within the organisation for the purpose of achieving organisational objectives and goals, and not to fulfilling the individual's needs and objectives. Moreover, organisational decision-making is a form of problem solving, where the problem is perceived, solutions are searched for, evaluated and accepted or rejected for authorisation and implementation (Bass 1983).

The organisational level is the central focus of the current research. As a result, it is important to understand the characteristics of former decision-making levels in order to understand how decisions are made at each level. Table 2.1 has been provided in this section to summarise the major differences between organisational and individual decision-making discussed by Shapira (2002, pp.4-5).

Table 2.1: Comparison between organisational and individual decision-making

Organisational decision-making	Individual decision-making
-Ambiguity about information, preferences and the interpretation of the history of decisions.	-Simplicity about information, preferences, though in the form of probability distribution.
-Embedded in a longitudinal context (participants in organisational decision-making are a part of ongoing decision process and its consequences, regardless of undertaking active or inactive roles in all stages of decision-making).	-Most of lab studies of individual decision-making are carried out in artificial settings and not linked to the subject's ongoing activities.
-Conflict is pervasive in the organisational decision-making and thus power consideration and agenda setting determine decisions.	-Conflict is not exiting in the individual decision making, since decisions are made solely by individuals and the unsatisfied needs ascertain decisions.
-The hierarchical communication system and authority relations in the organisation, in which employees report to upper level managers have a significant impact on the mode of decision-making.	-Individual decision-making is characterised by individualism and there is no flow of communication and authority while conducting decision-making.

Source: Adapted by the author from Shapira 2002, pp.4-5.

In spite of the earlier difference between organisational and individual decision-making, it has been claimed that phases of the decision-making processes are somewhat similar (Kleindorfer, Kunreuther & Schoemaker 1993).

2.2.1.2 Terminology of Managerial Decision, Decision-Making, Problem Solving and Decision Process

The current research investigates the strategic decision-making process relating to the selection of foreign country for international operations. Hence, it is fundamental to emphasise the terminology of decision, decision-making, problem solving and decision process because comprehending these terms correlates significantly with the research problem of the present investigation.

The term *decision* has attracted the attention of previous researchers in the managerial decision-making literature resulting in a variety of definitions to demonstrate the meaning of the term. For instance, *decision* was defined as a commitment of resources to actions (Mintzberg, Raisinghani & Theoret 1976). However, Robbins et al. (2003) described *decision* as a choice of one alternative from others. According to Harrison (1999, p.5) *decision* is “[a] moment, in an ongoing process of evaluating alternatives for meeting an objective, at which expectations about a particular course of action impel the decision maker to select that course of actions most likely to result in attaining the objective”. William & Powell (1968) consider that *decision* is one phase within a logical process of distinguishing among appropriate alternatives and it is the point of selection and commitment. Further, they argue that typically the decision-maker selects the favoured aim and the best choice of action.

The term *decision-making* has been defined in a relatively similar manner by previous authors and all researchers have established a common terminology which describes decision-making as a process of selection of one alternative among others. For instance, Murray (1986, p.10) defines *decision-making* as “the process by which courses of actions are chosen (from among alternatives) in pursuit of organizational goals”. Correspondingly, *decision-making* was also described as a choice process whereby one alternative is selected from among others to achieve organisational goals (Buhler 2001; Huitt 1992). Turban & Aronson (1998) replicated the Kepner & Tregoe (1965) argument that *decision-making* is a process of selecting among different courses of action for the aim to reach organisational goals. Similarly, *decision-making* was perceived as “intentional and reflective choice in response to perceived needs” by Kleindorfer, Kunreuther & Schoemaker (1993, p.3). Neumann & Hadass (1980, p. 79) argue that *decision-making* is not an activity performed at a specific time but a stepwise process. Bass (1983, p.4) reported that classical management theorists and economists view *decision-making* as a sequence of rational phases beginning with defining a goal; measuring the gap between the established aim and the current state of problem; developing solutions; and, selection of the optimal solution which maximises, benefits or minimises costs. Also, he stated that from the behaviourist perspective, *decision-making* is a systematic process which begins with the discovery by the decision-makers of inconsistency between the perceived state of affairs and the desired state, and ends with the selection of alternative actions followed by authorisation and implementation for the selected choice. The desired state is usually found between an ideal and a realistically achievable state.

With respect to the problem solving behaviour phenomenon, there are two contrasting trends in the literature on organisational decision-making. The first views problem solving and decision-making as similar behaviours and both terms are often used interchangeably (Bass 1983; Huber 1986 cited in

Harrison 1999; Huitt 1992). Nevertheless, the other trend argues that problem solving and decision-making are not identical and each event occurs in a different way (Braverman 1980 cited in Harrison 1999; Costello & Zalkind 1963). In spite of the two contrasting viewpoints towards problem solving and decision-making, it is claimed that the process in both activities entails somewhat similar steps or procedures (Huitt 1992, p.34).

With respect to the definition of *problem solving*, it has been described as “a process in which we perceive and resolve a gap between a present situation and a desired goal, with the path to the goal obstructed by known or unknown obstacles” (Huitt 1992, p.34). Costello & Zalkind (1963) prefer to illustrate *problem solving* as a process of considerably and purposely striving to overcome barriers in the way toward an aim. Also, it is argued that *problem solving* is a sequential rational process that commences with identification of the problem, followed by analysis to find the cause of the problem and finally concludes with decision-making. Each stage in the problem solving process comprises basic concepts as to whether a problem is a deviation between what *ought to be* and what *precisely* is happening and that deviation is a result of the variation of one kind to another (Kepner & Tregoe 1965). *Problem solving* is considered to involve efforts by people to fill gaps in their limited understanding concerning difficulties facing them and this definitely entails the need to obtain new answers to a set of motives (George 1980).

The term *decision process* or the *decision-making process* is used interchangeably in the literature on organisational or managerial decision-making. One of the most established definitions for the term was proposed by Mintzberg, Raisinghani & Theoret (1976, p. 246) when the decision process was defined as “a set of actions and dynamic factors that begins with the identification of stimulus for action and ends with the specific commitment to action”. Simon (1977) described the *decision-making process* as a comprehensive process of recognition of decision occasions and possible courses of action and, consequently, selection between courses of action and the evaluation of selected choices. Another author depicted the *decision process* as the reflection of organisational decision-making behaviour (Rolf 1993).

2.2.1.3 Conditions of Decision-Making

Decision-makers in any organisation regularly confront three central features of decision situations which are critical to the purpose of making decisions: *certainty*, *uncertainty* and *risk* (Baird 1989; Robbins et al., 2003; Kristy 1979; Zaltman, Duncan & Holbek 1973). Hence, it is crucial for decision-makers to understand thoroughly and analyse carefully the characteristics and the nature of

the decision situations that challenge them due to effects of the typology of the decision situation on the selection of the appropriate decision-making approach used to arrive at good decisions and the failure in selecting a proper decision-making framework assuredly would affect the organisation's success (Elliott 1998).

Certainty is a situation wherein the decision-maker can make precise determinations because the outcome of every decision-alternative is predictable and recognised and there is no anticipated associated threat or ambiguous consequences (Zaltman, Duncan & Holbek 1973). Although this decision condition is not characteristic of most managerial decision situations, it is usually associated with the structured/routine/repetitive decision situations which are more idealistic than realistic (Robbins et al. 2003). On the other hand, firms are constantly faced with decisions that have to be made under varying degrees of uncertainty. Therefore, the key role of top management in any firm is to manage uncertainties by understanding the relationships between the risk and the opportunities in each business proposal (Olafsson 2003).

The *uncertain decision* situation occurs when there is more than one possible outcome for each decision alternative, and the probabilities of these outcomes are unknown and unpredictable (Goodwin & Wright 1991; Luce & Raiffa 1957). Decisions under a degree of uncertainty rely on subjectivity, incomplete information and personal preference for the consequences of outcomes (Baird 1989). *Uncertainty* was defined as the variance between the processed information and the information required for completing an assignment (Tushman & Nadler 1978). Furthermore, *uncertainty* can be viewed as a firm's obstacle and challenge; that is, making decisions in uncertain situations will result in many difficulties in estimating the degree of the decision's effectiveness. Nevertheless, uncertainty can be minimised throughout the decision-making process, specifically when a decision-maker has a predetermined framework to analyse the uncertain situations and establish a clear decision procedures (Bhaskar 2004).

The term *risk* is used to describe the probability of an undesirable outcome (McKee 2004; Schick 1997). In other words, the chief difference between risk and uncertainty is that, in *risk* situations there is more than one possible outcome and the likelihood of each outcome can be known and predictable once a particular alternative is chosen. In the case of *uncertainty*, the decision-maker can not estimate the likelihood of certain outcomes for a selected alternative and, therefore, the likelihood of each outcome tends to remain unknown and unpredictable (Shapira 1994).

Decision-makers face a central obstacle while making decisions under risk because the decision is mainly interrelated with the presence of more substantial outcomes than for a single preferred alternative (Baird 1989). Thus, the risky decision problem entails some phases of information

processing, such as review and evaluation of alternatives, in order to minimise the risk associated with each alternative (Wright 1985). There are two major issues linked with making a sound and healthy decision under risk: *risk assessment* and *risk management*. Understanding these two issues is important for decision-makers in order to minimise the risk related to a proposed decision and achieve an effective decision to some extent. *Risk assessment* is defined as a course of systematic or methodical and objective evaluation of all obtainable information pertaining to decision exposure. However, *risk management* is described as the process of weighing policy alternatives and considering the results of risk assessment and, if necessary, selecting and implementing appropriate control options, including regulatory measures (Doering 2004).

In summary, the most imperative managerial decisions are burdened with risk and uncertainty and these decision circumstances affect the quality of the decision outcome and, accordingly, the overall performance of the organisation. Therefore, decisions made under risk and uncertainty have long-term consequences on the organisation's failure or success and, hence, become important and simply strategic to the organisation (Kristy 1979). Additionally, while the decision-making activity is performed under risk and uncertainty, the decision-maker has to consider these circumstances in the strategic decision-making and attempt to minimise any risk and uncertainty associated with the proposed decision (Elliott 1998). As a result, risk and uncertainty are instrumental in determining the most appropriate decision-making process to pursue in order to achieve a good and effective decision (Elliott 1998).

2.2.1.4 Typology of Managerial Decisions

It is important to stress the understanding of the typology and characteristics of managerial decisions in order to determine different decision-making approaches that are used to resolve the decision problem (Simon 1977).

According to Simon (1977), there are two main types of decisions facing an organisation and different approaches or techniques of decision-making are used for each type. First, structured (programmed) decisions are made to decide on repetitive problems and a routine, proven set of steps and planned procedures have been established for making such decisions to reach an optimal solution for the structured problem. Secondly, unstructured (non-programmed) decisions are novel, important and simply strategic to the organisation and there are no obvious and traditional steps in the organisation to pursue in making such decisions.

It has been argued that non-programmed decisions describe new or unique problems and, hence, decision problems are ambiguous (Mintzberg, Raisinghani & Theoret 1976).

Adopted from Harrison (1999, p.21), Table 2.2 shows the identified typology of managerial decisions and describes each type in terms of three dimensions- classification, structure and strategy. It also emphasises the major differences among them.

Table 2.2: Typology of managerial decisions

	Structured Decisions	Unstructured Decisions
Classification	Programmable; routine; generic; computational; negotiated; compromise	Nonprogrammable; unique; judgmental; creative; adaptive; innovative; inspirational
Structure	Procedural; predictable; certainty regarding cause/effect relationship; recurring; within existing technologies; well-defined information channels; definite decision criteria; outcome preferences may be certain or uncertain	Novel; unstructured; consequential; elusive and complex; uncertain cause/effect relationships; nonrecurring; information channels undefined; incomplete information; decision criteria may be unknown; outcome preferences may be certain or uncertain.
Strategy	Reliance upon rules and principles; habitual reactions; prefabricated; response; uniform processing; computational techniques; accepted methods for handling	Reliance on judgment' intuition and creativity; individual processing; heuristic problem-solving techniques; rules of thumb; general problem-solving processes

Source: Adapted by the author from Harrison (1999, p.21)

Neumann & Hadass (1980, pp.78-79) classified *decision-making processes* into two categories: firstly, the structured decision-making process, which is algorithmic (logical, quantitative, explicit and completely defined) and all decision choices and outcomes are recognised and quantitatively defined; secondly, the unstructured decision-making process, which is heuristic and not all decision variables can be neither identified nor measured. Unstructured decisions are made under conditions of uncertainty and high risk, the selected alternative is optimal, and there is no best approach to making such a decision.

Cyert, Simon & Trow (1956, p.238) identified three types of decision: first, a structured decision in which all the steps and procedures in the decision-making process are prescribed; second, an unstructured decision is one in which all the steps and procedures in the decision-making process lack formal organization; third, a semi-structured decision is one in which steps and procedures in the decision-making process are partly structured and partly unstructured.

2.2.1.4.1 The Characteristics of Strategic Decisions

It has been claimed that the effectiveness of an organisation is determined by the effectiveness of the strategic decisions made by its top management (Harrison & Pelletier 1998). Consequently, the understanding of the nature and characteristics of the strategic decision-making has a significant impact on the selection of the appropriate decision-making approach once the firm confronts strategic decisions. Contributing to the improvement of the firm's decision-making skills is essential since strategic decisions are critical to managerial decision-making for each individual and every part of the entire firm (Harrison & Pelletier 1998). Similarly, successful strategic outcomes are a consequence of effective strategic decision-making (Harrison & Pelletier 2000; Miller & Ireland 2005). Strategic decisions are extremely complex and entail a host of active variables (Harrison 1992). Moreover, they ascertain the long-term soundness of the organisation (Bass 1983). According to Johnson & Scholes (2002) strategic decisions are related to the long-term planning of the organisation and advantageous to its goal achievement. Mintzberg, Raisinghani and Theoret (1976, p.246) defined a *strategic decision* as one which is "important, in terms of the actions taken, the resources committed, or the precedents set". In their study of 25 strategic decision processes, one of the decision processes (Decision Process 24) was concerned with selecting a site to establish a new plant for small manufacturing firm. They identified certain characteristics of the strategic decisions, stating that:

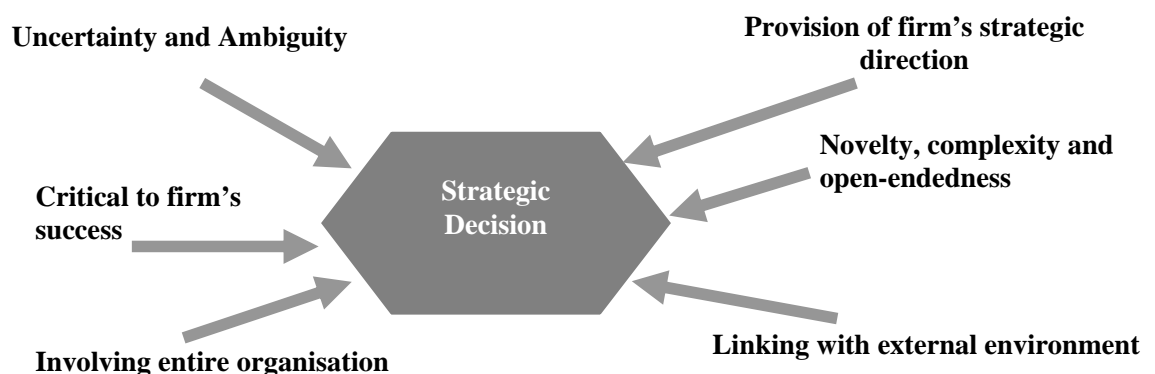
These 25 descriptions suggest that a strategic process is characterized by novelty, complexity, and openendedness, by the fact that the organization usually begins with little understanding of the decision situation it faces or the route to its solution, and only a vague idea of what that solution might be and how it will be evaluated when it is developed. Only by groping through a recursive, discontinuous process involving many difficult steps and a host of dynamic factors over a considerable period of time is a final choice made. This is not the decision making under *uncertainty* of the textbook, where alternatives are given even if their consequences are not, but decision making under ambiguity, where almost nothing is given or easily determined. (Mintzberg, Raisinghani & Theoret, 1976, pp.250-251).

Shirley (1982, pp.264-265) contends that it is important to differentiate between strategic decisions and other types of organisational decisions and, in that regard, not every significant decision could be categorised as a strategic decision. Hence, he proposed a set of specific criteria that organisational decisions should meet in order to be labelled as strategic decisions:

- The decision must be directed toward defining the organisation's relationship to its environment. Likewise, to the point that the organisation is influenced by multiple environments such as economic, political, social, competitive, decisions deal with how best to interact with these different types of environments must also regarded as strategic in nature.
- The decision must consider the entire organisation as the unit of analysis. That reveals that the decision must involve all units of the organisation and has a consequential effect on the organisation and its personnel.
- The decision must be multifunctional in character. In other words, the decision must rely on more than one functional area.
- The decision must provide important direction for the organisation, and connects administrative and operational activities to the environment through various directional indications.
- Finally, the decision must be critical to the success of the organisation. In other words, the decision must determine the success or failure of the organisation.

In conclusion, Figure 2.2 illustrates and summarises the most important characteristics of the strategic decision, as discussed earlier.

Figure 2.2: The characteristics of a strategic decision



Source: Developed by the author based on the literature review.

2.2.2 Theoretical Approaches in Making Strategic Decisions

It has been suggested that decision-making theories can be classified into two principal approaches. Firstly, the normative or prescriptive approach prescribes methods for making optimal decisions and describes how decisions should be made. Secondly, the descriptive approach is concerned with the bounded way in which decisions are made in reality (Bazerman 1986; Nick & Simon 1997).

The empirical literature on strategic decision making has concentrated on two dominant decision theories based on the earlier mentioned decision making approaches: the prescriptive and descriptive approaches. The first decision theory is widely known as the rational decision theory (RDT) or economic decision theory (EDT); it is also known in the literature under other terms such as *normative, rational action, classical, economic, classical economic theory, perspective, rational choice, the theory of profit and utility maximisation* and *the purposive actor theory*. Lately, mainly in Australia, this approach has been named the *economic rationalist theory* (Woodhead & Smith 2002). The second theory is the behavioural decision theory (BDT) which is also recognised under names such as *bounded rational, descriptive* and the *satisficing behaviour theory*. The assumptions of each theory are discussed in detail in the next sections.

2.2.2.1 The Rational Decision Theory (RDT)

The rational or economic decision theory is the first decision theory to be introduced in the managerial decision-making literature. The theory is described as the quantitative method of decision-making (Harrison 1993; Llori & Irefin 1997). Mathematics and economic theorists first developed this theory. The mathematicians were mainly concerned with developing a mathematical theory of rational decision-making, whereas economic scholars were heavily concerned with alternatives that should be made to maximise profits or utility (Lee, cited in Harrison 1993, p.27). Moreover, the rational decision theory adopts a prescriptive approach rather than a descriptive one. In other words, it describes how a decision should be made rather than how decisions are made in reality (Cyert, Simon & Trwo 1956).

According to Simon (1979) one of the most important contributions of the rational decision theory is that it can be utilised in building the groundwork for political economy. Likewise, it gives direct advice to the decision-makers in the business and government sectors. In view of the fact that the rational or economic theorists rely intensively on rationality in decision-making, it is essential to stress the concept of *rationality* before discussing the assumptions of this school of decision-

making. Rationality is a concept that is a principle of human behaviour. The term rationality has been used and defined in different ways in many streams of knowledge such as economics, philosophy, physiology and organisational science (Ranganathan & Sethi 2002). For instance, Brown (1988) views *rationality* as a feature of an intellectual method that human kind demonstrates when it adopts beliefs on the grounds of suitable reasons. Hechter (2000) argues that people are rational inasmuch as they seek the most adequate means accessible to them to achieve their most superior aims which may be material or non-material. Hence, people are irrational when they seek a course of action regardless of its outcomes for their personal interest.

Human beings are described as rational animals because they know precisely what to anticipate and are certain of the outcome of each alternative and rank the outcome according to known preferences; that is, the choice is made under certainty (Schick 1997). Further, a rational person chooses always what he/she thinks will have the best outcome, and he/she follows his/her preferences regardless of the results.

In the context of organisational decision-making, the term *rationality* was exposed to different definitions. Simon (1957b, p.75) argued that “rationality is concerned with the selection of preferred behaviour alternatives in terms of some system of values whereby the consequences of behaviour can be evaluated”. Further, he indicated that the rationality of decision-making means the suitability for the achievement of determined aims and he continued by arguing:

A decision is rational from the standpoint of the individual (subjectively rational) if it is consistent with the values, the alternatives, and the information which he weighed in reaching it. A decision is rational from the standpoint of group (objectively rational) if it is consistent with the values governing the group, and the information that the group possesses relevant to the decision. Hence, the organization must be so constructed that a decision which is (subjectively) rational from the standpoint of the deciding individual, will remain rational when reassessed from the standpoint of the group (Simon, 1957b, p.243).

Harrison (1999, p.74) stated that “rational frequently refers to the overall process of making a decision or to some part of the behaviour pattern making up that process”. Faludi (1987, p.52) defined *rationality* as “the application of reason to collective decision-making”.

Moving to the debate on the roots and assumptions of the rational decision theory, it is noted that the foundations of the rational decision theory (RDT) go back to the intensive work on the mathematical theory of ‘games of strategy’ originally developed by Von Neumann and Morgenstern (1953) and continued by Luce & Raiffa (1957).

According to Straffin (1993, p.1), game theory is the rational analysis of situations of conflict and collaboration. A game is viewed to be any situation which meets the following requirements:

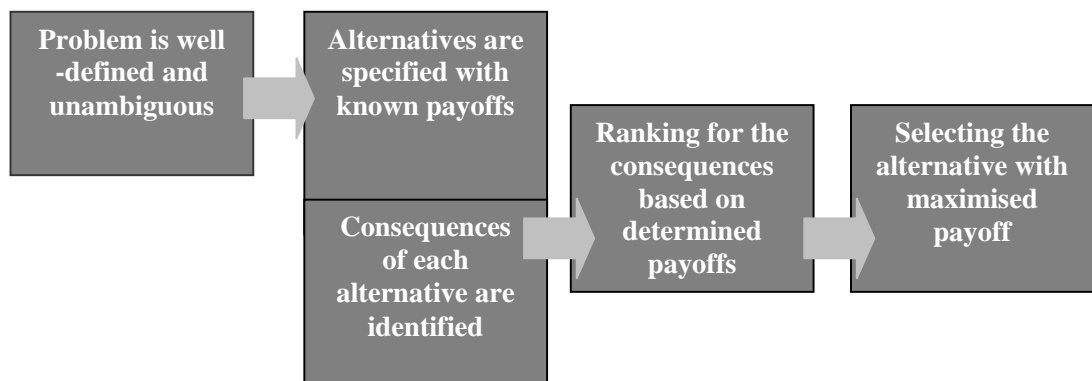
1. There are at least two players. A player may be an individual or a company, a nation, or even a biological species.
2. Each player has a number of possible strategies, courses of action, which may be selected to follow.
3. The outcome of the game will be determined by the strategies selected by each player.
4. Numerical payoffs are assigned to each possible outcome of the game, one to each player. These payoffs represent the value of the outcome to the different players.

In essence, according to Von Neumann & Morgenstern (1953) and Luce & Raiffa (1957) the theory of games relies on several assumptions. First, it is assumed that the possible outcomes of given situations are well-identified, and each individual has a consistent pattern of preference among them. These preferences can be represented numerically by utility functions. Based on the utility functions, it is assumed that the player will select the lottery with the largest utility. Put another way, an individual will prefer the outcome with the highest utility or payoffs. Second, it is assumed also that the variables that control possible outcomes are well identified; that is, all the variables can be precisely identified and the values for the given alternatives. In conclusion, the game theory assumes that game players are rational in their decision-making and may be relevant to decision-making in organisations. Likewise, each player knows the preference pattern of the other players and strives to maximise his utility or payoff.

In the context of organisational or managerial decision-making, according to the economic rationalist's viewpoint it is assumed that the decision-maker, like the game player, behaves rationally when making decisions (Allison 1971). That view implies that he/she thoughtfully defines the problem and determines his/her own preferences as represented in numerical terms of the value of payoff or utility of a given set of alternatives. Another assumption is that the decision-maker gathers information about the specified alternative courses of actions, considers the possible outcomes of each alternative, determines the relative likelihood of occurrences, evaluates and ranks all outcomes according to the predetermined preferences and, finally, selects the optimal alternative which has the maximised payoff.

These discussed assumptions of the rational decision theory based on Allison's (1971) arguments are illustrated in Figure 2.3.

Figure 2.3: Assumptions of the rational decision theory



Source: Developed by the author based on the literature review.

The economic rationalist assumptions and ideologies have received great acceptance among managers in business organisations, wherein their main goals are profits, sales and growth in resources and such goals provide the elementary justification for the existence of private organisations (Kaufman 1990). It is asserted that the rational decision approach is appropriate when the problem situation is new and complex and managers have no prior experience to rely on. Thus, they cannot reach a good solution without the assistance of a quantitative analysis as the rational model provides (Levin & Krikpatrick 1975). Likewise, it is argued that the rational decision model is more suitable when the problem is repetitive, well-defined and made under certainty (Cyert, Simon & Trwo 1956).

2.2.2.2 The Behavioural Decision Theory (BDT)

In spite of the fact that the rational decision approach is fundamental to several economic models and theories, organisational scholars have not accepted this approach to organisational decision-making (Eisenhardt & Zbaracki 1992). The organisational theorists have criticised and challenged the assumptions of the economic rational school from different angles. Consequently, that has led to the emergence of the behavioural decision school, as described in this section. Cyert, Simon & Trwo (1956) criticised the economic rational decision process and identified other important components that are missing from the economic model. In effect, Cyert and his associates required incorporation into the economic model:

1. Alternatives are not generally 'given' but should be sought; hence it is essential to include the search for alternatives as an important part of the process.
2. The information as to what consequences are attached to which alternatives is rarely 'given,' but the search for consequences is another important segment of the decision-making task.
3. The evaluation for alternatives is not usually made in terms of one clear, single, criterion-like profit. However, there are other intangible criteria which also need to be considered, so making an evaluation based on profit is difficult, if not impossible. Instead of searching for the 'best' alternative, the decision-maker is usually concerned with finding a *satisfactory* alternative - one that will achieve a specified goal and at the same time satisfy a number of assisting conditions.
4. In the real world, it is rare that the problem itself is 'given' and well-defined, but exploring significant problems that an organisation should consider is an important organisation task.

Furthermore, Simon (1955; 1957a) avers that the rational decision approach requires a complete knowledge and expectation of the consequences while, in reality, knowledge of consequences is always fragmentary. Likewise, in real decision making behaviour not all alternatives are known and specified as assumed by the rationalist, however, a few possible alternatives come to mind. Moreover, the classical criterion of rationality is not applicable to situations which involve uncertainty (Simon 1957b). These perceptions have led to the concept of bounded rationality, suggested by Herbert Simon (March & Simon 1958; Simon 1957b), which represents the heart of the behavioural decision theory (BDT). Simon's (1957b) bounded rationality approach assumes that the capacity of human sense for creating and solving complex problems is very limited compared with the size of the problems that require objective rational behaviour to reach solutions. Therefore, decision-makers often lack complete information about the problem situation, the relevant criteria and the system of preferences. Time, cost and cognitive limitations hamper the decision makers' efforts to accurately estimate the optimal choice from the available information. Often, these limitations do not allow decision-makers to reach the best or optimal decisions assumed in the rational maximising behaviour theory.

As a matter of fact, the concept of incomplete knowledge of human beings is not a new notion as it was established fourteen hundred years ago by Islam when the revelation of the Qur'an to the prophet Mohammed, may Allah's blessings and peace be upon him, commenced in 622 A.D. (Tahlawi 2005). According to Islam, human being is a creation of Allah (God) and Allah is the first source of knowledge and the absolute guide of humanity (Akhtar 2005). This premise is expressed explicitly in the Qur'an in verse "And surely, We created man and We know what his soul whispers to him, and We are nearer to him than the jugular vein (50:16). It is also believed that Allah Has taught the first man and Prophet 'Adam, peace be upon him, 'all the Names' as stated in the Qur'an

“And He taught Adam all the names, then presented them to the angels and said, ‘tell Me the names of these, if you are truthful. They said, ‘glory be to Thee, we have no knowledge except what Thou hast taught us; Thou art the Knowing, the Wise. He said, ‘O Adam, tell them their names.’ Then, when he had told them their names, He said, ‘did I not say to you, I know the unseen of the heavens and the earth, and I know what you reveal and what you were hiding” (Qur’an 2:31-33). The word ‘names’ means the knowledge of all aspects in creation. Therefore, human being has a limited and imperfect knowledge and, as a result, can not reach optimal or perfect outcome of a judgment, especially with the case of situations characterised with high level of uncertainty. This assertion is addressed in Qur’an in many verses “And if thou askest them, ‘who created the heavens and the earth,’ they will surely say, ‘God’. Say, ‘praise be to God’. No, but most of them have no knowledge” (31:25), “And they ask thee concerning the Spirit. Say, ‘the Spirit is of the command of my Lord, and you have not been given of the knowledge but a little” (17:85), “And over every man of knowledge is one knowing more (12:76).

Continuing with the behavioral decision theory standpoint, in their recent book ‘Economics, bounded rationality and the cognitive revolution’, Simon and his colleagues (Simon et al. 1992) explained the concept of this decision approach. The concept of bounded rationality does not mean that human behaviour is intentionally irrational despite that it sometime is, though it is not based on a complete knowledge and humans are not statistically capable of choosing the optimal alternative with maximised payoff or utility. Rather, they select a satisfying choice rather than an optimal one; that is they are ‘bounded rational’ rather than ‘boundless rational’ as in the economic rational decision theory. Simon (1979, p.503) called this mode or strategy of decision making the *satisficing mode of selection*:

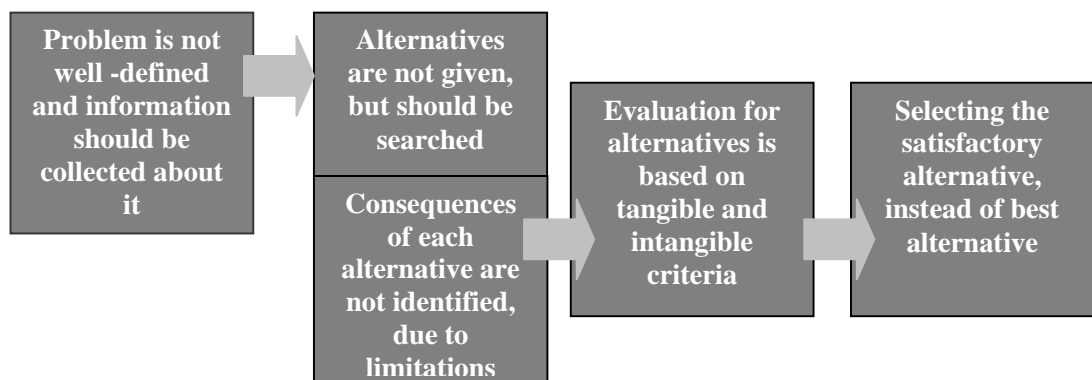
But utility maximization, as I showed, was not essential to the search scheme -fortunately, for it would have required the decision maker to be able to estimate the marginal costs and returns of search in a decision situation that was already too complex for the exercise of global rationality. As an alternative, one could postulate that the decision maker had formed some *aspiration* as to how good an alternative he should find. As soon as he discovered an alternative for choice meeting his level of aspiration, he would terminate the search and choose that alternative. I called this mode of selection *satisficing*.

Earlier critiques and empirical findings developed the rigid grounds of the field of behavioural decision theory (BDT) which adopts the descriptive decision-making approach and describes how decisions are actually made rather than how they should be made as adopted by the economic rational decision theory. Behavioural decision theorists have criticised the rational decision school by arguing that humans are cognitively limited information processors and they do not utilise

available information; they do not follow the assumptions of normative theory in responding to uncertainties and likelihoods; they do not make rational trade-off among conflicting values; and they do not always follow the maximising or rational decision approach (Cyert & March 1963; Simon 1978). Because human beings do not possess the required knowledge and statistical skills that are necessary to behave rationally as proposed by the economic rational decision models, they develop a number of cognitive ‘heuristics’ that enable them to behave and make decisions that are definitely reasonable despite their own cognitive limitations (Kahneman & Tversky 1982). *Heuristics* refers to simplifying strategies or rules of thumb that people depend on when they make decisions. They are the fundamental rules that substantially guide the people in their judgments and they are significant tools for facing the complex nature of the environment surrounding decision-making (Bazerman 1986).

In the context of strategic decision-making, the *satisficing approach* or the *bounded rationality theory* assumes that, in the organisation, the managerial objectives are well-defined and the decision-maker collects information about these objectives from various environmental sources. The collected, specified information within the organisation is used to identify a set of appropriate alternatives from which to make a satisfactory choice. But the amount of information and the consequent number of alternatives are bounded: initially, by the lack of complete information; secondly, by inevitable time and cost constraints; and, finally, by the cognitive limitations of the decision-maker (Harrison 1999; Harrison & Pelletier 1997). Thus, the strategic decision-maker should consider these constraints thoughtfully because they affect significantly the success of a strategic decision in any organisation (Harrison & Pelletier 2000). The former assumptions of the behavioural decision theory are shown in Figure 2.4.

Figure 2.4: Assumptions of the behavioural decision theory



Source: Developed by the author based on the literature review.

Extraordinary acceptance for the *satisficing* behaviour approach among experienced scholars in strategic decision-making has been found. For instance, the study of Mintzberg, Raisinghani & Theoret (1976) contributed significantly to the academic body of knowledge on strategic decision-making in organisation. In their case study oriented research, they examined twenty five strategic decision processes so as to understand the structure of the decision processes. Of these cases, one concerned the selection of a new location or site for a domestic small manufacturing firm and they proposed a general model of the strategic decision process comprising three main phases. *The identification phase* entails two major routines. Initially, the decision recognition routine involves the recognition of opportunities, problems, and crises and, hence, proposing decisional action. Secondly, the diagnosis routine includes obtaining information relevant to the identified opportunities, problems and crises, thus clearly identifying the problem.

The development phase implies two central routines. At the outset, the search routine involves searching and generating alternative solutions to problems. Afterwards, the design routine encompasses revising the ready-made solutions which have been identified to fit the particular problem. Finally, *the selection phase* consists of three main routines. Initially, the screen routine entails evaluation and assessment for the developed alternatives and, thus, the most recognisably infeasible are eliminated. Subsequently, the evaluation-choice routine includes the choice of the final alternative either through a process of analysis and judgment or a process of bargaining among decision makers. Finally, the authorization routine is applicable when the person making the decision does not have the authority to commit the organisation to a course of action and, hence obtaining approval from the top management is necessary. The model also includes interrupts and 'recycles' by which decision-makers may return to earlier phases as necessary. Further, Mintzberg and his colleagues challenged the rational model by concluding that not all alternatives were known, not all the consequences were mindfully considered and not all preferences are used by decision makers as claimed by the economic rational approach; thus decision-makers were bounded with constraints.

Similarly, behavioural scholars argue that making decisions under uncertainty is fundamental to organisational life; indeed, dealing with uncertain situations is a general problem of all business organisations (Mintzberg 1983). Hence, it is practically impossible to choose the best alternative when the uncertainty exists and consequences are ambiguous (Tarter & Hoy 1998) and, as a result, the maximising behaviour is an unrealisable approach. Thus, Petit (1966) alerted researchers to the fact that effective managerial decision-making requires a clear cognition of several boundaries and the rational decision-maker has a distinct limited boundary from within which the socially responsible decision-maker must select among alternatives.

Evidence from Katona (1951) confirms this idea inasmuch as, in the face of complexity, managers usually struggle to reach for satisfactory levels of profits or payoffs rather than maximum profits. The rational maximising approach appears to be less relevant and leads to unsuccessful strategic outcomes. However, the concept of satisficing behaviour has received a considerable acceptance among the organisational decision-making theorists and is considered to result in successful and effective strategic decision making (Harrison & Pelletier 1997).

Likewise, Harrison & Pelletier (1997) provided remarkable examples for numerous applications of the maximising behaviour or rational decision approach in the real world in the field of strategic decision making in enterprises, none of which were successful. Alternatively, they showed other examples of applications of satisficing behaviour; these were successful and resulted in high levels of successful strategic outcomes. Conversely, the rational maximising approach has received very little attention in the strategic decision-making literature. For instance, Fredrickson & Mitchell (1984) proposed a 'rational comprehensive' approach in making strategic decisions. They argue that decision-makers in the organisation can benefit from the rational decision-making approach by improving the comprehensiveness in making and integrating strategic decisions. Thus, they need to completely define their goals, analyse their alternative strategies, select the optimal alternative and finally integrate it into their established strategy.

In brief, research on strategic decision-making has provided two contrasting decisions schools: the economic rational or maximising behaviour school and the bounded rationality or satisficing school. On one hand, the maximising school assumes that a decision-maker behaves rationally when making decisions; that implies he/she should have a well-defined and clear problem, be certain about all the alternatives and its consequences, have a preference system with known payoffs, and will select the best alternative or choice with maximised payoffs or utility. This approach has received some interest in the previous literature on strategic decision-making (Fredrickson & Mitchell 1984; Fredrickson 1984). On the other hand, the bounded rational theorist assumes that the decision-maker is a human being who has limited knowledge about the possible alternatives and criteria and is constrained by time, cost and cognitive limitations. Thus, one certainly is not capable of accurately estimating the optimal choice from the available information and, consequently, to select the best or optimal alternative with maximised payoffs as assumed in the rational maximising behaviour. These theoretical assumptions have been the central interest of many scholars in strategic decision-making (Harrison & Pelletier 1997; Harrison & Pelletier 2000; Mintzberg, Raisinghani & Theoret 1976; Mintzberg 1983; Tarter & Hoy 1998).

2.3 Part II: Research on Location Decision-Making in International Business

The preceding part reviewed and analysed theoretical perspectives of organisational and strategic decision-making. More precisely, the conceptions of organisational and individual decision-making and associated terminological issues were exhaustively addressed. Further, conditions and situations linked to decision-making in organisation in connection with certainty, risk and uncertainty as well as the nature and characteristics of the strategic decision were explained. Finally, the assumptions of the two leading strategic decision-making theories were comprehensively debated.

The present part, which represents the immediate discipline, analyses the business location decision from both domestic and international perspectives within the former theoretical framework discussed in the first part of this chapter. In essence, issues of uncertainty and risk associated with business location decision-making and the hypothesis of international business location decision as strategic decision are underlined.

Subsequently, theoretical approaches to making business location selection decisions of domestic and international firms are debated and, consequently, research on the site selection process of domestic firms as well as on location decision-making process in international business is emphasised. In addition, locational factors or determinants of international firms and foreign direct investments (FDI) are reviewed.

This part includes a review of business location decisions of domestic and international firms because simply the two fields and the related theories are relatively correlated to each other given that it was empirically found that the international site selection decision-making process is one part of comprehensive and broader foreign investment decisions of international firms (Haigh 1990). Furthermore, very little research has been directed towards investigating the managerial international location decision-making process and has been limited to international site selection process (Haigh 1990) as a result a significant gap in the literature is evident.

Finally, this review gives a comparative analysis for existing research on business location decisions of domestic and international organisations which, accordingly provides significant contributions to the current body of knowledge through highlighting the similarities and differences between these two types of business organisations in relation to their strategic behaviour when selecting a location for their business activities.

2.3.1 An Overview of Business Location Decision from Domestic and International Business Perspectives

As discussed in Section 2.2.1, the decision-making topic has attracted the attention of many scholars from various fields of knowledge. Similarly, research into business location decisions and, particularly, the industrial location has concerned increasingly many researchers from different academic disciplines as shown below. Table 2.3 demonstrates the significant interest in the business location field among academic scholars from various branches of knowledge.

Table 2.3: Review of previous studies on business location

Academic Discipline	Scholars
-Economic geography	(Smith 1971; Vertinsky & Zhou 2001; Weber 1929; Webber 1972).
-Economics	(Dunning 1980; Dunning 1998a; Dunning 1988b; Fujita, Krugman & Venables 2000; Greenhut 1956; Phillips 1991; Blair & Premus 1987; Wasylenko 1980; Pfann & Van Kranenburg 2003).
-International business	(Pull 2002; Boddewyn & Brewer 1994; Buckley & Casson 1998; Christmann, Day & Yip 1999; Root & Ahmed 1979; Edwards & Buckley 1998; Mellahi & Guermat 2001; Glaister & Tatoglu 1998).
-Political science	(Kirby 1982; Sharon 1996).
-Finance	(Dammon, Spatt & Zhang 2004; Devereux & Griffith 2003; Zink & Griffiths 1987).
-Information system	(Birkin et al. 1996; Abbasi 2003).
-Operation and production Management	(Badri, Davis & Davis 1995).

Source: The literature review developed by the author.

As can be seen in the next sections, a great deal of research on international business location decision has concentrated on examining locational determinants or factors for establishing a business in a particular foreign location or country (e.g., Boddewyn & Brewer 1994; Buckley & Casson 1998; Dunning 1980; Edwards & Buckley 1998; Smith 1971; Weber 1929). However, as discussed earlier, very little research has explored the managerial international location decision-making process and has been limited to the international site selection process (Haigh 1990).

Apparently, the business location decision-making in general and the location decision-making in international business in particular, are important and demanding academic fields and well-worth studying. This is especially the case where research combines two weighty fields of study in international business: business location decisions and the strategic decision-making process in international business. The current section, as the focus of the present research, contains an analysis of location decision-making issues from the viewpoint of the issues discussed in managerial decision-making earlier in the initial review of the literature.

2.3.1.1 Conditions of Location Decision-Making from Domestic and International Perspectives

Previous literature on business location decision asserts vigorously that selecting a location for positioning the firm's business activity is a strategic economic decision which entails a great deal of risk and uncertainty (Webber 1972; Smith 1971; Schriener 1997; Robert & Thomas 1980). Therefore, there is no assurance or certainty that any specific location will be ideal for the firm (McKenna & Cohen 1999).

Two major tendencies occur with respect to the causes of uncertainty in the industrial location decision. The first classical economic trend would argue that a market price is the primary source of uncertainty (Mossin 1977). However, the other trend suggests strongly that market prices are dependent variables and substantially influenced by other economic and environmental forces (Webber 1972). Further, there are other sources of uncertainty associated with the business location decision, such as factors related to the production function, consumer behaviour and the competitive position of other competitors.

Smith (1971), an experienced scholar in the field of industrial location, put immense emphasis on the fact that uncertainty and risk have a significant presence in the location decision-making behaviour and are a threat to the future of a firm. Thus, these conditions require an obligation to be thoroughly considered by location decision-makers. Moreover, he stressed the issue that the field of the location decision-making is a demanding area of research which requires a continuous flow of academic research to be directed to it; to contribute significantly to the understanding of how a firm under uncertainty and with incomplete information decides on its business location, he stated:

All economic decisions are made in conditions of uncertainty. No firm ever has perfect knowledge, and the consequences of a particular course of action are never completely predictable. And even if risk and uncertainty could be eliminated entirely there is no guarantee that the entrepreneur or decision making group would always or ever pursue the profit-maximizing location with enough determination to find it...in the field of industrial location it is becoming increasingly clear that insufficient attention has been given to the systematic study of exactly how decisions are made under conditions of uncertainty and imperfect knowledge, and how business perceive his environment (Smith 1971, p.507).

Another location economic theorist, Webber (1972), argues that the decision to locate a firm's activities is associated with a considerable degree of uncertainty and therefore the firm should make the right decision and select the optimal location which is the most profitable one. Further, Webber (1972, pp.274-276) addressed the point that the uncertainty affects the location of a firm from various dimensions as follows:

- Uncertainty affects the scale of plants. This influence would be noticed during the increase of the coefficient of the variation of received prices that result in dropping the optimum allocation of total capital to 'productive' investment. Hence, in spite of uncertainty and firm size not being interrelated, variation influences the proportion the invested capital in firm plant. Furthermore, uncertainty has a significant impact on limiting the firm's size, via decreasing returns to management and through the unwillingness of investors to be exposed to enormous possible losses. Thus, both firm size and plant size are reduced by uncertainty.
- Uncertainty also has an impact on the 'distance costs', that is the costs to society and to firms which result from distance. These include transportation costs over space and also the costs of an uncertain economic system such as uncertainty in market price due to price fluctuations, uncertainty in the supply of raw materials and variations in labour. They affect location patterns from various aspects. Growth of income per head is fastest near major markets, incomes per acre decline as the distance from the market increases; and stock, communication and marketing costs affect the ideal location of firms.
- Uncertainty increases agglomeration economies which in turn increases the degree of concentration of society into large cities, regions and nations. External service and innovations are often supplied at a higher level within concentrated populations than less populated areas. Since new firms should rely on external service and innovation, they prefer to locate their activities in areas and sites where these services are available and thus concentrate on large cities or certain countries as in the case of the international business.

The effects of risk and uncertainty are more critical to the firm's success when it comes to international business. Thus, the firm's decision to establish an international operation in a particular foreign country is a result of a decision process wherein expected profits and costs are evaluated. The lack of knowledge of conditions in a foreign country increases both the cost and uncertainty of operating in that foreign country (Buckley & Casson 1981) and should decrease the likelihood of selecting that country as a final choice during the location selection process (Benito & Gripsrud 1991).

Several previous empirical examinations of the location decision in international business have emphasised that the risk and uncertainty associated with entering a foreign country affect the country selection decision and they are regarded as serious obstacles in the route of internationalisation of firms (Kobrin 1979; Mudambi & Navarra 2003; Murtaza 2003; Pahud de Mortanges & Allers 1996; Root 1977; Sharon 1996; Zarkada- Fraser, Fraser & Inch 2002). Hence, a good location strategy should be designed to minimise risk and uncertainty associated with a country in order to select the most advantageous foreign location (Robert & Thomas 1980).

Murtaza (2003) argued that, once a firm decides to operate internationally, it will be faced by high levels of international risks linked to the foreign country conditions which decision-makers need to assess and be aware of. Also, he suggested a fuzzy version of the analytic hierarchy process (Fuzzy-AHP) which can be used by location decision-makers to determine the risk level of a country at a specific time based on collected knowledge and data. Further, he categorised the global risk factors into three categories: economic, political and social factors. Economic factors are often numeric such as export-related risk, import-related risk, reserves-related risk and GDP-related risk. Political and social risk factors are mostly subjective and tend to reshape the social environment of a certain country: for example, revolutionary activities, cross-national guerrilla wars, boycotts, religious turmoil, international terrorism, political corruption, leadership conflicts.

Similarly, the extant international business literature has shown empirical indications of the impact of the country risk on the choice of entry mode strategy as an ensuing strategic decision once the foreign country is selected. For instance, a recent study by Ahmed et al. (2002) revealed that international risk perceptions affect the choice of entry mode into those foreign markets. They concluded that if the believed global risk is high, firms would most likely prefer the export entry mode strategy over other strategies. However, firms perceive moderate risk would most likely enter the foreign market via a joint venture, whereas they choose a wholly owned subsidiary when the perceived global risk is low.

In brief, there is no doubt that the foreign location selection decisions and the associated entry mode decision are characterised with high levels of international risk which should be considered in the foreign country decision-making process and assessed cautiously in order to arrive at sound foreign location choice.

2.3.1.2 International Business Location Decision as a Strategic Decision

Based on the discussion in the initial part of this chapter concerning the characteristics of a strategic decision, the decision related to the location of the firm's foreign operation is evidently strategic. This standpoint has been strongly supported by the literature on business location decision which contends that the firm's location decision is strategic, based on the preference of decision-makers and determines definitely the strategic direction and the future of the firm (Blair & Premus 1987; Phillips 1991; Porter 1998; Ghosh & Craig 1986). Furthermore, deciding on the location of a firm's international operation is no doubt a strategic decision requiring weighing possible risks and potential benefits and opportunities (Galbraith, DeNoble & Estavillo 1990). Blair & Premus (1987) state that the location decision is a significant element of the organisation planning process and overall strategy and it provides strategic direction for the firm. They also believe that the site selection decision mainly has a substantial effect on community growth, in particular, and on the country's economic development, in general, and links the enterprise with its external environment. Furthermore, an understanding of the location selection decision process of firms may improve the ability of policy-makers in the country to attract more businesses. Similarly, Phillips (1991) supports the Blair & Premus (1987) arguments and asserts that the location selection decision is unquestionably the most important decision that any firm faces in its life due to the impact of that strategic and complex decision on other subsequent decisions.

Ghosh & Craig (1984; 1986) confirm this assumption by affirming that an effective location strategy must enable the firm to retain a strategic competitive advantage that difficult for its competitors to imitate. Conformably, Porter (1998) proposed a diamond-shaped model to describe the national competitive advantage that provides significant indications to where firms should locate their activities. He argues that the international success and the competitive performance of a certain industry is determined by the combination of four features: (1) factor endowments which are the country's production of skilled labour, infrastructure, availability of natural resources etc.; (2) the country's demand conditions; (3) related networks and supporting industries; (4) the firm's strategy, structure, and rivalry. Obviously, based on Porter's (1998) competitive advantage

diamond, the firm's location choice has to serve its strategic direction and, thus, the firm must select the location that provides it with competitive advantage and strengthens its performance. Furthermore, a solid ground of debate in the academic body of knowledge showing that business location is instrumental to the success of an international firm due to the possible effect of the host country characteristics on the firm's performance (Christmann, Day & Yip 1999; Dimitratos 2002; Liu Yingli, Li & Gao 1999; Vanhonacker & Pan 1997). Thus, the failure to select the right location would cause painful injury to the firm and lead to serious financial losses. Therefore, the decision to select a firm's location needs to be made mindfully and requires consultation with experienced people (Goldstein 1985). These arguments provide additional evidence that the location decision in international business is strategic, because the foreign location choice is instrumental to the success or failure of international firms.

2.3.1.3 Typology of Business Location Selection Decisions

Understanding what type of location selection decision a firm faces is important to show the extent to which that decision is a strategic and, hence, realise the most suitable decision-making approach that the firm needs to adopt in order to avoid decision failures and to reach a healthy decision. In that respect, Phillips (1991) proposed four types of business location selection decisions facing firms during their business lives which are discussed under the following sub-headings.

2.3.1.3.1 Start-up Location Decision

All firms whether they are manufacturers, service providers, retail businesses, wholesalers or they are simply involved in another type of business, face at least one location selection decision during their business history, namely, the start-up location selection decision made by the firm when it decides to establish an operation and enter the business market for the first time. The start-up location decision is the first decision in the history of the firm and is made by all businesses and has an influence on many subsequent decisions and, accordingly, the most important decision of all decisions.

2.3.1.3.2 Expansion Location Decision

The expansion or the development location selection decision is the second well-known decision. This decision must be made sooner or later by all firms that have the desire and capacity for growing and increasing their business involvement. The expansion decision is characterised by the

easiest decision, nevertheless it may not always be attainable or attractive for a firm. Locating the firm in close proximity to customers is one of the most important drivers for making such a location decision. On one hand, due to cost reduction pressures and the necessity for improving the firm's competition position, some firms are likely to expand their business activities to a new location because of the strong influence of operating cost advantages such as lower utility costs, lower labour costs and tax incentives. On the other hand, some firms develop alternative business locations due to operating problems in their present location such as undeveloped infrastructure and poor provision of utility services such as electricity, natural gas, sewer, communication and water supply services. As a result, a new business location enables a firm to improve its overall performance through benefiting from the new location specific-advantages.

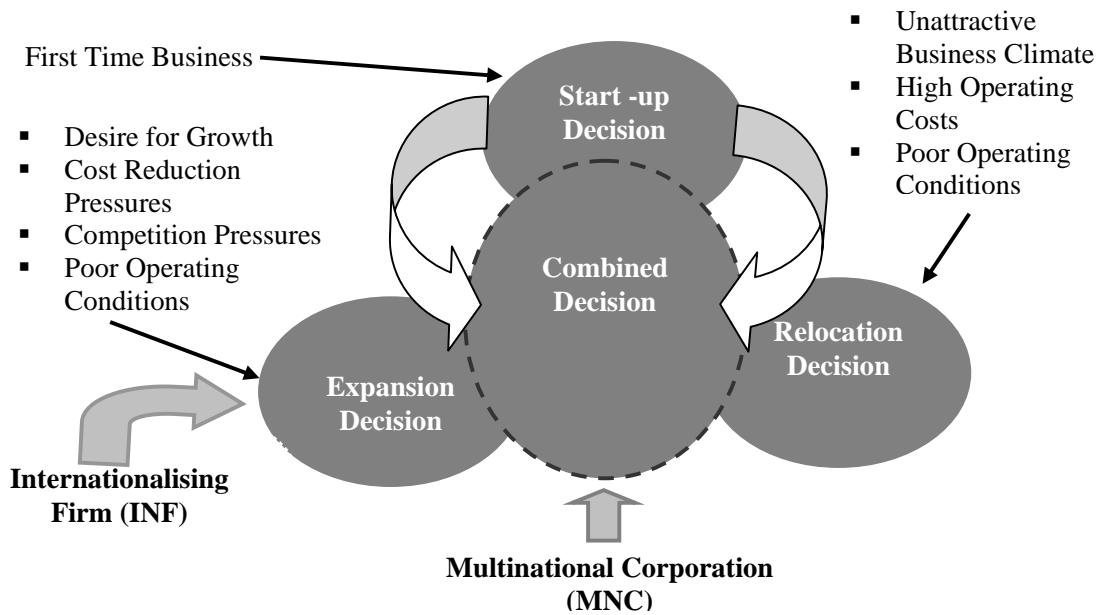
2.3.1.3.3 Relocation Location Decision

Relocation of a business primarily means moving and transferring the entire firm's business activity from its present location to another, new, healthier location resulting in the closure of the former business location. Because high operating costs, poor operating conditions and an unattractive business climate in the current location affect the overall performance of a business, some firms tend to close their present facility and move it to another more favourable location to improve their financial performance.

2.3.1.3.4 Combined Location Decision

Some firms may face a combination of start-up, expansion and relocation location decisions, resulting in a renewed reliance on the firm's overall strategy and goals. This type of location selection decision justifies the international location decisions of the multinational corporations (MNCs). MNCs make their location decisions based on their overall strategy, and subsidiaries of the multinational corporation are an aspect of its strategy, which entails different functions, products and locations. MNCs tend to relocate and extend their subsidiaries to other countries where the operation conditions and business climate are more attractive. The location selection decision of internationalising firms is defined in the current research as 'the location selection decision of a local firm which is involved in the process of considering an international operation'. Therefore, it is mainly incorporated in the expansion location selection decision because an internationalising firm simply has an existing local business operation and seeks to expand into another country. Figure 2.5 illustrates and summarises the typology of location selection decisions.

Figure 2.5: Typology of location selection decisions



Source: Developed by the author based on Phillip (1991).

2.3.2 Theoretical Perspectives of Location Decision-Making

As discussed earlier, the location decision problem of firms has attracted many scholars from different academic backgrounds. More specifically, in the international business literature, the vast majority of empirical studies were directed towards investigating the locational determinants of international firms (Bhatnagar, Jayaram & Phua 2003; Boddewyn & Brewer 1994; Edwards & Buckley 1998; 1997; Edwards & Muthaly 1999; Fittock & Edwards 1998; Glaister & Tatoglu 1998; Johanson & Vahlne 1977; Kim & Hwang 1992; Mellahi & Guremat 2001; Nonanka 1994; Porcano 1993; Root & Ahmed 1979; Terpstra & Yu 1988; William 1980; Yang, Delios & Zhou 2002). In other words, research on foreign direct investment decisions has focused on exploring why international firms locate their foreign operations in particular foreign countries. However, very little research has underlined the managerial location decision-making process in international business but concentrated on international site selection decisions (Haigh 1990).

The subsequent sections (Section 2.3.2.1 and Section 2.3.2.2) discuss the theoretical perspectives of domestic location decision-making and the managerial site selection process of domestic firms respectively. Section 2.3.2.3 reviews theoretical approaches to making international business

location decisions and underlines the empirical research on managerial international location decision-making process. Finally, Section 2.3.2.4 analyses research on determinants or location factors of international firms.

2.3.2.1 Approaches to Making Location Selection Decisions of Domestic Firms

Previous research on business location tends to have concentrated on industrial location decisions and ideas developed by economic theorists (Smith 1971). As a result, rationality and the concept of maximisation behaviour, which were discussed earlier in the section on strategic decision-making theories, have been introduced to the business location decision and have led to the emergence of a rational approach to the firm's location selection decision. However, another theoretical business location approach has followed the concept of satisficing behaviour based on assumptions of the behavioural decision school. These two contrasting approaches explain the issue of where to locate a firm business activities rather than how to make the location selection decision. In other words, both approaches have stressed the point related to the determinants or the criteria for selecting a business location.

The rational approach was developed by the location economic theorists (Smith 1971; Webber 1972; Weber 1929) as an attempt to examine where to locate the industrial activities of domestic firms. The industrial location scholars assumed that organisations act rationally when they locate their industrial business activity. Their assumptions suggest that decision-makers should have complete information about alternative locations and about the involved cost, profit, market, price and competition variables in order to determine production costs and the profitability of each alternative location. Thus, evaluation of the locations can be based on the specified preferences system and finally the optimal location selected with maximised utility. The optimal location could be the one with maximum profits or the one with minimum costs.

Previous industrial studies have identified a number of significant location determinants or factors that need to be considered by location decision-makers to allow the selection of the location to be optimal. According to Weber (1929, p.18) the locational factor is an advantage which is gained when an economic activity takes place at a particular point or at several such points. That is, an advantage is a saving of cost when it is possible for industry to produce at this point a certain product at less cost than elsewhere, or accomplish the entire productive and distributive process of a

certain industrial product cheaper at one place than at another. Weber (1929) claims that transportation and labour costs are very important factors in industrial location decisions, thus, the best business location is the one with minimum transportation and labour costs. However, Webber (1967) considers that intangible factors also are important determinants of location decisions; for example, personal costs of locating a business and the cost of obtaining knowledge about distant locations. On the contrary, the behaviour approach supporters argue that location decision-makers are satisficers not optimisers, since optimisation requires complete information and knowledge as well as a sound decision process which operates at the highest level. Unfortunately, information generally is incomplete because of time, cost and cognitive constraints. Therefore, as individuals and organisations have limited knowledge and statistical capabilities to determine the optimal choice, they search for a satisfactory alternative instead (March & Simon 1957). Moreover, seeing that human beings possess limited knowledge and variable powers to use it, every location decision occurs under different circumstances of knowledge and abilities; theoretically, these range from a zero to perfect knowledge of alternatives and are governed by various abilities and objectives (Pred 1969).

2.3.2.2 Site Selection Decision Process of Domestic Firms

Research into the site selection decision process of domestic firms have examined intensively decision processes of manufacturing firms (Augustin 1999; Blair & Premus 1987; Fisher 2002; Phillips 1991) and few studies have addressed the location decision of service firms (Schmenner 1994). The vast majority of the studies have followed the satisficing behaviour (Augustin 1999; Blair & Premus 1987; Phillips 1991; Schmenner 1994) as they assumed firstly that the delineation of must and want location criteria or factors is an important step in the site selection process, since the list of desirable criteria implies that a satisfactory choice is expected, rather than an optimal one. Furthermore, the criteria include some non-cost or profit factors such as market proximity, climate, and access to roads and schools. Secondly, they included the search for 'information about the alternatives' as another important phase in the site selection process. On the other hand, few studies adopted the normative rational approach (Fisher 2002) as they utilised mathematical techniques in selecting the site of a firm's activities and assumed that the problem is well-defined and decision-makers have specified alternatives with known payoffs.

Blair & Premus (1987) suggest that firms adopt the behavioural approach when they select a site to locate their manufacturing activities. Hence, the site decision process consists of several phases or steps exercised by a location team selected to represent the key areas of the company such as

transportation, distribution, personnel, engineering and planning. The location team normally draws up a list of characteristics that are important for the location of a new facility. As a result, a 'must-and-want' locational criteria list may be formed based upon economic and non-economic aspects of the locational choice and information about the potential locations will be gathered. An assessment of the characteristics of each location by using the 'must-and-want' list will be carried out and, subsequently, the locations will be eliminated in rounds. Once the state or region has been selected, a micro-focus will culminate in the selection of a specific community and site. The important locational determinants vary between the first stage when firms are seeking a general international location, and the second more geographically focused stage. In identifying the broad region, the location selection team will focus on factors such as labour, state tax variables, climate and proximity to markets. However, in the more geographically focused stage, significant concern will be given to other local factors such as land costs, access to major roads and access to schools within all major regions. As the location choices are narrowed, firms will be involved in negotiations with the local officials concerning potential problems and government incentives. Thereafter, the committee will prepare estimates of construction costs to be included in the company capital budget and conduct a feasibility study for the chosen site. The feasibility analysis normally comprises a break-even analysis, and, ideally, will show that the company returns will exceed the fixed construction costs.

Similarly, Phillips (1991) claims that any site selection, regardless of its type whether it is a new business start-up, a relocation or expansion decision, should follow a satisficing decision process which involves twelve steps in to decide its location:

1. Defining the facility and its requirements,
2. Geographic analysis of the market,
3. Site search,
4. Freight cost analysis,
5. Identifying the search area,
6. Initial screening for the potential locations,
7. Second round screening,
8. Field visits after narrowing the potential locations to three or four locations,
9. Ranking the alternative locations,
10. Engineering and legal analysis,
11. Implementation for the selected location, and
12. Start- up the construction work for establishing the location building.

Also, Phillips (1991) argued that there are other control factors in site selection, such as market proximity, access to raw materials, and access to skilled and low cost labour, utility costs, transportation cost and taxes.

Augustin (1999) suggested important steps to making the best decision for locating a facility. Initially, the project leader with authority to make such strategic decision will select an in-house decision team. Then, the team will produce a clear mission and identify any rigid notions that are in place. Subsequently, alternative sites and objective and subjective evaluation criteria will be developed. Objective criteria include transportation costs, local labour costs, cost of living and cost of construction or lease. Subjective criteria cover employee morale, quality of life, workforce demographics, complexity of change, availability of public transportation and the business environment. Afterwards, data about the prospective locations will be gathered for comparison with the criteria and the options evaluated by minimising the cost function. Finally, a report is prepared for top management and several copies made of the decision report, relevant documents and conclusions.

A study carried out by Schmenner (1994) on the location decision-making of service firms adopted the manufacturing location decision-making approach he introduced over a decade earlier (Schmenner 1982). The study affirmed that the service location decision process involves a two-step procedure. The first step entails choosing a 'general area' for the service firm facility, while the second requires the selection of a 'particular site'. The general area selection process consists of 4 procedures: (1) the initial need for a new location, (2) the 'must' and the 'wants' criteria need to be identified, (3) consideration and assessment of the alternatives, (4) location choice selection for the general area location. However, the particular site process is a reiteration of the four procedures: (1) the selection of the general area location, (2) the 'must' and the 'wants' criteria for the particular site selection need to be identified, (3) consideration and assessment of the alternatives, (4) location choice selection for the particular site.

Schmenner (1994) also found that some location factors are important to the selection of the general area and others to particular sites. The labour issues, infrastructure and quality of life were found to be more important for firms located away from the city centre. Proximity to customers is valued by firms with several distinct characteristics: high employment, more hours open per week, high capital/labour ratios, sites having always been in the vicinity, strong local business ties and high value placed on particular sites. Many of these characteristics apply also to the proximity to competitors' influence. Low rental appeal most to large service firms and those that draw on a wide market area for their sales. In addition, they find that hospitals, education and social services, personal and business services (e.g., direct mail, cleaning, graphic arts and temporary employment agencies) and utilities are relatively immune to many of the general area influences. Table 2.4 shows the most important location factors for general area and particular sites of service firms as found by Schmenner (1994).

Table 2.4: Location factors of service firms

No	General area	Particular site
1	Proximity to customers or buyers	High customer traffic in the area
2	Proximity to suppliers and business services	Attractive rent or cost
3	Proximity to competitors	Attractive building
4	Labour costs	Specialised space needs
5	Ability to attract qualified labour	Being in mall, industrial park, or office park
6	Labour climate	Adequate parking
7	Attractive place to live	Proximity to suppliers and business services
8	Low rents, building costs	Proximity to competitors
9	Being near other company facilities	Easy commute – managers and owners
10	Good infrastructure (e.g. roads, communication)	Easy commute –employees
11	Favourable governmental policies	Favourable governmental policies (zoning, traffic)
12	Favourable taxes	Favourable taxes

Source: Adopted by the author from Schmenner (1994).

Conversely, some studies have utilised normative or systematic methods in selecting the facility location such as the sequential discrete p-facility model (Fisher 2002). The models are rooted in an economic rational decision approach and represent mathematical or normative techniques for selecting the final location choice at the final stage of assessment, once the less feasible location options are eliminated.

2.3.2.3 Approaches to Making Location Selection Decisions in International Business

Only few studies have examined the location selection decision-making in international business (Badri 1999; Canel & Das 2002; Hajidimitriou & Georgiou 2000; Haigh 1990; Robert, Hosseini & Javalgi 1990), while, as indicated earlier, most of the international location decision literature has

concentrated on investigating locational determinants of international firms and foreign direct investments. Some of these studies adopted the satisficing approach and examined the international site selection decision-making process (Haigh 1990), whereas others embraced the normative rational decision behaviour and suggested normative decision models for selecting the final foreign location choice once the location options are narrowed (Badri 1999; Canel & Das 2002; Robert, Hosseini & Javalgi 1990).

An empirical study by Haigh (1990) investigated the managerial site selection process of foreign firms which established manufacturing subsidiaries in the US. Haigh (1990) interviewed twenty executives of twenty foreign subsidiaries owned by ten various multinationals to explore the managerial selection process concerning the site selection for these manufacturing subsidiaries. Primarily, he concluded that the strategic decision-making approach utilised in international site selection process agrees with the bounded rational/satisficing model, as all possible options were not intensively investigated, few number of region, states and site alternatives were developed and prior knowledge, impressions or preconception of the decision makers (intuition) influenced positively the selection of the final region within US. Furthermore, Haigh (1990) found that the international site selection process is one part of a broader investment decision made by a board of directors or by the principals of the parent firm resulting in selecting the US as a final foreign country choice for their international manufacturing operations. In addition, the study revealed that in most cases, the site selection process incorporated three separate stages: 1) the selection of a specific geographic region in the United States, 2) the selection of two or three states within that region, and 3) the final decision on a specific site in a particular community. However, this study has not provided insights into the entire managerial actions of a comprehensive country selection process to effectively select beneficial foreign choice for international operation.

Other studies have been based on a normative approach, using the Analytic Hierarchy Process (AHP) strategy to decide on the final country choice among other narrowed alternative countries (Robert, Hosseini & Javalgi 1990). The AHP model, first introduced by Saaty (1996) assists decision-makers in evaluating multiple attribute alternatives. There are three significant phases involved in utilising AHP:

1. Identifying the decision problem or goal.
2. Developing the locational factors or criteria and its attributes.
3. Creating potential alternatives and selecting a choice based on the comparison between the required locational factors and the factors of alternative locations.

Similarly, Hajidimitriou & Georgiou (2000) suggested a mathematical multi-objective optimisation method be used in selecting a site in the international context; a model which enables the location decision-makers to handle any conflict goals that could arise and select the optimal international site. Unfortunately, these normative studies have not provided a clear picture about the effective managerial strategic decision process that senior managers of international firms should follow to arrive at beneficial foreign location choice and, thus, to attain successful international expansion.

Given that, as mentioned earlier, the vast majority of international location decision researchers have examined widely location determinants of international firms and foreign direct investment and since these determinants represent the decision criterion, a crucial element of the managerial foreign location selection process, the next section is incorporated to highlight this line of empirical research.

2.3.2.4 Determinants of International Location Decision

Nonaka (1994) in examining the determinants of international location decisions, argued that the innovative capability of the host country is an important factor for attracting foreign subsidiaries. The Uppsala model by Johanson & Vahlne (1977) demonstrated that 'psychic distance' determines the locational choice. Psychic distance was defined as the costs of obtaining significant information about business conditions in other countries, the perception of risk and uncertainty involved in international operations and the resources required to access foreign networks. The model asserts that the costs expended in overcoming 'psychic distance' decrease over time due to the experience achieved by the firm. Therefore, firms often first enter neighbouring markets because of their historical familiarity, and then expand to other foreign markets.

Other studies have stressed the global strategic focus of multinational corporations (MNCs) in the location choice. For instance, Kim & Hwang (1992) affirmed that some MNCs might establish subsidiaries abroad to check the cash flow of potential global competitors. Terpstra & Yu (1988) found that the size and growth of markets are important determinants of foreign investment. Consequently, a government can influence locational decisions by limiting the demand conditions through the supply of infrastructure, and taxation policies. Boddewyn & Brewer (1994) addressed the significant influence of the government taxation and industry regulations on the locational decision. Bhatnagar, Jayaram & Phua (2003) conducted a cross-national study comparing the plant location factors between Singapore and Malaysia. They found that infrastructure, suppliers and

markets have significant impact upon the plant location decision in both countries. William (1980) identified some country specific factors which influence the location decision of international firms; viz., market size and growth, tariff and non-tariff barriers to trade, input costs, geographic proximity and legal, political and economic conditions. Porcano (1993) examined twenty one factors affecting the American, British, French, German, and Japanese firms' location decisions. He concluded the factors that directly affect their ability to produce and sell a quality product were highly rated, such as product demand, labour quality and supply and the host country economy.

Four case studies of international electronics firms were recently undertaken by McManus and his associates (McManus et. al 2005) to explore the extent to which the telecommunications infrastructure influences the decision to select a specific foreign manufacturing site for international operation. The results indicated that telecommunications is a requirement to conduct business. Two firms showed that telecommunications was considered in their most recent site selection. Even though the other two firms did not explicitly consider telecommunications in the site selection criteria, they felt that it is critical to the success of a firm in an international market.

In the Australian context, a small number of studies has examined the location decisions of the Australian multinationals and investors. For example, Edwards & Buckley (1998) found that the motivation for the Australian manufactures in selecting the UK was the desire to access markets and the similarity of the language and political and legal systems. A study by Fittock & Edwards (1998) revealed that the size and the growth of the Chinese market were the primary motivations and factors for Australian investors to locate their foreign investments in China. However, Edwards & Muthaly (1999) found that the most important factors explaining Australian FDI in Thailand was access to local and neighbouring markets, followed by low labour costs.

Some studies have investigated locational factors in developing countries. For instance, Yang, Delios & Zhou (2002) examined 2933 Japanese investments in 27 provinces and regions in China to identify the influence of country policy factors on the sub-national location decision of Japanese firms in China. The results showed that special economic zones and the opening of coastal cities have had a significant influence on attracting Japanese firms to China. Glaister & Tatoglu (1998) conducted a study to explore the location specific influences that motivated Western multinationals to invest in Turkey. They found that the market size, reparability of profits, the growth rate of the Turkish economy and government policy towards foreign direct investment (FDI) were the most important factors influencing the country attractiveness to these multinationals. Similarly, Root & Ahmed (1979) found market size to be the most determinant factor in FDI flow to developing countries. Mellahi & Guermat (2001) examined the important factors which influence the choice of Oman as a location for foreign multinationals and argued that political and economic stability are

the two most important motives for foreign investors in Oman. Badri, Davis & Davis (1995) investigated the manufacturing location decisions of foreign firms in Jebel Ali in the U.A.E. The study identified several industrial factors which influenced the location decisions of these firms; viz., availability of waterway, airway and pipeline transportation, climate, water related utility variables, proximity to consumers, market size, location of competitors, community position of future expansion, attitude of community leaders, living conditions, availability of shopping centres, availability of hotels and motels and zoning codes.

In conclusion, several previous studies on the locational determinants of international firms were limited to the international manufacturing or industrial location decision. However, these studies theorised about new locational factors or criteria which are not profit-maximisation or cost-minimisation factors; they are intangible factors such as political and cultural factors which should be considered due to their significant affect on the effectiveness of the location decision.

2.4 Research Questions and Issues

The research problem of the current investigation was: *How do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion?* Based on the earlier review of the related literature, the vast majority of studies on the location decision of international firms have focused on location determinants or factors which constitute a significant component of the comprehensive international location decision-making process. However, little attention has been given to the location decision-making process of internationalising firms and the majority of these studies are not empirical research as they suggested normative or mathematical techniques for assisting decision-makers to reach the final location choice once alternatives have been narrowed down. Other studies examined the managerial decision-making process concerning the international site selection decisions and revealed managerial actions of the site selection process. The other line of research examined the site selection process of domestic firms and also identified some managerial procedures involved in that selection process.

In conclusion, the existing body of knowledge has not provided rich insight into how effectively internationalising firms can arrive at a beneficial foreign location choice for their international operations to achieve successful international growth. Similarly, academic attention has not been given to the international location decision-making process of either Australian firms or of Western

Australian firms and, consequently, significant gaps are recognised in the literature. As a result, the main exploratory question which the current investigation has to answer to solve the identified research problem is:

- *What are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?*

In order to answer this main question a number of minor exploratory questions are addressed:

- *What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?*
- *What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?*

2.5 Conclusion

Chapter 2 has established the primary theoretical grounds of the current research issue. The review of the relevant literature incorporated two main parts, in the first part; the extant theoretical perspectives on organisational and strategic decision-making as a parent discipline were reviewed. The second part analysed the location decision-making of international firms as an immediate field within these former standpoints. Consequently, the shortcomings and gaps in the literature have been identified, resulting in the development of the research questions which the current research aims to answer. The next chapter explains and justifies the appropriate research design and methodology.

Research Design and Methodology

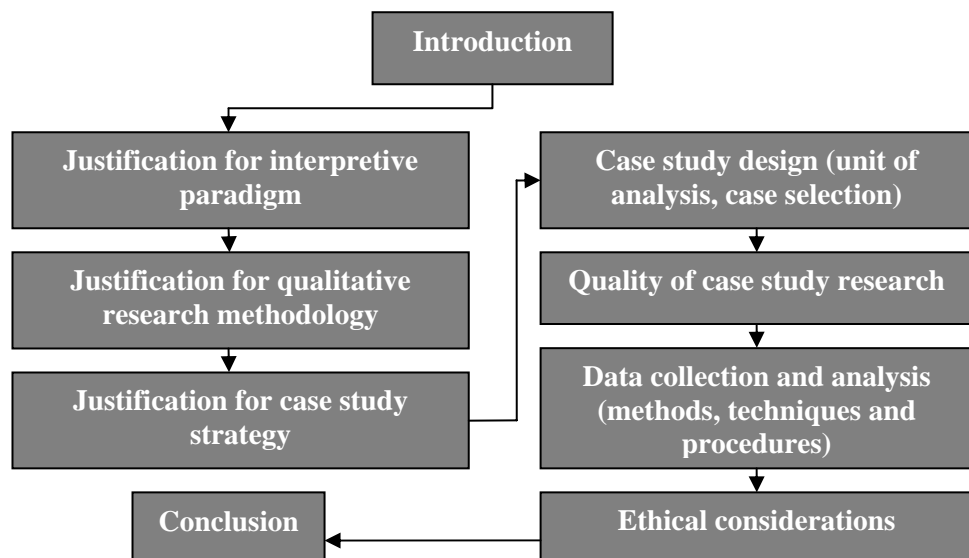
3.1 Introduction

Chapter 2 presented a thorough review of the relevant literature on organisational and strategic decision-making in general, and on the location decision-making process in international business in particular. Based on the gaps in the literature, appropriate research questions were designed to solve the research problem.

This chapter provides and justifies the appropriate research design and methodology to answer the research questions. It begins with justification of the research paradigm, the selected research methodology and case study research strategy.

Later, the chapter highlights the case study research design and issues relating to the selection of the cases, unit of analysis and piloting of the data collection instrument. In addition, the research's data collection and analysis procedures, the criteria for assessing the quality of the case study research design in terms of reliability, validity and generalisation are outlined. Finally, the ethical issues involved in the study are addressed and the chapter conclusion presented. The discussed methodological setting is outlined in Figure 3.1.

Figure 3.1: Outline of Chapter 3



3.2 Justification for Interpretive Paradigm

The term ‘paradigm’ is defined as a system of philosophical beliefs or worldview that leads and governs an investigation or individuals respecting their position in that world and the range of possible relationships to it and its parts (Guba & Lincoln 1994). Accordingly, the research paradigm shapes the entire research process and provides valuable directions and principles concerning the approach, methods and techniques for conducting a research within its philosophical setting (Deshpande 1983; Guba 1990; Guba & Lincoln 1994; Lincoln & Guba 2000; Morgan 1979; Ticehurst & Veal 2000).

The literature on research methodology evidences extensive and constant debate concerning the best approach to carry out a research (Patton 1990). Generally, two leading research paradigms are acknowledged by methodologists in social science and other disciplines; i.e., the positivist and the interpretive or the phenomenology paradigms (Blaikie 1993; Hussey & Hussey 1997; Patton 1990; Pawson & Tilley 1997).

The positivist paradigm is rooted in natural science with an emphasis on experimental scientific observations to explain and test cause-effect relationships of an event (Creswell 1994; Babbie 2001; Eisenhart & Howe 1990; Husen 1988; Symon & Cassell 1998). The positivism school believes that human life is governed by generic laws (Amaratunga et al. 2002; Denzin & Lincoln 2000; Lee 1992; Olson 1995; Wardlow 1989); hence, the society and the people can be studied in a natural scientific manner (Cavana, Delahaye & Sekaran 2000; Smith 1983). As a result, this epistemological standpoint relies heavily on statistical evaluation in reasoning the phenomena being investigated (Blaikie 1993; Hughes 1995; Shrag 1992; Smith 1983). According to Kendall (1943, p.2) statistics is “the branch of scientific method which deals with the data obtained by counting or measuring the properties of populations of natural phenomena”; thus, a statistical analysis method is a significant component of positivist research design.

On the other hand, the interpretive paradigm is founded on the humanities with an emphasis on holistic and qualitative information to provide rich insights into components of a social phenomenon (Husen 1988). The interpretive theorist views that the social world possesses an ‘uncertain ontological status’ and the truth is socially constructed (Ticehurst & Veal 2000); therefore, the best way to understand the social world is from the point of view of the investigated participant (Hassard 1993). In view of that, the interpretive approach pursues to understand meanings of particular situations (Schwandt 1994), thus, acquiring a rich and empathetic understanding of social life aspects and experiences (Smith & Heshusius 1986; Smith 1983; Yeung 1995).

With respect to the paradigm decision, the extant literature on the research paradigm and methodology suggests that researchers can freely select the best approach and employ it in their research (Ticehurst & Veal 2000). Another trend is that combining research paradigms and methods is important for any research in order to provide comprehensive and methodical understanding about the research issue being examined (Easter-Smith, Thorpe & Lowe 1991; Fielding & Schreier 2001; Salomon 1991; Yauch & Steude 2003). The triangulation method also should involve multiple researchers (*researcher triangulation*) and multiple methodological and theoretical frameworks (*theoretical and methodological triangulation*) (Denzin 1970). Nevertheless, it has been claimed that ontological foundations and assumptions of research paradigms, the linked quantitative and qualitative research methods, therefore, are basically incompatible (Lincoln & Guba 2000; Smith & Heshusius 1986). As a consequence, it is difficult to replicate research results through utilising the mixed-method approach which does not suit all research purposes (Jick 1979) and may cause ‘ontological oscillation’ (Burrell & Morgan 1979).

A wise tendency, on which the current thesis is based, asserts that paradigm and methodological selection decisions are influenced by the nature of the investigated incident (Ellram 1996; Morgan & Smircich) 1980). Similarly, Patton (1990, p. 39) agreed with that line of research by asserting that the paradigmatic and methodological decisions revolve around the aim of the research, the nature of research questions and the accessibility of research resources, he stated:

The issue then becomes one of not whether one has uniformly adhered to prescribed canons of either logical positivism or phenomenology (interpretivism) but whether one has made sensible methods decisions given the purpose of the inquiry, the questions investigated, and the resource available. The paradigm of choices recognises that different methods are appropriate for different situations. Situational responsiveness means designing a study that is appropriate for a specific inquiry situation.

The purpose of the current study was to investigate ‘*how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion*’? Accordingly, the main broad question which the research was designed to answer with the aim of resolving the research problem was:

- *What are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?*

The research problem ‘how do’ and the main question ‘what are’ are descriptive rather than prescriptive, which require a theory-building approach (inductive) rather than a theory testing

one (deductive) (Perry 1998). Accordingly, based on the earlier discussion, the interpretive paradigm (inductive) is more suited than the positivist paradigm (deductive) because the research is concerned with picturing the actual world of investigated phenomena rather than providing statistical details about the cause-effect relationships between variables within the examined phenomena. Furthermore, the location selection process of a firm is an extremely multifaceted process which contains numerous subjective and objective factors that often are hard to be assessed (Hayter 1997). This process becomes more complex, strategic and risky once it concerns selecting a foreign location for international operation (Allen 1991; Atthirawong & MacCarthy 2002; Badri 1999; Carla 1994; Galbraith, DeNoble & Estavillo 1990). Consequently, the current research was designed to gain a rich and comprehensive picture concerning critical success factors and phases involved in the multifarious decision processes undertaken by Western Australian internationalising firms in selecting the foreign country for their international operations and, ultimately, arriving at the 'best practice' model for location decision-making in international business at the end of the research. Therefore, the best way to recognise and uncover the extremely complex components of the international location decision-making process is getting inside the minds of the organisations' decision-makers and understanding the process from their viewpoints (Hassard 1993) and experiences (Smith & Heshusius 1986).

Likewise, little research has been directed toward the field of the location decision-making process in international business (Badri 1999; Canel & Das 2002; Haigh 1990; Robert, Hosseini & Javalgi 1990). The vast majority of these studies focused on one step of a broad and complex international location decision process as they proposed normative evaluation methodologies for selecting the final location choice once alternatives are narrowed down (Badri 1999; Canel & Das 2002; Robert, Hosseini & Javalgi 1990). In effect, these normative evaluation approaches indicate how the location decision should be made; although, the descriptive approach which describes how location selection decisions are actually made, was barely mentioned (Haigh 1990) and was restricted to the international site selection process. Further, no empirical research was carried out to provide insights into all aspects of a successful international location decision-making process as well as critical success factors to be considered to reach a beneficial foreign location choice as is the case with the present research. As a result, the current investigation is adding new understanding and concepts in that field and therefore necessitates adopting the interpretive paradigm (Yeung 1995).

Finally, from the literature review (Chapter 2) it is noted that the interpretive paradigm has been used widely by earlier scholars in the general area of decision-making (Anderson 1983; Bourgeois & Eisenhardt 1988; Calof 1993; David et al. 1987; Eisenhardt 1989b; Gersick 1988; Haigh 1990; Harris 1986; Krabuanrat & Phelps 1998; Mintzberg, Raisinghani & Theoret 1976; Papadakis, Lioukas & Chambers 1998; Shrivastava & Grant 1985; Truijens & Hood 1993;

Ulaga & Sharma 2001) in a wide range of business fields, and also in other streams of knowledge such as medical science (Keck, Grover & Jette 2003; Yi 2003), education (Sr 2000) and engineering (Suarez Bello 2003). As a result, the current thesis has been developed on relevant material by scholars in the areas of strategic decision-making in general (Anderson 1983; Bourgeois & Eisenhardt 1988; Eisenhardt 1989 b; Krabuanrat & Phelps 1998; Mintzberg, Raisinghani & Theoret 1976; Papadakis, Lioukas & Chambers 1998; Shrivastava & Grant 1985; Ulaga & Sharma 2001) and in the area of location decision-making in international business in particular (Haigh1990).

3.3 Justification for Qualitative Research Methodology

The choice of research methodology was consistent with the selected research paradigm (Drisko 1997) and contingent on the nature of the investigated phenomena, the type of the research questions (Ellram 1996; Morgan & Smircich 1980; Patton 1990), the researcher's personal experience and preference, the research population, the expected results of the research and resources available, such as time and research funding (Hathaway 1995). Similarly, in the context of strategic decision-making, the nature of the research questions played a significant role in determining the appropriate paradigm and methodology; as argued by Fredrickson (1983, p.570) “strategic process investigators must recognize the need to vary methodologies according to their research questions”. Accordingly, the qualitative research methodology (inductive approach) was chosen as matching the philosophical assumptions of the interpretive paradigm (Perry 1994; Van Maanen 1979).

Overall, the qualitative methodology explains a phenomenon from the researcher’s position and the reader’s perception. As stated by Lincoln & Guba (1985, p.120) “If you want people to understand better than they otherwise might, provide them information in the form in which they usually experience it”. In fact, the qualitative research method was preferred to benefit from advantages associated with the exploratory nature of the present research and for several reasons. At the outset, methodologists have urged strongly that qualitative methods are suitable and vital when the research is exploratory (Darlington & Scott 2003; Jarratt 1996; Kohli & Jaworski 1990; Perry 1994; Yin 2003) and when the research questions are: what is, how, or why (Amaratunga et al. 2002; Spencer et al. 2003; Lacey & Luff 2001; Yin 1994). Consequently, the type of current research problem (*how*) and research question (*what are*) are exploratory, necessitating in-depth understanding of the location decision-making process in international business as experienced by location decision-makers in Western Australian firms. The chosen qualitative approach closely matched those requirements (Cavana, Delahaye, & Sekaran, 2000; Cupchik 2001; Denzin & Lincoln 2000; Hassard 1993; Patton 1987, Perry 1998;

Smith & Heshusius 1986; Spencer. et al. 2003). Thus, there was no need in the current study to obtain quantitative data using statistical measurements of decision-makers' characteristics or behaviour (Hopkins 2000; Perry 1998; Wainwright 1997). Strauss and Corbin (1990; 1998) asserted, qualitative methodology is suitable and highly recommended when (a) little is yet known about the investigated phenomenon, (b) events being investigated are known, or (c) the research issues can not be expressed quantitatively. Given that academic understanding of organisational decision-making is still incomplete (Jennings & Wattam 1994; Kleindorfer, Kunreuther & Schoemaker (1993), the current research problem and questions were designed to be exploratory and open-ended, which necessitated employing an inductive approach (theory-building) rather than a deductive (theory-testing) approach (Perry 1998). Theory building in organisation and decision-making studies requires rich description and details that derive from the narrative (story style) methods of qualitative research (Mintzberg 1979) and would add new rich meaning and understanding to the area of organisational decision-making and location selection decision-making in international business (Kumar 1993).

Deciding on the firm's business location is a very critical and strategic decision that relates significantly to the firm's overall strategy and its future directions. The decision is mostly made by senior managers and because they may be reluctant to respond to questionnaire surveys, the qualitative research method utilising the interview technique of data collection method was considered the most suitable (Uлага & Sharma 2001). Additionally, since the business location decision of the firm is definitely strategic (Blair & Premus 1987; Galbraith, DeNoble & Estavillo 1990; Ghosh & Craig 1986; Goldstein 1985; Phillips 1991; Porter 1998), the best approach to examine the strategic decision process is to get inside the minds of the senior decision-makers to unearth the decision details (Mintzberg, Raisinghani & Theoret 1976). In addition, the direct research method in an organisation strategy examination produces more valuable outcomes than would a quantitative method; in Mintzberg's (1979, pp. 583-584) words:

The field of organization theory has, I believe, paid dearly for the obsession with rigor in the choice of methodology. Too many of the results have been significant only in the statistical sense of the word. In our work, we have always found that simpler, more direct methodologies have yielded more useful results. Like sitting down in a manager's office and watching what he does, or tracing the flow of decisions in an organization.

In the current research, the qualitative method is the most useful way of gaining access to top executives and their mindsets because it offers intensity and richness in the collected data that could avoid and overcome the common barriers of validity and reliability in a social and organisational study. Moreover, it is more relevant when the research objective is to explore deeply the processes and mechanisms of international business (Yeung 1995), as was the goal of the current thesis.

The qualitative approach enables the researcher to understand and explain the personal experiences of humans more deeply and clearly than does the positivist approach (Bartunek & Seo 2002; Cupchick 2001; Gummesson 2003; Jones 1997; Patton 1987; Spencer. et al. 2003; Stake 1978; Wainwright 1997). Its use fitted with the relatively small number of cases examined and was recommended when information obtained from each subject was expected to differ in complex ways and each interview was a story in its own right (Ticehurst & Veal 2000). Although the population consisted of there was a small number of cases, viz. 22 firms, each was treated as a single experiment (Yin 1994; 2003).

Finally, the qualitative approach has been employed in similar exploratory studies in the area of strategic decision-making (Anderson 1983; Bourgeois & Eisenhardt 1988; Eisenhardt 1989b; Krabuanrat & Phelps 1998; Mintzberg, Raisinghani & Theoret 1976; Papadakis, Lioukas & Chambers 1998; Shrivastava & Grant 1985; Ulaga & Sharma 2001) and in the area of location decision-making process in international business (Haigh 1990).

3.4 Justification for Case Study Strategy

A case study in management education is defined as a “description of management situation” (Bonoma 1985, p.203); although, as a research approach or method it is described as “an empirical inquiry that investigates a contemporary phenomenon with its real-life context, especially when the boundaries between phenomenon and context not clearly evident” (Yin 2003, p.13). Other methodologists described the case study as inquiry of a system bounded by time and place and the case is the event being investigated (Creswell 1998), and, from the postgraduate research perspective, as a research methodology which relies extensively on interviews (Perry 1998).

The literature on case study provided a variety of typologies, for example, case study may be *exploratory*, *descriptive* or *explanatory* (Yin 1981; 1994; 2003), *particularistic*, *descriptive* or *heuristic* (Merriam 1988) and *snapshot*, *longitudinal*, *pre-post*, *patchwork* or *comparative* (Jensen & Rodgers 2001). Accordingly, the category of the selected case studies of the current research is *exploratory* according to Yin’s typology (Yin 1981; 1994; 2003) as the research adopted the inductive approach in an attempt to add and develop new aspects of the existing theory in the area of location decision-making process in international business. The research’s case studies are *heuristic* (Merriam 1988) because they maximise experiences and the knowledge of senior managers in organisations in relation to the international location decision-making process, and *comparative* (Jensen & Rodgers 2001) seeing that they were selected

purposively from different industries and sizes to integrate the findings by carrying out cross-case analysis and assessment.

In spite of the criticism that has been directed towards case study strategy, it is extensively employed in many fields of social and business research because the strategy provides insights and rich understanding about the event being studied compared with other methods (Rowley 2002). As Stake (1978, p.5) stated:

It is widely believed that case studies are useful in the study of human affairs because they are down-to-earth and attention-holding but that they are not a suitable basis for generalization...I claim that case studies will often be the preferred method of research because they may be epistemologically in harmony with the reader's experience and thus to that person a natural basis for generalization.

As a matter of fact, the primary motivation for employing the case study method in the current research was driven by the connection of this method with philosophical assumptions and foundations of the selected interpretive (phenomenology) paradigm and because it represents one of the primary research methods for studies adopting interpretivism (Gephart 1999; Perry 1994). Furthermore, case study and qualitative method terms are commonly used interchangeably in business research (Yin 1981). In addition, the case study strategy is highly accepted and widely utilised by doctoral researchers in the management field (Adams & White 1994; de Weerd-Nederhof 2001; Perry 1994; Yin 1994; 2003) and offers deep and rigorous understanding for investigated phenomena from the participant's perspective through the inductive approach (Yin 1994; 2003).

In general, the case study strategy was adopted in the present investigation for the several reasons. Mainly, case study approach is the most appropriate method when the research problem addresses the question of 'how do' rather than 'how should' and, therefore, the inductive (theory-building) approach is required to solve that research problem (Perry 1998). In other words, the case study approach aims to explain inductively the real context of the phenomena being examined (descriptive) rather than developing normative models based on a theory testing approach which describes how the phenomena should exist (prescriptive).

Furthermore, according to Yin (2003, p.2) "the case study strategy allows investigators to retain the holistic and meaningful characteristics of real-life events - such as individuals life cycles, organizational and managerial processes, neighborhood change, international relations, and the maturation of industries". As mentioned earlier, the author seeks to explore the problem of '*how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion*'. As a result, the author attempted to resolve the established research problem through obtaining real and in-

depth information from decision-makers of the selected organisations to gain a rich understanding of how international location selection decisions are made in reality. Hence, testing predetermined propositions or hypotheses as in the case of a deductive approach was not the subject of the current research.

As indicated by Yin (2003, pp.7-9) “in general, “what” questions may either be exploratory (in which case any of the strategies could be used) or about prevalence (in which surveys or the analysis of archival records would be favored) ... you also can use multiple strategies in any given study (e.g., a survey within a case study or a case study within a survey)”. As pointed out beforehand, with the aim of solving the identified research problem, one exploratory main question was designed and answered throughout the journey of the current research. As a result, the exploratory nature of the research question required the use of the case study method as it offers an opportunity for in-depth exploration and results in rich understanding and a clear picture about the research issue (Gilgun 1994; Rowley 2002).

The location decision of international firms is a very strategic and complex decision as it affects significantly the success or failure of the firm (Christmann, Day & Yip 1999; Dimitratos 2002; Liu Yingli, Li & Gao 1999; Vanhonacker & Pan 1997). Further, each firm makes that decision under different conditions and with different goals and criteria depending upon the firm’s location strategy (Allen 1991). As a consequence, the international location decision-making process of each firm represents a rich story which required to investigation in a deep and comprehensive mode. Indeed, this feature is offered only by the case study strategy (Eisenhardt 1989a; Merriam 1988; Patton 1990; Stake 1978; Yin 1994; 2003) as it allows tracing all the details of factors and phases that comprise the decision-making processes and avoids problems resulting from a small sample size, resistance to survey methods or cross-industry biases (Chetty 1996). Furthermore, the case study method is a solid ground for the theory building approach which is very suitable for new areas of research wherein little is known (Eisenhardt 1989a) or for refining the existing theory and proposing new directions for further research (Stake 1994). The academic field of the location decision-making process in international business is a relatively new area of research and requires a case study approach to examine this phenomenon in great depth and richness to refine established strategic decision-making theories and to suggest future research. Finally, it has been claimed that the case study method plays a major role in strategic management teaching and as a result most textbooks have been written based on data collected via multiple case studies (David 1997). This assertion has been confirmed as the literature on strategic decision-making has evidenced extensive deployment of the case study approach by experienced scholars (Allison 1971; Anderson 1983; Bourgeois & Eisenhardt 1988; Carter 1971; Eisenhardt 1989b; Janis 1982; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Ulaga & Sharma 2001).

3.5 Case Study Research Design

Selecting the appropriate case study design is a crucial issue when using this strategy due to the effect of the preferred design on the quality of research findings and it is often influenced by the nature of the investigated phenomenon in relation to the number of units of analysis (Yin 1994; 2003). Four types of case study designs were proposed by Yin (1994; 2003): (a) single case (holistic), (b) single case (embedded), (c) multiple case (holistic) and (d) multiple case (embedded).

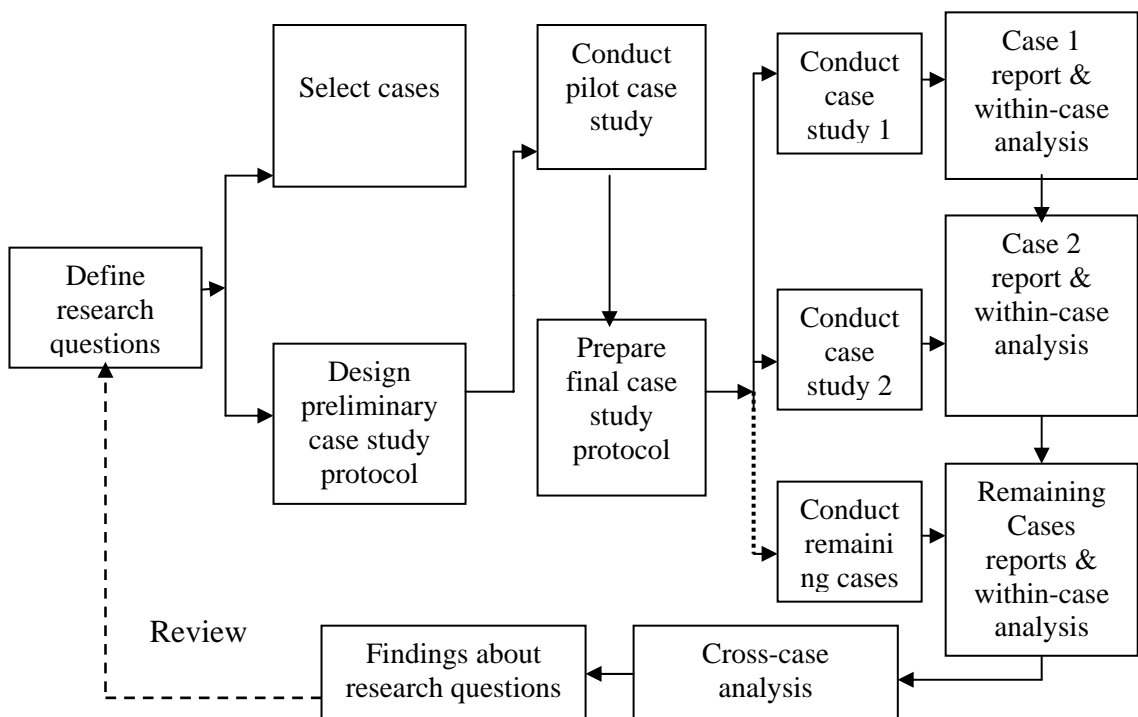
Initially, the single case design implies the deployment of one case study and it is holistic when it involves simply one unit of analysis or the case itself ;whereas, it is embedded if it integrates more complex subunits of analysis (Yin 1994; 2003). In contrast, multiple case design refers to conducting several case studies or experiments (Bonoma 1985; Villard 2003; Yin 1994; 2003) and, it can be holistic if it entails several holistic cases in which each holistic case consists of only one unit of analysis. However, the embedded multiple case design contains a number of embedded cases wherein each embedded case includes multiple units of analysis (Yin 1994; 2003). Fundamentally, the single case study design is suitable when: (1) the case provides a vital test for established theory, (2) embodies an exceptional or a unique event, (3) is a distinguishing or typical case, or (4) provides a longitudinal or revelatory aim (Yin 1994; 2003). On the other hand, the grounds for using multiple case design are mainly derived from *replication logic* where each case study is regarded as single experiment or investigation and the more cases that prove or disprove the existing theory, the more vigorous are the research outcomes (Yin 1994; 2003). Accordingly, there was no doubt that the multiple case study design was the most appropriate design for the current research because it was not aiming to test theory or to understand a unique and typical phenomenon as in the single case design. However, a strategic decision process takes a long time (Mintzberg, Raisinghani & Theoret 1976) therefore, due to time and other research resource constraints, it is hard to rely on one single firm case and observe the international location decision-making process from beginning to completion. In addition, when I contacted the entire research firms' population, I could not find one single firm which is in the process of making an international location selection decision. As a result, the dependence on the multiple case design was necessary as it allowed a deeper and richer understanding of a completed location decision-making process of internationalising firms to be obtained by undertaking several purposively selected cases from different sectors and sizes to achieve the replication logic associated with the multiple cases design (Yin 1994; 2003).

In short, the multiple case design was preferred over the single case design because it provided robust and rigorous grounds for good quality research derived from the triangulation of evidence compared with single case design (Bonoma 1985; Eisenhardt, 1989a; Parkhe 1993; Yin 1994;

2003). According to Yin (2003, pp. 53-54) analytic conclusions occurring from multiple cases or experiments are more influential and compelling compared with a single case and using several case studies strengthens immensely the external generalisability of research findings. Furthermore, the theoretical replication linked with a multiple case design reinforces the external validity of research results and, therefore, it is highly recommended that a researcher should undertake more than two cases to support his/her research. Further, the evidence abstracted from multiple case research is considered more powerful and more compelling (Herriott & Firestone 1983) and the approach is a very useful tool to gain insight into all aspects of how an organisation addresses complex strategic decision-making (Ulaga & Sharma 2001).

As indicated by Yin (1994; 2003) the case study design represents the research plan that guides the process of data collection, analysis and interpretation. Accordingly, the main steps involved in the process of designing the current research are shown in Figure 3.2 and were: (1) defining clearly the research questions which emerged in Chapter 2, (2) selecting purposefully case studies from the research population and subsequently designing the preliminary case study protocol which includes an overview of the case study research, field procedures and interview questions, (3) conducting a pilot study as a training course and for refining data collection plan and preparing the final data collection plan and case study protocol, (4) conducting case studies respectively until theoretical replication is reached, (5) writing case reports independently and carrying out within-case analysis and finally (6) implementing cross-case analysis.

Figure 3.2: Designing the current case study research



Source: Developed for the current research by the author based on Perry (1998) and Yin (1994; 2003).

3.5.1 Unit of Analysis

One of the most important elements of the research design is defining distinctly the unit of analysis as the research sample and instrument, cases selection and strategy of data collection are determined and guided by the defined unit of analysis and selecting the appropriate unit of analysis is correlated to the specified research questions (Yin 1994; 2003).

The unit of analysis refers to what or whom is being investigated. In other words, the unit of analysis is the major entity or issue that is examined and analysed throughout the research process and it could be individuals, groups, decisions, programs, events or other subjects (Cavana, Delahaye & Sekaran 2000; Yin 1994; 2003). According to Sekaran (1984, p.106) the unit of analysis refers to “the level of aggregation of the data during subsequent analysis”. Likewise, he pointed out that it can be individual, pair, groups, divisions, industry, organisation or country.

Given that the aim of the current research was to explore the location decision-making process of Western Australian internationalising firms, an *internationalising firm* was defined in Chapter 1 as ‘a local firm which is seeking and willing to be involved in the internationalisation process and, hence, establishing an international or foreign operation’, the main unit of analysis of the research was the ‘decision-making process’ undertaken by Western Australian firms in selecting a foreign country for their international operations. The research also includes other sub-units (embedded units) such as steps, factors, procedures involved in the international location decision-making process.

3.5.2 Approaches to Cases Selection

Selecting the pertinent case study from the target research population is a decisive phase in case study design (Stake 1994) and influences understanding of the research issue being investigated (Patton 1990; Yin 1994; 2003). However, “the purpose of the case study is not to represent the world, but to represent the case” (Stake 1994, p.245).

Experienced researchers have established common agreement which suggest strongly that the selection of case studies should be made based on ‘theoretical sampling’ and not based on ‘random sampling’ as is the case with survey research (Eisenhardt 1989a; Glaser & Strauss 1967; LeCompte & Preissle 1993; Patton 1990; Perry 1998 Stake 1994; Yin 1994; 2003).

According to Glaser & Strauss (1967 p.45) theoretical sampling is “the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyzes his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges”. Yin (2003, p.47) argued strongly that multiple cases should be considered as multiple experiments and not multiple respondents in a survey and cases must be selected based on replication logic and not based on sampling logic. As a result, each case either predicts similar results (literal replication) or predicts opposite results for predictable reasons (theoretical replication).

Patton (1990) introduced the concept of ‘purposeful sampling’ suggesting that case studies should be selected from among potential cases which are information-rich and provide the researcher with deep knowledge and understanding about the research issue. Therefore, he identified sixteen different strategies of purposeful sampling for case selection of which seven were utilised in the current research as follows:

1. ‘Extreme and deviant case sampling’ involves learning from highly unusual manifestations of the phenomenon of interest.
2. ‘Intensity sampling’ includes information-rich cases that manifest the phenomenon intensely, but not extremely.
3. ‘Maximum variation sampling’ is mainly appropriate for analytical purposes and it implies selecting a wide range of variation on dimensions of research interests such as selecting different organisations from different sizes or industries.
4. ‘Criterion sampling’ implies identifying a set of criteria by the researcher as an attempt to select information-rich cases within the available time and research resources.
5. ‘Confirming and disconfirming cases’ includes selecting different cases to deepen and to prove or disprove initial analysis and some emerging issues from previous cases.
6. ‘Convenience sampling’ involves selecting cases which are convenient and accessible with the available time, funding and other research resources.
7. ‘Combination or mixed purposeful sampling’ implies mixing and combining various strategies from the proposed sixteen strategies.

LeCompte & Preissle (1993) suggested a similar approach to a purposeful sampling standpoint called ‘reputational and criterion-based’ case selection. The reputational sampling falls into the snowball or chain sampling strategy proposed by Patton (1990) and the criterion-based sampling is compatible to Patton’s criterion sampling strategy. In reputational case selection, the researcher relies on the recommendations of experienced academics or business experts in choosing the case studies, while in criterion-based selection, the researcher establishes specific criteria to select purposively the cases.

In brief, the current research combined the former approaches; i.e., ‘theoretical replication’ Yin (1994; 2003), the ‘purposeful sampling’ (Patton 1990) and the ‘reputational and criterion-based selection’ (LeCompte & Preissle 1993). This issue is explained in more details in the subsequent section (Section 3.5.4).

3.5.3 The Number of Cases

The number of cases to be conducted is a critical concern in case study research. In fact, there is no common agreement among the case study methodologists about how many cases a doctoral research or postgraduate research should contain. For instance, Eisenhardt (1989a, p.545) suggested that a researcher should discontinue conducting additional cases and interviewing additional respondents when he/she reaches ‘theoretical saturation’; that is, collecting repetitive data and hearing the same stories repeated again and again (Glaser & Strauss 1967). Other scholars recommended that the number of case studies is determined by the researcher himself (Romano 1989), and in qualitative research there are no general rules for the sample size (Patton 1990).

Further to the literature on methodology not provided an exact number of cases to be included in the case study design, few experienced case study researchers have suggested a guiding frame. For instance, with the multiple case design and the associated replication logic as in the case of the present research, Yin (2003, p.47) suggested that “a few cases (2 or 3) would produce similar results (literal replication), while, a few other cases (4 to 6) may create contrasting results and different patterns (replication logic). Eisenhardt (1989a, p.545) suggested, relying on his wide experience of case study strategy that between 4 and 10 cases are relatively sufficient. He indicated that with fewer than 4 cases, it is hard to generate theory with much complexity, unless the case has several cases; whereas with more than 10 cases, it is difficult to cope with the associated large volume of data and its complexity. Miles & Huberman (1994) proposed that the researcher should not carry out more than 15 cases in his/her research because exceeding 15 cases makes the research unachievable. Furthermore, taking into consideration the constraints of time and funding for postgraduate research, the range of 2 to 4 cases as the minimum and 10, 12 or 15 as the maximum is highly acknowledged and accepted by methodologists (Perry 1998).

In conclusion, five purposively selected cases excluding the pilot case study were undertaken in the current research. The process and justification of selecting these cases are discussed in the next section.

3.5.4 Process of Cases Selection

As mentioned earlier, identifying the primary unit of analysis of the research is instrumental to determining the research population and sample (Yin 1994; 2003). Consequently, based on the identified unit of analysis the research population was Western Australian parent firms which have established foreign direct investments (FDI); namely, greenfield (wholly owned investment) and joint venture firms. More specifically, the author focused on that population because that type of entry mode to foreign countries entails greater risk and immense financial and personnel commitment compared with any other type of entry in international business such as exporting, licensing, franchising, turnkey projects or temporary contracting firms (Hill 2003). Hence, selecting a beneficial foreign location for FDI is an extremely strategic and risky decision which requires wise and effective decision-making.

The procedures of case selection began with gathering data from three sources about Western Australian firms which have operations or businesses abroad; namely, the Western Australia Chamber of Commerce and Industry (WACCI 2003), the Western Australia Department of Industry and Resources (DoIR 2003) and the 'Business Who's Who of Australia Directory' (Dun & Bradstreet 2003).

As a result, a general list was prepared which included 97 firms engaged in international business with other countries, namely, Asia, Middle East, Europe and North America. Due to the unavailability of precise lists relevant to the research target population, telephone and electronic mail contacts were made with the 97 firms for refining and narrowing purposes.

In the first narrowing stage, firms which were engaged in export business relationships with other foreign countries, non-Western Australian owned firms and contracting firms such as construction firms, gold and mining exploration firms and turnkey projects were excluded from the list. Consequently, the final research population list incorporated only 22 firms and the size of firms ranged from small to large according to the Australian Bureau of Statistics standards (2002) as follows:

- Small businesses - businesses employing 5 or more people, but less than 20 people.
- Medium businesses - businesses employing 20 or more people, but less than 200 people.
- Large businesses - businesses employing 200 or more people.

Based on this list, a small number of Western Australian manufacturing firms were operating internationally, while the vast majority were professional service firms. Table 3.1 demonstrates the characteristics of these firms in relation to the type of business, the country of international operations and the size of the organisation.

Table 3.1: Western Australian firms with international operations

Number of firms	Type of business	Country of international operations	Size of firm
Manufacturing firms			
1	Manufacturing of pipe support equipment.	Indonesia, China	Large
1	Manufacturing and designing erection specialists of guyed masts and self-support towers.	Malaysia	Medium
1	Manufacturing of plumbing products.	China	Large
1	Manufacturing and designing medical products.	U.K, USA	Medium
Service firms			
1	Industrial power generation maintenance services.	Malaysia	Large
1	Applied science and engineering consulting services	Malaysia	Medium
1	IT & software services.	U.K	Medium
1	Chemical services (water treatment services).	United Arab Emirates (U.A.E)	Small
1	Management and project engineering consulting services.	United Arab Emirates (U.A.E)	Small
1	Tourism and travel services.	United Arab Emirates (U.A.E)	Large
1	Hospitality services.	United Arab Emirates (U.A.E)	Large
2	Oil and gas engineering consulting services.	United Arab Emirates (U.A.E)	Large
1	Building design and architectural services.	United Arab Emirates (U.A.E)	Small
1	Business and marketing services.	Bahrain, United Arab Emirates (U.A.E)	Small
1	Metallurgical consulting services.	Indonesia	Small
2	Engineering and project management consulting services.	Indonesia	Medium
1	Health, safety and environmental consulting services.	Indonesia	Medium
1	Extra low voltage control systems maintenance services.	Singapore	Large
1	IT and software services.	Singapore	Large
1	Innovative digital communication services.	Singapore	Medium

Source: Developed for the current research by the author based on the data of WACCI (2003), DoIR (2003) and Dun & Bradstreet (2003).

As Table 3.1 illustrates, there are only 4 manufacturing firms with diverse sizes operating in Indonesia, China, UK, U.S.A and Malaysia, whereas 18 service firms have offshore operations, i.e., 8 firms in the Middle East (the U.A.E), 4 firms in Indonesia, 3 firms in Singapore, 2 firms in Malaysia and one firm in the U.K.

The second main phase of the case selection process relates to choosing case organisations from among the identified research population list (4 manufacturing and 18 service firms). A set of criteria and strategies were therefore designed to combine the earlier case selection approaches and, hence, to select information-rich cases.

More precisely, the research case studies were selected based on Patton's combination or mixed purposeful sampling strategy (Patton 1990) through applying several sampling strategies (criterion, confirming and disconfirming, convenience, extreme and deviant and intensity sampling strategy). The reputational and criterion-based sampling (LeCompte & Preissle 1993) was also utilised by selecting two reputable Western Australian international firms (reputational sampling) and by setting up a set of criteria for selecting the cases (criterion-based sampling).

Recent research on plant location of local firms found that the firm's size has a significant influence on the nature of decision-making processes undertaken in selecting a plant's location (Ulaga, Sharma & Krishnanc 2002). Therefore, Yin's (1994; 2003) 'replication logic' was performed through selecting the cases based on theoretical replication wherein the selected case organisations were contrasting cases of different sizes and sectors; namely, two medium sized cases from the manufacturing sector and three from the service sector (two small and one medium firm) operating in different foreign countries. The established case selection criteria and strategies were as follows:

First, firms should be convenient, proximal and accessible for the researcher (Patton's convenience sampling strategy). *Second*, firms should represent the two sectors (manufacturing and service), from different sizes and operating somewhat in different foreign countries (Patton's confirming and disconfirming sampling strategy and Yin's theoretical replication approach).

Third, based on initial contacts with the final population list of 22 firms, the vast majority of international location decisions were made a long time ago (10- 25 years ago) and as a result the structure of the top management level in most firms has changed. Therefore, for validity and reliability purposes, one of the key and the most knowledgeable senior managers who participated in the entire process of selecting a foreign location still working for the firm and accessible (Patton's intensity sampling) were identified.

Finally, the main aim of the current research was not merely to describe the strategic decision processes undertaken by Western Australian firms in selecting foreign locations for their international operations, but also to develop and propose a ‘best practice’ decision-making model to significantly assist Western Australian internationalising firms in their country selection and foreign investments decisions. It was, therefore, crucial to explore various international location decisions carried out by the same firm to maximise an understanding of the international location decision-making process through the learning from the experience curve gained by the firm’s decision-makers throughout the location selection processes. As a consequence, two typical firms among the selected cases (one service firm and one manufacturing firm) should have international operations in two countries. Further, one firm should have made two successful decisions, while the other firm’s first decision has to be failed so as to capture the effect of that failed decision on improving the effectiveness of the second decision (Patton’s extreme and deviant case sampling).

Subsequent to the identification of the selection criteria and strategies, the entire research population was contacted via telephone and electronic email to determine the potential firms and the key and most knowledgeable senior managers involved in the international location decision-making process.

As a result, 16 firms were identified as potential participating firms and 6 were eliminated. The reasons for excluding these 6 firms from the list and their characteristics are shown in Table 3.2.

Table 3.2: Reasons for eliminating six firms from the case study’s population

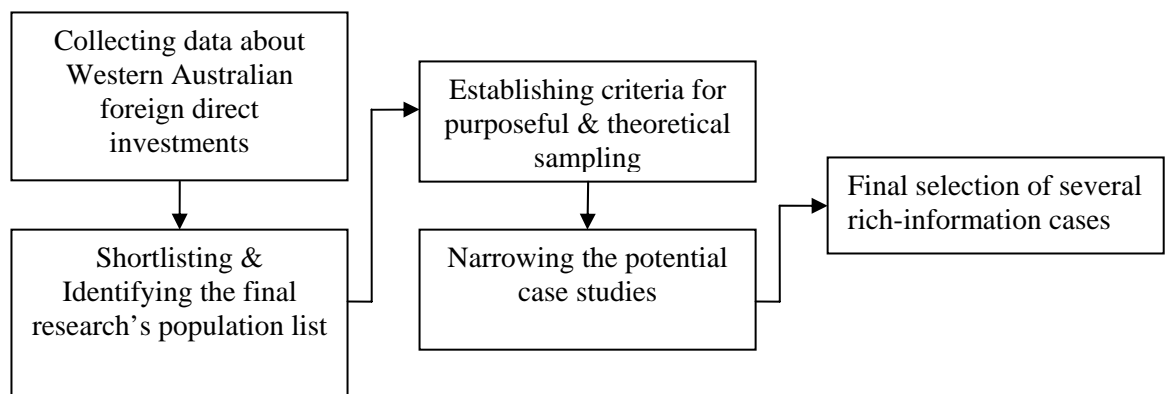
Number of firms	Type of firm	Country of international operations	Reasons for elimination
1	Engineering consulting services in oil and gas.	United Arab Emirates (U.A.E)	- Not proximal and accessible (the firm head office moved to another state).
1	IT & software services.	Singapore	- Not proximal and accessible (the firm head office moved to another state).
1	Health, safety and environmental consultants.	Indonesia	- Location decision-makers are not accessible and no longer working for the firm.
1	International applied science and engineering consulting services	Malaysia	- Location decision-makers are not accessible and no longer working for the firm.
1	Innovative digital communications	Singapore	- The foreign operation is closed and location decision-makers are not accessible
1	Manufacturing medical products.	USA	- Unavailability of knowledgeable location decision-makers.

Source: Developed for the current research by the author.

Additional short telephone conversations of 5 to 10 minutes were made with the identified key and most knowledgeable senior managers who participated in the international location decision-making process from the potential 16 firms (13 service and 3 manufacturing firms) to obtain supplementary information about the nature of the company's international operations. This resulted in identifying six cases which were the most rich-information and who had agreed to take part in the research project.

Accordingly, permission and approval from two firms was obtained for the collection of test data; one medium sized manufacturing firm and one small sized service firm. Subsequently, the remaining four firms were contacted but however, consent from only three firms was obtained. The chairman of the fourth firm could not join the study due to travelling commitments. The final three firms consisted of one manufacturing firm and two service firms; of these one manufacturing and one service firm each made two international location decisions. The process concerning the theoretical selection of case studies is illustrated in Figure 3.3.

Figure 3.3: The selection process of case studies



Source: Developed from the current research by the author.

In conclusion, five case studies which included seven international location decisions were purposefully selected and investigated in-depth. The number of cases was consistent with guidelines on the number of case studies for research suggested by methodologists.

Furthermore, following the implementation of the initial three cases and during conducting the fourth and the fifth case studies, the researcher noted the collecting of repetitive data concerning the main phases comprising decision-making processes undertaken in selecting international locations and 'theoretical saturation' was reached as suggested by Eisenhardt (1989a). The characteristics of these selected case studies are shown in Table 3.3.

Table 3.3: Characteristics of the selected five case studies

Firm name	Type of firm	Number of international location decisions examined during the data collection process	Ownership structure for international operation	Size of firm
A	Manufacturing of pipe support equipment.	Two location decisions (Indonesia, China).	Joint venture	Large
B	Manufacturing of plumbing products.	One location decision (China).	Joint venture	Large
C	International marketing consulting services.	Two location decisions (Bahrain, U.A.E)	Greenfield	Small
D	Tourism and travel service.	One location decision (United Arab Emirates (U.A.E)).	Greenfield	Large
E	Chemical services (water treatment services).	One location decision (United Arab Emirates (U.A.E)	Greenfield	Small

Source: Developed from the current research by the author.

As can be seen from Table 3.3, two large size manufacturing firms from assorted industries were selected, of these one firm made two international location decisions: one a failed decision the other successful one. Further, of the three service firms from various businesses two were small size firms and one a large firm; of these, one firm made two successful international location decisions.

3.6 Data Collection Methods and Techniques

Case study research can include both qualitative and quantitative data and recent methodologists have identified several techniques of data collection of case study based-research but it is not necessary to utilise all of these methods (Bogdan & Biklen 1982; Patton 1990; Stake 1995; Yin 1994; 2003). These techniques encompass (1) interviews, (2) questionnaire, (3) archival records, (4) direct observation, (5) participant observation, (6) documentation and (7) physical artifacts. In general, the type of the event being investigated and the availability of and accessibility to these various data collection methods determine the appropriate method for collecting the case study data (Stake 1995, Yin 1994; 2003).

As pointed out by Bogdan & Biklen (1982) interviews can be used either as a major method for data collection in qualitative research or in combination with other sources of data such as document analysis, observation or other techniques. Therefore, the current researcher relied on in-depth interviews as a primary data source and method because most of the investigated seven international location decisions were made a long time ago thus it was difficult to find

documents or archival records related to these decisions in most of the undertaken cases studies, a situation recognised by Mintzberg, Raisinghani & Theoret (1976). In addition, direct observation, participant observation and the interrelated physical artifacts were unfeasible, inaccessible and impossible to be employed in the current research because simply all the examined seven international location decisions as well as decisions of the entire research population (22 firms) were made and implemented in the past. As a result, these decision processes were only able to be explored after completion and the researcher, therefore, had to be dependent on supplementary data sources in conjunction with face-to-face, in-depth interviews in the current research to incorporate the case study database for each single case and mainly triangulate the interview data.

Other sources besides document review were: (1) a questionnaire which was designed following the interview sessions, (2) field notes which were taken during the visits to the selected five case firms and during the interview course, (3) internet sources available at the firm's website which contained information about the firm's background and international operations (4) follow-up telephone and electronic mail contacts made subsequent to the interviews to clarify interviews related data and obtain additional information about the research issues. Each of these data collection methods is explained under the next sub-headings.

3.6.1 Face to Face In-depth Interviews

Qualitative researchers argue strongly that interviewing is an essential and fundamental data collection technique of any qualitative research (Bogdan & Biklen 1982; Cavana, Delahaye & Sekaran 2000; Denzin & Lincoln 2003; Hannabuss 1996; Kvale 1996; Patton 1987, Perry 1998; Ueltzhoffer & Ascheberg 1999; Yin 1994; 2003).

For instance, Patton (1987; 1990) emphasised the importance of using interviews in qualitative and case study research by stating that through interviewing individuals and directly asking them questions about how they arrange their world, the researcher enters those persons' worlds and perspectives, thus, discovering what is on their mind. Similarly, Yin (2003, p.92) supported this premise by affirming that:

Overall, interviews are an essential source of case study evidence because most of case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a situation. They also can provide shortcuts to the prior history of the situation, helping you to identify other relevant sources of evidence.

Other methodologists assert that the interview is an important qualitative data gathering method because qualitative research is mainly concerned with seeing and understanding the full picture of the event being studied and that can be achieved only by the interview approach (Denzin & Lincoln 2003; Kvale 1996). Moreover, experienced organisational strategy theorists have shown that in-depth interviews as a participant recall method is unarguable the most dominant and principal method for examining a strategic decision-making process (Eisenhardt 1989b; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Papadakis, Lioukas & Chambers 1998). As Mintzberg, Raisinghani & Theoret (1976, p.248) stated:

The strategic decision process may be researched by observation, by study of organizational records, and by interview or questionnaire. Investigation of records is often impossible because strategic decision process seldom leave reliable traces in the files of the organization ... Observation is certainly a powerful and reliable method, but extremely demanding of research resources because strategic decision processes typically span periods of years; often forced to study the process after completion, therefore, the researcher is obliged to rely heavily on interviewing. The best trace of the completed process remains in the minds of those peoples who carried it out.

Correspondingly, exploring the processes of international business as the subject matter of the current research, the qualitative personal interview is the most useful method offering immense strength and richness to the collected data through entering the mindsets of the top executives and gaining access to their international business experiences (Yeung 1995). Furthermore, the location decision of international firms is a strategic and complex decision (Carla 1994) and it is more multifaceted compared with the location decision of domestic firms because it involves more risk and uncertainty due to various environmental tangible and intangible factors, hence each firm makes that decision under different conditions and with different goals and criteria depending upon the firm's overall strategy (Allen 1991). Therefore, the flexibility and direct views obtained during personal interviews allows for a deepening of understanding of the strategic decision process undertaken in selecting the location of the international operation (Allen 1991).

In effect, the in-depth interviews were conducted using a semi-structured interview mode because the area of location decision-making in international business is a relatively new area of research and the researcher has good interview skills to manage the interview process effectively (Cavana, Delahaye & Sekaran 2000). Furthermore, one of the influential strengths and advantages of the semi-structured interview technique for the current research was exploring the research issues thoroughly as it provided opportunities for both interviewer and interviewee to discuss the topics in more detail, allowing the interviewees to freely and fully express their views, beliefs and thoughts (Lofland & Lofland 1995; Mathers, Fox & Hunn 1998; Sampson 1972, cited in Jarratt 1996).

Moreover, since multiple case studies were conducted and each considered as a single experiment (Yin 1994; 2003), the flexibility and elasticity which distinguish semi-structured interviews allowed changing and modifying of interview questions when required to gain rich, reliable, valid and accurate data through directing the interview process and asking the same question in different ways to explain the same issue (Mathers Fox & Hunn 1998; Papadakis Lioukas & Chambers 1998). Accordingly, the interview closed questions were emerged as a result of the discussion and based on the interviewees answers to the open questions during the interview session; they were not predetermined by the interviewer prior to the interview.

In the context of the general field of strategic decision-making, the in-depth semi-structured interviews were utilised extensively (Eisenhardt 1989b; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Papadakis, Lioukas & Chambers 1998) particularly in the area of location decision-making process of domestic firms (Ulaga & Sharma 2001) and international firms (Allen 1991; Haigh 1990).

3.6.1.1 The Number of Interviews

Referring to the issue of the number of interviews required for qualitative or case study research, the recent literature has shown no harmony or agreement among methodologists about how many interviews general or postgraduate qualitative research within the available limited time and resources should contain. Therefore, there are no rules governing the number of interviews and sample size in qualitative research depends on the purpose of the study and available time and resources (Dick 1999; Glaser & Strauss 1967; Lincoln & Guba 1985; Nair & Reige 1995; Patton 1990; Patton 2002; Strauss & Corbin 1998). Moreover, experienced methodologists suggest that the qualitative researcher should keep on interviewing participants from the research population until he/she reaches 'stability' or 'saturation point' during the interview process wherein no new information emerges (Glaser & Strauss 1967; Nair & Reige 1995; Patton 1990).

Similarly, experienced theorists in the field of strategic decision-making have shown that sample size in qualitative research is contingent on the type of event being investigated and a small sample is proved to be successful and valuable, as Mintzberg (1979, pp.583-584) asserted that "... the choice obviously depends on what is to be studied. But it should not preclude the small sample, which has often proved superior". Some researchers in strategic management have reached the stability or saturation point in the interview process after 6 interviews, by using in-depth semi-structured interviews (Manning 2004), other researchers in the marketing

field have reached the stability after 10 interviews each of which lasted approximately one hour, by using in-depth semi-structured interviews (Rao, Perry & Fraser 2003).

It has been strongly argued that organisational strategy data should be collected from the most knowledgeable senior managers regardless of the number of informants to ensure the trustworthiness and validity of the data (Birnbaum 1985; Huber & Power 1985; Papadakis Lioukas & Chambers 1998). Correspondingly, in the broad area of strategic decision-making, this premise was supported strongly and adopted widely by experienced organisational strategy scholars (Anderson 1983; Birnbaum 1985; Bourgeois & Eisenhardt 1988; Eisenhardt 1989 b; Haigh 1990; Huber & Power 1985; Krabuanrat & Phelps 1998; Mintzberg, Raisinghani & Theoret 1976; Papadakis, Lioukas & Chambers 1998; Shrivastava & Grant 1985; Ulaga & Sharma 2001). As Huber & Power (1985, p.174) stated:

Because the units of analysis are so costly to assess in studies of strategy and policy formulation, and because much of the information about a given event must be obtained from a single key informant, it is extremely important that the data collected be as accurate as possible. Consequently, it is crucial that researchers collect their data from the most appropriate person in the organization.

In conclusion, based on the former debate, in each of the conducted five cases, in-depth interviews were conducted with the available and most knowledgeable senior managers who participated significantly in the foreign country selection process. Each interview session lasted approximately two and half hours to three hours using a semi-structured interview guide. Five senior managers were interviewed, one director from each firm. In addition, stability and theoretical saturation in the interviews and case studies was reached after three cases. Moreover, the number of the purposefully selected cases represented a high rate (31%) of the total potential participating firms (Dick 1999).

3.6.2 Questionnaire Instrument

Two questionnaires were used in the current research as shown in Appendix A. The first (the company and the international location decision background questionnaire) was used to collect background information about the organisation and the international location decision such as information relating to business activities, foreign operations, organisational structure and other international location decision related data. It was sent to each selected organisation to the identified informants prior to the interview and then was collected by the researcher following the interview session. The second questionnaire, (county selection process questionnaire) was prepared and designed following the in-depth interviews with the five selected organisations and the initial data analysis. As mentioned earlier, given that not all organisations kept

documents related to their international location decisions, the questionnaire aimed to triangulate the interview data and to gather additional relevant information and was not designed for statistical generalisation. As shown in Appendix A, the questionnaire was a five-scale instrument and contained closed questions about the steps and phases involved in the international location decision-making process and its sequence, as well as some questions about the country, city and site factors. In addition, the questionnaire incorporated some questions adopted from Ranganathan & Sethi (2002) to examine the extent to which the decision process was rational.

3.6.3 Follow-up Telephone Interviews and Electronic Mail Contacts

Subsequent to the interview session with each selected organisation, follow-up short telephone interviews and electronic mail contacts were made with the participants to clarify issues related to the international location decision-making process. In addition, following the preparation of the case study finding, the reports were sent via electronic mail to the participants to be reviewed to validate interview data and to assure the confidentiality of participants' interview responses by allowing them freedom to make any changes where appropriate for accuracy.

3.6.4 Documents Review When Available

As discussed earlier, it was difficult to find documents relating to the strategic decision in general and since the vast majority of the investigated international location decisions were made a long time ago, it was hard to obtain relevant documents from the organisations. Nonetheless, documents which included letters, memoranda, agendas, announcements and minutes of meetings and administrative documents were gathered when available after the interview course and reviewed during the data analysis process to triangulate the in-depth interview data.

3.6.5 Field Notes

The field notes or the case study notes represented a common element of the case study database for the current research in conjunction with the in-depth interview data, documents, questionnaire data, internet data and data gathered through follow-up telephone interviews and electronic mail contacts.

They included handwritten notes in relation to the interviewer's observations and impressions taken during the field visit to each organisation and during the interview courses.

3.6.6 Internet Sources

The selected five cases had internet websites which contained some information about the company history, mission, products and international operations. This information was used as a secondary source of data to obtain additional information about the organisations.

3.7 Case Study Data Collection Procedures

The data collection procedures for the case study involved three main stages. The first stage began with designing and preparing the case study protocol followed by conducting a pilot case study to refine the pre-planned case study protocol and ended with the collection of data from the field. The details of these three stages are explained in the next sub-headings.

3.7.1 Case Study Protocol

Case study protocol was planned prior to the data collection process and not only included the interview instrument, but also the procedures and actions required to pursue in using the instrument. The case study protocol established the entire data collection process and it is regarded as a necessary part of the case study research. As suggested by Yin (2003, p.69) and can be seen in Appendix A, the case study protocol for the current research incorporated four main sections as follows:

- An overview of the case study research project (objectives, issues, topics being investigated).
- Field procedures (gaining access to sites, sources of information, timetable of data collecting activities).
- Case study questions (specific questions that the investigator must keep in mind during data collection).
- A guide for case study report (outline, format for the narrative).

Case study questions are the centre of the current research as they represent the interview guideline questions and they are posed by the investigator to remind him/her of the data to be

collected and its possible sources (Yin 1994; 2003). Case study questions or the case study interview instrument is explained in the next section.

3.7.1.1 Case Study Interview Instrument

The questions of the case study interview guide were mainly open-ended, broad and indirect questions (Haigh 1990) and designed to collect rich, deep and comprehensive information about the strategic decision-making processes carried out by the selected firms in selecting the foreign location for international operations. The interview guide as a part of the case study protocol is presented in Appendix A.

Some open-ended questions covered principal issues related to the background of the initial internationalisation decision. Other core questions dealt with the steps and phases involved in the international location decision-making process. Likewise, other open-ended questions were incorporated in the interview guide to address the critical success factors contributing to achieving a beneficial foreign location choice.

Given that the current research aimed mainly to develop international location decision-making model, questions were organised to capture any suggestions and recommendations by the participants to improve the effectiveness of future international location decision-making and to learn from their experiences. The final type of open-ended question was formed to triangulate and validate answers to the earlier questions. On the other hand, questions emerged during the interview sessions relating to the issues raised from answering the broad open-ended questions by interviewees such as:

- How did you select the foreign region, country, city and site through one management decision process? What was the source of the information?
- How many alternative countries, cities, and sites did you develop?
- How did you use any mathematical methods in evaluating the country options?

3.7.2 Pilot Case study

The pilot case study was the final stage prior to commencing gathering the actual data from the field and it is recommended for case study researchers who adopt the multiple case study design. As indicated by Yin the (2003, pp.78-79) the pilot case study mainly assists the investigator to refine the interview instrument and to improve the data collection procedures and research design. Nevertheless, the pilot case study is not a 'pretest' case in which the refined data collection plan is used as a final plan for conducting the actual case studies, but represents a

training course for the investigator with respect to the data collection plan and skills. In addition, the researcher can modify and change his/her case study questions and data collection procedures when appropriate following performing each case study, but remaining focused on the same research issues. According to Yin (2003) the selection of the pilot study is determined by three main criteria, convenience, access and geographic proximity. As a result, the pilot case study in the current research was based on these former criteria. Permission was obtained from a leading manufacturing company in Syria to conduct the pilot case study. The details of the pilot study concerning company's background, data collection techniques and procedures and case findings are explained in the pilot case study findings in Appendix C.

In conclusion, the outcomes of the pilot study were fruitful and, accordingly, modifications were made to the data collection procedures, especially to the case study interview instrument. The interview data of the pilot case study were analysed manually by using the approach proposed by Miles & Huberman (1994) through developing categories, themes and patterns using categorical aggregation for data gathered in the interviews.

3.7.3 Process of Collecting the Field Data

Prior to collecting the field data, the researcher completed the ethical application requirement of data collection for research at Curtin University of Technology in Perth, Australia. In the ethical application, the researcher explained how participants were to be informed about the research project and how the data was to be collected. In addition, assurance as to the confidentiality of the interviewees' responses and identities during the data collection and analysis processes was given by the researcher. Having obtained approval from the ethics committee data collection began following the guidelines suggested by Dick (1999):

1. Contact the respondents.
2. Explain the purpose of the research project to respondents.
3. Establish good unbiased relationship with the respondents.
4. Determine a date, time and venue for the interview course.

At the outset, telephone contact was made with the identified major and most knowledgeable senior managers from the parent firms that participated in the international location decision. The telephone conversations lasted 5-10 minutes and aimed to explain the research purpose and interview questions to participants and determine a date, time and venue for the interview sessions. Later, upon the request of the participants made during the telephone conversations, the consent form and a participation information sheet which included a brief description about the research purpose and interview questions and the company and international location decision process background questionnaire were sent to them.

Given that all participants were heads of firms and were very busy, the requested interview time was long (two and a half hours to three hours), there was a deliberate attempt not to put any pressure on them concerning the interview arrangements; hence, the interviews were conducted at a date, time and venue convenient and suitable for them. The participants were contacted by telephone and an agreed date, time and the venue was set for the interview sessions. Arranged dates and times were confirmed with the participants' personal secretaries by telephone a couple days prior to the interview dates. The telephone contacts with the senior managers created a friendly atmosphere between the researcher and the participants and contributed significantly to the success of the interview sessions and the case study field procedures. All in-depth interviews were conducted over a period of three months. The identified senior manager from each firm was interviewed in depth using the modified semi-structured interview guide for approximately two and half hours to three hours in his office (all the senior managers were men) located in the firm's premises. The length of two and a half hours to three hours interview session was adequate to gain rich and comprehensive picture about the international location decision-making process. Details of the key senior managers who participated in the international location decision-making process and the position of the available most knowledgeable senior managers who were interviewed in each firm are illustrated in Table 3.4.

Table 3.4: Case studies interview details (15 December 2004 - 15 March 2004)

Firm name	Senior managers participated in the international location decision	Available senior managers	Senior managers were interviewed
A	Managing director and other director	Managing director	Managing director
B	Managing director and three other directors	The recent managing director who was key location decision maker.	The recent managing director who was key location decision maker.
C	Group managing director	Group managing director	Group managing director
D	Group executive director and other two directors.	Group executive director	Group executive director
E	CEO and two directors	CEO	CEO

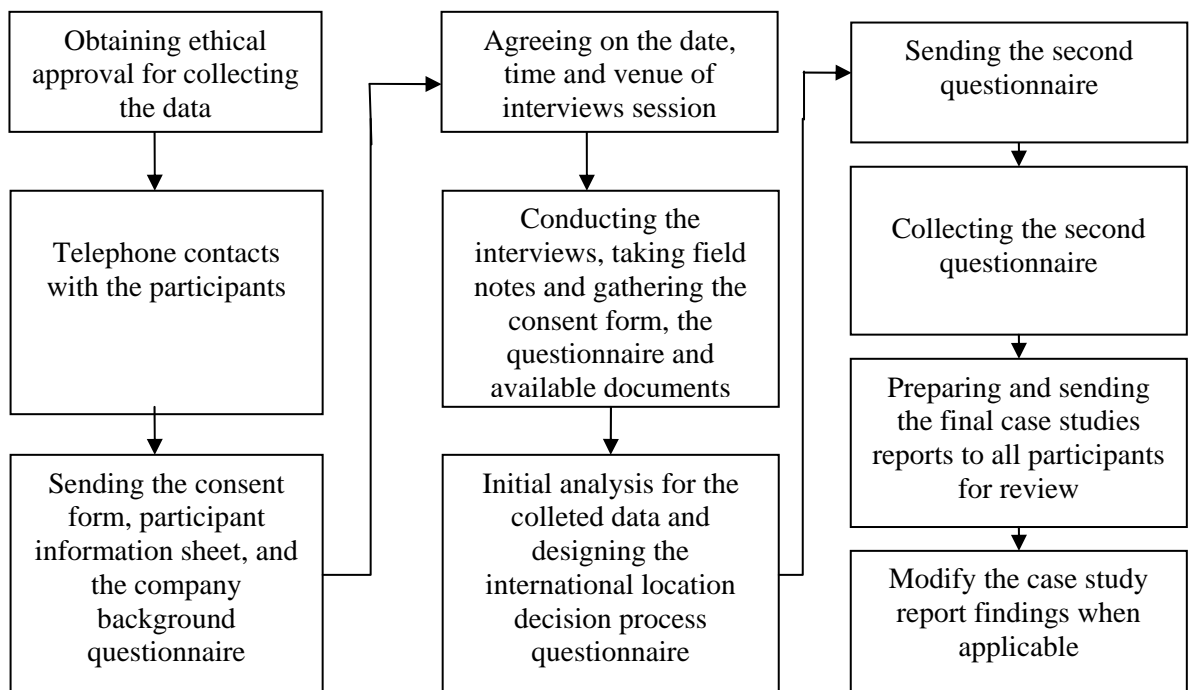
Source: Developed from the current research by the Author.

In summary, the five in-depth interviews lasted a total of approximately twelve and half hours to fifteen hours; they were carried out to investigate seven international location decisions within the five selected cases studies. Interviews were recorded using two high-quality voice recorders, one digital recorder and one normal small tape recorder. Recording the interviews provided more a accurate interpretation and rendition of any interview than any other method (Yin 2003, p.92) and it reinforced the accuracy of recalling the interviewee's responses to interview questions (Given 2004). Moreover, the transcription of the recoded interviews was

used to analyse the interview data in a more precise, methodical and comprehensive mode than any other methods such as handwritten notes (Ticehurst & Veal 2000). In addition, handwritten field notes were taken during the visits to the firms' sites and during the interview sessions.

Subsequent to each interview session, the consent form and the company and the international location decision background questionnaire and available documents relating to the location decision were gathered from each firm. Later, following the interview, short follow-up telephone contacts were made to clarify some issues related to the international location decision process. The outcomes of the preliminary study analyses of the data collected via in-depth interviews, field notes, international location decision and company background questionnaires, documents when available, internet sources, and telephone follow-up interviews, were used in designing the second questionnaire (international location decision process) in order to triangulate the collected data. Once the questionnaire was completed, it was sent by electronic mail to the five key participants and collected again by the author. The in-depth interview data of each case study, in conjunction with the second questionnaire data and other data sources were analysed and the final individual case study report findings were prepared. The final step in the data collection process related to *participant validation* (Lacey & Luff 2001); the case study reports were sent by electronic mail to participants for review and to make changes when applicable. However, no significant modifications were made to the case study reports. The discussed data collection procedures are shown in Figure 3.4.

Figure 3.4: Procedures of collecting case study field data



Source: Developed for the current research by the Author.

3.8 Methods of Analysing Case Study Data

Overall, qualitative data analysis refers to the large volume of words obtained by interviews or observations which require describing and summarising and subsequently the researcher has to look for relationships between various themes that have been emerged throughout the analysis process so as to answer the research questions (Lacey & Luff 2001). Qualitative analysis also means theoretically interpreting the textual data by means of explicit analytic tactics to transform the raw data into a new and logical interpretation and description of the event being investigated (Thorne 2000). Data analysis is also viewed as the process of organising, categorising and meaningfully interpreting the data (Creswell 1994; Maione 1997). In view of the fact that qualitative research deals with words rather than numbers, there are few accepted rules and standardised procedures for analysing the qualitative data; hence, a number of data analysis techniques came into sight (Bourgeois & Eisenhardt 1988; Miles & Huberman 1984). Nevertheless, any analysis technique should be returned to the conceptual framework and the research questions or hypotheses and, thus, the collected qualitative data must be categorised through and assessed with respect to the research questions posed and the identified concepts (Maione 1997; Ticehurst & Veal 2000).

Analysing data collected through the case study approach is the crux of building theory from case studies (Eisenhardt 1989a); therefore, the researcher should have an analytic strategy for appraising the case study data (Yin 1994; 2003). According to Yin (2003, p.109) case study data analysis consists of “examining, categorizing, tabulating, testing, or otherwise recombining both quantitative and qualitative evidence to address the initial propositions of a study”. Two main stages of analysis are recommended for multiple case study research, that is., within-case analysis and cross case analysis (Ayres, Kavanaugh & Knafl 2003; Creswell 1998; Eisenhardt 1989a; Yin 1994).

Within-case analysis entails analysing the collected qualitative and quantitative data of each case study independently after which the researcher concludes the findings about the research issues for each individual case. Yin (2003, pp.111-115) described three main analytic strategies for within-case study analysis. The first strategy related to relying on the theoretical propositions of the research which are derived from the literature review and which reflect the research questions. As a result, the research propositions assist the researcher to focus on certain data and disregard other data and to define alternative explanations to be examined. This strategy is appropriate when the research propositions or hypotheses are about cause-effect relationships and when the research questions are ‘how’ or ‘why’. The second strategy is to identify and test rival or contrasting explanations and this strategy is related to the former strategy and suitable when the original theoretical propositions may have contrasting hypotheses. The final strategy is to develop a detailed description, narrative, account, story or

report for each single case study. The case study report describes and organises all the case study information. This strategy is extremely appropriate when the research does not include theoretical propositions or when the first and second strategies are hard to employ (Yin 2003, p.114). The case study report strategy is the most dominant analytical strategy in the field of strategic decision-making as was the case with the current research and was employed extensively in the existing strategy literature (Allison 1971; Anderson 1983; Bourgeois & Eisenhardt 1988; Carter 1971; Eisenhardt 1989b; Janis 1982; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Ulaga & Sharma 2001). Further, Yin (2003) identified the pattern matching technique as one of the most desirable analytic techniques to be used in within-case analysis. Pattern matching is appropriate, particularly for exploratory studies. The technique entails comparing empirically based patterns with expected or predicted one.

The second suggested stage of data analysis in multiple case study research relates to cross-case analysis which implies searching for cross-case patterns. Eisenhardt (1989a, pp.540-541) suggested three major cross-case analytic strategies. The first is to categorise cases based on certain dimensions and then search for similarities and differences among the group of cases. The second is to choose two cases and list the similarities and differences between them. The final strategy is to break up the data by data source such as one researcher works on interview data, while another reviews questionnaire data.

These former cross-case searching strategies obligate the researcher to exceed his/her preliminary notions and perceptions and enhance the possibility of a precise and reliable theory consistent with the data. It also boosts the probability for the researcher to conclude unique findings which the data might contain (Eisenhardt 1989a).

Miles & Huberman (1984; 1994) proposed a three-phase data qualitative analysis methodology which can be applied to within and cross-case analyses of the qualitative data in multiple case study research. This methodology involves the following phases:

- Data reduction
- Data display
- Conclusion drawing and verification

Data reduction implies organising and reducing a large volume of collected qualitative data and field notes. It also refers to the course of selecting, focusing, simplifying, summarising and converting the data of written field notes and the transcribed interview data (Miles & Huberman 1994). As a major element of this phase, the data requires summarising and coding and finally categories and themes need to be created in accordance with the predetermined research questions. According to Miles & Huberman (1994, p.83) coding refers to “tags or labels for assigning units of meaning to the descriptive or inferential information compiled

during a study”. Coding can be performed through using numerical or written codes to categorise certain portions of data which match different themes (Lacey & Luff 2001). The identified research questions and the research conceptual framework represent principal guidelines for the data analysis as the researcher (analyst) has to search for answers to the research questions within the data (Maione 1997). Nonetheless, during the data analysis the researcher has to be able to bring to mind new senses and meaning from the data being analysed and consequently any emerging new pattern needs to be addressed in the second phase of data analysis (data display) (Miles & Huberman 1994).

Data display as a second phase entails presenting the reduced data in organised and understandable shape to allow the researcher to reach conclusions about research issues. According to Miles & Huberman (1984, p.21) “all displays are designed to assemble and organize information in an immediately accessible, compact form, so that the analyst can see what is happening and either draw justified conclusions or move on to the next-step analysis which the display suggests may be useful ”. Word or diagrammatic form such flow charts, tables and other graphics can be used to assemble and systematise the information. In addition, a matrix can be applied for analysing patterns of responses to the research question.

Conclusion drawing and verification as the final phase of the three-phase data analysis methodology is also known as the interpretation phase (Creswell 1994; Wolcott 1990) and it implies giving meaning and sense to the analysed data through searching for a descriptive patterns in the data. According to Miles & Huberman (1994) drawing conclusions means simply recognising the meanings of the analysed data and evaluating the implications of these meanings, while verifying refers to the meanings emerging from the data and which have to be tested for their sturdiness and conformability, that is, their validity.

In conclusion, within-case and cross-case analyses were carried out in analysing the data of the current research. The case study description, report or story was used as an analytic strategy for within case analysis due to its wide deployment in previous strategic decision-making research. Further, the pattern or theme matching was compared with the emerged themes with patterns derived from the literature review.

In cross-case analysis, categorising the case studies based on the size and type of industry such as large firms vs. small firms, manufacturing firms vs. service firms and followed by search for similarities and differences among these categories was adopted as an analytic strategy for cross-case pattern (Eisenhardt 1989a). Furthermore, the three-phase data analysis methodology (Miles & Huberman 1984; 1994) was employed in analysing the data of the case studies. The procedures of data analysis are discussed in the next section.

3.8.1 Case Study Data Analysis Procedures

The within-case analysis was performed first followed by cross-case analysis involving analysing independently the data of each case study collected mainly via in-depth interviews, the second questionnaire (international location decision-making process questionnaire), field notes, follow-up telephone short interviews and documents when available. Once the within-case analysis for the five case studies was completed, a cross-case analysis was carried out by using the formerly discussed strategies. The main procedures incorporated in within-case analysis process are as follows:

First Phase: All the interviews were recorded during the interview sessions using two high quality recording devices, one digital recorder and a normal tape recorder.

Second Phase: The author began transcribing the first interview; however, because it consumed so much time, the recorded interviews were transcribed verbatim by a professional audio-typist and checked by the researcher word by word for accuracy and to fill in any gaps missed by the audio-typist. Each one hour interview produced 13-16 pages of transcriptions and took approximately 4-5 hours for checking by the researcher.

Third Phase: Prior to commencing analysis of the data, the author consulted doctoral colleagues who had carried out research using qualitative data and NVivo. In addition, the author reviewed handbook sources in relation to qualitative data analysis. The data was first analysed using Microsoft Excel spreadsheets (Swallow, Newton & Van Lottum 2002) and subsequently, since the research is not looking for cause-effect relationship and each case study was analysed separately, the use of Nvivo software was limited to coding and developing categories (Gibbs 2002).

Fourth Phase: The researcher listened carefully to the tape interviews more than once time, reading the interview transcriptions thoroughly and listening again to the key ideas and themes captured which are linked to the main research questions (Swallow, Newton & Van Lottum 2002). The field notes which taken during the site visits to the participating firms were very valuable and necessary in assisting the author in preliminary identification for the anticipated main themes about the international location decision story.

Fifth Phase: A report was created for each case study as the focal point of within case analysis through combining the interview data into narratives (story style). The case study report (as shown in Chapter 4) included several themes which described the main managerial procedures as well as critical success factors involved in the comprehensive international location decision-making process, reflections and answers to the research questions posed in Chapter 2. These themes were developed by utilising the processes of data reduction and display, whereas the

process of drawing conclusions and verifications was employed following the cross-case analysis. The data reduction process began with coding or indexing the data of interview transcriptions into categories and, consequently, abbreviated codes of few letters were assigned for emerging themes or patterns to assist in organising the data into categories. Subsequently, core categories for the emerging themes and pattern were established and a descriptive label (name) was given for each category. The categories were defined after working on the data and as a result of the data reduction stage and broken into sub-categories when appropriate.

As a result, the core categories represented the main phases of the international location decision-making process (answer to research question one) and the critical success factors (answer to research question two), while the sub-categories represented the actions, factors, attributes and elements of each main decision phase. Afterwards, the data of within-case analysis was displayed using texts and tables. Initially, the author began by displaying separately each core category and sub-category by using texts and tables, and ended with displaying the themes reflecting the research questions through of case summary tables provided in Appendix C. Later, these summary tables were utilised in the cross-case analysis. In the cross-case analysis, the relevant findings of the five case studies were displayed by using a matrix to capture the similarities and differences among the cases.

Sixth Phase: Finally, the process of interpretation and conclusion drawing and its verification was undertaken to the complete cross-case analysis. Conclusion drawing is discussed in Chapter 6 and it implied attaching meaning, sense and significance to the cross-case analysis and findings, whereas verification or validity is explained in detail in the next section (Section 3.9) and involved re-examining and revising the analysed data as required to verify and confirm the emerging conclusions.

In brief, the within and cross-case analyses and results are explained in detail and displayed in the next two chapters (Chapters 4 and 5) and a sample of the adopted data analysis methodology during the analysis course of the current research is provided in Appendix B.

3.9 The Quality of Case Study Research Design

Ascertaining and maintaining rigour is an indispensable component of all research in general and of case study research in particular (Byrne 2001; Guba & Lincoln 1994; LeCompte & Goetz 1982; Miles & Huberman 1984; 1994, Mill & Ogilvie 2003; Yin 1994; 2003). Therefore, the author complied with certain established criteria and performed logical assessment during the case study research design, data collection and data analysis to assure the rigour, believability and trustworthiness of the research findings. These coherent tests incorporated validity,

dependability/reliability and transferability/generalisation (Byrne 2001; Guba & Lincoln 1994; LeCompte & Goetz 1982; Miles & Huberman 1984; 1994, Mill & Ogilvie 2003; Yin 1994; 2003). Yin (2003, p.33) considered that these former tests have been generally utilised to establish the quality of empirical research in social science and seeing as the case study is a shape of social research, the tests are applicable to the case study research. The tests and the relevant tactics which have been undertaken in the current research are used to assure the rigour, the quality and the credibility of case study research as discussed in the next sub-sections.

3.9.1 Validity

Validity refers to the accuracy and trustworthiness of instruments, data and findings in the research (Bernard 2000). In general, validity is concerned with the accuracy and correctness of scientific findings and in order to maintain it in research, the researcher has to establish the degree to which the findings successfully reflect the empirical reality of human experiences (LeCompte & Goetz 1982). There are three main types of validity which require to be evaluated in any research, that is, construct, internal and external validity.

3.9.1.1 Construct Validity

Construct validity refers to establishing correct operational measures for the theoretical concepts being investigated by linking the data collection questions and measures to research questions and hypotheses (Rowley 2002; Yin 1994; 2003).

Construct validity was fulfilled in the current thesis by: (1) designing case study protocol questions and asking questions during the interview sessions which effectively captured a comprehensive and rich understanding about the research main issue relevant to the international location decision-making process (Rowley 2004; Yin1994; 2003), (2) maintaining the chain of evidence through ensuring the accessibility of the field guide to data collection, the case study notes and providing adequate illustration in the case report to the evidence contained in the database (Bourgeois & Eisenhardt 1988; Rowley 2004; Yin 1994; 2003), (3) using multiple sources of evidence (triangulations) such as in-depth interviews, questionnaires and documents (Byrne 2001; Bourgeois & Eisenhardt 1988; Rowley 2004; Yin 1994; 2003) and finally (4) by sending a summary of case study reports to participants for validating the evidence and for feedback about the research findings (respondent validation) (Eisenhardt 1989; Lacey & Luff 2001; Rowley 2004; Yin 1994; 2003).

3.9.1.2 Internal Validity/Credibility

The terms credibility and internal validity were used interchangeably in the literature (Byrne 2001) and they imply that the researcher has to ascertain established relationships between dependent and independent variables (Yin 1994; 2003). In point of fact, the internal validity is required and used in explanatory or causal studies and not in the descriptive or exploratory research as was the case in the current research (Yin 1994; 2003). However, the author satisfied this criterion by using the pattern-matching through matching and contrasting the emerged themes during the data analysis with the established themes or pattern in the exiting literature reviewed in Chapter 2 (Bourgeois & Eisenhardt 1988; Rowley 2004; Yin 1994; 2003). In addition, as mentioned earlier, using different sources of evidence (triangulation method) (Byrne 2001; Denzin & Lincoln 2000; Jick 1979; Perry 1998; Stake 1995) and involving a doctoral colleague in the data analysis process who was outside the direct environment of the study and knowledgeable about qualitative data analysis (Byrne 2001), satisfactorily fulfilled the internal validity/credibility condition.

3.9.2 Generalisation/ External Validity/Transferability

Terms such as generalisation, generalisability, external validity (Yin 1994; 2003), transferability and applicability (Byrne 2001) were compatibly used in the literature. Overall, generalisation/external validity/transferability refers to the extent to which the research's findings can be generalised beyond the immediate case study and applied to other contexts or to other cases of the research entire population (Byrne 2001; Yin 1994; 2003).

Given that “the purpose of the case study is not to represent the world, but to represent the case” (Stake 1994, p. 245) and case studies have to be selected based on ‘theoretical sampling’ and not on ‘random sampling’ as with quantitative research (Eisenhardt 1989a; Glaser & Strauss 1967; LeCompte & Preissle 1993; Patton 1990; Perry 1998 Stake 1994; Yin 2003), the ‘analytical generalisation’ is applied to case study research and not ‘statistical generalisation’ as in quantitative research which deals with large randomly selected sample (Yin 1994; 2003). Analytical generalisation means to what extent are the findings of the conducted case studies replicated and constant (Yin 1994; 2003).

External validity or generalisation was accomplished in the current study by: (1) using replication logic in the multiple case design (Yin 1994; 2003) wherein the findings from the initial three case studies were replicated and confirmed in the remaining selected case studies (Yin 1994; 2003); the stability (Nair & Reige 1995; Patton 1990) and the theoretical saturation

(Eisenhardt 1989a; Glaser & Strauss 1967) were reached after conducting the initial three case studies, (2) adopting the purposeful sampling in selecting the case studies (LeCompte & Preissle 1993; Patton 1990), (3) writing information-rich case study description, report or narrative for the data of each case study to provide researchers in strategic decision-making with adequate information to judge the appropriateness of applying the findings to other settings and cases (Byrne 2001; Patton 1987) and finally (4) by the multiple case study design itself in which all selected cases were firms from one country (Australia), one state (Western Australia) and represented the two main industries (manufacturing and service) and sizes (large and small) incorporated the research potential population. Furthermore, the five cases represented 31% of the total potential population (5 out of 16) which is an extremely high sample rate in qualitative research (Dick 1990) and as a result enhance the generalisability of the findings of the research.

3.9.3 Reliability/Dependability

Reliability is also known as dependability in the literature and it illustrates to which level the instrument is stable and consistent with measuring the concept to allow repeating the same research using the same method, sample and the data collection produced so as to obtain the same results of those previous study (Sekaran 1984). In other words, reliability means if the researcher utilised exactly the same research method, data collection procedures, techniques and analysis and applied it to a second research sample, he/she should get the same findings as in the prior research (LeCompte & Goetz 1982).

Reliability was achieved in the current research by: (1) using case study protocol (Yin 1994; 2003) where all the selected five case studies (participating firms) and all participants (informants) were subjected to the same sequence of entry and exit procedures and interview questions (Bourgeois & Eisenhardt 1988) and (2) intensive documentation of procedures and appropriate recording keeping. In other words, the author developed similarly organised case study database for each firm which integrated case study documents, researcher's journal, original data (e.g., audiotapes, transcripts, case study notes), data interpretation or analysis, case study reports, tabular materials (questionnaires), communication documents with colleagues in relation to data analysis and communication documents with research participants (Byrne 2001; Bourgeois & Eisenhardt 1988; Yin 1994; 2003).

As a result, the case study database strengthens dramatically the reliability of the entire case study (Yin 2003, p.102) and allows an independent researcher to follow the decisions made and procedures undertaken in the research and reinforces the reliability of the research findings (Byrne 2001). Furthermore, collecting the data through in-depth interviews with the most knowledgeable senior managers (informants) who participated in the international location

decision-making process increases significantly the reliability of the findings of the research (Birnbaum 1985; Huber & Power 1985; LeCompte & Goetz 1982; Papadakis, Lioukas & Chambers 1998).

3.10 Ethical Considerations

Specified ethical issues and aspects were considered by the qualitative researcher in particular the entire research process in relation to research design, data collection and analysis (Ticehurst & Veal 2000). The most important issues and concerns that the researcher has to consider and fulfill are: (1) informing the participants in details about their involvements in the research (informed consent), (2) avoiding harm and risk, (3) allowing free choice, (4) ensuring privacy, (5) confidentiality and (6) anonymity (Knapic 2002; Miles & Huberman 1984; 1994, Patton 1990; Richards & Schwartz 2002; Ticehurst & Veal 2000).

All these issues were addressed clearly by the author in the ethical protocol application submitted to Curtin University of Technology in Perth, Australia. In the ethical application, the consent form and participant information sheet, which are attached in Appendix A, the researcher explained and justified how participants would be informed about the research project and how the data would be collected. In addition, assurance for avoiding any harm and risk to participants during the data collection and analysis process was given and the free choice of withdrawing from the study at any time without penalty was assured. Likewise, ensuring privacy, confidentiality and anonymity of the interviewees' responses and identities during the data collection and analysis processes were provided for in the ethical application. As a result, all the collected data remained confidential and anonymous. The first task was to obtain informed permission from participants after fully informing them of the purpose and aims of the study, anticipated uses of the data, identity of the researcher and his office, the respondent's role in the research, degree of anonymity and confidentiality, the methods to be employed and the anticipated length of interviews. Furthermore, all interviews were transcribed and as soon as the transcribing was completed and checked for accuracy, duplicates were made and the original names were erased. Only the researcher knew the real names of the participants involved in the study.

Most of all, the researcher offered to communicate the significance of this study and its framework to potential participants, but only within established ethical and confidentiality considerations. The research also adhered to the guidelines as stated by the 'National Statement on Ethical Conduct in Research Involving Humans' issued by the Australian National Health and Medical Research Council (NHMRC 1999).

3.11 Conclusion

In this chapter the appropriate research design and methodology settings undertaken to conduct the current research have been explained and justified; i.e., the selection of the interpretive paradigm, qualitative research methodology and the case study strategy. Subsequently, main issues of the case study research design were highlighted such as the selection of the multiple case design, the unit of analysis, the purposeful selection of case studies, the process of selecting the cases. In addition, data collection and analysis methods and processes were explained. Further, the quality of the case study research design as to reliability, validity and generalisation were justified and the ethical issues involved in the study were addressed.

CHAPTER 4

Within-Case Analysis and Results

4.1 Introduction

Chapter 3 established and justified the methodological framework and data collection techniques utilised for conducting the current research. Consequently, the present chapter shows and brings to a close the findings about the research issues of the study for each of the selected five case studies. The findings are a result of the analysis of the data collected via in-depth interviews, questionnaire instrument and secondary sources. Further, the findings of each case study are comprehensively and individually presented in this chapter because each case study represents an independent information-rich experiment (Stake 1995; Yin 1994; 2003).

Accordingly, derived from these findings, summary tables of case findings about the research sub-questions (*Questions 1 and 2*) were prepared and provided in Appendix C for later use in performing the cross-case analysis addressed in Chapter 5. Therefore, as a final stage of data analysis, the cross-case analysis of cases involved searching for and summarising the similarities and differences among the cases and is presented separately in the subsequent Chapter.

In essence, the current chapter presents patterns of results for seven international location decisions examined within five case studies and the analyses of them for their relevance to the research questions as posed in Chapter 2. More specifically, the present chapter and Chapter 5 are used to answer one main exploratory research question: viz;

- *What are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?*

For the purpose of answering that broad research question, a number of minor exploratory questions were answered in the journey through the present chapter to Chapter 5. These sub-questions are as follows:

Question 1: *What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?*

Question 2: *What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?*

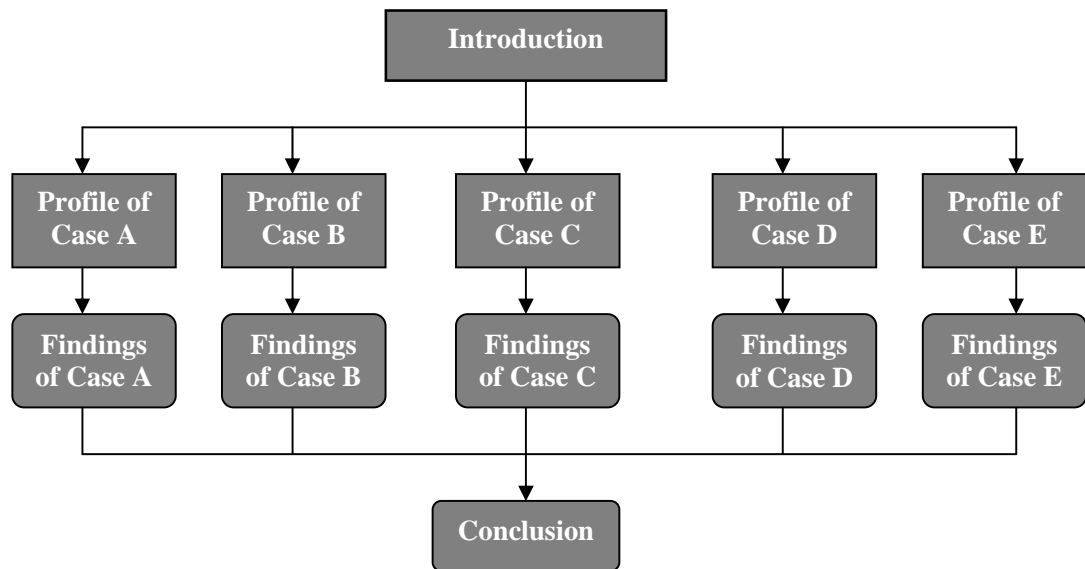
The current chapter responds to the first and second research sub-questions for each case study independently, whereas Chapter 5 reports the cross-case analysis findings from the five and propositions were developed. In Chapter 6, as a final stage of the present exploratory investigation, these propositions were integrated into a comprehensive holistic conceptual model which represented the 'best practice' strategic decision-making model for a successful international location decision-making process and beneficial international expansion. Consequently, by developing this model, the identified research problem outlined in Chapter 1 was resolved: viz., *how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion?*

Fundamentally, the within-case analysis chapter begins with a brief profile of each single case study comprising the organisation background and the location decision background in terms of the number and the nature of location decisions examined during the data collection course, the level of management involved in the decision and the timeframe of the comprehensive international location decision-making process. The organisations have been given some abbreviated codes (letters) and confidential information was not included in the company background sections so as to protect their real identities. The description of each organisation is based on the interviews with the senior manager of the company, questionnaires, company internet websites and other material such as company brochures.

The findings in relation to the above research sub-questions for each single case of five organisations are explained using the processes of data reduction, data display and drawing of conclusions and verifications (Miles & Huberman 1984; 1994). The data analysis process began with the coding of collected data into categories and abbreviated codes of a few letters were assigned for emerged themes or patterns to assist in organising the data into categories. Subsequently, core categories for the emerged themes and pattern were established and a descriptive label (name) was given for each core category. The core themes represented the actual managerial procedures and critical success factors involved in the decision-making processes undertaken by Western Australian firms in arriving at beneficial foreign locations for their international operations. Furthermore, illustrative quotations of the in-depth interviews were provided verbatim throughout the chapter, not merely to illustrate the

theme being described and to support the findings of each case, but to provide the voice and experience of the decision-makers as straightforwardly as possible. Finally, the conclusion of the current chapter is provided. The chapter outline is illustrated in Figure 4.1.

Figure 4.1: Outline of Chapter 4



4.2 Case 1: Company A

4.2.1 Company Background

Company A is a small firm founded in 1982 by three major shareholders and was established in Perth/Western Australia because Western Australia was more export orientated than NSW or Victoria at that time. The main purpose of the firm was to provide international marketing and business consulting services to Australian exporting firms. Basically, it aims to advise Australian companies on the market opportunities available in foreign countries, how they can do business with these countries and how they can enter foreign markets and create a business presence in the foreign markets. Furthermore, the company provides international marketing services for both individual companies and groups of exporters and tends to specialise in manufactured goods, technology and services, although it has been engaged by primary goods exporters infrequently over the years for specific commercial or logistical tasks. Nearly 20 years of operating in the Middle East region market through its regional offices formerly in Bahrain and currently in the United Arab Emirates, has led it to apparently being Australia's longest serving and foremost private sector

Middle Eastern Market specialist in general and the Arabian Gulf market specialist in particular. Over time, the company acquired considerable experience in many industries throughout the Middle East assisting exporters in various sectors such as: communications; airports; ports and harbours; roadwork; heavy industry; power and water; environment; oil and gas; health; transport; marine; consumer goods; educational exhibits; public security and emergency services.

4.2.1.1 The Organisational Structure of the Company

The company headquarters is located in Perth and governed by a board of directors which includes one managing director, one general manager and one director. Each of the Perth parent company and the Middle East regional operation has three key departments; administration, operation and sales. The number of personnel in the parent company is four employees who include one general manager and one office manager, while in the foreign operation are two employees with regional manager and an office manager. The personnel (employees and managers) of the international operation were selected locally from the host country market and the operation is completely owned by the Western Australian parent company. The relationship between the parent company and the foreign operation in the Middle East could be described as a coordinated relationship. The foreign operation is to some extent balanced between being centralised and decentralised since it represents a regional operation that is responsible for serving markets in other Gulf countries such as Qatar, Saudi Arabia, Kuwait and Oman.

4.2.2 The International Location Decision Background

In Case 1, two international location decisions were examined during the data collection process; both the former international operation in Bahrain and the more recent operation in the U.A.E are greenfield or wholly-owned investments. The first decision was made on expansion grounds, when the company established its first international service operation in the Middle East region, namely in Bahrain in July 1982, whereas the second decision relates to relocating the service operation to the United Arab Emirates in 1985.

Company executives who were major decision-makers for both decisions considered that both location choices were beneficial and effective, and they were completely satisfied and happy with these choices and the outcomes of their decision process. The case results presented in the findings

section were based on the analysis of the two decisions by looking at the similarities and differences between the two location decision-making processes.

4.2.2.1 Management Level Involved in International Location Decision

The two location selection decisions were made by the parent company located in Perth. The top management level represented by the board members, namely; one managing director, one general manager and one director, in addition to one English director from the Middle East region who became later another shareholder in the company and the regional manager of the Middle East operation, were joint decision-makers relating to the selection of the foreign location for the company's international operations.

4.2.2.2 Location Decision Timeline

The total time taken for making and implementing the first location decision was four months; three months for deciding on the final country and site choices, and one month for implementing and establishing physically the business operation. On the other hand, in the second location decision seven months was used to select and implement the location choice; three months for choosing the final country, city and site choices and four months for implementing and establishing the business operation.

4.2.3 The Findings of Case 1

Generally speaking, the analysis of the data for both investigated location decisions showed that both decisions were completely made in a similar mode and no substantial differences in relation to the research issues were found. The managing director of the company who played a significant role in the international location decision-making process for both examined decisions and recently acquired 100% of the company shares commented:

so all the shareholders made the decision then, that, okay, with our business that is now happening in the U.A.E, in Oman, in Qatar, even Saudi ... So we eventually did, we went through much the same process of assessing, where we should operate, how would we operate, what staff and resources to be need, what the best location, all those things, we started to do all over again ... very much the same process, but we had some hard experience, current, wider experience because our business model was working.

4.2.3.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

The major themes that came forward during the analysis of the qualitative and quantitative data which relevant to this research question and which are discussed in the next sub-sections are as follows:

- Identification of problem or international business opportunity.
- Meetings and consultations between experienced location team.
- Determining location criteria or factors.
- Searching for location options.
- Information acquiring and assessment of location options.
- Selecting the final location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

4.2.3.1.1 Identification of Problem or International Business Opportunity

Identification of problem or international business opportunity was found to be the first significant phase involved in the comprehensive international location decision-making process. The first international location decision of Company A was initiated by the company's board members for two reasons. Initially, the company's board members which included the managing director, general manager and another director, jointly viewed from their previous wide experiences in international business and marketing that there was a good market opportunity available abroad, namely in the Middle East, and they should take advantage of this opportunity. The managing director stated:

The managing director at the time, or the major shareholder initially was having a lot of regular business, doing a regular business in the Middle East. He knew, I knew him from a previous occupation, he knew that I was also doing business in the Middle East for a completely different company ... what we considered at the time the other shareholders in the company and I, to be a good regional market in the Middle East, it obviously had a lot of potential. But we could see the real lack of knowledge about the Middle Eastern Markets and we that were going to provide a consulting service providing special services to exporters from Australia about the Middle East market.

Secondly, they believed that focusing on one growing business opportunistic market would enable the company to become an international marketing specialist and expert dominator in the growing market which they aspired to achieve. According to the managing director:

we felt very comfortable at the region as a whole, in the Arabian Gulf was where we wanted to focus on, we wanted to become Arabian Gulf specialist, there was a good opportunity to develop the business out of it.

Therefore, since the company was aspiring to expand its international marketing consulting services to a foreign market, there was a need for having business operation in that potential foreign market to provide a good quality of service to clients and manage transactions more effectively in the marketplace. The managing director noted:

we looked at other models out of Australia at the time, that were Australian based and they would go into the foreign market ... and we understood that why a lot of those businesses failed to make a very big impact would because they weren't there all the time. They didn't have that on-the-ground presence which we decided that was the critical point that would distinguish us from other providers of similar services ... we should have an office in the marketplace, that was very, very important to us, in the same time zone, could respond quickly to matters in the marketplace. Response time would improve considerably if we had somebody in the marketplace that could manage things instantly, you know, live.

For this set of reasons, the company's board decided that they should expand their business abroad to take advantage of the available business opportunity and thus strengthen the parent company's business performance. Similarly, the second international location decision was initiated by the same board members of the company as for the first location decision. However, the decision to relocate the service operation to another country in the Middle East region was made on two grounds. Firstly, the regional manager of the Bahrain operation, a shareholder in the parent company, could not continue managing the Bahrain operation due to illness which prevented his travel around the Middle East as a significant part of his managing responsibilities. Secondly, the company had begun doing many transactions with other Middle East countries through the Bahrain operation. As a result, the company board members decided that they should move their regional service operation to another central country in the region. The managing director commented:

Okay, we were starting to do more and more business in UAE, with Oman and with Qatar, but the strategy was working. Bahrain was as base and that was regional base for us. So, we were developing business in the UAE, in Saudi, in Kuwait, in Iraq indeed, but we were concentrating on the AG countries ... We started developing a network of contacts across the region, and that started to work very, very well. Now at the end of 1984, George had a health scare, he

developed heart problems and so he used traveling quite a lot around the region to all of the countries. But his doctor said to him, you gotta slow down ... Anyway, he came back to us and said to us at Christmas time in 1984, guys, I have to slow down I have to go back to UK for tests I am advised ... he made recommendations in December 1984, early December, that we should think about having a branch office in Dubai or Abu Dhabi.

4.2.3.1.2 Meetings and Consultations between Experienced Location Team

Meetings and consultations among the experienced location committee members was found an important second phase and a crucial element in the international location decision-making process of Case 1 for both investigated location decisions. It allowed for the interchange and sharing of knowledge and experiences among decision-makers.

Discussions and consultations were carried out among the knowledgeable location committee from Company A which consisted of the managing director, general manager and another director. In addition, after the selection of the Middle East region and prior to searching for a country within the selected region, another Middle East based director joined the location team. The managing director explained:

And we all, and then the fourth shareholder joined the group is Bahrain based and was known to one of the guys and we decided as lot of these things tend to happened over a coffee or a beer or something, thought that this would be a good idea and grew from there ... we had a series of meetings over a space of a month, and they were quite concentrated, we talked through how we would set up a business model, we looked at what were important features and things we had to consider ... we had enough information and experience around the four of us to be able to reach informed decisions.

Thus, following the sickness of the regional manager, fruitful discussions and meetings of the location committee occurred to decide on where to relocate the regional operation. As the managing director noted:

We were starting to explore that; possibility and feasibility at the time. Then when we had this health report came back to him, he said, I am going to have to take 6 months off, while I get my health back. But I am not sure that I'll to be able to come back in full capacity.

4.2.3.1.3 Determining Location Criteria or Factors

Determining the location criteria or factors was observed an important stage in the international location decision-making process of Case 1 for both location decisions. According to the managing director:

We examined a number of locations in the Middle East but we were looking for a number of criteria, to address before we finally chose Bahrain.

The location factors for both decisions were mostly identical. Sets of quantitative and qualitative location factors or criteria were used by the location committee in both location decisions to guide them in the subsequent evaluation processes of the alternative locations to arrive at the final best location choice. The quantitative criteria are the tangible and objective factors that concerned the cost of operating in a foreign country and also the economic feasibility of the country such as tax policies, economic conditions, cost of living and costs of setting up the foreign operation such as cost of licenses and other related costs. Nevertheless, the qualitative location criteria are the intangible and subjective factors that include non-cost issues such as cultural, political and legal issues.

For the first decision, location factors included the foreign region, country and site factors. The foreign region factors covered the following issues: (1) the political stability, (2) economic stability, (3) the market potential for the Australian exports of manufactured goods which falls into the company line of business (2) import-oriented region with consumption tendency (4) rich and strong purchasing power economy (5) a region with good reaction to the Australian foreign policy and (6) geographical proximity to Western Australia. As the managing director explained:

We had a whiteboard, I remember the day quite well, we put up there what each of us thought would be the criteria to help us individually reach a decision to do this, and so there was a very big overlap because each of us forward the same things. We looked at the political stability of the region, we looked at the economic stability of the region, we looked at the strengths of the market ... Because we recognise, it is a very strong cash economy, our research had shown us ... we were hoping for a very favourable reaction to Australian goods and technology because that is what we specialise in ... We were hoping for a favourable response to Australians ... So politically, we should be okay, we weren't Americans, we weren't British. We knew from our own experiences that sometimes, particularly American foreign policy would sometimes make them popular and then unpopular. So we thought Australia was quite harmless, so we expected to have good reactions which we did ... We thought we had a very good story to sell about Australian products and technology, because we were the closest Western supply market to the Gulf region in shipping terms.

The country criteria or factors for the first and second decisions were similar and addressed the issues related to: developed infrastructure (roads network, communications, transportation system, etc), attractive tax policies, access to neighboring markets, political and economic stability, security issues, costs issues, attractive foreign investment policies, access to market, availability of qualified local personnel, country knowledge, similarity in language, culture, legal and political system, growth of market, tariff and non-tariff barriers to trade and market size. The managing director stated:

I think we would look at all, probably all the same issues, the commercial stability, market size, political stability, feasibility. Is it a nice place to live? Is it a comfortable place to live? Because that had an impact on mindset and the attitude of people who work there. In terms of trade; is it a difficult market? Is it an easy market? The legal system, is it something we comfortable with? Is it safe market, people safety? They're pretty fundamental, almost where you are ... Yes this is good, now we need to check financial feasibility and we got costings. In fact, when George came down, he already had a lot of this information; cost of operation licenses, cost of living, all those things ... Social stability ... cultural stability ... so culture awareness was an important part for us.

The city criteria for the second location decision were determined differently from the first location decision relating to Bahrain location choice. For Bahrain, it is a case of a small country with only one vital and most dynamic city called Manama, which is the capital city of Bahrain, and for that reason no city options were established. However, United Arab Emirates (U.A.E) has more than one vital city and therefore, few city options were developed and few city criteria were established to assess these predetermined options. These criteria emphasised central features of the potential city choice such as; cost considerations, the economic and trade growth of the city, the city governmental policies toward foreign investors and the openness of the city. The managing director explained:

We had criteria for each of them and then with Abu Dhabi, the attraction there, was that, it was the federal capital of U.A.E, we should be there but the commercial capital is Dubai. Dubai was even at the time was relatively expensive. Shareqa was quite low cost to operate from, but the image of Dubai was more dynamic, it was more important commercially. The government was more pro-active and the rules for doing business, they were better in Dubai than they were in Abu Dhabi, in Shareqa even, so we eventually decided on Dubai.

Finally, few site criteria were established for either location decision. These criteria were mainly exactly alike for both Bahrain and U.A.E location decisions and they included: (1) parking

facilities, (2) attractive building condition, (3) proximity to customer, (4) attractive place to live, (5) being near other company facilities, (6) good infrastructure within the site and city area, (7) attractive cost of renting an office, (8) proximity to airport and (9) proximity to city CBD. According to the managing director:

Site criteria is quite important ... we wanted to be relatively close for a short taxi ride. Parking is important, so you can be accessible to people who want to do business ... it was important for us to be more central, to be able to reach people that we need to talk to quite easily ... but we needed to have a good presentable office so when they did come to us that we could proudly host meetings and so ... the sponsor had a location in the airport. He had an office near the airport, on airport road in Dubai that suited us fine. We looked at it, we thought that was close to the airport, on the edge of the CBD, parking was okay, and it met our criteria.

Case 1 provided additional evidence about categorising for the importance of the pre-decided location criteria that were developed by the location committee. The categorisation which comprised *primary* and *secondary* criteria, was found critical to the current phase and subsequently to the phase of location options assessment and, therefore, crucial to reaching the final beneficial location choice. As the managing director noted:

We did rank the criteria from very important, critical, quite important, not so important. Yes we did, I am trying to remember the different things that were along with white board.

Yes we did establish some criteria, which would help us, then decide, okay, we're satisfied with that, we can now go on to this, and then we would plan more definitively ... you might end up with a very good location but it is difficult environment in which people would live. You take Iraq at the moment, excellent market opportunity but terrible dangerous place to live. So it is very important.

In summary, determining the location criteria or factors proved to be a fundamental phase in the comprehensive international location decision-making process for the first case organisation. Establishing foreign region, country, city and site criteria are crucial elements of that phase. Moreover, grouping the location criteria on the ground of 'primary' and 'secondary' criteria is another important aspect of the location criteria phase.

Table 4.1 shows the most important location factors involved in the two international location decisions which were collected through the interview course and the questionnaire following the interview session.

Table 4.1: Location factors for Case 1

Type of location decision factors	Attributes of criteria
Foreign region factors	<ul style="list-style-type: none"> ▪ Political stability ▪ Economic stability ▪ Market potential ▪ Import-oriented with consumption tendency ▪ Rich and strong purchasing power economy ▪ Good reaction to the Australian foreign policy ▪ Geographical proximity to Western Australia
Country factors	<ul style="list-style-type: none"> ▪ Developed infrastructure ▪ Attractive tax policies ▪ Access to market and neighboring markets ▪ Political and economic stability ▪ Security issues ▪ Costs issues ▪ Attractive foreign investment policies ▪ Availability of qualified local personnel ▪ Country knowledge ▪ Similarity in legal and political system ▪ Growth of market ▪ Tariff and non-tariff barriers to trade ▪ Market size
City factors	<ul style="list-style-type: none"> ▪ Cost considerations ▪ Economic and trade growth of the city ▪ City governmental policies toward foreign investors ▪ Openness of the city
Site factors	<ul style="list-style-type: none"> ▪ Parking facilities ▪ Attractive building condition ▪ Proximity to customer Attractive place to live ▪ Being near other company facilities ▪ Good infrastructure ▪ Attractive cost of renting ▪ Proximity to city CBD and airport

Source: Analysis of field data based on interviews and questionnaire.

4.2.3.1.4 Searching for Location Options

Case 1 provided empirical evidence that searching for location options is a significant component and the third phase crucial in the international location decision-making process for both location decisions. According to the company’s managing director “you have to have options, so you can arrive at the right decision. If you don’t have options you can’t make a good balanced decision”. Following the location committee’s first decision to internationalise the firm’s service operation, they began searching for location alternatives relying on their international business experience and

country knowledge. The search phase for the first decision involved preliminary exploration of the foreign region and next searching for a country within that region and finally site within the country, resulting in only one foreign region option (Middle East) and few country alternatives (Qatar, United Arab Emirates (U.A.E), Oman, Saudi Arabia, Bahrain and Kuwait). Subsequent the selection of Bahrain as a final country choice and Manama as the final city option, a small number of site options within Manama was proposed. The managing director commented:

the major shareholder had met this Englishman in Bahrain, who later became another shareholder in the business. So collectively our experiences, he said to us, I have been up there regularly, I think there is a good opportunity, my business is doing, going down this particular path ... we looked at Qatar, we looked at UAE, we looked at Kuwait, we looked at Bahrain ... In Bahrain, it was a case of either being in the central business district, or somewhere in the suburbs of Bahrain.

The search process for the second location decision comprised developing country options within the Middle East region. In addition, city and site options were later inspected. As a result, there were a few country options (Oman, Saudi Arabia and U.A.E) and some alternative cities within the U.A.E as a final location choice (Dubai, Abu Dhabi and Shareqa) suggested by the location committee. Afterwards, one site option within Dubai was examined. As the managing director remarked:

So all the shareholders made the decision then, that, okay, with our business that is now happening in the U.A.E, in Oman, in Qatar, even Saudi, that if George couldn't be there and he was central to our success, we should look at perhaps re-opening or closing the Bahrain office ... and then we decided where in UAE. So the options were Dubai, Abu Dhabi or Shareqa ... so we felt that the best location for our purposes was going to be Dubai, and so we settled on that and we went to one of the commercial suburbs.

4.2.3.1.5 Information Acquiring and Assessment of Location Options

In Case 1, the location committee established a distinct indication for collecting relevant information to assist in the assessment of the developed location options as a vital phase in the comprehensive international location decision-making process. Subsequent to the development of the appropriate location criteria or factors, the location team began with gathering the relevant information and facts about the six alternative countries within the Middle East region to fit the pre-decided criteria and then to pursue the assessment of the alternatives. The English partner had been requested when he joined the company and prior to his arrival in Perth to bring information about

the operating costs and other country related information about Bahrain and other options for use later in the assessment process. The data and the information covered the predetermined country criteria outlined in Table 4.1 and were mainly collected from Australian and foreign governmental resources such as the Western Australia Chamber of Commerce and Industry, embassies of the alternative Gulf countries, Chambers of Trade and Commerce in U.A.E, Saudi Arabia, Bahrain, Oman, Qatar, etc. Moreover, additional information about the country options was collected from Australian libraries and talks were held with Austrade offices in Western Australia and other states to obtain some advice and information about these countries. The managing director noted:

We went to government offices; we went to the embassies, where we get some consulates and some government representation. We went to trade of commerce, we went to some trade channels, to get some information and at that time, we hadn't Internet. So we just did some research in the Library, we went to the trade offices with Austrade, gathering information and presented it to analyse these information. The chamber of commerce, is quite important source of information for us, we talked to Dubai chamber, Abu Dhabi chamber, Riyadh chamber, Bahrain chamber ... so they got all the information, that was good information. And then we looked at it all and said ok, there is the Saudi picture.

Afterwards, the location committee had a meeting to analyse the collected information and to evaluate alternative countries to decide on the final location choice. The assessment action entailed evaluating the feasibility of each country's option as a potentially beneficial foreign location. Evaluation of the business opportunities in each country, in conjunction with assessing possible threats in relation to the country risk factors were undertaken as other elements of the assessment phase. The quantitative scaling, scoring and ranking methods and the qualitative country risk assessment for each location option were used simultaneously as evaluation techniques and methodologies. The scaling, scoring and ranking technique started with rating the established location criteria on a given scale. Next, the criteria were ranked based on the collected information against the different location options; Saudi Arabia, Qatar, Bahrain, the U.A.E, Oman, and Kuwait. Likewise, the perceptions of the location committee about the alternative countries and the ease of conducting business in each country were considered and a final score emerged for each country option. The managing director stated:

We would look at all of the criteria that we established and they were to do with business regulations for instance, infrastructure, communications and then we would rank those across the matrix and against the different destinations, so Saudi, Kuwait, Bahrain, U.A.E and Qatar and we would rank them on a scale, I think it is 1 to 10, 1 to 5 or something about it for the ease of which to do business. And then we would have comments on right hand side, so we weighted it, we came up with a score for each of the destinations.

The country risk assessment process involved estimating and comparing the potential of each country in relation to the financial, market, political, economic, social and cultural risk. In that segment, the location team created several assumptions concerning the predetermined risk factors that possibly would be encountered and how they might be managed. Principally, they relied on the relevant collected information and on their country knowledge and experiences in reaching the conclusion and the ranking of each country about possible risk. The managing director remarked:

Oh, financial risk, market risk. If the market failed, we failed. We had to have an exit strategy. So, political risk was manageable. We didn't think that was a big issue. Political risk in Saudi Arabia, that's higher. Commercial stability, Bahrain doesn't have very much oil. So that was a concern for us, we thought, would that be critical? The answer is no because they make a lot of money out of non-oil interests. Social stability and that was pretty good; cultural stability, pretty good, particularly if we had somebody suited to the position, that was an important. So we decided George would head that up, because he knew the local market, he knew better about the language and the culture. So culture awareness was an important part for us.

I think the risk assessment phase that we went through, we tried to think of every possible risk that we might encounter. Some of them were highly improbable, virtually impossible through to the more likely risks. When we talked through all of those, we felt that the risk was not too great. The risk with determination and good business skills and hard work, we could manage all of those. We felt that they were manageable and that proved to be correct; that proved to be very correct. We were very happy with the process that we went through in assessing the risk aspect.

4.2.3.1.6 Selecting the Final Location Choice

The selection of the final location choice proved to be a critical aspect to the comprehensive international location decision-making process in Case 1. The location selection phase for the first location decision contained three location selection decisions related to foreign region, country and site, whereas the country, city and the site selection decisions were required for the second decision. As regards the first examined location decision, the foreign region as first selection decision was made principally based on the international business experience of the location committee and the decision was significantly driven by business opportunities that emerged in that region. Only one foreign region option was considered, namely the Middle East region. Accordingly, an analysis and assessment of the likelihood of the Middle East region as a potential market was carried out in conjunction with a set of produced location criteria to assist in making the final decision. The managing director stated:

We also did a lot of research about Australian attitudes doing business in the Middle East because Australians was doing at the time, at the time there was less than 1% in the Middle East, of that Gulf region imports came from Australia ... And we identified that one of the reasons ... there was an ignorance, there was a lack of knowledge by Australian businessmen about the Middle East markets.

Consequently, the decision was made to positioning the business service operation in the Middle East region for several reasons. First, that the Middle East region and especially the Arabian Gulf countries are among the fastest growing markets in the world and they are opportunistic, demanding markets characterised by powerful purchasing power and high income with attractive economic and foreign investment conditions. Second, the Middle East region in general, and Gulf countries in particular, are import-oriented countries with an extraordinary tendency for consumption. Third, there is a distinct appreciation for Australian products and technology within the region and thus, a willingness to do business with Australian firms. Finally, there are many similarities between Australia and the Middle East region, although, only a small number of Australian firms were conducting businesses in that growing market at that point. As a result, Company A aspired to enhance the trade relationships between Australia and the Middle East region. The managing director's view was:

What we considered at the time the other shareholders in the company and I, to be a good regional market in the Middle East, it obviously had a lot of potential l... So, we felt very comfortable at the region as a whole in the Arabian Gulf was where we wanted to focus on ... there was a good opportunity to develop the business out of it. There were lots of parallels between Australia and the Middle East, but there is very little business being done ... because there was very little known at the time about the Middle Eastern markets ... Because we recognise, it is a very strong cash economy, our research had shown us, and our experiences from our collective shareholders that were in the business or wanting to get into business ... So we wanted to capitalise on all of that. So those were the reasons why we decided to choose the Middle East, it was the conviction that we felt that we could contribute towards growing Australia's trade with the Middle East substantially.

With regard to the subsequent country selection, the outcomes of the former assessment phase resulted in narrowing country options to two major candidates, namely Bahrain and the United Arab Emirates (U.A.E). Subsequently, the location committee compared these alternatives against the established primary and secondary criteria to arrive at the most beneficial country. According to the managing director:

You then make a balanced judgment; whether it is a very good decision, or whether it is by the fault it is okay. I wouldn't make a decision, if you felt that it is okay rather than good, it has to be, it has to be in my view a very good

decision or not at all. So if you thought uh! I am not comfortable about this, throw it out. I would be very concerned, my instincts telling me and my experience now that, that would be a high risk decision. So to my mind it would have to be very good.

Bahrain was favored as the final country choice as opposed to the U.A.E for various reasons: (1) geographically, Bahrain was very central and strategic compared to the U.A.E, (2) the legal and the commercial system is British-based and similar to the Australian system, (3) the infrastructure was developed and more attractive than in the U.A.E (4) the popularity of Bahrain as a business destination and centre for businessmen in the Middle East region, (5) the cultural and country knowledge about Bahrain was greater than of the U.A.E since one of the company's directors who later became the regional manager of the operation had worked and lived in Bahrain for a long time, (6) the possible country risk in Bahrain was less than that of the U.A.E and the other country options as it was a small market and, finally, Bahrain was a pleasant place for living. The managing director commented:

There was a commercial infrastructure, the law was close to what we knew, a British based commercial system. We also relied on a lot of legal advice at the time, doing business in the region and that helped us decide that Bahrain was a good location. That was important point ... so legal basis; commercial legal situation was more suitable in Bahrain than anywhere else ... central location ... the infrastructure was good, communications, free airfares to travel around the gulf region, it is very central. It was a popular business destination for businessmen in the region ... and it was a pleasant place to live ... They were quite supportive; they made relatively attractive foreign investment. It was easy to get a license to operate there. It wasn't so easy, we couldn't do it in Saudi, we couldn't do it in Kuwait, Qatar was not, we saw a lot of potential in Qatar. But, the U.A.E at the time was not, the business rules and regulations were not so attractive for us to go there and George also was living there ... And one of the other reasons we chose Bahrain was a small market, we could test market. That became a very - we didn't realise the importance of that decision at the time - and became really very very important because while Saudi is the biggest market in the Peninsula. It is very unforgiving, if you get it wrong. You don't get another chance very easily, so, Bahrain proved a very good test market.

As mentioned earlier, in the Bahrain's case, no city selection was made because based on the location team's international experience, the capital city (Manama) was the most vital and dynamic city at that time and thus was straightforwardly selected without any further investigation. However, deciding on a site within Manama was the third selection to make. All the location committee members agreed on Bahrain as the final and the most beneficial country choice and they were happy with the outcome of their decision. The joint approval of the final country choice was confirmed and work went ahead toward selecting the site within Bahrain as the final selection

decision in the comprehensive international location decision-making process. The managing director stated:

We were very happy with the decision that we made and then we committed ourselves to it, and pressed on. And we agreed that we all needed to be in our instance, 100% satisfied, if we had somebody who was not comfortable then we would possibly review whether we should go ahead with it, but at the end of that process every body was 100% happy with the decision and the process that we went through.

Afterwards, the location committee carried on the process to finally decide on the site location within Manama. The Bahrain and more specifically the Manama.-based director and the company's managing director, who was a member of the location committee, provided significant contributions to the site selection decision by suggesting a few alternative sites relying on this familiarity and knowledge of the suburbs in Manama city. These proposed site location options were evaluated through addressing agreed site criteria and, accordingly, the final site location choice was made. The location committee decided to set up the office in the CBD of Manama city in the building of the Bahrain National Bank. The site was chosen because it was central and prestigious, had parking facilities and was accessible to customers.

Later, it was proved that being in a central and prestigious location is not critical to the success of the business as they had believed; however, availability of parking facilities and customer accessibility remained fundamental for the company to operate successfully. The managing director noted:

We had strong input from two, I didn't know at the time, very much about Bahrain. Hans one of the other guys, he didn't know very much about the specifics of Bahrain. The guy George, who lived there, he knew Bahrain very very well. Michael the other guy, been there many times, probably ten times ... for our operation, the choice in Bahrain on the site, we went on the edge of the CBD. We wanted to be relatively close for a short taxi ride. Parking is important, so you can be accessible to people who want to do business... We were in the National Bank of Bahrain, 12th floor if I remember correctly. Modest office size, but it would seem to be prestigious in the right word but a sensible location ... Because parking was an issue, access was an issue, we hadn't fully understood the importance of those.

With reference to the second location decision, for particular reasons, the U.A.E was selected as the most appropriate choice opposed to other alternatives, Qatar, Kuwait, etc. First, the potential business opportunity was greater and more profitable in the U.A.E in comparison with other country options. Second, the Bahrain regional manager recommended strongly the U.A.E as opposed to other countries. The managing director commented:

Okay, we were starting to do more and more business in U.A.E, with Oman, and with QatarSo, we were developing business in the U.A.E, in Saudi, in Kuwait, in Iraq indeed, but we were concentrating on the AG countries, on the Gulf Cooperation Council, those were targets, we had secondary targets which were Jordan, Egypt, Iraq, Iran, Syria ... Now at the end of 1984, George had a health scare ... and at that time he made recommendations in December 1984 ... that we should think about having a branch office in Dubai or Abu Dhabi. So all the shareholders made the decision then, that, okay, with our business that is now happening in the U.A.E, in Oman, in Qatar, even Saudi ... And the trend of business, our business growth during 1984 was significant in non-Bahrain trade and much of that was coming out of the U.A.E.

Following the preference for the U.A.E as the final country choice, the location committee had to choose the most suitable city within the U.A.E and consequently the committee decided to locate their service operation in Dubai for significant considerations. First, most foreign investments were established in Dubai compared with other cities such as Abu Dhabi, Sharjah and that significantly distinguished Dubai as a central trading city in the U.A.E. Second, the government's policies towards foreign investors were more attractive in Dubai in contrast to the other cities. Finally, the proximity to target customers in Dubai was greater than in the other cities. The managing director stated:

But the commercial capital is Dubai. Dubai was even at the time was relatively expensive. Sharjah was quite low cost to operate from, but the image of Dubai was more dynamic, it was more important commercially. The government was more pro-active and the rules for doing business, they were better in Dubai than they were in Abu Dhabi, in Sharjah even.

And then, from our knowledge that we had gained over the last two years, we realised that the attitude within the U.A.E between the different cities was very important. If we were doing business, if we were based in Abu Dhabi, we wouldn't get very many people from Dubai doing business with us. If we were based in Sharjah, we may not have many people from Abu Dhabi nor Dubai dealing with us. So we felt that the best location for our purposes was going to be Dubai.

Finally, the location committee had to find a local sponsor in Dubai according to the foreign investment regulations in the U.A.E and then decide on the site location issue. Subsequently, the company found a local sponsor in Dubai and he proposed a site which the location team evaluated relying on a set of established criteria and found it very suitable for the operation. According to the managing director:

We found a partner there, as you have to, you have to find a sponsor, and the sponsor had a location in the airport. He had an office near the airport, on airport road in Dubai that suited us fine. We looked at it, we thought that was close to the airport, on the edge of the CBD, parking was okay, and it met our criteria.

4.2.3.1.7 Implementation of the Selected Location Choice

Implementation of the location choice was confirmed to be essential phase in the location decision-making process for both location decisions in Case 1 and it began following the selection of the city choice. The process commenced with field visits to the selected country and city in order to select a site and to discuss with the host government officials in the foreign investment department their incentives and legal procedures required for establishing a foreign operation. Secondly, as one of the essential legal requirements for foreign investors in Bahrain and the U.A.E, the company had to find a local sponsor within the country. Thirdly, with assistance of the local sponsor a site for the office of the service operation was identified. Fourthly, an accurate feasibility study was undertaken to determine the initial costs associated with setting up the service operation such as cost of license, cost of renting an office, cost of living and other related costs. Thereafter, the location committee had to decide on the position of the office within the selected site and subsequently to attend to other legal issues related to procedures of registering their business. Finally, renting the office space was the last step in the implementation process. The managing director stated:

At one stage when we decided, yes this is good, now we need to check financial feasibility and we got costings. In fact, when George came down, he already had a lot of the information; cost of operation licenses, cost of living, all those things, we had the information for us ... we talked to the government authorities, and then you have to have a sponsor so, we took their advice and that was good. We were quite pleased with the advice that they gave us.

4.2.3.1.8 Evaluation of the Effectiveness of the Location Decision

Case 1 provided empirical evidence of the importance of the decision evaluation phase in the comprehensive international location decision-making process. Following the implementation of the location choices, the location committee was strongly convinced that the operations in Bahrain and the U.A.E were both very effective and successful and they were very satisfied with the outcome of their location decisions. According to the managing director:

It was very good; it was reinforced by the business that we started doing well right from the start of our operations. Now in hindsight, because we closed that office down in late 1984, sorry early 1985 it was, we may have been able to succeed similarly in Dubai where we subsequently went. But it was a good decision to do for Bahrain, you know, was good.

Two evaluation courses were performed in each of the two examined location decisions, Bahrain and the U.A.E. The first evaluation activity was undertaken by the location committee subsequent to reaching the final country location choice and it relates to reviewing the management process followed in the selection of the final country choice in accordance with the appropriateness and adequacy of the collected information, resources and the richness of the knowledge and the experience of the location committee used in the decision process. Furthermore, the perception and satisfaction of the location committee about the steps involved in the process and the outcome of the process were critical to the evaluation of the managerial process. The managing director stated:

We had two people out of the four who, one was very experienced because he lived there for a long time; the second guy had visited there many times... So, for myself, and the fourth guy we had to rely very heavily on the knowledge and experience of the other two ... But the process that we went through, I soon felt quite comfortable that we had the resources to reach informed decisions. Now in the process of evaluating these decisions, we would often need a lot more information, we would challenge something and it might make us think that way or that way. We agreed that we all needed to be, in our instance, 100% satisfied; if we had somebody who was not comfortable then we would possibly review whether we should go ahead with it, but at the end of that process every body was 100% happy with the decision and the process that we went through.

The other evaluation was carried out thereafter, when the service operation was finally established in the selected country and was functioning. The evaluation concentrated on determining the effectiveness and profitability of the selected foreign location and hence considering whether the decision was right or not and whether the selected country was the most appropriate or not. The evaluation procedures and techniques utilised were mainly concerned with a monthly reporting system directed from the foreign operation to the parent company in Western Australia. This included quantitative data such as figures and details about the sales volume, the number of contracts produced and problems encountered during the month. The monthly reports also contained qualitative information such as customer satisfaction in Australia and in the host country of the foreign operation. The managing director stated:

We had a monthly reporting system, where we analysed the effectiveness of that location for Bahrain, we measured it by a number of different indicators. We had the number of leads generated, we looked at the number/volume of sales made, each month, the number of problems that we encountered, not many problems, that was good. The satisfaction of our principals in Australia ... They would engage our services, we would enter into a contract, and we would be constantly talking to them in Australia, and most of them were in Western Australia, but we did end up with a good cross section of clients in other states. But we would be constantly talking to them, if they were happy, we were happy and they would only be happy if there was commercial success. So we would do this on a formal basis every month, just a monthly report.

4.2.3.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

The major themes that came out during the data analysis process associated with this research question and discussed in the subsequent headings as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house consultation and external consultation with international business experts.
- Identification of a trustworthy and internationally experienced manager for international operation.
- Participation in trade fairs in the potential foreign locations.

4.2.3.2.1 International Business Experience of the Location Team

The location team of Company A gained significant international business experience through working with international firms and conducting international business with the potential countries and other foreign countries. This factor played a vital role in the international location decision-making process in terms of searching for appropriate location options, information processing and evaluating the foreign location options to arrive at a final valuable foreign location choice as the following managing director comments illustrated:

Okay, the managing director at the time, or the major shareholder ... initially was having a lot of regular business, doing a regular business in the Middle East ... he knew that I was also doing business in the Middle East for a completely different company. A mutual friend of ours also was doing business in the Middle East and then the major shareholder had met this Englishman in Bahrain, who later became another shareholder in the business. So collectively our experiences, he said to us, I have been up there regularly, I think there is a good opportunity.

I would be very concerned, my instincts telling me and my experience now that, that would be a high risk decision. We had enough information and experience around the four of us to be able to reach an informed decision.

4.2.3.2.2 The Country Knowledge of the Potential Foreign Locations

Understanding the potential country or foreign market was also found to be an important factor in selecting a satisfactory and valuable foreign location. An awareness of the local culture of the prospective country is one of the most important aspects to enable an increase in the knowledge of a country. The board of directors of Company A who made the two international location decisions were adequately knowledgeable about the Middle East culture and its potential in the region. That knowledge was attained as they had been conducting international business with Middle Eastern countries. The managing director noted:

I had had experience in the Middle Eastern region and North Africa for the previous three years with an Australian company that was exporting to the region. I been there several times. Two of the other partners in the business in ... at the time, they had also had different experiences in the Middle East.

But we knew enough about the Arab culture and the Arab mentality.

I guess, understanding the market first and foremost is very important, because if you aren't familiar with the market, if you don't understand the culture of the market, if you're not prepared to work in the market then it is very, very difficult. So understanding the market is very, very critical. People can get carried away if they think that's a great place to live, it will be very fantastic place to be posted. But if you get there and you find you don't understand the marketplace or the culture is different - culture is an important issue - and you might find it is not as you wanted it, that's all the stuff the company finds it in that way.

According to Company A directors, their country knowledge had been increased through the exploratory field visits to the potential foreign locations prior to the selection of the final location so as to understand the market and the culture and thus, personally assess the market potential in the new country. As the managing director remarked:

You should go there. You must go there and understand it, that's one thing that perhaps I would have done a little differently, I should have gone there, but my trust in the judgment of others was fine. But if doing it again today, I would make sure that I would go there and talk to some people in the market and try to get a market perspective of an Australian. And try to gauge some feel of the market potential, and that's critical. If the market potential is not there, no matter how good your office is, it may not be a commercially sound decision to make. So you have to be satisfied that there is a strong enough market there to justify an office or a presence.

4.2.3.2.3 In-House Consultation and External Consultation with International Business Experts

An in-house consultation between the knowledgeable location team members was found to be a critical phase of the comprehensive international location decision-making in general and to the selection of a beneficial foreign location in particular. The two location selection decisions were made jointly by the four experienced location team members of Company A and internal consultations allowed to exchange and share the experience and knowledge among the decision-makers in order to arrive at a final valuable foreign location choice. As the managing director following comments indicated:

We did establish some criteria, which would help us, then decide, okay, we're satisfied with that, we can now go on to this, and then we would plan more definitively.

So collectively our experiences.

All the shareholders made the decision that, okay, with our business that is now happening in the U.A.E, in Oman.

We had a whiteboard ... we put up there what each of us thought would be the criteria to help us individually reach a decision to do this.

Then the fourth shareholder who joined the group is Bahrain-based and was known to one of the guys and we decided as a lot of these things tend to happen over a coffee or a beer or something, thought that this would be a good idea and it grew from there, so we developed the business model which tested the theories, and we were satisfied that there would be a good business to be had.

We agreed that we all needed to be 100% satisfied, if we had somebody who was not comfortable then we would possibly review whether we should go ahead with it, but at the end of that process everybody was 100% happy with the decision and the process that we went through.

Furthermore, seeking advice from other business experts from the potential host countries and from the home country of Company A who had international businesses in these countries, was found to be also a very critical success factor in selecting the right foreign location choice. The managing director mentioned:

Oh well, we knew people in the region and we talked to them about prospects of what we wanted to do, and where would you base yourself. So, I made inquiries with people that I knew in Gulf and they were in Kuwait, they were in Amman and they were businessmen; some were locals, some were experts and they all had a view. And most of them would say either Bahrain or Dubai. Even at that time, the feedback from businessmen in the region was that's where they wanted to be.

4.2.3.2.4 Identification of Trustworthy and Internationally Experienced Manager for International Operation

Choosing and identifying a trustworthy, reliable and internationally skilled manager be in charge of international operations in the initial stage of the location selection process proved to be a very valuable factor to reach a beneficial final location choice. Company A selected a local manager from the potential host foreign region, who became later a business partner in the company. He had a wide experience in the Middle East and was well aware of the culture of countries in that region. Hence, he provided significant inputs into the assessment of the location options. He was also a trustworthy manager as he had been recommended by the managing director of the company. The managing director stressed these issues through various comments:

Then the fourth shareholder joined the group is Bahrain based and was known to one of the guys.

The English guy, George, came to Perth and we used his experiences; he been working in the region for 10 years or more based mainly in Bahrain but also in Saudi.

The guy George, who lived there, he knew Bahrain very very well ... he was prepared to relocate anywhere in the region, that was not problem ... so we decided George would head that up, because he knew the local market, he knew better about the language and the culture. So culture awareness was an important part for us.

4.2.3.2.5 Participation in Trade Fairs in the Potential Foreign Locations

The trade fair or the international business exhibition which took place in the identified foreign region played a significant part in arriving at a beneficial foreign location choice. The trade fair provided the board members of Company A during the evaluation process of location options, with valuable reactions about the options regarding most appropriate country. The managing director remarked:

Another interesting exercise or feedback that came out was that Bahrain was a really popular exhibition centre, at the time ... and it was very clear also that businessmen particularly from Saudi Arabia, from Kuwait, at the time from Iraq, from Jordan. They enjoyed coming to Bahrain, they enjoyed going to Dubai to see the exhibitions. So we thought that was a natural magnet and another reason why people would come. And there was some advice that we had from contacts in the area ... There were several points that came out of it, so we decided, okay, the options narrowed down to Dubai and Bahrain.

4.3 Case 2: Company (B)

4.3.1 Company Background

Company B is a large sized service firm. The company was established in 1988 in Perth as one of the Australian premier companies in the marine tourism industry, manages a large modern diverse fleet of luxurious vessels. More specifically, the company's marine tourism service includes various activities such as ocean and coastal water transport, hotel and restaurants, island and beach resorts, sea sports and recreation. The company internationalised its marine tourism service activity in December 1998 when it established its first international service operation in the Middle East region, particularly in the United Arab Emirates (U.A.E). The company's wide experience and leading presence in the marine tourism sector in Australia has assisted it to be also a leading tourism firm in the United Arab Emirates.

4.3.1.1 The Organisational Structure of the Company

The company headquarters is situated in Perth and ruled by a board of five directors. Each of the Perth parent company and the international operation in the U.A.E has six major departments; administration, operation, food and beverage, marketing, human resource and finance. The number of personnel in the parent company is 250 employees with two key executives (the group managing director and the general manager), while the international operation has 35 employees and one executive who is general manager of the Dubai operation. The managers of the international operation were selected from Australia, while the employees were selected locally from the U.A.E. The relationship between the parent company and international operation in U.A.E is coordinated as the parent company provides a vital supervision for Dubai operation.

4.3.2 The International Location Decision Background

In Case 2, one international location decision was investigated throughout the data collection process which is greenfield investment and the only foreign investment in the company's experience. The purpose of that international location decision was to expand the firm's marine tourism service activities to another foreign country. The international operation was established in the U.A.E, namely in Dubai, and the decision is considered as an extremely successful investment.

4.3.2.1 Management Level Involved in International Location Decision

The international location decision was solely made by the Western Australian parent company located in Perth. The group managing director was the key player in that strategic decision-making process and he was the location team leader since has a wide international experience in the marine tourism industry. Besides the group managing director, the location team included medical and financial advisors. The group managing director, as one of the board members discussed the decision with the company's board of directors to obtain the approval to expand.

4.3.2.2 Location Decision Timeline

The total time taken for making and implementing the international location decision was seven months; three months for deciding on the final country, city and site choices and four months for implementing and establishing physically the business operation.

4.3.3 The Findings of Case 2

The following findings relate to the one international location decision (U.A.E operation) which was examined through the data collection process.

4.3.3.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

The main themes which emerged during the analysis of the qualitative and quantitative data respond to this research question and are explained in the next sub-headings are as follows:

- Identification of problem.
- Meetings and consultations between experienced location team.
- Determining location criteria or factors.

- Searching for location options.
- Information acquiring and assessment of location options.
- Selecting the final location choice.
- Authorization for the selected location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

4.3.3.1.1 Identification of Problem

The Company B strategic decision to operate internationally was instigated mainly by the group managing director. In mid 1998, the local market was declined and the company had an extra capability of vessels, therefore, the company's group managing director considered that they should expand their marine tourism services to other foreign market to exploit the extra existing resources and to pioneer this service to that foreign market. As the group managing director (GMD) stated:

I came up with the idea as the managing director of the company and the reason for the decision was that the market declined and we had excess capacity in the vessels. We had two 300-seat caravans and we only needed one 300-seat caravan. There was very little opportunity to sell our vessel on the open market for a reasonable price, so the alternative was to source or find a market where we thought we could introduce marine tourism and pioneer like we did here.

4.3.3.1.2 Meetings and Consultations between Experienced Location Team

Vital meetings and consultations on the subject of the international operation decision took place between the location team members which included the group managing director, financial and medical advisors. The aim of the meetings and consultations was to predict the feasibility and the attractiveness of each prospective foreign location. In-house consultations proved to be critical at each phase of the comprehensive international location decision-making process. The company's GMD revealed:

We have a board which consists of some medical people, we have financial advisors. What we do because we are day-to-day operators, we understand the cost of running a boat, we understand the cost of marketing ... and then we put some numbers down and some of the financial skills are gone through and we say well, is this accurate?

4.3.3.1.3 Determining Location Criteria or Factors

Establishing the location factors was found to be an important stage in the decision-making process relating to the selection of a foreign location. A range of location factors related to the target country, city and site were developed by the location team to assist them in evaluating the alternative locations and, thus, arriving at the final best location choice.

The quantitative location factors concerned with the cost of operating in a foreign country and the economic conditions of the country such as tax policies, economic conditions, cost of living as well as the costs of setting up the foreign operation such as the cost of licenses and related costs. Other location factors included non-cost issues such as cultural, political, economic development, tourism, legal, climate and geographic issues. As the GMD indicated:

You certainly look for a country that has waterways that can be used for tourism ... you look at the countries along either side of the equator that would have a climate conducive to marine tourism ... Well, you look at the country arrivals; you certainly look at what the tourist potential is about.

Somewhere that is reliable, the potential for growth, and the sort of tourists that go there so it, you know, they gotta be a wealthy tourist, who's got enough money in his pocket to pay \$100 or \$150 to do a day trip ... tourists will go where the infrastructure is designed to give them pleasurable experiences.

The findings of Case 2 show a classification of the importance of the pre-determined location factors was undertaken by the location committee. The categorisation of location which comprised *primary* and *secondary* factors was found critical to the current phase and, subsequently, to the phase of location options assessment. As the GMD demonstrated:

The essential criterion was the market potential; it is highly, highly important to us ... As I have said all the way through it's where you get your market from. It's not the local market which sustains an operation that size, it's the number of people that are going to come there and spend time in Dubai.

Twelve million people in Dubai per annum...so the criterion is of that twelve million people, how many would be likely to spend \$100? Tourists to go on river cruise! How many would spend \$150 to go down to Shareqa by boat?

In brief, Table 4.2 shows the most important location factors developed by the location team; they were collected through the interview process and the questionnaire.

Table 4.2: Location factors for Case 2

Type of location decision criteria or factors	Attributes of criteria
Country factors	<ul style="list-style-type: none"> ▪ Political and economic stability ▪ Developed infrastructure ▪ Country waterways, weather, climate and sea conditions ▪ Purchasing power of tourists ▪ Country marine tourism conditions ▪ Access to market and neighboring markets ▪ Security issues ▪ Costs of operating ▪ Attractive foreign investment and tax policies ▪ Availability of qualified local personnel ▪ Country knowledge ▪ Similarity in legal and political system ▪ Growth of market ▪ Tariff and non-tariff barriers to trade ▪ Government economic and legal policies toward economic growth.
City factors	<ul style="list-style-type: none"> ▪ Market potential for marine tourism ▪ Economic growth of the city ▪ City governmental policies toward tourism ▪ Developed infrastructure ▪ City waterways, weather, climate and sea conditions
Site factors	<ul style="list-style-type: none"> ▪ Good infrastructure and parking facilities. ▪ Attractive building condition and renting cost ▪ Proximity to customers ▪ Good infrastructure ▪ High customer traffic in the area

Source: Analysis of field data based on interviews and questionnaire.

4.3.3.1.4 Searching for Location Options

Searching for prospective foreign locations was found to be a significant element in the comprehensive international location decision-making process. Subsequent to the board of directors' decision to expand internationally, the managing director as the most experienced board member in the marine tourism and the key decision-maker, began searching for location alternatives by making use of his international experience in marine tourism. Initially, the searching process involved developing country options, and once the country location choice was selected, city and site options were inspected. As a result, a few country options (Fiji, Hawaii, New Zealand, Malaysia and the U.A.E) and also a few alternative cities within the U.A.E (Dubai, Abu Dhabi and Shareqa) as a final location choice were created. Afterwards, one site option within Dubai was examined, as the group managing director revealed during the interview session:

Well, what happens is that you know, you look at a world map, and ask should we do it in Fiji! So you find out what is available in Fiji in marine tourism. That is well and truly serviced and catered for, so you look at other areas in the topics and you certainly look for a country that has waterways that can be used for tourism. I spent hours and hours looking at the world map and looking at each of the location; what about Hawaii, what about this, what about Fiji, should we go to New Zealand, should we do this, should we go to the Gulf coast? ... You do research, you look at where opportunities are exist and certainly opportunities where you create a market.

Dubai had no vessels that could take tourists from the creek in Dubai and go down the coast to Shareqa or go up towards the coast of Abu Dhabi

4.3.3.1.5 Information Acquiring and Assessment of Location Options

Obtaining relevant information and assessment of the prospective countries was found to be a vital phase in the international location decision-making process. The managing director of Company B, as the location team leader, began with collecting information about the potential countries and about the pre-determined location factors in order to assess the prospective countries to reach a final beneficial location choice. The information was obtained mainly through various sources such as Chambers of Commerce and Tourism Commissions in the potential countries, searching in the library, internet sources and tourism and travel magazines. In addition, the company's managing director's extensive knowledge about tourism industry, which was gained since 1967, and consultations with other business experts in marine tourism from the potential countries were the key sources of information. The information covered the developed location factors shown in Table 4.2. As the group managing director demonstrated during the interview session:

Word of mouth, reading and I would say knowledge of the travel industry itself ... internet, reading travel journals etc; this sort of thing, holidays with the kids, reading what people want.

Making enquiries over the net, talking to people, I have been into the tourist industry since 1967, I personally worked in Africa, I worked in Europe, I worked in Asia as Qantas general manager and I have a fair knowledge of the industry and what is attractive and you use contacts within the industry who travel widely to say what they reckon. I go and talk to a bloke who has been in the industry another 20 years and say have you been to Fiji? Yes I been to Fiji. Do they have day cruise? Oh yeah they got 5 or 7 operators. You do the same for Hawaii, you do the same for Tahiti, you do the same with Malaysia. And it is word of mouth, it is research on the web...

So the question about, how to decide, it is based economic decision based on how many people go to a country, the purpose of their visit, have they got facilities that are attractive to marine tourism, what sort of length of stay do

they have, how much money are they spending now in Dubai, hotel, food everything like that, and all these statistics are available through government tourism bodies. Like the Australian Tourism Commission would be able to tell you how many Australians, how many visitors come in to Sydney, how many got to Brisbane, how many come to Perth, what sort of accommodation that they stay in, where are they from, what is their purpose in travel etc, so, there are sources every country has a tourism body to go to, to talk to. You can go to the Chamber of Commerce and talk to them.

Subsequently, the group managing director, in consultation with the location team financial advisors, analysed and evaluated the gathered information in order to assess the feasibility of each alternative country in relation to the existing business opportunities and threats in order to arrive at the best final country choice. The potential countries were mainly evaluated relying on the collected information and on the international business experience in tourism industry of the managing director as the key decision-maker. Some quantitative mathematical estimation was used to explore the feasibility of marine tourism market in each country and, accordingly, for each country option, calculations for the number of foreign tourists arriving in the country and for their purchasing power were carried out. In addition, cost-benefit analysis (CBA) was carried out to forecast the returns, and the costs of operating were determined as a part of the feasibility study for each prospective country. As the GMD stated:

... allied to some mathematics about the arrivals. Where did the business come from? How long are they staying in the country? What sort of hotels? How much do they spend? What's their average daily spending to have on holiday ... all those things come into the mix, to say, there's no point in putting a vessel up there and having people going there and get in, you know, in backpackers ... We prepared budgets, we had revenue targets; passenger numbers versus how much revenue we'll get per passenger which is obviously the revenue strength of the company. We also had budgets for running the business; how much we have to pay for workforce, how much we have to pay for food, how much we pay for fuel, how much we pay for rental to put our manager in a house. So what you do, here is your income strength, your costs down here and at the end of the day, year one we'll lose 250,000 dollars, year two because we get growth in revenue and our costs here will go up but marginally, then that year we should make 250, 000 dollars.

Evaluation for the other collected information related to the pre-determined location factors in conjunction with the political, legal and economic risk assessment for each potential country were also undertaken. As a result, relying on the country knowledge of the managing director gained through his wide international business experience in tourism supported with some external consultations with other tourism business experts from the potential countries, some less attractive alternative countries were eliminated. The GMD commented:

At that time, the ... Prime Minister did not like Australian; he made no secret of it. Now I felt as a responsible director of the company and a major investor in this company that to go there and put millions of dollars worth of vessels up there when you have a Prime Minister who is anti -Australian, wouldn't be a wise business decision. I was very happy when we researched Dubai you talked to the people, that Dubains have a high respect for Australians.

There are a lot of Australian business people who go to Dubai to trade and I think Australians are respected. And that gives you confidence to say well, if other people have done their research and they are prepared to go and put their investments in Dubai to be part of their growth that's again another decision that you would say I think you can do ... I have spoken to this person, that operation, that operation, that operation and without doubt everybody says best of luck, this will work in Dubai.

Due to circumstances beyond our control, I mean, bombing in Bali is a classic case of you can do everything right in the tourism industry, and that is all I can talk to you about ... but in tourism, circumstances beyond your control can turn the market off ... political instability ... You know, I would hate to be a tourism operator in Spain for example ... I wouldn't go to Ireland because of the IRA and the bombings that are taking place over there.

4.3.3.1.6 Selecting the Final Location Choice

Selecting the final location choice proved to be a critical part of to the international location decision-making process undertaken by the location team of Company B. Following the elimination of some potential countries, exploratory field visits to the nominated strongest country candidates and consultations with the tourism industry experts in these countries were carried out in order to reach the final most profitable country choice. The GMD remarked:

Eventually I would go in and say, well having talked to a lot of people in this industry and heard about Dubai, what I would like to do is go and visit Dubai, have a look at it, talk to the wholesalers and the tourist operators in Dubai and say here is a photo of a boat we want to bring that boat to Dubai and this is what we want to do. Would you guys support it? Do you think there is a market for this sort of product? They said, yes there is market for that sort of product.

As a result, one country (U.A.E) and one city (Dubai) were simultaneously selected through one separate process and, afterwards, a site for the foreign operation office was selected within Dubai. In essence, the U.A.E was preferred compared to other countries simply because it had the most attractive business environment for marine tourism investments and due to the government's aggressive strategy, policies and determination towards improving the tourism industry in the country through attaining a high level of economic development and developed infrastructure

required for tourism industry such as building modern hotels, airport and a premium large airlines fleet and developed waterway infrastructure. The GMD stated:

The country is dynamic, it's aggressive in its policies, and it's got the infrastructure to do all these things that they claim ... It is the only country in that region that has made tourism and their airline, and Air Emirates, and the development of hotels and infrastructure to support tourism. It is the only country in the region that was pursuing that sort of philosophy. We went and had a look at Bahrain, for example, and Bahrain in comparison to Dubai, would be, looks like a city that 35 years behind as far as what is there to support tourism. Tourist will go where the infrastructure is designed to give them pleasurable experiences.

Dubai was chosen as the favoured city choice for setting up the company marine tourism operation against other cities in the U.A.E because it had the most developed infrastructure required for the tourism industry in general, and marine tourism in particular, such a large number of modern hotels, the largest modern airport in the U.A.E and in the Middle East and numerous islands in the sea. In addition, one of the chief motives for selecting Dubai related to the aggressive policies of its ruling family to improve the Dubai's economy through large investments in the infrastructure to make Dubai an attractive location for foreign investors in various types of industries. The GMD commented:

Dubai is an economy that is oil and water/oil based ... and the governing family of Dubai Shaik Maktoom has decided or has publicly announced that Dubai needs other supporting infrastructure when oil eventually runs out and the three infrastructures that he publicly announced one is to make Dubai an ultra port for the whole of the region, both sea and air ... The second one is that they have developed an industrial estate on the outskirts of Dubai and they encourage foreign companies to come in and establish businesses there; and, the third one is tourism.

Tourism is one of the three things that Dubai will depend upon in the years to come to maintain the lifestyle for the Dubains. So when you have a government, or a ruling family that is prepared to put their money where their mouth is and say tourism is a major, major thrust for them to keep their economy bubbling along very nicely, then that's good enough for us to say well, we will go along and be part of it, and that is what we did.

In Dubai, I mean, thousands upon thousands upon thousands of new hotel rooms are being built in Dubai every year. They are developing huge tracks of islands; they're creating islands into the Gulf 3 kilometers long ... 5000 condominiums being sold, they are opening their sale of condominiums ... and they're being sold at a fabulous rate. They now have three of these centers being built.

They are moving 85 million tones of soil to build these islands, and they are there ... starting to build the 5000 condominiums and 40 boutique hotels on each of these developments. Dubai is a destination that has everything. It has

developing infrastructure, an airline that's aggressive, an airline that is expanding very rapidly, and the airline obviously brings people into Dubai. They're investing billions upon billions of dollars.

The site for the service operation office was selected during the implementation process of selecting Dubai as the city location choice. One site for the office was selected within the Dubai CBD which was close to hotels and to the seashore wherein the vessel was located. A site for the vessel within Dubai was also selected based on maximum exploitation of the vessel and, consequently, the vessel was positioned in a popular and central site where boats at night provide restaurant and dining services. As the group managing director noted:

The other thing that you do when you evaluate a site is vessel utilization; it's like an airplane. A vessel laying along side the wall or the airplane sitting on the ground is not doing any good at all. It's the number of hours a day that you use the product to get a return on your investment; so for example in Dubai you use the vessel during the day to take people down to Shareqa. At night the vessel then becomes a floating restaurant, so instead of getting 8 hours utilization of the vessel because you get 9 in the morning and get back at 5 in the afternoon 7 o'clock the vessel goes out till 11 o'clock at night with a new group of people on board. So the utilisation and the variety of products you can provide, is important when you make a decision to put a 300 seat boat there or a 50 seat boat.

4.3.3.1.7 Authorization for the selected Location Choice

Authorization for the selected country choice was fundamental to the international location decision process carried out by Company B. As a large firm, Company B is governed by the board of directors which included the group managing director as key location decision-maker. The managing director consulted board members about his decision for seeking the approval for the selected location choice because the decision could not be implemented without that approval. The GMD demonstrated:

I would eventually do the research myself and I go to the Board and I say look, these are the countries we looked at, these the reasons I wouldn't go in there and the Board will back me up.

I have spoken to this person, that operation, that operation, that operation and without doubt everybody says best of luck this will work in Dubai.

4.3.3.1.8 Implementation of the Selected Location Choice

Implementing the preferred location choice was confirmed to be a crucial phase involved in the international location decision-making process for the international location decision in Case 2. The implementation phase was carried out following the approval of the company board of directors for the selected country and city choices. The site selection, as mentioned earlier, was selected throughout the implementation process. The implementation process involved several managerial procedures and actions.

At the outset, field visits to the selected country and city so as to choose the site and to discuss with the host government officials in the foreign investment department their incentives and the legal procedures required for establishing foreign operation. Secondly, the company had to find a local sponsor within the country as one of the essential legal terms towards foreign investors in Bahrain and the U.A.E. Afterwards, a legal advisor or lawyer was appointed to act on behalf of the company and to give legal advice and prepare documents so as to adhere to all necessary legal rules and procedures for business registration and other legal requirements towards foreign investment in the U.A.E. Thirdly, in accordance with the local sponsor, a site for the office of the service operation was identified.

Subsequently, an accurate feasibility study was carried out to identify initial costs associated with setting up the operation; e.g. costs of a license, renting an office, cost of living and other related operational and managerial costs. Likewise, the feasibility study included anticipating annual returns based on the expected number of tourists and passengers per year. Thereafter, the company had to choose the position of the vessel and the office within the identified sites within Dubai and find accommodation for the Australian directors and managers. The final step concerned renting the selected office, vessel site and accommodation and preparing the service operational plans relating to catering and food suppliers; as illustrated by the group managing director's comments:

The first thing you do is you go over there and make sure you know exactly how to structure your business to comply with all the regulations of the Dubai government before you put your business there, make sure you comply with that. You make sure it is all right to employ or you can get work permits for your key staff to go over there, the general manager, for example. You also then have to look at where you are going to berth the vessel, can we berth it here, why can't we do this, what else can we do, you look at the price of fuel, you look at bunkering facilities, you look at how we gonna to cater for the people on the boat, how do we feed them, do we do it ourselves, do we get it from a hotel etc. So that is all part and parcel of your preparation before you make a decision to put a multi-million dollar vessel in position. To take a vessel from here to Dubai is about \$100,000 worth of costs.

We prepared budgets, we had revenue targets; passenger numbers versus how much revenue we'll get per passenger which is obviously the revenue strength of the company. We also had budgets for running the business; how much we have to pay for workforce, how much for food, how much we pay for fuel, how much we pay for rental to put our manager in a house. So what you do, here is your income strength, your costs down here and at the end of the day, year one we'll lose 250,000 dollars, year two because we get growth in revenue and our costs here will go up but marginally, then that year we should make 250, 000 dollars.

Trips backwards and forwards to go and get documents signed, you have to appoint solicitors to act on your behalf to make sure you are complying with all the regulations and you know, if you're not complying with the various regulations that they say they have; it's like setting up a business in Australia.

4.3.3.1.9 Evaluation of the Effectiveness of the Location Decision

The decision evaluation and review phase was a critical phase in the comprehensive international location decision-making process. Two decision review courses were carried out by the board of directors of Company B. The earliest evaluation action was accomplished by the board members jointly with the authorization act following the selection of the U.A.E and Dubai as the most attractive country and city location choices and prior to the implementation process. The first decision review covered the basic issues related to the sufficiency of the collected information perception and satisfaction of board members about the undertaken decision process and the selected location choices. The GMD stated:

We did review the management process at the Board and of course ... The basis of our decision was right.

I would eventually do the research myself and I go to the Board and I say look, these are the countries we looked at, these the reasons I wouldn't go in there and the Board will back me up.

The second evaluation action was carried out by the Australian parent company after twelve months of operating in Dubai. The evaluation was limited to reviewing the effectiveness and profitability of the company's service operation in the U.A.E; to determine whether the decision was right or not and whether the U.A.E and Dubai was the most beneficial foreign location or not. The procedures and techniques utilised in this evaluation process were primarily concerned with management and financial reports between the foreign operation in Dubai and the parent company in Western Australia.

The management reporting system included information in relation to the effectiveness of the company's products and satisfaction of target customers in Dubai. On the other hand, the financial report incorporated the financial statements which showed the company's financial position concerning the annual returns and expenses to conclude the profits or losses which occurred during that year. The GM commented:

Well! Only on your management reports and revenue versus expenses list. That becomes very simple to say have we made money or lost money, and when you go and establish, the first 12 or 15 months is always a testing period, and you are making sure the product is right etc. Your expenses are quite high and of course you gotta to get the confidence from the tour operators that your product is good enough that they want to build it and put their tourists on your vessel. So the first 18 months is generally negative for you cash-flow wise, and then after that, providing your marketing is right, providing that the product is right, then you make money.

4.3.3.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

The main emerging themes which answer this research question, and which are discussed in the next sub-headings, are as follows:

- International business experience of the location team leader.
- The country knowledge about the potential foreign locations.
- In-house consultation and external consultation international business experts.
- Identification of a trustworthy and internationally experienced manager for international operation.

4.3.3.2.1 International Business Experience of the Location Team

The extensive international business experience of the managing director of Company B in marine tourism gained through over 35 years of international working experience in the area of tourism was found to be a major factor which had a significant impact on the effectiveness of the international location decision process. The managing director, as the location team leader and one of the

company's board members is the most experienced board director in marine tourism, as the following managing director's statements demonstrated:

I have been into the tourist industry since 1967, I personally worked in Africa, I worked in Europe, I worked in Asia as Qantas general manager and I have a fair knowledge of the industry and what is attractive.

Furthermore, the wide business expertise of Company B in marine tourism was maximised during operating for long period in Dubai and that made the company the most leading international firm in marine tourism in the Middle East region; it became a significant and major source of consultation for many businesses seeking to be engaged in marine tourism in the region. As the managing director stated:

I think a lot of the Arab countries in the Middle East now are realising that tourism is a source of revenue for them and we in particular were talking in heavy discussions with some people in Oman. They come to us in Dubai, and said, we really would like to have some marine tourism activities out of Muskat. They came to us and said we would like to talk to you about what we could do together to develop marine tourism in Oman ... In fact, we are meeting this bloke on the 1st and 2nd February, we'll go to Oman, have a look at the coastline, have a look at the attractions, what sort of vessel could work there, what size vessel could work there and then we will work in consultation with them. So it is purely and simply 14 years of experience and people want to talk to us because we've been running a foreign, an Australian-based business in a foreign country for 14 years. And if I may so say we've done quite successfully.

4.3.3.2.2 The Country Knowledge of the potential Foreign Locations

Having adequate and rich information about the strongest foreign location candidates in relation to the market prospective, cultural issues and tourism conditions in these foreign locations were found to be important factors contributing to the selection of a beneficial foreign location. Three factors found to be significant to increase the country understanding: (1) collecting relevant and rich information from different sources; (2) consulting other marine tourism experts; and, (3) exploratory field visits to the strongest prospective foreign locations and seeking advice from the local tourism business experts. Furthermore, the international business experience of the location team leader in tourism gained through his work in different countries around the world provided a valuable addition to country knowledge. The group managing director commented:

I think initially research; you gotta have knowledge of the area you're going into, you gotta know; can you repatriate funds; can you do business there as an Australian company? Whether you get a return on your investments?

4.3.3.2.3 In-House Consultation and External Consultation with International Business Experts

Valuable consultations and discussions among experienced location team members which included financial and medical advisors and between the location team leader and the company's board members were found to be another critical factor which contributed to the selection of a beneficial foreign location. These discussions allowed the exchange of the knowledge and information relevant to the international location decision. As the GMD stated:

So we do the assessment over what we reckon we can achieve, so different work was allocated for different skills. In other words, a doctor will go and have a look at hygienic facilities, is the water appropriate? So we have people doing specific job.

... And I go to the Board and I say look, these are the countries we looked at, these the reasons ... I came back and I said to the Board. Here are my findings; I have spoken to this person, that operation, that operation ...

In addition, external significant consultations with tourism and business experts in Australia and with other tourism experts from the strongest potential foreign locations were found to be significant factors to in choosing a beneficial foreign location. The GMD commented:

You use contacts within the industry who travels wide to say what you reckon. I go and talk to a bloke who been in the industry another 20 years and say have you been to Fiji? Yes I been to Fiji. Do they have day cruise? Oh yeah they got 5 or 7 operators. You do the same for Hawaii, you do the same for Tahiti, you do the same with Malaysia.

And eventually I would go in and say, well having talked to a lot of people in this industry and heard about Dubai. What I would like to do is go and visit Dubai, have a look at it, talk to the wholesalers and the tourist operators in Dubai and say...this is what we want to do. Would you guys support it? Do you think there is a market for this sort of product?

4.3.3.2.4 Identification of Trustworthy and Internationally Experienced Manager for International Operation

In view of the fact that the foreign investments decision involves enormous financial and human resources commitments, it was important for Company B before reaching the final country choice to identify a trustworthy and internationally experienced manager. As a result, a trustworthy and skilled Australian expatriate manager who was highly knowledgeable about the culture and work

conditions in the potential countries was appointed following selecting the U.A.E as a final location choice. The expatriate manager initially was responsible for undertaking all the recruitment duties from the local employment market and for managing the foreign operation. The group managing director noted:

We had an expatriate who is reliable and skilled to manage the operation over there and to do all the recruiting issues. We can't hire all the staff from Australia because it is too expensive but is important to have one expatriate manager to run the operation in the foreign country who has the experience and you can trust before you undertake any investments in the other country.

4.4 Case 3: Company C

4.4.1 Company Background

Company C is a small sized service firm founded originally in 1983 in Western Australia by Australian entrepreneurs who have a Middle Eastern background. The company provides professional consulting engineering and chemical services related to water treatment and water desalination and supplies customers with the water treatment equipment and plant as a part of its chemical services.

The company started in Perth with a vision of being an international firm since it mostly targeted foreign countries which needed water treatment and water desalination services; namely, the Middle East countries. The company engaged in internationalisation when it established its service operation in the Middle East region, specifically in the U.A.E in 1986.

4.4.1.1 The Organisational Structure of the Company

The company headquarters is situated in Perth and governed by the managing director who is the principal owner of it. The Perth parent company has three major departments; purchasing, operation and HR department, whereas the international operation in the U.A.E has five major departments; marketing, HR, purchasing, maintenance and chemical. The number of personnel in the parent company is five employees in addition to the company managing director, while twelve employees are working in the U.A.E operation besides one regional manager and a marketing manager.

The regional manager of the international operation was selected from Australia and is another principal owner of the parent company, while the marketing manager and employees were appointed locally from the U.A.E. The Dubai operation is wholly owned by the Western Australian parent company. The relationship between the parent company and international operation in the U.A.E is coordinated and consulted as the Western Australian parent company provides a vital supervision and management of the Dubai operation.

4.4.2 The International Location Decision Background

In Case 3, one international location decision was examined during data collection, that of greenfield foreign investment and the only outward foreign investment for Company C. The purpose of the international location decision was to expand the firm's professional services activities to a potential foreign region.

The international operation was established in Dubai in March 1986 to serve the other neighbouring Gulf countries as the target market segmentation. The international operation location decision was considered as an extremely successful investment decision which made a significant transition in the performance of the parent company.

4.4.2.1 Management Level Involved in International Location Decision

The strategic decision concerning having operation abroad was made exclusively by the Western Australian parent company located in Perth. The two principal owners of Company C who are brothers, the managing director and the general manager, had collectively undertaken the international location decision-making process.

4.4.2.2 Location Decision Timeline

The total time taken for making and implementing the international location decision was one year; seven months for deciding on the final country, city and site choices and five months for implementing and establishing physically the business operation.

4.4.3 The Findings of Case 3

The following findings concern the international location decision (the U.A.E operation) which was examined through the data collection process. These findings and themes respond to the first and second research issues.

4.4.3.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

The themes emerged throughout the data analysis process which answer this research question are as follows:

- Identification of problem and need.
- Meetings and consultations between experienced location team.
- Determining location criteria or factors.
- Searching for location options.
- Information acquiring and assessment of location options.
- Selecting the final location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

Each of these themes is discussed separately under the following sequential headings.

4.4.3.1.1 Identification of Problem and Need

The Company C strategic decision to expand its professional service operations abroad was primarily initiated by the brother of the company's managing director who became a principal partner, the general manager of Perth parent company and later the regional manager of the Middle East operation. The brother of the company's managing director resigned from his work and joined the company as general manager after working for one of Perth's leading solar energy firms for

around five years as vice president. The general manager had a significant experience in the international business arena gained throughout his considerable employment period.

Company C was suffering financial problems due to the poor market performance. In addition, given that the majority of the company target customers are foreign countries which suffer water shortage whereas Australia was not, one of the major reasons identified by the company's experienced directors concerning the poor performance of the company during that period was the difficulty of making business deals and winning water treatment contracts with another foreign country without having a presence in the potential foreign market. As a result, due to the poor market performance in Australia and because of a need to have a business presence in the target foreign marketplace, the company directors decided to take the risk and to establish another service operation in an attractive foreign country to improve the performance of the Australian parent company. As the managing director commented:

Well, really it was more his idea ... he saw that I was struggling for a year and half and he said you have to have an office in that area. But financially, I couldn't afford it at that time, it is very hard.

My brother said, you always struggle because people never see you there. It is just the voice on the phone ... it's not the same, you know, you have to be in the area. You want to be successful; you have to be in the area.

Sitting there in the office, looking at the fax machine and the phone and trying to close deals. If somebody was on that ground over there, obviously, he'll do the job better than you and take the job from you.

4.4.3.1.2 Meeting and Consultations between Experienced Location Team

The findings relating to the first research issue show that meetings and discussions on the subject of having an international operation occurred between the location team members which included: the managing director and the general manager of Company C. The company's managing director has a fine business experience in water treatment services. In addition, the general manager has wide experience in international business gained during five years of employment with one of the Western Australian leading solar energy firms as vice president. As a result, he conducted substantial international business transactions with foreign countries around the world. The intention of these fruitful consultations and discussions was to discuss and assess the feasibility of setting up an international service operation; the risk associated with that decision and the whole financial and other resource commitments.

In-house consultations were found to be important in each phase and action of the international location decision-making process undertaken by Company C, as the company's managing director comments illustrated:

Okay, that was not really a hard decision in my case because my brother who was vice president of ... and he won an award within 1 year which is usually out of 15 years ... And he did about 35 trips in that time to the Middle East area for solar products.

We started talking about it and he joined me about like I said March 1985, so we started talking from April and we decided we should have an office but because of finance it was impossible.

You want to open an office overseas which is a horrific cost. So it is a very expensive ... it is a very risky decision ... it is a huge decision...

4.4.3.1.3 Determining Location Criteria or Factors

Having guiding location factors was found to be important in the decision-making process relating to the selection of a foreign location for the international operation of Company C. These location factors mainly covered the country, city and site factors. However, since most of Company C business transactions were with countries from the Middle East; namely, from Gulf countries, no location factors for the foreign region were developed and the Gulf region was selected based on the general knowledge and experience of the location team about the Gulf region; viz. that it was a most demanding foreign region in the world for water desalination and treatment service products and had a strong economy to afford for paying for this expensive service.

The quantitative location factors concerned with the cost of operating in a foreign country as well as the economic conditions of the country such as tax policies, economic conditions, cost of living and cost of setting up the foreign operation with licenses. Conversely, the qualitative location factors are subjective factors that included non-cost issues such as cultural, political, economic development, legal, and geographic issues. As the managing director indicated:

The most area in the whole world needs desalination is the Gulf countries. Common sense, at the time, obviously. They desalinate water from the sea to drink. Until today the Gulf countries are the largest countries in the world that use desalination products. So that is how we fell into that area ... and obviously the area which I always want is the Middle East. But coming again, focusing a bit more, obviously the Gulf countries because they need this service and they can afford to pay for the plant.

The country should provide maximum exposure to other Gulf countries.

So it's not just the location that's what I am trying to say. It is also the construction of the government, how they run their country, the economy ... You can have the most beautiful location but the government who runs it makes it hard for you to do your business and you don't do it ... the open policy of the economy over there ... How much resources ... how much normal cost for him to rent.

Obviously the site had to be not too far away from the city centre, be visible from the street, and on the highway, which we did.

Table 4.3 shows the most important location factors considered by the location team which collected through the interview process and the questionnaire.

Table 4.3: Location factors for Case 3

Type of location decision criteria or factors	Attributes of criteria
Country factors	<ul style="list-style-type: none"> ▪ Political and economic stability ▪ Openness of economy and country ▪ Size of local market ▪ Developed infrastructure ▪ Access to market and neighboring markets ▪ Attractive tax policies ▪ Attractive foreign investments policies Attractive ▪ Costs of operating ▪ Availability of qualified local personnel ▪ Country knowledge ▪ Similarity in legal and political system ▪ Growth of market ▪ Tariff and non-tariff barriers to trade ▪ Government economic and legal policies toward economic growth. ▪ Rich and strong purchasing power economy ▪ Availability of raw materials and natural resources
City factors	<ul style="list-style-type: none"> ▪ Economic and trade growth of the city ▪ Developed infrastructure ▪ Economic and trade growth of the city ▪ City governmental policies toward foreign investors ▪ Openness of the city
Site factors	<ul style="list-style-type: none"> ▪ A part of industrial area ▪ Attractive building condition and cost of renting ▪ Good infrastructure ▪ Proximity to customers ▪ Visibility of the office to the mean street ▪ Proximity to major highways ▪ Proximity to city CBD

Source: Analysis of field data based on interviews and questionnaire.

The results of Case 3 show also that weight had been given for each pre-determined location factors by the location committee. The categorisation of location factors which comprise *primary* and *secondary* factors was found to be critical to the current phase and, subsequently, to the phase of location options assessment. As the managing director demonstrated:

It is always the political situation in that country, it's ability, the government, how easy it is to do things in that country, that's really more important ...

4.4.3.1.4 Searching for Location Options

Looking for potential foreign locations was found to be an important aspect in the comprehensive international location decision-making process. In April 1985, the directors of Company C decided cooperatively and consultatively to expand their business service activities internationally, and they began searching for location alternatives.

The international business experience of the company's general manager in the Middle East in general and in the Gulf countries in particular assisted significantly in the identification of a few potential countries within the Gulf countries needed water treatment services and had strong purchasing power economy. Accordingly, the search activity involved mainly a quick search for potential countries and once the country choice was selected, city and site options were inspected soon after.

As a result, few country options were considered (Saudi Arabia, Kuwait, Oman, Qatar, the UAE and Bahrain) and also few alternative cities within the U.A.E as the final location choice (Dubai, Abu Dhabi, Ras al-Khaymah, Umm al Qaywayn and Shareqa) were a generated. Subsequently, a few site options within the industrial area in Dubai were examined. As the managing directory revealed during the interview session:

... Because our business now is desalination, so it really belongs to the six Gulf States because they're in need and paying money. Money is very important too, because the stuff is not cheap ... So that's why it had to be one of the six Gulf countries. Most desalination plants in the planet are actually in the six Gulf countries.

You got Saudi Arabia, Kuwait, Oman, Qatar, UAE and Bahrain...

... Again you got Dubai, Abu Dhabi, Ras al-Khaymah, Umm al Qaywayn, Shareqa ... you have six states as you know in the United Arab Emirates.

4.4.3.1.5 Information Acquiring and Assessment of Location Options

The findings in Case 3 illustrate that obtaining appropriate information and assessment of the possible countries was undertaken by the location decision-makers and the assessment phase involved a range of managerial actions and procedures.

The location decision-makers began by gathering information about the six Gulf countries relevant to the determined location factors to be utilised in the assessment process. The information was acquired primarily through various sources such as relevant Chambers of Commerce in Western Australia, searching in the library and Austrade departments. Additionally, as another major source of information, the location team relied on the general manager extensive experience in international business in the Middle East region gained through extensive exploratory field and business visits to that region while he was the vice president of a pioneer Western Australian solar energy firm. The managing director commented:

I went to many Chambers of Commerce; they are very good here in Western Australia. And I went and to the library, I spent hours there looking for information.

We relied on my brother's information ... he has been everywhere, like Egypt, UAE, Bahrain, Saudi, Kuwait, every single country he has been as a representative and vice president of company ... and many times he has been. So he can tell, or that's what we assume, at that time. He knew what he is talking about ... he had, like I said in 5 years 35 trips to the Middle East region at that time.

The collected information mainly covered the prearranged country factors; namely, the country economic and costing information such as GNP, GDP, economic growth rate, individual purchasing power, taxation policies, cost of living and initial costs of establishing foreign operating such as licensing cost, costs of renting property etc. As the managing director demonstrated during the interview session:

Information about the economy, the population size, income of the countries, you know, they have booklets of each country and its profiles. And even in the library itself you have, you know, some countries say about themselves.

The second managerial action in the assessment phase concerned evaluating the potential six countries. Consequently, the location team had significant discussions and consultations to assess the location alternatives relying on the earlier gathered information and their international business experience and country knowledge about potential countries. Assessment was undertaken of the

business opportunities and threats of each country option. Some quantitative mathematical costing estimation was used to analyse the costs of operating in each country and qualitative assessment for the political, legal and economic risk for each potential country was also performed. The country risk assessment depended predominantly on the location committee's knowledge and experience about political, economic and cultural conditions in each potential country. As a result, the location options were narrowed down into the U.A.E, Saudi Arabia and Kuwait, as the managing director following comments illustrate:

But coming again, focusing a bit more, it obviously the Gulf countries because they need desalination plants and can afford to pay for it. So that's why had to be one of the six Gulf countries. So we had to concentrate on which of the six Gulf countries and obviously, I mean, you know, difficult markets, special rules.

We obviously sat and talked about it for hours and days. It's a huge decision ... extremely risky decision... We used the collected information in the evaluation ... We had costing information and already knew how much this cost, how much cost that, but Dubai was expensive, it wasn't that the cheapest.

It is always the political situation in that country, it's ability, the government, how easy it is to do things in that country ... Study the countries, structure of politics, structure of how you grow the business there ... I mean you could, select a good country but the Government who runs it make it hard for you to do your business and you don't do it.

Everybody knew about Bahrain. But when we grew up and started travelling everybody skipped Bahrain, and Bahrain is a tiny island, you know. So it's not really big in the business world that you hear about ... but Oman and Qatar, again you never hear of them, they are so tiny, miserable countries and you don't hear of them ... So you end up with really only three; UAE, Saudi and Kuwait ... has a lot of religious things and all that which make it very hard for you to live there, you know, you and your wife ... And ... everybody knows that with ... as a race, and the individuals themselves, they are rude people and arrogant, so you don't deal with them. So the people themselves are a problem.

4.4.3.1.6 Selecting the Final Location Choice

The selection of the final location choice proved to be a critical aspect to the international location decision-making process carried out by the decision-makers in Case 3. As indicated earlier, no formal process was performed by Company C for selecting the Middle East region as the most beneficial foreign region for its water treatment and desalination professional services. However, the Middle East region was selected as the target foreign destination on the basis of some vital reasons: (1) the parent company's largest market segmentation was foreign countries, and in

particular the Middle East countries, (2) based on the company directors' knowledge and experience about countries reliant on water desalination services and products, the Middle East had the most potential for water desalination services due to the lack of water resources in the region, and (3) cultural similarities as the company directors (owners) come from an Arabic background. The second selection phase within the foreign region was more focused and the Gulf countries were selected opposed other countries in the region because they were the countries most deficient in water resources in the Middle East and had a strong economies to afford such expensive services. As the managing director stated:

The Gulf area needs desalination. It's common sense at the time ... they desalinate water from the Gulf water, they desalinate water from the sea to drink. Until today the Gulf countries are the largest countries in the world to use desalination products. So that is how we fell into in the U.A.E.

One of the advantages is we speak Arabic.

Two formal location selection processes were performed by the company decision-makers following the decision to target the Gulf countries. The first selection process relates to selecting a beneficial country among the proposed six Gulf countries, while the second process was carried out once the U.A.E was selected and concerned the choice of a beneficial city within the U.A.E. In addition, the site was selected as part of the implementation process for the city choice. With regards to the country selection, the former assessment and elimination phase resulted in three strong prospective countries among the six alternatives the U.A.E, Saudi Arabia and Kuwait. Of the three, the U.A.E was selected as the most appropriate because: (1) the company received numerous inquiries from the U.A.E about water desalination services through various international water exhibitions which took place in different countries in the Gulf region; (2) the openness of the U.A.E economy as free market; (3) the attractiveness of the country's foreign investments policies and incentives; (4) the active foreign investments environment in the country as the centre of foreign trade in the region; and, (5) the attractive economic conditions in the U.A.E as the strongest economy in the region. As the managing director's following comments illustrate:

First of all you have three small countries, very minor small countries, Bahrain, Oman and Qatar ... So you end up with really only three, UAE, Saudi and Kuwait. And like I said...had a lot of restrictions on religion, you know, very strict ... like I said the people themselves were hard to deal with ... so in my brother's collection of information and that we looked at many of the major corporations in the world, they had an offices in U.A.E in the Middle East.

So we had to concentrate on which of the six and the markets and rules ... Kuwait is very hard to deal with people, Bahrain is too small ... So when you start eliminating them, you still come back to the UAE.

I think it is the open policy of the economy over there, makes it easy. You can go there and start a company there; it is just not hard to do business. It is like, even less red tape than Australia in the UAE. Oh yeah, it's very very, so as long as you are not doing anything illegal. You buy a thing for a dollar and you sell it for \$10, you know what I mean. There is a willing buyer and seller, it's your business. You know what I mean, not much red tape and problems and that, no taxes.

How would I put it? Business atmosphere or whatever you want to call it, you felt over there. It's the whole country is buzzing with business and economy.

Then we went to a few shows in Saudi, Bahrain and UAE.

I think the main reason is that, we saw that many of the enquires that came from the show were from the UAE. So when you see that 50% of your enquiries come from the UAE that strengthens your made criteria, then that's the best place to be.

The city within the U.A.E was selected based on evaluation for the established city location factors and Dubai was chosen as the most suitable city. First, Dubai was the most attractive city for foreign investments in terms of policies and incentives. Second, Dubai was popular as the centre of trade and foreign investments in the region. Finally, the international water exhibition was hosted every year by Dubai and that brought the company to close to customers. The managing director commented:

Every body knew at that time even I knew that the Hong Kong of the Middle East is Dubai if you want to be anywhere in the Middle East. So if you were in Australia, you knew really at that time that the centre of business in the Middle East is Dubai.

you have six states as you know in the United Arab Emirates. Ras al-Khaymah and Umm al Qaywayn, all very poor, miserable, so really it comes down from the six to two: Abu Dhabi and Dubai. Obviously, Abu Dhabi is richer in oil than Dubai, definitely richer, but of the two definitely if you are walking in the street, the one is actually buzzing with business, is Dubai not Abu Dhabi ... most people from the other countries actually come to Dubai, for shopping, and doing business. At that time the international water trade show every year was actually in Dubai. So it was definite, for us anyway, at the time, it was the right place to be ... all the major corporations were in Dubai. They didn't have offices in Abu Dhabi only in Dubai.

Finally, a site within Dubai was identified during the implementation process. The site was chosen by comparing few site options against some developed site factors; a suitable site within the industrial area was selected, being close to the city centre, observable from the street and on the side

of the main road in Dubai. Nevertheless, the company decision-makers viewed that the site location was not as important as much as the city location. The managing director stated:

The choice was which place in Dubai ... The city is more important and the country ... Maybe now the site is, as we got bigger and bigger in the service.

Obviously it had to be not too far away from the city centre, be visible from the street, and on the highway.

4.4.3.1.7 Implementation of the Selected Location Choice

Implementing the selected location choice was found to be a critical aspect of the international location decision process in Case 3. As mentioned earlier, the site choice was selected throughout the implementation process. The implementation stage required some managerial procedures and actions undertaken by the company's directors in cooperation with their legal advisor from the U.A.E to assist them in registering and setting up the foreign operation. Initially, field visits to Dubai were carried out in order to select the site and to discuss with the foreign investment officials their incentives and the legal procedures required for establishing foreign operation. Secondly, as one of the essential legal terms towards foreign investors in Bahrain and the U.A.E, the company had to find a local sponsor within the country. Thirdly, in cooperation with the local sponsor, a site for the office of the service operation was identified. In addition, accommodation for the regional manager, who was the parent company's general manager, was identified. Fourthly, an accurate feasibility study was undertaken to determine the initial costs associated with setting up the service operation such as cost of license, cost of renting an office, cost of living and other related costs. Subsequently, the company had to choose the position for their office within the selected site location and then proceed with other legal issues as relates to procedures of registering their business. Finally, renting office place and the accommodation was the last step in the implementation process. The managing director illustrated:

We had costing information, already knew how much this cost, how much cost that, but Dubai was expensive.

Initially we used someone else to help us in setting up our business ... The first thing in the UAE and Dubai is that they have a system as a foreigner we not allowed to trade unless we have a sponsor who actually holds the license, our license, which is a bit of not logic but that's the way they do it ... We have to agree to pay him some money every year and this is obviously another issue, because some agreed, you know, they want to have half the profit a year, as

high as that. Some of them accept a flat cash for nothing, just to let you trade. I know you found it illogical but that's the laws of that country, take or leave it. Then after that we had to find, like we said, the office and house for my brother to live in. And to arrange all this, it took a month or two.

4.4.3.1.8 Evaluation of the Effectiveness of the Location Decision

The findings of Case 3 show that the decision evaluation action was a decisive stage in the international location decision-making process. In fact, the location team of Company C was very satisfied with their decision outcomes and their selection of the U.A.E and Dubai as the most valuable country and city location choices. As the managing director commented:

In any business decision, starting a new company whatever, after six or twelve months you go back and say did it go as you planed it or not?

I'm happy with Dubai, it's a very satisfactory choice ... Kuwait, everybody knows like never in Kuwait because people are hard to deal with ... and we have proven that we were right, spot on.

Two decision review activities were performed by the location-decision-makers in Case 3. The first evaluation action was conducted following the selection of the U.A.E and Dubai and prior to the implementation process. This evaluation act was concerned with consulting other business experts in Australia and in the Gulf countries about their decision outcomes through the international water exhibitions in which the company participated. It included the location team being satisfied about the selected location choices. The managing director stated:

We knew lots of people in Austrade, you know, so that's the main trade department. We talked to them about our decision.

The second evaluation act was carried out subsequent to establishing the business operation physically in Dubai and it involved reviewing the effectiveness of the Dubai foreign operation. The procedures and methods used in this evaluation process entailed mainly comparing the actual business environment of Dubai against the location team's anticipations and measuring the profitability of the operation after one year. Managerial reports were used to evaluate the real business environment in Dubai, whereas financial reports which incorporated the financial statements to show the company's financial position concerning the annual returns and expenses, were used as indication of the financial performance of the operation. As the managing director clarified:

You usually always get few surprises, this is normal. Theory is always different from practice, so when you think it gonna take a week, it could take six months. You know, that's the way it is. But at least, like I said, from this point of view it was correct, the country definitely was the right place and easy to deal business ... easy to get things done, economy is open, open economy and lots of free trade ... Much easier, not much complication anyway, in the whole system practically, like I said, even easier than Australia. And like I said, the other thing that is most important to me anyway always is the money, that we are selling a reasonable amount to cover our overheads, which we were doing. So after a year of looking at it, we're happy to continue there.

Are you selling and are you making money? Can you pay the bills or cover the bills? So that's to me or to any businessman is number one point, or will always be for any business.

4.4.3.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

The main themes that came out during the data analysis process to answer this research question are as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house consultation and external consultation with international business experts.
- Identification of a trustworthy and internationally experienced manager for international operation.
- Participation in trade fairs in the potential foreign locations.

Each of these critical factors is explicated in the next sub-sections.

4.4.3.2.1 International Business Experience of the Location Team

The results of Case 3 show that the international business experience of location decision-makers in was crucial in reaching a beneficial and good foreign location choice. The international business experience of the general manager of Company C as in addition to the managing director

experience affected positively each single phase of the comprehensive international location decision-making process and its final outcomes.

As indicated earlier, the general manager had a remarkable expertise and experience in international business within the Middle East countries where he had been during his position as a vice president of a leading Western Australian solar energy firm for around five years. The international business expertise and experience enabled, and assisted significantly, the decision-makers to search and propose good location alternatives based on their experiences and knowledge about possible country options. Meanwhile, the assessment of these location options was influenced considerably by this acquired experience, as the managing director's following comments explained:

Even if my brother didn't have experience in the Middle East, I would go to the Middle East because of the product I'm selling. I obviously was influenced a lot by him; I had to, because he has been there so many times.

My brother had much more experience ...

In my case, I have to admit that it was a bit easier for us because he was at that time 5 years employed by ... International. And he did about 35 trips to the Middle East region at that time. All the time, he been there, practically half the year he was not here in Australia. So from what he observed ... So he said the only way is to open an office in the Middle East.

From his personal experience, it has to be that way, because of his trips ...

4.4.3.2.2 The Country Knowledge of the Potential Foreign Locations

The knowledge and the awareness about the identified foreign region and country options in relation to the language, culture, political and legal issues were found to be important and critical success factors which contributed to the selection of the final beneficial location choice. As explained previously, the location decision-makers in Case 3 have a Middle Eastern background. Consequently, they were extremely knowledgeable and well-informed about the characteristics of all countries in the region. That, in turn, enabled them to focus quickly on the region and contain country risks associated with their investment decision. In addition, knowledge of the country was maximised through the extensive business field visits of the general manager to the region. As a result, understanding of the potential countries within the Middle East region provided significant inputs into the assessment action for the six Gulf countries, and into arriving at a beneficial location for the company's international venture. The MD illustrated that issue during the interview as follows:

Definitely, we know about the Middle East. That was the most important about it that we actually speak Arabic and as Muslims, it is easier and important to us ... I still think that it was one of the advantages still, that we are Arabs and Muslims. It was definitely, I have no doubt in my mind, one of the key things, most important things that helped us succeed eventually ... It's not easy when you are targeting another country, it'll be obviously complicated if I want to open business in other country, say, Brazil I don't speak Spanish. So already I have got a problem.

I know people who have lost millions in China because they took time to figure out how to do things. So it takes time, you know. You have to know the structure of society, the government, the sub-governments, the locality how they run the country. It is just endless, endless drama, endless problems. So you really have to go deep down in any country where you want to do business and find exactly how the country works. It's not what you think where you can just go for a quick visit for a week, you'll not know anything. But in our case, we knew about these things.

4.4.3.2.3 In-House Consultation and External Consultation with International Business Experts

Case 3 findings illustrate that internal consultation among the knowledgeable and experienced location decision-makers was critical to the entire comprehensive international location decision-making process and to reaching the beneficial foreign location. The international location selection decision was made consultatively and jointly by the company's two directors as the principal owners. These in-house consultations allowed for the exchanging and sharing of the experience and knowledge among them so as to attain a valuable foreign location choice. As the managing director comments indicated:

We started talking about it and he joined me about like I said in March 1985, so we started talking from April and then we had, we decided we should have an office ...

It was a joint decision ... We obviously sat and talked about it for hours and days. It's a huge decision...

Likewise, consulting and discussing external international business experts was found to be one of the important success factors which assisted substantially in selecting a suitable and profitable foreign location from among the prospective locations. As the MD mentioned:

Well we knew lots of people in the Austrade, you know, so that's the main trade department. We did talk to them about that before we chose Dubai.

4.4.3.2.4 Identification of Trustworthy and Internationally Experienced Manager for International Operation

Identifying a trustworthy and experienced manager for the international operation was found to be another crucial success factor. It was important for Company C, as a part of its successful international location strategy, to determine a trustworthy and experienced manager who is familiar with the potential Middle East region before selecting the final country choice. Accordingly, the general manager of the Perth's parent company was appointed as the regional manager of the Middle East international operation in the U.A.E operation because he was highly experienced and well-informed about the Middle East local business environment. Likewise, he was extremely trustworthy as he was the brother of the company's managing director. Consequently, the significant attributes of the potential international operation manager provided substantial input to the assessment process undertaken to evaluate the potential countries and to arrive at a final suitable location choice. The managing director illustrated these issues through various comments as follows:

In our case, it wasn't very hard to decide since we know the culture ... But it is very important, especially like I say now, if I open a business in another country, it would be very, very hard for me, to open and manage the site...It would be extremely hard for me because having our assurance in the person, you know, how you gonna to choose the person? Obviously it gonna be local of that country. How he gonna to do the right thing by you? Is he gonna to rip you off? So I feel it would be very hard to make a decision ... When you have very small company like ours, it is very dangerous obviously. You can lose a lot of money and, because like I said, you are miles away, tens of thousand miles away. But when it is your own family you know as you or culture. You don't even think about it.

It is important to find an experienced person who you can trust 100% to run the business in that country, like someone may be the shareholder...That's to me now would be the biggest obstacle then I wouldn't venture into another country because of that problem ... It's possible to find a person like that but it will be more stressful to run and not easy to run. Don't forget those people also sign the company letterhead and things like that. And you the ultimate owner of the company so everything goes wrong it comes back to you. It is a very risky decision. Sure, like I said the buck stops here ... it can get really serious thing.

4.4.3.2.5 Participation in Trade Fairs in the Potential Foreign Locations

The results of Case 3 reveal that participation and involvement in international trade exhibitions which were held in the potential foreign countries were one of the critical success factors in selecting a beneficial country choice. The international water trade exhibitions which took place in

several countries in the Middle East region provided location decision-makers of Company C with significant indication and information about the most appropriate and demanding country for their intended water desalination service. These water trade shows also allowed the company directors to consult other business experts in the region, to evaluate the target market for their products and to select the most beneficial foreign country from among the strongest country candidates. The managing director remarked:

We went to few shows in Saudi, Bahrain and UAE ... we saw that many of the enquires that came from the show were from the UAE. So when you see that 50% of your enquiries come from the UAE that strengthens your made criteria, then that's the best place to be.

4.5 Case 4: Company D

4.5.1 Company Background

Company D is a large manufacturing firm which produces a wide range of kitchen, laundry and bathroom plumbing and tapware products and it is an established force in manufacturing and distribution of plumbing products to the local and international markets. The company is considered in Australia as one of the leading and most reputable firms in the area of plumbing products as it has a vertically integrated manufacturing facility and distribution centres and offices in all regions within Australia to service its national network of distributors. Furthermore, from its beginning, the firm has had a significant presence in the Asian and North American markets as it exports its products to these international markets. As a result, in order to strengthen its market share in these global markets, the company expanded its manufacturing operation to China in 1998.

4.5.1.1 The Organisational Structure of the Company

The parent company is situated in Western Australia in Perth and ruled by a board of directors which includes two major Australian directors who have been the principal owners of the company since it was established in 1984. Once the company decided to internationalise its business activities, at the preliminary stage of the decision-making process related to the international manufacturing facility, the selected Chinese partner who is the managing director of the current joint venture joined the parent company and became another major shareholder of the Australian

parent company and a member of its board of directors. The Australian parent company and the international manufacturing operation currently employ over 500 persons. The Perth parent company has five main department managed by 15 key managers of administration, storage, marketing and sales, finance and distribution. The international manufacturing joint venture (IJV) has nine major departments supervised by 23 key managers who cover administration, storage, marketing and sales, finance, distribution, engineering, assembly, mechanic and manufacturing. The managers and the employees of the IJV were selected from the local market. The relationship between the parent company and the IJV is coordinated and consultative as the Western Australian parent company which includes the Chinese partner owns 100% of the shares of it and, hence, it provides a central supervision for that foreign operation.

4.5.2 The International Location Decision Background

In Case 4, one international location decision was investigated by the data collection procedures which involved the joint venture foreign investment with a Chinese partner. The aim of that location decision was for expansion purposes and to market its products to Asian and North American markets and to strengthen its market position in the Australian market through generating a cost competitive advantage. The international operation was established in China in 1998; namely in Shandong province in the city of Yantai and the decision is regarded as a very successful foreign investment decision.

4.5.2.1 Management Level Involved in International Location Decision

The examined international location decision was made in two stages by the Company D board of directors. The first-stage location team consisted of the two major Australian directors (CEO and other director) who are the principal shareholders and founders of the company. The first-stage location team undertook all the decision-making procedures and actions for selecting a foreign country choice and local partner. On the other hand, the second-stage location team comprised the first-stage location team together with the Chinese partner appointed as the managing director of the joint venture.

The second-stage location team pursued and carried out the entire remaining course of actions with respect to the region, city, and site selection decision processes within China. Likewise, the Chinese partner became another shareholder of the Australian parent company and the China's joint venture.

The company's CEO as a team leader and the other two directors (major shareholders) had a considerable international business experience which provided substantial input into the international location decision-making process. As a result, the decision was made cooperatively and consultatively by the three directors.

4.5.2.2 Location Decision Timeline

The total time taken for making and implementing the international location decision was four years. Three years were taken to select the country, find a local partner and select the city and site. Furthermore, one year was taken for implementing the selected site and establishing physically the manufacturing facility on the identified site.

4.5.3 The Findings of Case 4

This section presents the findings of the examined international location decision of Case 4 (China's operation) which emerged from the within-case analysis for the collected qualitative and quantitative data and response the first and second research issues.

4.5.3.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

The main themes which emerged during the analysis of the qualitative and quantitative data which respond to this research question are as follows:

- Identification of international business opportunity.
- Meetings and consultations between experienced location team.
- Determining location criteria or factors.
- Searching for location options.
- Information acquiring and assessment of location options.

- Selecting the final location choice.
- Authorization for the selected location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

Each of these themes is explicated in the next sub-headings.

4.5.3.1.1 Identification of International Business Opportunity

The Company D strategic decision to operate globally was jointly and consultatively initiated in 1994 by the CEO and other director who were at that time the only major shareholders of the company. The company had engaged in exporting its plumbing and tapware products to Asian and North American markets for around 10 years. Accordingly relying on its remarkable existing business with Asia, the company identified a substantial international business opportunity emerging in Asia as a large market and as a competitive foreign region for low-cost production. As a result, the company directors made the decision to have a manufacturing facility in Asia to benefit from the emerging market opportunity in that region and to profit from the regional advantages as a low-cost foreign location for manufacturing. Furthermore, the company considered that establishing a manufacturing facility in a low-cost foreign location would significantly strengthen its market share in the Australian local market through reducing the cost of production. As the CEO stated:

I think the reason behind it was as any sort of company, they have an operation overseas. I can see that there are a lot of opportunities for people who went to Asia and through the direct contacts over there. There's an opportunity to make successful business with these people ... Obviously, when you go overseas, price and availability is very important ... If you can't make profit you can't sustain your business.

4.5.3.1.2 Meetings and Consultations between Experienced Location Team

Significant consultations and discussions occurred between the experienced location team members of Company D at two stages throughout the comprehensive international location decision-making process. In the first stage, initial discussions happened between the company's CEO and the other director, as the two major shareholders prior to the selection of the country choice, to share the knowledge and the experience of each of them so as to search for potential countries within Asia

and to evaluate the prospects and threats of each possible country to reach a beneficial and successful location choice. The second stage of consultation occurred once the country and the local partner for the joint venture were selected by the company' original location team. The local partner, who is Chinese, joined the location team and participated in the remaining parts of the decision process in relation to the region, city and site selection within China. As a result, in-house meetings and consultations proved to be critical in each phase of the international location decision-making process. The company's CEO illustrated the point that the international location decision outcomes were a cooperative and consultative work during the interview process as follows:

When we decided to set up our business we looked at the positives and negatives of various regions relevant to China in terms of cost.

We initially set up our company as a company which would manufacture plumbing products and initially we set up a joint venture with China ... Our Chinese partner was a part of the shareholding in the Australian operation but does not have any separate ownership in China.

... for a few years and then we selected the city in accordance with our partner.

We're always, we're always evaluating the effectiveness of every decision that we make.

We can see a lot of positives in Yantai and few negatives.

What we had to consider was the availability of labour.

I think we had a reasonable knowledge.

We spent three weeks in China, the three partners together and we went to various regions in China ... and from a manufacturing side we selected a suitable region.

4.5.3.1.3 Determining Location Criteria or Factors

Establishing location factors or criteria was found to be a central step in the decision-making process carried out by Company D relating to the selection of foreign location. Overall, the location team of the Company D addressed location factors with respect to country, region, city and site choices before they reached the final related location decision. The location factors provided vital inputs into the assessment phase undertaken to evaluate the regions, city and site options within the preferred country choice, China.

In point of fact, the location factors were developed at two stages during the international location decision process. In the first stage, the location team of the CEO and other director of the Australian parent firm established the country location factors and selected the country and local partner of the joint venture. In the second stage, the Chinese local partner, as another principal shareholder in the Australian and Chinese manufacturing operations, joined the location team in preparing the region, city and site factors. The developed location factors covered both quantitative and qualitative issues. On one hand, the quantitative location factors concerned costing issues related to labour, raw materials, factory construction, freight and utilities costs in the potential countries. Furthermore, other issues relating to the economic and foreign investment conditions of the potential country were considered such as tax policies, economic conditions and foreign investments policies. On the other hand, the qualitative location factors are subjective factors that include non-cost issues such as cultural, political, economic development issues. The CEO referred to these factors via various comments during the interview session:

We looked at the positives and negatives of various regions relevant to China in terms of cost. We were seeking for a particular region with a level of expertise and in the area where we going to manufacture ... If you entered into an area or country where many factories manufacture the same type of product, you have a very difficult problem to keep your labour up, because labour jumps from one company to another and this is where a lot of business makes mistakes in China ... You have to find a trading partner who is both capable and who's honest ... We had to consider availability of labour; we had to consider the expertise.

... and taken products so there was no need for us to resale to this area. Obviously price, when you go overseas price and availability are very important.

You have got to, really got to have the infrastructure, you have got to be confident and the government policies to ensure that you are not going to lose any money that you have to invest in there very quickly.

Raw material availability for what you want to manufacture but price is essential and very important because if you can't make a profit you can't sustain your business ... Right people in the town in the city, having the correct resources available for the manufacturing, the power resources and be confident that indeed the place that you're in is not going to go bankrupt very quickly and Shandong will certainly not do that.

The findings of Case 4 show also that some location factors were *primary* and with enormous weightiness throughout the international location decision-process, while others were *secondary* and less important. As the CEO demonstrated:

But the critical thing was that ... who is our Chinese partner, actually comes from that city and he knows the city well and he knows all the key people that we needed to get assistance from to support us in the beginning to build up a venture. That was the key issue ... Price, when you go overseas price and availability are very important ... Raw material availability for what you want to manufacture but price is essential and very important because if you can't make profit you can't sustain your business.

In summary, Table 4.4 shows the most important location factors that were developed by the location team at the two stages when data was collected through the interview process and the questionnaire.

Table 4.4: Location factors for Case 4

Type of location decision criteria or factors	Attributes of criteria
Country factors	<ul style="list-style-type: none"> ▪ Political and economic stability. ▪ Developed infrastructure. ▪ Size of local market. ▪ Attractive tax policies. ▪ Availability and the costs of qualified local labour, raw materials and natural resources and utilities. ▪ Attractive foreign investment policies. ▪ Availability of local partner. ▪ Growth of market. ▪ Tariff and non-tariff barriers to trade.
Region factors	<ul style="list-style-type: none"> ▪ Developed infrastructure. ▪ Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power). ▪ Stability in the relevant labour market.
City factors	<ul style="list-style-type: none"> ▪ Availability of sea ports. ▪ Proximity of sea port to the manufacturing facility. ▪ Developed infrastructure. ▪ Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power). ▪ Proximity to the local partner place. ▪ Transportation cost. ▪ Adequacy of water, gas and electricity supply. ▪ Attractive place to live.
Site factors	<ul style="list-style-type: none"> ▪ Availability and the costs of utilities (gas, water, power). ▪ Proximity to sea port. ▪ Adequacy of water, gas and electricity supply. ▪ Cost of land and construction. ▪ Proximity to suppliers and business services. ▪ Availability of suitable plant sites and room for future expansion.

Source: Analysis of field data based on interviews and questionnaire.

4.5.3.1.4 Searching for Location Options

Searching for potential foreign locations was found to be an important constituent of the comprehensive international location decision-making process performed by Company D. The search process involved seeking country and local partner options simultaneously, and once the country (China) and the local partner from that country were selected, the region, city, and site options were developed within that country. The search for country options was carried out by the first-stage location team which included the CEO and other director; they relied completely on their extensive international business experience with Asia during the period from 1984 to 1994 and hence merely two country options were identified, China and Indonesia. China as a country option was proposed by the company's CEO on the basis of his wide international business experience with China as a one of the major company's international markets. Indonesia was suggested by other business experts who were friends of the CEO. Conversely, few region, city and site options within the selected country (China) were generated by the second-stage location team which involved the Chinese local partner of the joint venture. The region options entailed a small number of provinces in China and afterwards a few city options within the selected province (Shandong) were developed. Subsequently, a few sites were considered within the selected city of Yantai. As the CEO revealed during the interview session:

We have been in the industry and we had been dealing with China before.

Before we set up our business we looked at Indonesia as a possible place for getting the same product ... it was slight one ... it was something that we were asked to look at by someone else.

When we decided to set up our business in China we looked at the positives and negatives of various regions in China.

Initially, we set up as a joint venture with China. We waited about 3 to 4 years and then we set up our own operation in Shandong.

We went to China and we spent three weeks in China, the three partners together; and we went to various regions in China.

4.5.3.1.5 Information Acquiring and Assessment of Location Options

Information acquiring and assessment of the proposed country, region, city and site options was found as a fundamental managerial action in the international location decision process of Company D. The evaluation of the country options were carried out by the first-stage location team, whereas assessment of the region, city and site options within the selected country (China)

was performed by the second-stage location team. The international business experience and country knowledge of the first-stage location team specifically the CEO, and his personal and direct links in China were the main and key sources of information about the country alternatives. Similarly, the international business experience and knowledge of the CEO in association with the Chinese partner's local knowledge and his direct personal relations were the chief sources of information about the region, city and site options with reference to the produced relevant factors. The information acquired through the international business experience, country knowledge and personal direct links of Company D location team reflected the overall prearranged location factors shown in Table 4.4. The CEO commented:

We already knew about China. I have travelled to China many times. In fact, I been in China over 65 times in the last 13 years. I spend most of my time in China.

We had contacts in China already ...

... then we selected the city in accordance with our partner.

Well, we already knew that China was very competitive in price and for particular products.

... who is our Chinese partner actually comes from that city and he knew the city well and he know all the key people that we needed to get assistance from to support us in the beginning to build up a venture.

The first assessment task took place when the first-stage location team jointly and consultatively evaluated the prospects and threats of each suggested county option in relation to the business opportunities and possible risks in each country. Further, assessment of the trustworthy and managerial competency of the local partner particularly related to the Chinese partner was undertaken based on the CEO's personal knowledge about the Chinese partner who was one of the company's customers. In fact, China was the stronger country alternative from the beginning and was investigated and assessed comprehensively by the company's first-stage location team due the high risk associated with that decision during the 10 years before making the final decision to have a manufacturing operation in China. Nonetheless, Indonesia was a very minor option and, therefore, in the first elimination round, it was rejected as a good option and eliminated due to the uneasiness of conducting foreign business in that country caused by the corruption spreading within the country. As the CEO commented:

Before we set up our business we looked at Indonesia as the possible place for getting the same product. But we decided against that and the reason why we decided against it was that we believed there was too much, far too much corruption involved in that area. And we didn't want to get involved in paying

government people for services just because we had to. That was why we stayed away from Indonesia; we will never go there.

We extensively researched our business in China for about 10 years.

During the set up of our business from our early beginning we extensively researched China and went to probably every major city on the coastline of China.

The second and most important assessment activity concerned evaluating thoroughly the region, city and site options within China as the preferred country choice. This evaluation action was carried out at several stages by the second-stage location team. In this assessment activity, qualitative and quantitative comparisons of the international experience and country knowledge based-information respecting the pre-established factors were accomplished. Furthermore, this task involved assessing all the financial and resource commitments associated with establishing a manufacturing facility in foreign country. As a result, some quantitative mathematical estimation was used to anticipate variable and fixed costs relating to building the manufacturing facility and determining production related costs in each potential region, city and site within China. In addition, cost-benefit analysis (CBA) was carried out to forecast the returns and the cost of operating in each year was carried out as a part of the feasibility study for each prospective site. However, the qualitative evaluation entailed assessing the operational and manufacturing related issues, relying on the acquired information such as evaluation for workforce stability in each potential region and the availability and price of production inputs and utilities. As the CEO stated:

When we decided to set up our business we looked at the positives and negatives of various regions in China. We were seeking for a particular region with a level of expertise and in the area where we were going to manufacture. Although there're some negatives there, we decided to set up our operation there ... We can see a lot positives in Yantai and few negatives. If you enter into area or country where are many factories manufacturing the same type of product, you have a very difficult problem in keeping your labour up, because labour jumps from one company to another. And this is where a lot of businesses make mistakes in China. They going to the main region or area for particular product and when you have 5000 factories ... staff from the region they have many choices; they can jump every day to a new factory, that's a big negative.

When we decided to go to China, first of all, we set up a company. We had done many calculations based on what we believed our market would be, our product ranges we wanted to make and the turn over we could establish and the GP we could establish. And from that we decided we could spend X amount and make a profit within the first year if we used our valuable contacts in China.

Right people in the town in the city, having the correct resources available to manufacturing, the power resources and being confident of the place. That

you're not going to go bankrupt very quickly. And Shandong will certainly not do that. In the south they have extensive problems with electricity and labour problems but in the north they don't have that and I thought we would be very wise in choosing the north, because there is a total different culture in the north as opposed to the south in China.

4.5.3.1.6 Selecting the Final Location Choice

Selecting a final location choice proved to be decisive to the international location decision-making process undertaken by the first and second-stage location team of Company D. In effect, four major location choices were selected through four separate selection decision processes and they related to selecting country, region, city and site choices. As explained earlier, relying on the extensive international business experience of the first-stage location team and in particular of the company's CEO, China was a very strong country alternative compared with Indonesia.

Consequently, China was selected as the most beneficial country choice straightforwardly throughout the first elimination round based on several grounds and motives. In the first place, the CEO has considerable international business dealings with China and a trustworthy and skilled Chinese partner was found during the country selection process who was one of the company's highly respective customers. Secondly, China has developed infrastructure and the entire requirements of relevant production inputs such as labour, raw materials and utilities at a very competitive price. Finally, China has stable attractive policies toward inward foreign investment. As the CEO stated:

We had contacts in China already. We believed that China had the infrastructure, had structure, had simply high placed contacts which we needed to be able to pull it off.

We have been in the industry and were dealing with China before.

... and you have to find a trading partner who's both capable and who's honest ... so the critical thing is you have to find the right person and that's what we have.

We already knew that China was very competitive in price and for particular products so there was no need for us to research the area, obviously price, when you go overseas price and availability are very important. Raw material availability for what you want to manufacture but price is essential and very important because if you can't make profit you can't sustain your business. And we believe China fitted perfectly.

We saw that China is obviously the option, the best option, because they have a low price, they had everything that we needed. And they did have stability in the

load that a very large country that had a lot less stability than some of the others around about them but really the others were never really an entity that we considered. And it's proven that for the last ten years, although China do have some swift policy changes at the end of the Chinese New Year, can change tariffs, can change government policies very quickly but they are always mindful that they attract very huge amounts from investors from various countries including Hong Kong. And we know that they can't make decisions that will adversely affect them because they actually need that foreign investment at the moment, to make the country grow, and to grow that infrastructure.

The second selected location choice concerned choosing a suitable and profitable region or province within China. Shandong was selected as the most appropriate and beneficial region within China because it is the wealthiest province in China concerning natural resources and raw materials and other resources which are crucial inputs into the company's production line. Secondly, the prices of these production inputs including the labour wages are very competitive. Finally, Shandong maintains stability in its government policies toward foreign investments besides the stability in the workforce environment. The CEO illustrated this during the interview sessions:

In China at the moment, they have problem with power generation, there using up too much power. They don't have enough coal to supply to power stations. In Shandong they have natural resources such as coal, such as natural gas pumped in from Bohay Sea and such. They have their own gold, they have their own oil fields, this is all in the province where we are. It's a very, very wealthy province in China and a lot of other provinces depend on them, so therefore the electricity, the gas, and various other resources that we use in our business are cheaper and also the labour is cheaper.

The third selected location choice involved agreeing on a city within the preferred region of Shandong. Accordingly, Yantai city was selected as the pertinent city for the company's foreign operation because it was the city of the Chinese partner and he was knowledgeable about the conditions of the city and was accessible to the supported departments' officials and other resources required for establishing and building the manufacturing facility. Likewise, the city had all the relevant production inputs such as skilled labour, raw materials and utilities and had a dynamic and large Seaport. Finally, given that the Chinese partner came from that city, that enabled him to maintain firm control over the manufacturing facility. The final selected location choice entailed choosing a proper site for the industrial plant within the selected city of Yantai. One central site was selected in accordance with the Chinese partner and the site was close to the city Seaport and has all the required supported production inputs. The CEO's following quotations illustrate these former motives:

We selected the city as I said to you earlier, we moved into China and into the area where they manufacture our product for a few years and then we selected the city in accordance with our partner. Our Chinese partner who owns a part of this business, where he lived and where he could control things very carefully and that's when we moved up to Yantai in Shandong Province.

But the critical thing was that ... who is our Chinese partner, actually comes from that city and he knows the city well and he knows all the key people that we needed to get assistance from to support us in the beginning to build up a venture. That was the key issue.

But the port city we were in, we chose this city because it's a port city it's Yantai with regular container and shipping shipments every week and they have a very big container port and it's only 20 about minutes from our factory.

4.5.3.1.7 Authorization for the Selected Location Choice

Authorization and approval for the selected four location choices with regards to country, region, city and site choices was found essential in the international location decision process carried out by the Company D two-stage location team and it included two stages of approval. The first-stage approval was carried out when China and the local partner were selected as the best country and joint venture partner options; it involved establishing agreement about China among the first-stage location team members. The second-stage authorization activity took place among the second-stage location team including the Chinese partner and it implied agreeing on the selected region, city and site choices. In addition, approvals occurred by the company's directors for the entire construction duties related to building the manufacturing facility. The CEO demonstrated:

When we decided to go to China, first of all, we set up a company.

Now we went to China and we went through, we spent three weeks in China, the three partners together and we went to various regions in China and by the time the three weeks were over... from a manufacturing site we selected a suitable region and we selected the town that we believed would carry us through to the second stage in which we wanted develop our own factory.

4.5.3.1.8 Implementation of the Selected Location Choice

Implementing the selected location choice was confirmed to be a decisive phase involved in the comprehensive international location decision-making process of Case 4. In point of fact, the implementation process was carried out following the selection of China and the local partner and;

therefore, the region, city and site choices were selected as a part of the implementation process undertaken by the second-stage location team. At heart, the implementation process involved several managerial procedures and actions. At first, exploratory field visits to China were carried out by the three directors of the second-stage location team in order to select the appropriate region, city and site within China. Afterwards, once the site was selected as within Yantai city, the Chinese partner, through using his personal contacts and links in the city, prepared all the legal documents so as to adhere to all necessary business legal rules and requirements towards foreign investment in Shandong province. The third step concerned preparing a feasibility study for the selected site through using the cost-benefit analysis technique (CBA) to identify initial costs associated with setting up the manufacturing operation in China and the expected financial benefits of that decision. Similarly, break-even analysis (BEA) was used by the location team and it included comparing all fixed costs such as cost of constructing the plant and variable costs such as labour, utilities and raw materials with the sales revenue in order to determine the level of sales volume or production at which the manufacturing operation makes neither a profit nor a loss; i.e., the break-even point. Finally, all the relevant construction work was carried out to build physically the manufacturing facility. As the CEO commented:

We had done many calculations based on what we believed our market would be, our product ranges we wanted to make and the turnover we could establish and the GP we could establish and from that we decided we could spend X amount of dollars and make a profit within the first year if we used our valuable contacts in China. It was a matter of finding a manufacturing outlet to deal with in the early days while we went through the growing period. Now we went to China, we spent three weeks in China, the three partners together and we went to various regions in China and by the time the three weeks were over we selected a suitable region and we selected obviously the town that we believed would carry us through to the second stage which was developing our own factory.

Our Chinese partner ... knows all the key people that we needed to get assistance from to support us in the beginning to build up a venture.

4.5.3.1.9 Evaluation of the Effectiveness of the Location Decision

Ongoing evaluation of the effectiveness and prosperity of the selected country choice was undertaken by the second-stage location team throughout the first six years of operating in China. The evaluation and the review course entailed comparing the prepared estimated financial feasibility and break-even figures with the achieved one during the first six years. Furthermore, a growth plan was used as another evaluation technique for evaluating the financial performance and manufacturing capacity of the offshore manufacturing facility. This technique incorporated

contrasting the expected goals and objectives with respect to the sales growth and the improvement in the manufacturing capability and product quality with the actual elements and facts. As a result, these two techniques gave a significant indication to the company board members about the outcomes of their foreign location choice; a very successful decision, as they believed. The CEO stated:

We always evaluate the effectiveness of every decision that we make. We evaluate the effectiveness through our budget that we set in place for the company and through our expansion programs that we set for the company. Our evaluation of the effectiveness of setting up in China as we have growing company, from a turnover of X to a turnover of over 40 times X in the last 6 years. So you can imagine that we were very happy in what we've achieved and we've achieved very close to what we believed in the budget.

We were there at the right time. Maybe if we were starting the business today we wouldn't be successful because we came from a low cash base and we started manufacturing and retailing and distributing simple products. Now we are making a lot more technical, high tech-products. We couldn't have started today making the simple products because the costs have gone up considerably and the competition has also increased in that area.

4.5.3.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

The main themes that emerged during the data analysis process which respond to this research question are as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house consultation and external consultation international business experts.
- Identification of a trustworthy and skilled local partner for international joint venture.

4.5.3.2.1 International Business Experience of the Location Team

The wide international business experience of the Company D location team in particular of the CEO, was a critical success factor for arriving eventually at a beneficial foreign location for the company's offshore manufacturing facility. The CEO was highly experienced internationally and

that, in turn contributed significantly in developing appropriate potential country options and evaluating the strength and weakness of each potential location to reach a good and sound location choice. Furthermore, the international business skill assisted in selecting a suitable and reliable local partner for the joint venture. As the CEO remarked:

During the set up of our business from our early beginning we extensively researched China and went to probably every major city on the coast line of China.

My partner was my customer.

I had a reasonable knowledge, I had respect for the people, I had a very good friend in China, who was capable and honest.

4.5.3.2.2 The Country Knowledge of the Potential Foreign Locations

The location team of Company D possessed a rich understanding and awareness about the strongest foreign location alternatives in relation to the opportunities and threats of each location option. The extensive country knowledge was gained by the first-stage location team through numerous international business dealings with the selected location choice and through numerous business field visits to that location. The country knowledge provided a significant input to the assessment of the feasibilities and risks of the location options. The CEO commented:

We already knew about China. I have travelled to China many times. In fact, I have been in China over 65 times in the last 13 years. I spend most of my time in China ... We have been in the industry and we were dealing with China before.

We never use any government aid or assistance we do it by ourselves. There're a lot of government aid departments like Austrade and things like that. They have missions in China. I have not been involved ... They're okay for someone that has no knowledge of the country.

4.5.3.2.3 In-House Consultation and External Consultation with International Business Experts

Valuable discussions and consultations happened between the location team members to exchange and share the relevant knowledge and experience to reach successful location choices. The in-house consultations proved to be very critical to each phase involved in the comprehensive international location decision-making process as it was a consultative decision process. The recognised

international business opportunity in Asia, the proposed country options, the assessment of these options, reaching a final beneficial option and the implementation and evaluation of the selected option were completely consultative efforts and actions carried out by the company's location team. Furthermore, external consultation with some international business experts from the potential countries occurred during the development of country options and the assessment phase. The CEO explained:

When we decided to go to China, first of all, we set up a company, we had done many calculations based ... Now we went to China and we went through, we spent three weeks in China, the three partners together... and then we selected the city in accordance with our partner.

We had contacts in China already. We believed that China had the infrastructure, had structure, had simply high placed contacts which we needed to be able to pull it off.

I can see that there're a lot of opportunities for people who went to China and through the direct contacts over there.

4.5.3.2.4 Identification of a Trustworthy and Skilled Local Partner for the International Joint Venture

Company D established its international manufacturing facility in China as a joint venture foreign investment with a local partner. Therefore, once China was chosen unanimously as the most suitable country choice, it was imperative for the initial location team to find a trustworthy and skilled local partner to manage the foreign operation since it entailed enormous human and financial resource commitments. That proved to be a very critical and most important aspect of the international location-decision-making process for company D because the location team had to rely on a local partner who was knowledgeable about the general country conditions with regards to availability and the price of the relevant production inputs, political and foreign investments policies to assist them in selecting appropriate region, city and site choices within China.

Similarly, the local partner had to be enormously trustworthy and skilled because the parent company could not monitor the foreign operation fully from Australia. As a result, the availability of a trustworthy, knowledgeable and skilled local partner was a critical success factor in reaching a profitable country choice to undertake successful international expansion for Company D. As the CEO stated:

You have to look for a bit of stability in the partnership, part of the country your dealing with.

You have to find a trading partner who is both capable and who's honest. If you can't find that honest capable trading partner no matter what country it's in you could have a problem. So the critical thing is you have to find the right person and that's what we have ... We had that before we actually started our business.

I have a very good friend in China, who was capable and honest...

Our Chinese partner who owns a part of this business, we chose the city, where he lived and where he could control things very carefully and that's when we moved up to Yantai in Shandong Province.

4.6 Case 5: Company E

4.6.1 Company Background

Company E is a large manufacturing group founded in 1982 in Western Australia in Perth. The group is one of the largest and foremost heavy industry Australian firms specialising in the manufacture and supply of pipe supports, pipe hangers and pipe suspension equipment. Furthermore, the firm produces all the necessary equipment and parts for refinery, power generation plant, gas processing plant, petrochemical and paper/pulp mills, mining and minerals processing. The firm has a significant market share and presence in the local market as it has distribution offices and centres in all states and territories within Australia. Similarly, it has recently developed an international presence as it exports its pipe products to Asia, USA, the Middle East and the U.K. The firm engaged in internationalisation and FDI when it established its first international manufacturing joint venture in Indonesia in 1994. Additionally, the firm decided earlier this year to establish another global joint venture manufacturing facility in China.

4.6.1.1 The Organisational Structure of the Company

The company headquarters is situated in Western Australia in Perth and controlled by a board of directors which includes four major executives; group executive director, management, finance and technical director. The Australian parent company and the international manufacturing operations in Indonesia and China currently employ over 550 persons including over 28 managers. The global

organisational structure of the group consists of four major divisions; the group head office, manufacturing, industrial and distribution divisions. The Perth head office is responsible for monitoring the group's overall local and international business activities, while the manufacturing division provides direct supervision for the Perth and the international manufacturing facilities in Indonesia and China.

The industrial division controls the exporting and international marketing activities to Asia, USA, the Middle East and the U.K, whilst the distribution division manages and controls the whole distribution offices within Australia. Each of Perth's manufacturing facility and the international manufacturing operations in Indonesia and China has seven main departments which are managed by 7 key managers which include engineering, quality, administration, purchasing and inventory, finance, estimating, and marketing. The managers and employees of the international manufacturing operations were selected from the local foreign market. The relationship between the group parent company and the Chinese operation is centralised as Perth parent company applies global strategy and control over most of the international operations decision-making.

4.6.2 The International Location Decision Background

In Case 5, two international location decisions were investigated throughout the data collection process both of which were international joint venture (IJV) foreign investments. Company E expanded its manufacturing activities to Indonesia and China for expansion purposes to exploit the market opportunities emerging in the markets and in neighbouring foreign markets. The first IJV was established in Indonesia in December 1994; it proved to be an unsuccessful decision, particularly in the initial two years of establishment. The second was grounded in China earlier this year and is believed to be an effective decision.

4.6.2.1 Management Level Involved in International Location Decision

Each of the two examined international location decisions were made in two stages. For the first international location decision, the first-stage location team consisted of the former parent company board members who undertook all the managerial procedures and actions for selecting the foreign country choice and the local partner. Conversely, the second-stage location team comprised the first-stage location team plus the Indonesian partner who is the manager of the present joint venture. The second-stage location team pursued and carried out the entire remaining work with respect to

the city and site selections within Indonesia. On the other hand, for the second international location decision, the recent board members of the parent company performed the all the managerial actions for choosing the country and the local partner. Whereas the Chinese local partner, who is the manager of the current IJV, participated in the remaining procedures respecting the region, city and site selections within China.

4.6.2.2 Location Decision Timeline

For the first examined decision, the total time taken for making and implementing the international location decision was one year and eight months. One year was taken to select the country, find a local partner and select the city and site. In addition, nine months were taken for implementing the selected site and establishing physically the manufacturing facility. On the other hand, the total time taken for making and implementing the second international location decision was seven years. Six years for selecting the country and finding a local partner and one year for selecting the city and site as a part of the implementation process.

4.6.3 The Findings of Case 5

The purpose of this section is to present the findings of the two examined international location decisions of Case 5 independently given that the first decision was regarded as an unsuccessful decision. The first international location decision which resulted in selecting Indonesia as the country of choice was in the beginning, an unfortunate decision which led to serious financial losses in the first two years of operation.

The current group executive director (GED) was interviewed regarding the first and second foreign investment decisions because he was the key decision-maker in relation to the second decision in addition to being the only available and most knowledgeable senior executive about the first decision since all the because all the original location decision-makers left the company ten years ago. Furthermore, the current GED had been sent to Indonesia to manage the foreign operation and improve its performance as he was the most internationally experienced director in the company. As the GED stated:

None of those directors who were involved are employed any more. Some of them left the company or retired but I know the story very very well. When they

set up the company in Indonesia in 1994, I was sent there because it wasn't going very well.

Indonesia wasn't a successful decision at that time, but I think eventually we made it successful. But I don't think it was the right choice at that time ... this bad decision almost sent the company broke 10 years ago. It was a serious issue but fortunately we were able to get out of it.

4.6.3.1 Findings of the First International Location Decision

Since the first international location decision initially was an inopportune decision, this section presents the findings concerning the issues which cover the managerial procedures involved in the decision process. However, the information which relates to the critical success factors which contributed to arriving at a beneficial foreign location is replaced with the critical failure factors which led to a detrimental foreign location decision.

4.6.3.1.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at foreign locations for their international operations?**

The main themes that came out during the analysis of the qualitative and quantitative data which respond to this research question are as follows:

- Identification of international business opportunity.
- Meetings between inexperienced location team.
- Determining location criteria or factors.
- Searching for location options.
- Information acquiring and assessment of location options.
- Selecting the final location choice.
- Authorization for the selected location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

Each of these themes is discussed in the next sub-headings.

4.6.3.1.1.1 Identification of International Business Opportunity

The Company E decision to establish global manufacturing facility was initiated by the company's technical director, who was one of the original location team. Prior to 1992, Company E maintained significant international business relations with Southeast Asia and, therefore, had established a sales office in Singapore to facilitate the exporting activity to its customers in those markets.

In June 1992, the company observed a good growing market opportunity in Southeast Asia and a growing demand for its products in those markets, but at that point, the actual manufacturing capability in Perth was not able to meet the local and international demands. Consequently, the company faced two choices; either to increase the capacity of the Perth plant or to set up a new manufacturing facility in the target international marketplace.

In February 1992, the decision was made finally to establish an international manufacturing operation in the Southeast Asia region to be close to the target foreign markets. As the GED commented:

The former technical director of the company came up with this idea.

We observed a good market opportunity in Southeast Asia through our sales office in Singapore ... we either expanded the capacity of the Perth factory or put a factory close to the market and that's what we decided.

4.6.3.1.1.2 Meetings between Inexperienced Location Team

Some meetings and discussions occurred between the former company's board members as the location team formed to make the first international location selection decision of Company E. The meetings aimed to discuss where in Southeast Asia to locate the company's international manufacturing operation. Accordingly, evaluation for the prospective countries was conducted during these discussions session; however, none of the location team members were found to have any international business experiences or had been in any foreign country. The GED illustrated:

They had some discussions ... they searched Malaysia and Indonesia.

People involved in it, those directors had no experience at all about foreign countries.

4.6.3.1.1.3 Determining Location Criteria or Factors

Location factors were developed by the first-stage location team during the international location selection process to be used in the evaluation process of the country options. The location factors concerned the country options; though the city and the site were mainly recommended by the local partner who, later became, a part of the location team. As the GED explained via the following quotations:

What really concerned us was to guarantee that there was a domestic market and the manufacturing there was going to be a significant market over the time. We didn't want to make the product there and ship it to Australia. We wanted to use the business and our production offshore in that market so we could compete so aggressively.

Because we knew that our investment was going to be at least a couple of millions of dollars we wanted to make sure that the size of the domestic market opportunities that will be created, tariff and non-tariff trade barriers in different countries were right.

There wasn't really a city or site selection, the site was offered by the joint venture partner and they accepted it and that's it.

Table 4.5 shows the most important location factors that were developed and considered by the location team as collected through the interview process and the questionnaire.

Table 4.5: Location factors for the first location decision of Case 5

Type of location decision criteria or factors	Attributes of criteria
Country factors	<ul style="list-style-type: none"> ▪ Political and economic stability. ▪ Developed infrastructure. ▪ Size of local market. ▪ Access to market. ▪ Availability and costs of qualified local labour, raw materials and natural resources and utilities. ▪ Attractive foreign investment policies. ▪ Availability of local partner. ▪ Growth of market. ▪ Tariff and non-tariff barriers to trade. ▪ Access to neighbouring market ▪ Geographical proximity to Australia. ▪ Simplicity in the foreign language

Source: Analysis of field data based on interviews and questionnaire.

4.6.3.1.1.4 Searching for Location Options

Searching for country options was limited to the Southeast Asian region because at the time of the decision it was the strongest potential foreign region for Company E due to geographical grounds. As a result, the location team developed some prospective countries within that potential foreign region and a few country options were suggested; namely, Thailand, Malaysia Indonesia, Singapore, Cambodia and Vietnam. Likewise, finding a local partner for the joint venture was carried out concurrently with the searching action respecting country alternatives. Following the selection of the country and local partner, the city and site choices were proposed by the local partner and accepted instantaneously by the location team; hence, no relevant city or site options were created. As the GED revealed during the interview session:

It was really Southeast Asia, Singapore, Malaysia, Indonesia, Thailand ... And if you ask me why those countries, why not Brazil or Africa, it was geography. Originally, 10 years ago or 12 years ago our business was Australia and a little bit of Southeast Asia. Today our business is probably strongest in the Middle East. But 10 or 15 years ago we didn't do anything outside Southeast.

They identified partners in Malaysia and Indonesia.

There wasn't really a city or site selection, the site was offered by the joint venture partner and they accepted it and that's it.

4.6.3.1.1.5 Information Acquiring and Assessment of Location Options

The information acquiring and assessment phase entailed only evaluation of the country options and began with collecting some information about the potential countries. This information covered the predetermined country factors concerning the market size, political, legal and economic conditions, country policies toward foreign investors and costing information. The sources of information were mainly the Australian trade departments and the embassies of the potential countries in Australia. Furthermore, the company paid for research about these countries by a librarian in Australia. The GED stated:

They went to various departments ... mostly governments and the Australian government in particular, a little bit of foreign governments. They paid for a librarian to do research ... and in addition they spoke to some overseas governments, the local consulates in Perth, or their embassies in Canberra to get some information.

Some assessment task was undertaken by the first-stage location team restricted to evaluating the prospective countries to arrive at the final country choice. The assessment activity involved, to some extent, comparing the country options with the gathered information which detailed the established country factors or criteria. The assessment rounds resulted in elimination four unsuitable countries (Singapore, Thailand, Cambodia and Vietnam) due to labour cost, inefficiency in the market size, difficulty in language and cultural issues. Accordingly, the country options were narrowed down to Malaysia and Indonesia as the most likely countries because of the availability of a skilled local partner for the joint venture; further, they have suitable domestic markets and easier language of communication. The GED commented:

... the size of the domestic market... tariff and non-tariff trade barriers in different countries. So that thing was investigated a little bit but probably not much as should be.

... Singapore was ruled out because of land and employee cost. So that became Thailand versus Malaysia versus Indonesia, Cambodia was not developed, Vietnam too small. It was really Thailand versus Malaysia versus Indonesia. And of those, Malaysia was the one which initially stood out and Indonesia, the one which eventually was chosen.

... Singapore was very much dismissed because of labour and land cost ... Thailand was a consideration but language is a great difficulty ... Thai has different alphabet completely like Arabic. Most of the people here after while can understand little of Bahasa for Malaysia and Indonesia because it is using the same alphabet ... So Thai was being more difficult to be communicated.

4.6.3.1.1.6 Selecting the Final Location Choice

As mentioned earlier, Southeast Asia was selected as the potential foreign region because the company had existing international business relations with the region at the time of the decision and due to the geographical links between Australia and the region; hence the region was chosen intuitively. The outcome of the former assessment phase, supported with some external consultations with business experts from the Southeast region, led to the initial selection of Malaysia as the country of choice together with the selection of a local partner. However, the local partner withdrew at the final stage of finalising the legal documents for partnership due to difficulty in funding his financials commitments in the joint venture. As a result, the location team switched to Indonesia because of the availability of a dynamic local partner.

In brief, the only location selection activity which was undertaken by the location team of the first examined international location decision concerned the country and local partner choices and no

selection process was carried out in relation to the city and site choices as they had been offered by the local partner and accepted directly by the location team without any further investigation and assessment. The GED comments showed:

Originally the country with great opportunities that they headed to it in 1992 was Malaysia. So they spent a lot of time researching Malaysia, they identified a joint venture partner and they were very close to signing the document to commit resources in Malaysia for five years. At the last minute the Malaysian partner fell out and he said he could not afford it.

They consulted a couple of people in the company that were our customers in Southeast Asia at that time and got some opinions, but not really very much.

I think the fact that the Indonesian partner was very very active and aggressive partner and it was seen as terrific value. The Malaysian partner had gone a way and they didn't have contacts in Thailand. So Thailand hadn't developed, very far.

There wasn't really a city or site selection, the site was offered by the joint venture partner and they accepted it and that's it.

4.6.3.1.1.7 Authorization for the Selected Location Choice

The results of Case 5 in relation to the first international location decision showed that first-stage approval for the selected country and local partner was performed by the company board of directors. The second-stage authorization for a suggested city and site was provided by the second-stage location team which included the Indonesian local partner for the international joint venture (IJV). Furthermore, approval by the company's board members included the entire construction duties related to building the manufacturing facility. The GED demonstrated:

They agreed on the country and the local partner for the joint venture.

The local partner offered a city and site and it was then approved by the directors.

4.6.3.1.1.8 Implementation of the Selected Location Choice

The implementation process commenced subsequent to the selection of the country and local partner choices. Consequently, all the essential legal documentations, with the assistance of the parent company's legal advisors, were signed between the parent company representative and the

selected Indonesian partner. Later, the site for the industrial unit suggested by the joint venture partner was approved instantaneously by the parent company's first-stage location team without any complementary assessment. Subsequently, financial planning for the costs associated with building the manufacturing plant was prepared by the location team of the parent company. These figures, according to the current group executive director, did not express the actual costs due to the lack of country knowledge by the former location team. The final step was carrying out the construction work for the plant. The GED stated:

I guess that they did some calculations related to the site and construction costs but it was unrealistic, because the people involved haven't had any experience in the country. It's like if you are somebody who has never been in Australia, how much cost you to buy ... how much will cost you to send children to school? But they had never been there, how would they know? So those who been involved in the thing had never been in Indonesia and they made their calculation without having experience in the country.

4.6.3.1.1.9 Evaluation of the Effectiveness of the Location Decision

Evaluation of the effectiveness of the outcome of the international location decision was carried out by the location team in the first two years. The financial reports which included financial figures related to domestic sales were mainly used as an evaluation tool to review the performance of the foreign operation. In the initial two years of operating in Indonesia it was performing very poorly. The recent group executive director as one of the company's highly internationally experienced managers was appointed as the manager of the foreign operation to improve its performance. As the GED following remarks showed:

The operation in Indonesia was performing terribly; it lost a lot of money for the first two years.

They hired people with high experience in the overseas ... I was sent there because it wasn't going very well.

Indonesia wasn't a successful decision at that time, but I think eventually we made it successful. But I don't think it was the right choice at that time.

This bad decision almost sent the company broke 10 years ago. It was a serious issue but fortunately we were able to get out of it.

... we do a lot of shipping but the factory was far away from the port. So things like that were done very poorly. .

4.6.3.1.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical failure factors which led to achieving a detrimental foreign location choice for the international operation?**

The main themes which emerged during the data analysis process are discussed individually in the next sub-headings as follows:

- Lack of international business experience by location team.
- Lack of the country knowledge about potential foreign countries.
- Inadequate and ineffective investigation and assessment for potential countries, cities and sites.
- Inadequate external consultations with international business experts.

4.6.3.1.2.1 Lack of International Business Experience by Location Team

The original location team members involved in the decision process of Company E's first international location decision had no international business experience about the potential countries or other foreign countries. According to the recent group executive director that issue proved to be a very decisive failure factor which affected negatively the outcome of the international location decision-making process. As the GED stated:

It was really the people involved at that time; they weren't experienced in international business and one of the mistakes they made was they didn't investigate the options very well. Most of them didn't have international experience, only one of them had overseas experience before but he was technical guy and not commercial guy.

4.6.3.1.2.2 Lack of the Country Knowledge about Potential Foreign Countries

As mentioned, the location team members were inexperienced internationally, a major reason for the unawareness and ignorance about the potential countries and the selected country in relation to economic, political, legal and cultural issues. Another reason for their lack of knowledge was that they did not carry out exploratory field visits to the potential countries or even to the selected

country prior to the final selection. As a result, the lack of country knowledge had a negative impact on the country, city and site selection decisions. It also had a significant negative influence on the financial plan prepared with regard to the implementation for the site; as all the figures were inaccurate and did not express the actual costing facts. The GED stated:

People involved in it, those directors at that time had no experience in Indonesia, they never lived in Indonesia, most of them had never been in Indonesia and either making investment decisions in Indonesia. So the way they set it up, the way the whole process developed w very poorly.

When you look at the number of companies that go overseas and make mistakes in the joint venture or investments in foreign countries or states, the great assumption that they make is through ignorance and they assumed they go to India or Indonesia or others like a Perth company going to Brisbane. They think that it's a geographical investment but it's not a geographical investment. It's much much more; it's a cultural, religious, you are going to a completely different environment. You need to spend more time to understand the domestic rules.

4.6.3.1.2.3 Inadequate and Ineffective Investigation and Assessment for Potential Countries, Cities and Sites

The managerial decision process carried out by the original location team with regard to the first international location decision was considered an incompetent and unprofessional process. More specifically, the location team did not assess the country options thoroughly and comprehensively, and insufficient city and site options within the selected country were developed. Therefore, no criteria for the target city and site were established as they had been offered but the local partner and, subsequently, approved by the location team without any further evaluation. Later, it was proved that being far from the seaport was a serious problem with agreed site. The following GED comments illustrate these issues:

The factory was far away from the port ... The site would have been examined in a lot more detail ... we would choose a site close to the port ... we would develop a lot more understanding, what alternatives work in that country and other cities in that country and other countries, I think it was all done very poorly.

We would develop more alternatives because I think it is very important to understand what you are going to. This serious decision almost sent them broke because they hadn't thought through. It's a great example for how not to do it as they did ... One of the mistakes they made they didn't investigate the options very well ... the countries should be investigated more comprehensively ... you should have more professional decision process.

4.6.3.1.2.4 Inadequate External Consultations with International Business Experts

Some external consultations with international business experts from the prospective countries were made. However, according to the current GED of Company E, these consultations were not substantial, adequate and suffice to undertake a risky foreign investment decision and arrive at a beneficial country choice. The GED stated:

They consulted a couple of people in company that were our customers in Southeast Asia at that time and got some opinions but not really very much.

4.6.3.2 Findings of the Second International Location Decision

As indicated, the second examined international location decision concerned with the most recent international manufacturing joint venture in China. The current section presents the findings from the relevant collected qualitative and quantitative data to capture the effect of the experience on the international location decision as the first decision was a failed and ineffective decision and hence the company benefited from that failure through appointing skilled and internationally experienced location team. As the GED stated:

This serious decision almost sent them broke because they hadn't thought through ... It's a great example for how not to do it as they did.

4.6.3.2.1 Findings about the First Research Issue:

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

The main themes that came out throughout the analysis of collected data relevant to this research question are as follows:

- Identification of international business opportunity.
- Meetings and consultations between experienced location team.
- Determining location criteria or factors.
- Searching for location options.
- Information acquiring and assessment of location options.
- Selecting the location choice.
- Authorization for the selected location choice.
- Implementation of the selected location choice.
- Evaluation of the effectiveness of the location decision.

Each of these themes is discussed in the next sub-headings.

4.6.3.2.1.1 Identification of Intentional Business Opportunity

The second international location decision of Company E which resulted in establishing international manufacturing facility in China was initiated originally on 1998 by the recent group executive director. The prime motivation for that internationalisation decision was to increase the company's international involvement as a good business opportunity arose abroad and, as a result, exploiting the emerging international business. As the GED commented:

We decided to have another facility overseas because we wanted to be less reliant on one overseas plant and expand the capacity.

... we observed at that time a good international market.

4.6.3.2.1.2 Meetings and Consultations between Experienced Location Team

Vital meetings and discussions occurred between the company's executive director as a team leader and the other directors who represented the first-stage location team of the second international location decision. These meetings and consultations were critical to each phase of the comprehensive international location decision process. The meetings and consultations aimed at sharing the knowledge and international business experiences in order to assess the opportunities and threats of each potential country and finally to arrive at a good location choice. As the GED's following comments illustrated:

We had a team who had a good overseas experience.

Well, this time was done differently. This one we had been working for seven years since 1998 we first started doing the study. One of the things we done ...

We mostly evaluated the countries ...

We identified a good partner we liked ...

... but we were still not at a comfortable stage ...

4.6.3.2.1.3 Determining Location Criteria or Factors

Throughout the meetings and discussions between the first-stage location team members, several location factors were generated for the use in the evaluation and assessment of the country, city and site alternatives. Unlike the former international location decision (Indonesia), city and site factors were developed throughout the current international location decision process. The list of the produced location factors included both quantitative and qualitative elements. The quantitative location factors concerned with the costing issues related to labour, raw materials, factory construction, freight and utilities costs in the potential countries. Furthermore, other issues relating to the economic and foreign investment conditions of the potential country such as tax policies, economic conditions and foreign investments policies were considered. On the contrary, the qualitative location factors were non-cost factors such as cultural, political and economic development issues. As the GEO indicated during the interview session:

We said the most important thing we want to do, the market size is important, the population is important, the opportunities are important, the economy is important, the political stability is important, they're all important but the most important at all to have joint venture partner you trust ... The culture is important as well. At the end of the day whether Asian, Chinese, Arabic, African, you have to be sensitive to other religion, all these things are vital.

We use some water, electricity and other utilities ... we do shipping so the site should be close to the port...

The findings of Case 5 confirm that some location factors were *primary* and with enormous importance throughout the international location decision-process, while others were *secondary* and less important. According to the GED "... the political stability is important, they're all important but the most important at all to have joint venture partner you trust ..."

In brief, Table 4.6 demonstrates the most important location factors developed by the location team as collected through the interview process and the questionnaire.

Table 4.6: Location factors for the second location decision of Case 5

Type of location decision criteria or factors	Attributes of criteria
Country factors	<ul style="list-style-type: none"> ▪ Political and economic stability. ▪ Developed infrastructure. ▪ Size of local market. ▪ Access to market. ▪ Availability and costs of qualified local labour, raw materials and natural resources and utilities. ▪ Attractive foreign investment policies. ▪ Availability of local partner. ▪ Growth of market. ▪ Tariff and non-tariff barriers to trade. ▪ Access to neighbouring market
City factors	<ul style="list-style-type: none"> ▪ Availability of sea ports. ▪ Proximity of sea port to the manufacturing facility. ▪ Developed infrastructure. ▪ Availability and of qualified local labour, raw materials and natural resources and utilities (gas, water, power). ▪ Proximity to the local partner place. ▪ Transportation and freight costs.
Site factors	<ul style="list-style-type: none"> ▪ Availability and of utilities (gas, water, power). ▪ Proximity to sea port. ▪ Proximity to major highways and roads. ▪ Availability of developed industrial zones. ▪ Proximity to raw materials sources. ▪ Availability of suitable plant sites and room for future expansion.

Source: Analysis of field data based on interviews and questionnaire.

4.6.3.2.1.4 Searching for Location Options

Subsequent to establishing the pertinent location factors, the first-stage location team started searching simultaneously for prospective countries and local partners within them. As a result, only two alternative countries of China and Poland were developed based, on the GED's wide international experience and the business opportunities emerging in those international markets. The second stage of search started following to the selection of China as the final the country and in accordance with the selected Chinese partner, a few city and ten site options were developed within the city wherein the local partner residing.

In effect, the local partner provided significant input not only into the search activity in relation to suitable city and site options but also into the final selection of the city and site choices. As the GED revealed during the interview session:

The options were China versus Poland and we eventually chose China first.

... After 5 or 6 years we finally found a joint venture partner in China that we felt comfortable with and we could trust and then we worked together with him for the last year.

Our joint venture partner in China identified about 10 different sites.

4.6.3.2.1.5 Information Acquiring and Assessment of Location Options

The information acquiring and assessment phase for the second international location decision was more thorough and exhaustive and the country, city and site options were investigated and evaluated more carefully compared with the first decision. Therefore, six years were taken to arrive at the final country and the local partner choice for the second location decision compared to one year for the first decision.

This phase started with the gathering of more comprehensive information about the two developed country alternatives. The information was collected from the same sources as for the first international location decision, mainly the Australian trade departments such as the Chamber of commerce and Austrade and the embassies of the potential countries in Australia, but in more details and depth. On the other hand, the city and site related information was provided by the selected Chinese partner and evaluated jointly and consultatively by the second-stage location team.

Overall, the gathered information covered the identified country, city and site factors concerning the market size, political, legal and economic conditions, country policies toward foreign investors and site costing information. The GED revealed:

The site was examined in a lot more detail ... we would develop a lot more understanding, the alternatives work in that country and other cities in that country and other countries.

You need to spend more time to understand the domestic rules ...

At the outset, substantial assessment for the country options was performed by the first-stage location team as six years were used to decide on the final country and local partner choices and later considerable evaluation for the city and site options in reference to the local partner was also carried out. Exploratory field visits to China, in particular to the selected city, were conducted by the GED as the location team leader during the assessment process.

In general, the entire assessment act involved judging against the country options with regard to the gathered information about the planned country, city and site factors. Furthermore, throughout the assessment course for the country options, evaluation for the country risks was undertaken in relation to economic and political conditions as well as judging the trustworthy nature of the joint venture local partner. The assessment rounds resulted in excluding Poland from the country options list, then selecting the local partner's city and narrowing down the site options into two most appropriate sites. The GED stated:

This time it was done differently. This one we had been working for seven years ... So in China we have known for 7 years that there is a big market. Anybody who reads newspaper knows that there is a big market there. But we also know many companies that have gone there and failed. So we didn't want to just go there and set up our factory. After 5 or 6 years we finally found a joint venture partner that we felt comfortable with and we could trust and then we worked together with him for the last year.

We mostly evaluated the countries based on the domestic opportunities ... in Poland the problem was the Polish government was very obstructive, not very helpful. They tell us yes we'll answer your email; it'll take us one year for that decision. If we ask a question that needs a little bit of work and we thought we'll get answer in one or two weeks they tell us one year for that question. So we wanted to be very quicker than that.

Our joint venture partner in China identified about 10 different sites and we studied those and then we chose a couple and went and visited those and then we agreed on one.

4.6.3.2.1.6 Selecting the Final Location Choice

In this phase, the final country choice and the local partner were selected together, hence, China and a trustworthy and dynamic local partner were chosen. China was chosen against Poland because the foreign investments policies and the business atmosphere in relation to the official governmental procedures were more attractive and improved in China. Furthermore, the availability of a trustworthy, skilled and dynamic local partner and the attractive economic conditions concerning

the size of market were the key motives for preferring China. The city of the local partner was chosen because of the availability of the supported production factors and a vital seaport. Further, given that the Chinese partner came from the selected city, that enabled him to sustain tight control over the manufacturing facility. The final location selection decision choice entailed deciding on one suitable site from the two narrowed sites for the manufacturing plant within the selected city. Accordingly, one central site was selected which was close to the city seaport and had all the required supporting production inputs. As the following GED comments showed:

We selected China opposed to the other alternative because I guess economically it was more important ... I think the most effective part was that we had a partner who is very very impressive and active and aggressive, that we liked

After 5 or 6 years we finally found a joint venture partner that we felt comfortable with and we could trust ...

We chose a site close to the port. ...

4.6.3.2.1.7 Authorization for the Selected Location Choice

The outcomes of Case 5 in relation to the second international location decision showed that authorization for the selected country and local partner was made by the first-stage location team of the company board members. Afterwards, second-stage endorsement for a selected city and site was provided by the second-stage location team together with the Chinese local partner for the IJV. Moreover, the company's board members approved the entire construction duties related to building the manufacturing facility. The GED illustrated:

We have to agree the four directors jointly on China and on the identified local partner...

Our joint venture partner in China identified about 10 different sites and we studied those and ... and then we agreed on one.

4.6.3.2.1.8 Implementation of the Selected Location Choice

The implementation process started subsequent to the first-stage location team's selection of the country and local partner. Afterwards, all the fundamental official documentation in consultation with parent company's legal advisors was signed between the parent company delegate and the

selected Chinese partner. The second step concerned the selection of the city and site choices and it initially included preparing a precise financial plan relying on GED's exploratory field visits to the selected city and in association with the local partner. The financial plan covered all the costs connected with setting up the manufacturing plant. The final step was carrying out the construction work for the plant. The GED stated:

Our joint venture partner in China identified about 10 different sites and we studied those and then we chose a couple and went and visited those and then we agreed on one ... Then we did some calculations in terms of economics, in terms of cost ...

4.6.3.2.1.9 Evaluation of the Effectiveness of the Location Decision

Following the selection of China as the final country choice, evaluation of the selected local partner on the subject of the credibility and competency was carried out by the first-stage location team. Secondly, assessing the profitability of the target domestic market in China was made jointly and consultatively with the joint venture partner. The outcome of the former evaluation was valuable as the GED and other location team members were very pleased with the decisions. However, given that the investigated second international operation was recent and was not started completely to the point of completion the current research, no evaluation for post-implementation stage was undertaken for the financial performance of the manufacturing facility in relation to the domestic sales. The GED commented:

We finally found a joint venture partner that we felt comfortable with and we could trust and then we worked together with him for the last year... And again, in the period that we have gone through now over the years of different involvements we believe that the relationship is the most important factor at all.

In collaboration with our joint venture partner we evaluated our decision relying on commercial review ...

4.6.3.2.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

The major themes which emerged during the data analysis process to answer this research question and which are discussed independently in the next sub-headings are as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house consultation and external consultation with international business experts.
- Identification of a trustworthy and skilled local partner for international joint venture.

4.6.3.2.1 International Business Experience of the Location Team

The location team of the second examined international location decision had a considerable international business experience, particularly the GED as the location team leader was highly internationally experienced and that contributed significantly to developing appropriate potential country options and effectively evaluating the strength and weakness of each potential foreign location so as to reach a good and sound location choice. In addition, the international business skill and experience of the current GED was maximised when he was assigned as a managing director for the first international operation in Indonesia to improve its poor performance; he benefited by learning from that unfortunate decision. Further, his international experience assisted the location team in selecting an appropriate and reliable local partner for the joint venture. As the GED following comments demonstrated:

But we also know many companies that have gone there and failed. So we didn't want just go there and set up our factory. After 5 or 6 years we finally found a joint venture partner that we felt comfortable with and we could trust and then we worked together with him ...

We had a team who had good overseas experience ... Well, this time it was done differently. This one we have been working for seven years ...

We developed more alternatives because I think it is very important to understand what you are going to. This serious decision of Indonesia almost sent them broke because they hadn't thought it through. It's a great example for how not to do it as they did.

The countries should be investigated more comprehensively...you should have more professional decision processes ...They hired people with high experience in the overseas...I was sent there because it wasn't going very well.

Indonesia wasn't a successful decision at that time, but I think eventually we made it successful now ...When they set up the company in Indonesia in 1994, I was sent there because it wasn't going very well ...we do a lot of shipping but the factory was far away from the port. So things like that were done very poorly.

4.6.3.2.2 The Country Knowledge of the Potential Foreign Locations

Overall, the location team and the GED in particular possessed rich understanding and knowledge about the country options in relation to the opportunities and threats of each foreign country option. Remarkable country knowledge was gained by the GED through his extensive international business and during the considerable exploration and assessment of the potential countries throughout a period of six years. Following the selection of China and the local partner, the country knowledge about China was increased via frequent exploratory field visits to China. The country knowledge provides critical input in assessing the profitability of the country. The GED commented:

We developed a lot more understanding, what the alternatives work in that country and other cities in that country and other countries, I think it all done very poor...When you look at the number of companies that they go overseas and make mistakes in the joint venture or investments in foreign countries or states. The great assumption that they make is through ignorance and they assumed they go to India or Indonesia or other like a Perth company going to Brisbane. They think that it's a geographical investment but it's not a geographical investment. It's much much more; it's a cultural, religious, you going to completely different environment. You need to spend more time to understand the domestic rules...

4.6.3.2.3 In-House Consultation and External Consultation with International Business Experts

As shown previously, the in-house consultations proved to be extremely critical to each phase involved in the broad international location decision-making process as it was a consultative process. The recognised need to expand the company's manufacturing activities internationally, the proposed country options, the assessment of these options, reaching a final beneficial option and the implementation and the evaluation for the selected option were consultative efforts and actions carried out by the company's location team. Furthermore, external consultations with international business experts from the potential countries occurred during the development of country options and the assessment phase of the location decision process. The GED of the company remarked:

Before we decided on China we did consult business experts, and we talked to mostly companies, law firms, accounting firms and other manufacturing firms that have worked in China or have invested in China.

4.6.3.2.2.4 Identification of a Trustworthy and Skilled Local Partner for the International Joint Venture

Company E established its international manufacturing facility in China as a joint venture FDI with a local partner. Therefore, once China was preferred as the country choice, simultaneously, it was decisive for the preliminary location team to identify a reliable and experienced local partner to take charge of the operation given that the offshore manufacturing facility involved immense personnel and financial commitments, and the parent firm could not monitor the foreign operation fully from Australia. That was confirmed to be a very critical and an important aspect of the decision process for company E because it had to rely on a local partner who is well-knowledgeable about the general country circumstances to assist them in selecting an appropriate region, city and site choices within China. The following comments of the GED illustrate this issue:

In the period that we had gone through over the years of different involvement we believe that the relationship is the most important factor of all ... But most importantly you have to be able to develop a rapport with people, doesn't matter they are black, white, catholic, Muslim it doesn't matter. If you can't look each other in the eye and trust each other, the relationship will not work and that's the things I did for myself. And all the legal documents you invent in the world, all those things do is to protect you in case of dispute. But the real way to make you successful is to be able to work together; legal documents never ever work well, the relationship makes you work well.

We finally found a joint venture partner that we felt comfortable with and we could trust and then we worked together with him for the last year ...

4.7 Conclusion

This chapter has presented the findings of within-case analysis for each case study in detail and independently as each case formed an independent information-rich experiment. These findings concerned seven foreign investment decisions within five case studies. Three service organisation cases were examined including one firm with two successful international location decisions. In addition, two manufacturing organisation cases were investigated, of which one firm with two international location decision, one was initially unsuccessful, while the other was regarded a successful. The next chapter, Chapter 5, presents the cross-case analysis and results through summarising and discussing the similarities and differences between the case studies in relation to the first and second research issues and, accordingly, these findings were combined and propositions were developed.

CHAPTER 5

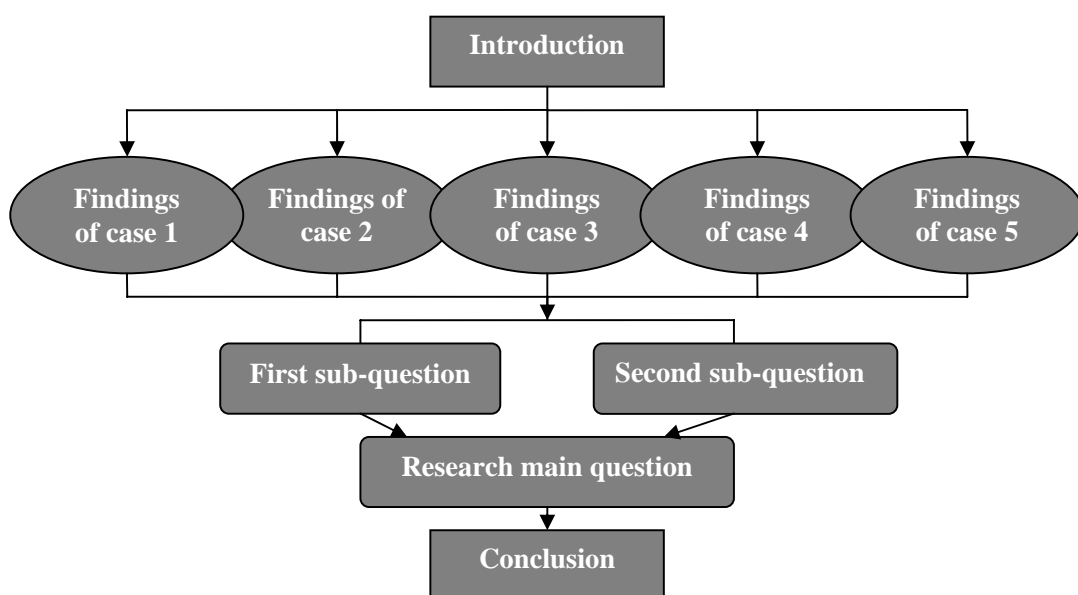
Cross-Case Analysis, Results and Development of Propositions

5.1 Introduction

The preceding chapter, Chapter 4, presented the findings of within-case analysis for each individual case. The present chapter provides and concludes the cross-case results through searching for cross-case patterns and outlining the similarities and differences among the conducted five cases in relation to the research sub-questions.

Matrixes and tables were utilised during the cross-case analyses to compare and contrast the sub-headings and themes from the within-case results developed in Chapter 4 and incorporated in the case summary tables provided in Appendix C. Consequently, the case findings were combined as an attempt to answer the research overall central question and, hence, propositions were built which formed the central foundations of a conceptual 'best practice' model developed in Chapter 6. Finally, the chapter's conclusion is presented. The structure of the current chapter is diagrammed in Figure 5.1.

Figure 5.1: Outline of Chapter 5



5.2 Cross-Case Findings about Research Issues

Section 5.2 compares the findings of the conducted five case studies with reference to the research first and second sub-questions through searching for similarities and differences among these cases (Eisenhardt 1989a) within the previously developed themes in Chapter 4 relevant to these research issues. Section 5.3 combines the cross-case findings which ultimately lead to answering the research major question.

5.2.1 The Findings about the First Research Issue

First research sub-question:

- **What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?**

Table 5.1 is a matrix which shows the comparison between the findings of each case study which respond to the first research issue that relates to the steps involved in the comprehensive international location decision process.

Table 5.1: Cross-case findings for the first research issue

Company	A	B	C	D	E1	E2
Decision step						
1. Identification of international business opportunity, problem or need	Y	Y	Y	Y	Y	Y
2. Meetings and consultations between experienced location team	Y	Y	Y	Y	Y	<u>N</u>
3. Determining location criteria or factors	Y	Y	Y	Y	Y	Y
4. Searching for location options	Y	Y	Y	Y	Y	Y
5. Information acquiring and assessment of location options	Y	Y	Y	Y	Y	Y
6. Selecting the final location choice	Y	Y	Y	Y	Y	Y
7. Authorization for the selected location choice	<u>N</u>	Y	<u>N</u>	Y	Y	Y
8. Implementation of the selected location choice	Y	Y	Y	Y	Y	Y
9. Evaluation of the effectiveness of the location decision	Y	Y	Y	Y	Y	Y

Notes: **Y** (the step exists), **N** (the step does not exist), **E1** (Company E first decision), **E2** (Company E second decision).

Source: Developed for the current research by the author based on cross-case analysis of field data.

Generally, as Table 5.1 illustrates, nine themes were identified as indicating the managerial procedures which encompassed the comprehensive international location decision-making process steps used by the five company cases. As revealed earlier in Chapter 4, each case study addressed these former themes somewhat differently; therefore, the similarities and differences of the five cases in relation to the characteristics of these themes are explained in the next sub-headings.

5.2.1.1 Identification of International Business Opportunity, Need or Problem

All of the participating five companies, which included three service firms and two manufacturing firms, confirmed that their decision to have offshore operations and to select a good foreign location was firstly driven by recognition of an international business opportunity, need or problem. Table 5.2 summarises the characteristics of this initiating phase across the five case companies.

Table 5.2: Cross-case findings for the first theme of the first research issue

	Identification of international business opportunity, need or problem
Company A	<ul style="list-style-type: none"> ▪ First international location decision -Emerging business opportunity abroad. ▪ Second international location decision -Emerging business opportunity in other countries in the region. -Illness of the manager of the first international operation.
Company B	-Decline in the local market which resulted in an extra capability of vessels.
Company C	<ul style="list-style-type: none"> -Poor market performance in Australia. -The need to have a business presence in the target marketplace.
Company D	-Relying on the company's remarkable international business with Asia, on 1994 the company observed a substantial international business opportunity emerging in Asia as a large market and as an attractive low-cost foreign location for global manufacturing.
Company E	<ul style="list-style-type: none"> ▪ First international location decision -Relying on the company's remarkable business relations with Southeast Asia through its sales office in Singapore, the company observed a substantial growing demand for its products in that region. ▪ Second international location decision -To increase the company's international involvement as a good business opportunity arose in the international market.

Source: Developed for the current research by the author based on cross-case analysis of field data.

As shown in Table 5.2, in the first international location decision of Company A (small service firm) a business opportunity for international marketing consulting services in the Middle East region was recognised, whereas, in the second decision which was made for relocation purposes, a

problem associated with the illness of the regional manager for the international operation in Bahrain was identified. Furthermore, a good business opportunity was observed in other countries within the Middle East region. Company B (large service firm) recognised a business problem as it had an extra capability of vessels due to the decline in the local marine tourism market. Company C (small service firm) suffered financial problems due to poor market performance in Australia and there was a need to have an operation in the target foreign marketplace. Company D (large manufacturing firm) relying on its remarkable international business relations with Asia, observed a substantial international business opportunity emerging in Asia as a large market and as an attractive low-cost foreign location for global manufacturing. For the first international operation of Company E (large manufacturing firm) depending on the company's remarkable international business relations with Southeast Asia through its sales office in Singapore, the company observed a substantial growing demand for its products in that region, while, for the second international location decision, the company aspired to increase its international involvement as a good business opportunity arose abroad. As a result, these various initiating factors for the international location selection processes of the five case companies fall into one main theme, viz., 'identification of an international business opportunity, need or problem'. Accordingly, this general theme proved to be a critical element in the initial phase of the international location decision-making processes of the entire case companies.

Proposition 1: Identification of an international business opportunity, need or problem is a significant element in the initial phase of the international location decision-making process.

5.2.1.2 Meetings and Consultations between Experienced Location Team

All cases confirmed that substantial meetings and consultations occurred between the selected location team which incorporated the company's senior managers. With the exception of the location team of the second international location decision of Company E, all the location team leaders were highly experienced in the international business arena. In all cases, these meetings and consultations as a managerial action occurred instantaneously following the recognition of an international business opportunity, problem or need and subsequent to the company's decision to set up an offshore operation. The meetings between the location team members happened in order to discuss all the necessary procedures and actions in relation to arriving at a beneficial foreign location choice.

In effect, the cross-case analysis showed that these meetings and in-house consultations were carried out throughout the comprehensive international location decision-making process of each company.

Proposition 2: Constant meetings and in-house consultations between the selected location team members are an imperative managerial procedure to be carried out throughout the entire the comprehensive international location decision-making process.

5.2.1.3 Determining Location Criteria or Factors

The cross-case results revealed that all companies established appropriate location factors compatible with the drivers of the internationalisation decision, the type of business and the geographical nature of the potential foreign region or country. This managerial action proved to be critical in the international location decision processes of the five companies. In essence, these location factors included a variety of quantitative and qualitative location factors produced to guide the location team in evaluating the post-developed alternative locations. The quantitative location factors were concerned with the cost of operating in a foreign country; fixed and variable costs such as cost of living, costs of setting up the foreign operation, utilities costs, labour and other related costs. However, the qualitative location factors included non-cost issues such as cultural, political, economic development, legal, climatic, geographic issues, foreign investment attractiveness and barriers such as tax policies, trade and non-trade barriers, economic conditions of the country such as GDP, GNP, purchasing power and other economic indicators.

Accordingly, some differences were found among the five companies with regard to this step from several perspectives. Firstly, some variations were discovered in relation to the geographical scope of the developed location factors. For example, Company A developed foreign region, country, city and site factors. Companies B and C generated country, city and site factors. Company D developed country, region, city, and site factors. For the first international location decision of Company E which was initially a failed decision, only country factors were determined, whilst for the second international location decision, country, city and site factors were generated. Furthermore, for companies D and E as manufacturing firms which established international joint ventures with local partners, criteria relating to the selection of the local partner in concert with the country factors were developed. Secondly, some differences were found in relation to the attributes of the developed location factors among the service firms (Companies A, B and C) and the manufacturing firms

(Companies D and E), particularly in regard to the site factors. Table 5.3 is a matrix in which the important location factors for service firms are exhibited. These factors were derived from the case summary tables generated in Chapter 4 and provided in Appendix C.

Table 5.3: Cross-case findings for the location factors of service firms

Company	A	B	C
Location factors			
<i>Foreign Region Factors</i>			
-Political & economic stability.	Y	<u>N</u>	<u>N</u>
-Market potential.	Y	<u>N</u>	<u>N</u>
-Import-oriented with consumption tendency.	Y	<u>N</u>	<u>N</u>
-Rich and strong purchasing power economy.	Y	<u>N</u>	<u>N</u>
-Good reaction to the Australian foreign policy.	Y	<u>N</u>	<u>N</u>
-Geographical proximity to Western Australia.	Y	<u>N</u>	<u>N</u>
<i>Country Factors</i>			
-Developed infrastructure.	Y	Y	Y
-Rich and strong purchasing power economy.	Y	Y	Y
-Access to market and neighboring markets.	Y	Y	Y
-Political and economic stability and security issues.	Y	Y	Y
-Openness of economy and country.	Y	Y	Y
-Costs issues.	Y	Y	Y
-Attractive foreign investment and tax policies.	Y	Y	Y
-Availability of qualified local personnel.	Y	Y	Y
-Country knowledge.	Y	Y	Y
-Similarity in legal and political system.	Y	Y	Y
-Growth of market.	Y	Y	Y
-Tariff and non-tariff barriers to trade	Y	Y	Y
-Market size.	Y	Y	Y
-Market potential for marine tourism.	<u>N</u>	Y	<u>N</u>
-Government economic and legal policies toward economic growth.	<u>N</u>	Y	Y
-Country waterways, weather, climate and sea conditions.	<u>N</u>	Y	<u>N</u>
-Country marine tourism conditions.	<u>N</u>	Y	<u>N</u>
-Purchasing power of tourists.	<u>N</u>	Y	<u>N</u>
-Availability of raw materials and natural resources.	<u>N</u>	<u>N</u>	Y

Table 5.3 (Continued)

Company	A	B	C
Location factors			
<i>City Factors</i>			
-Economic and trade growth of the city.	Y	Y	Y
-City governmental policies toward foreign investors.	Y	Y	Y
-Openness of the city and city governmental policies toward foreign investors.	Y	Y	Y
-Developed infrastructure	Y	Y	Y
-Market potential for marine tourism.	<u>N</u>	Y	<u>N</u>
-City governmental policies toward tourism.	<u>N</u>	Y	<u>N</u>
-City waterways, weather, climate and sea conditions.	<u>N</u>	Y	<u>N</u>
<i>Site Factors</i>			
-Parking facilities	Y	Y	Y
-Attractive building condition	Y	Y	Y
-Proximity to customer	Y	Y	Y
-High customer traffic in the area.	<u>N</u>	Y	Y
-Being near other company facilities.	Y	<u>N</u>	<u>N</u>
-Good infrastructure.	Y	Y	Y
-Attractive cost of renting.	Y	Y	Y
-A part of industrial area.	<u>N</u>	<u>N</u>	Y
-Visibility of the office to the mean street.	<u>N</u>	<u>N</u>	Y
-Proximal to major highways.	<u>N</u>	<u>N</u>	Y
-Proximal to city CBD.	Y	Y	Y
-Proximity to airport.	Y	<u>N</u>	<u>N</u>

Notes: **Y** (important), **N** (not important at all).

Source: Developed for the current research by the author based on cross-case analysis of field data.

As can be seen from the Table 5.3, notwithstanding the country, city and site factors were extremely alike in all the three companies, some dissimilarity was found among them relating to the attributes of the established factors. For instance, Company B as a marine tourism firm developed some marine tourism-related country and city factors such as (1) purchasing power of tourists, (2) country marine tourism conditions, (3) country weather, climate and sea conditions and (4) city waterways, weather, climate and sea conditions. These factors were found very important for Company B but were by no means important or even considered by Companies A or B.

Table 5.4 shows the cross-case analysis of the significant location factors that were developed by manufacturing firms (Companies D and E). These factors were derived from the case summary tables generated in the former Chapter 4 and provided in Appendix C.

Table 5.4: Cross-case findings for the location factors of manufacturing firms

Company	D	E1	E2
Location factors			
<i>Country Factors</i>			
-Developed infrastructure.	Y	Y	Y
- Country tax policies.	Y	Y	Y
-Access to market and neighboring markets.	Y	Y	Y
-Political and economic stability.	Y	Y	Y
-Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power).	Y	Y	Y
-Availability of local partner.	Y	Y	Y
-Attractive foreign investment policies.	Y	Y	Y
-Geographical proximity to Australia.	<u>N</u>	Y	<u>N</u>
-Simplicity in the foreign language.	<u>N</u>	Y	<u>N</u>
-Growth of market.	Y	Y	Y
-Tariff and non-tariff barriers to trade	Y	Y	Y
-Market size.	Y	Y	Y
<i>Region Factors (Within the Selected Country)</i>			
-Developed infrastructure.	Y	<u>N</u>	<u>N</u>
-Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power).	Y	<u>N</u>	<u>N</u>
-Stability in the relevant labour market.	Y	<u>N</u>	<u>N</u>
<i>City Factors</i>			
-Developed infrastructure.	Y	<u>N</u>	Y
-Availability of sea ports.	Y	<u>N</u>	Y
-Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power).	Y	<u>N</u>	Y
-Proximity to the local partner place.	Y	<u>N</u>	Y
-Transportation and freight costs.	Y	<u>N</u>	Y
-Attractive place to live.	Y	<u>N</u>	Y
-Adequacy of water, gas and electricity supply.	Y	<u>N</u>	Y

Table 5.4 (Continued)

Company	D	E1	E2
Location factors			
<i>Site Factors</i>			
-Proximity to sea port.	Y	<u>N</u>	Y
-Proximity to raw materials sources.	Y	<u>N</u>	Y
-Availability of developed industrial zones.	Y	<u>N</u>	Y
-Proximity to major highways and roads.	N	<u>N</u>	Y
-Availability and the costs of utilities (gas, water, power).	Y	<u>N</u>	Y
-Availability of suitable plant sites and room for future expansion.	Y	<u>N</u>	Y
-Proximity to suppliers and business services.	Y	<u>N</u>	Y
-Cost of land and construction.	Y	<u>N</u>	Y
-Adequacy of water, gas and electricity supply.	Y	<u>N</u>	Y
-Cost of land and construction.	Y	<u>N</u>	Y

Notes: **Y** (important), **N** (not important at all), **E1** (Company E first decision), **E2** (Company E second decision).

Source: Developed for the current research by the author based on cross-case analysis of field data.

Table 5.4 reveals very minor variations among Companies D and E (for the two decisions) about the country factors. The Table also shows that no city or site factors were developed for the first international location decision of Company E which was the failed decision in the first two years of operating. Consequently, as discussed earlier in Chapter 4, one of the reasons for the failure of the second international operation of Company E resulted from disregarding the issue of determining city and site factors as the city and site choices were identified by the local partner without any assessment by the location team of the parent company. That, in turn, provided strong evidence about the importance of establishing pertinent city and site factors in order to later generate suitable city and site options and eventually arrive at beneficial applicable location choices. Although, Companies D and E established foreign operations in the same country (China), Company D addressed some region or province factors within China, while Company E did not developed any region factors for its second international operation in China and the local partner's region was selected straightforwardly. As explained earlier in Chapter 4 in the case relevant sub-headings, the reason for that distinction refers to the type of product that each company manufactures. Company E produces plumbing products which require a substantial use of utilities such as gas, power and water. In addition, this type of industry is very competitive in China as many foreign firms in China produce the same product which created a strong competition and demand in relation to raw

material, utilities and appropriate skilled labour. Therefore, it was important for Company D to develop location factors for the region and evaluate the potential regions thoroughly to minimise any future problems. In contrast, Company E manufactures pipe products which necessitate a small amount of utilities and the industry market for its products is not as highly competitive in China. Therefore, the region of the local partner was selected without any detailed investigation as it appeared to possess the required resources. The final conclusion about Table 5.4 is that the city and the site factors of Companies D and E (second decision) were extremely similar.

In summary, anchored in Tables 5.3 and 5.4, the cross-pattern about the location factors of the service firms (Companies A, B and C) and manufacturing firms (Companies D and E) showed that the country factors for the five companies were to a high extent identical; however, considerable differences were found in relation to the city and site factors linked with the type of business. The manufacturing firms had given consideration to the importance of the costs and the availability of production factors (labour, raw materials and utilities) and to the proximity to seaports and some other issues in relation to the plant space. On the other hand, for the service firms some weight was given for labour issues, but no weight was given for the other issues considered by the manufacturing firms. This conclusion is not surprising as the cost pressures and the availability of the production factors or inputs are the main drivers of the internationalisation of the manufacturing enterprises. Additionally, the cross-case results showed that the all five case companies identified *primary* and *secondary* factors during the process of developing suitable location factors excluding the first international location decision of Company E which was regarded as a failed decision in the initial stages of the international operation. As a result, the cross-case results indicated it is essential for any successful international location decision-making process to incorporate the development of appropriate location factors or criteria consonant with the drivers of internationalisation decision, the type of business, the firm's overall business strategy and the geographical nature of the potential foreign region or country. These factors assist significantly, as seen in the later sub-section, in developing sound location options, assessing these options thoroughly so as to arrive at a good location choice.

Proposition 3: Developing appropriately comprehensive primary and secondary location factors (e.g. country, city and site factors) consonant with the drivers of the internationalisation decision, the type of business, the firm's overall business strategy and the geographical nature of the potential foreign region or country, are significant managerial procedures essential for any successful international location decision-making process.

5.2.1.4 Searching for Location Options

All cases confirmed the value of developing a number of potential location options prior to making the foreign location selection decision. However, for some companies (Company A) it involved searching for a foreign region, country, city and site options, whereas other companies (Companies B, C, and the second operation of Company E) developed country, city and site alternatives. Company D looked for country, region, city and site options. In the case of the first international location decision of Company E (failed decision) only a prospective country search was undertaken. Given that Companies D and E established international manufacturing joint ventures, searching for a country and potential local partner in the country was carried out simultaneously, and with the same level of importance. Nevertheless, for Companies A, B and C no search for local partners was taken on as they established greenfield foreign operations. Indeed, finding a local sponsor from the selected country within the Middle East region was necessary to meet the foreign investment legal regulations in these countries.

In all the companies it was noted that the country options were developed intuitively by the location team, being based on international experience, prior knowledge, or impressions. The location team of Company A had a wide international experience in the Middle East, South Africa and Asia, whereas, the location team leader of Company B has considerable international experience in Asia and Europe. The location team of Company C was originally Middle Eastern and the general manager had made extensive business field visits (35 visits within five years) to most of the Middle East countries when he was the president of a leading Western Australian solar energy firm. Similarly, the location team leader of Company D was highly internationally experienced, particularly within the Asian region. The location team leader of the second international location decision had an extensive global business experience in Asia and the Middle East. However, the location team of the unsuccessful international location decision of Company E was inexperienced internationally and that proved to be a critical failure factor for the decision. As a final observation with regard to this issue, the number of the developed foreign region, country, region within the selected country, city or site options may be regarded as small as it ranged for in each case from 2 to 5 options.

Proposition 4: Searching and developing a reasonable number of appropriate region and country, city and site options and subsequently city and site options and using the prior knowledge and accumulated international business experience of the location team members consistent with predetermined location factors is a significant managerial procedure and essential for any successful international location decision-making process.

5.2.1.5 Information Acquiring and Assessment of Location Options

All companies confirmed that information acquiring and assessment of the developed location alternatives is a decisive phase of the comprehensive international location decision process. The cross-case results showed this to be significant phase involving a series of critical steps requiring managerial actions. Further, the findings revealed that only small differences were found among the five cases with respect to the features of the steps.

The first step of this phase concerned gathering appropriate and adequate information about the prospective countries compatible with the pre-determined location factors (e.g. country, city and site factors) so as to later pursue the assessment and the evaluation of the countries to assist in reaching a final country choice. Table 5.5 shows the cross-case results for the characteristics of the information collected.

Table 5.5: Cross-case findings for the characteristics of the collected information

Company	A	B	C	D	E
Information characteristics					
- Country economic conditions information (GNP, GDP, target customers information, economic growth rate, individual purchasing power, foreign trade data and statistics, taxation policies).	Y	Y	Y	Y	Y
- Country economic development information (road and highway network, infrastructure).	Y	Y	Y	Y	Y
-Country political and legal system information (government structure, legal policies toward foreign investors, attractiveness for foreign investments, legal procedures for setting up foreign investments)	Y	Y	Y	Y	Y
-Country cultural information (religion, beliefs, traditions, language).	Y	Y	Y	Y	Y
-Cost of production information (cost of skilled labour, raw materials, cost of land and construction and cost of utilities).	<u>N</u>	N	<u>N</u>	Y	Y
-Market size of the country and potential target market information (number of population, number of target customers).	Y	Y	Y	Y	Y
-Country marine tourism information (weather, climate and sea conditions, local and foreign tourists' statistics, purchasing power of tourists).	<u>N</u>	Y	<u>N</u>	<u>N</u>	<u>N</u>
-Other foreign investment fixed and variable cost information (cost of living and initial costs of establishing foreign operating such as licensing cost, costs of renting property).	Y	Y	Y	Y	Y

Notes: Y (confirmed as relevant), N (not relevant at all), **N** (moderately relevant).

Source: Developed for the current research by the author based on cross-case analysis of field data.

The above table shows very minor dissimilarities exist among the five cases in relation to the attributes of the gathered information. For example, Companies D and E collected information about the cost of production inputs, while this information was not gathered by Companies A and C. Company B gathered some production inputs related-information about the labour cost as the cost of labour was relatively important for it. In addition, company B obtained marine tourism information, though this information was not collected by Companies A, C, D or E. All companies provided evidence of acquiring information about the country economic conditions, economic development, political and legal and cultural system, market size and costing information related to the fixed and variable costs. In addition, excluding the case of the first international location decision of Company E which was a failure decision in the initial stage, all companies confirmed that the acquired information was highly adequate for reaching effective outcomes. With respect to the source of information, two main categories of sources found to be important in all cases. The first kind relates to the country information source and once the country was selected information was gathered about the potential cities and sites within the selected city from some similar and different sources. Table 5.6 illustrates the cross-case pattern for the sources of country information.

Table 5.6: Cross-case findings for the sources of country information

Company	A	B	C	D	E1	E2
Information sources						
-Australian and Western Australia governmental trade departments (chambers of trade and commerce, Austrade departments, etc)	Y	Y	Y	<u>N</u>	Y	Y
- Governmental trade departments and embassies of the country alternatives.	Y	Y	Y	<u>N</u>	Y	Y
-Australian libraries.	<u>N</u>	<u>N</u>	Y	<u>N</u>	<u>N</u>	<u>N</u>
-Internet sources.	<u>N</u>	Y	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>
-Tourism and travel magazines.	<u>N</u>	Y	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>
-External consultations with internationally experienced business friends and with entrepreneurs (businessmen) from the potential countries.	Y	Y	Y	Y	<u>N</u>	Y
- Location team prior knowledge about the potential countries and accumulative extensive international business experience with it.	Y	Y	Y	Y	<u>N</u>	Y
- Paid research about these countries.	<u>N</u>	<u>N</u>	<u>N</u>	<u>N</u>	Y	<u>N</u>

Notes: Y (confirmed as relevant), N (not relevant at all).

Source: Developed for the current research by the author based on cross-case analysis of field data.

According to Table 5.6 a number of differences were found among the five cases concerning the source of country information. For example, internet sources and tourism and travel magazines were found as main sources of country information for Company B; however these sources were not used by the other companies. The reason for that refers to the type of information required by Company

B which provides marine tourism services; it was important to obtain tourism information from the appropriate travel magazines and from the internet as it contains a large amount of tourism information. In addition, the timing of the foreign investment decision played a moderate role in determining the suitable source of information. For instance, Companies A and C established their international operation twenty years ago and, at that time, the internet had not been developed. Although some differences were discovered among the five companies in relation to the source of country information, successful international location decisions were made using: (1) location team prior knowledge about the potential countries and accumulated international business experience with them and (2) external consultations with internationally experienced business friends and entrepreneurs from the potential countries. Other main sources were employed by all companies except Company D which relied largely on the CEO's extensive international business experience with the most feasible country option. The sources were: (1) Australian and Western Australia governmental trade departments (Chambers of Trade and Commerce, Austrade departments) and (2) Governmental trade departments and Embassies of the country alternatives.

The second type of information source involved the city and site information source. Table 5.7 demonstrates the cross-case pattern for these sources for the five companies.

Table 5.7: Cross-case findings for the sources of city and site information

Company	A	B	C	D	E1	E2
Information sources						
<i>For the City</i>						
- Governmental trade and foreign investments departments of the selected country.	Y	Y	Y	<u>N</u>	<u>N</u>	Y
- Consultation with the selected local partner relying on his knowledge about the country.	<u>N</u>	<u>N</u>	<u>N</u>	Y	<u>N</u>	Y
- Consultation with the selected expatriate manager for the IO relying on his knowledge about the selected country.	Y	Y	Y	<u>N</u>	<u>N</u>	<u>N</u>
-Location team considerable knowledge about the selected country and through the exploratory field visits to it.	Y	Y	Y	Y	<u>N</u>	Y
-External consultations with internationally experienced business friends and entrepreneurs from the country options.	Y	Y	Y	Y	<u>N</u>	Y
<i>For the Site</i>						
- Local economic development officials in the selected city.	<u>N</u>	<u>N</u>	<u>N</u>	Y	<u>N</u>	Y
-Consultation with the identified local sponsor relying on his knowledge about the country.	Y	Y	Y	<u>N</u>	<u>N</u>	<u>N</u>
- Consultation with the selected local partner relying on his knowledge about the country.	<u>N</u>	<u>N</u>	<u>N</u>	Y	<u>N</u>	Y

Notes: Y (confirmed as relevant), N (not relevant at all), E1 (Company E first decision), E2 (Company E second decision).

Source: Developed for the current research by the author based on cross-case analysis of field data.

Based on Table 5.7, all the service Companies (A, B and C) confirmed that four major sources of city information were used as follows:

- Governmental trade and foreign investments departments of the selected country.
- Location team considerable knowledge about the selected country and through the exploratory field visits to the country.
- External consultations with internationally experienced business friends and with entrepreneurs from the potential country.
- Consultation with the pre-determined expatriate manager for the international operation relying on his knowledge about the selected country.

Nevertheless, consultation with the identified local sponsor meant relying heavily on his knowledge about the country provided major inputs into the site information for the service firms. With reference to the manufacturing firms, some differences were found in relation to the source of city information. For example, Company D relied on four sources of information as follows:

- Location team considerable knowledge about the selected country.
- Exploratory field visits to the country.
- External consultations with internationally experienced business friends and with entrepreneurs from the potential country.
- Consultation with the selected local partner relying on his knowledge about the country.

On the other hand, the location team of the failed first international location decision of Company E did not collect any information about the potential cities or sites; the city and the site were recommended by the local partner and, thus, approved directly independent on any supplementary investigation and assessment. The city information sources used by Company D proved to be important for the location team of the second location decision of the company including sources relating to governmental trade and foreign investment departments of the selected country.

Moving to the site information sources for the manufacturing firms, both Company D and Company E (second location decision) utilised analogous sources as follows:

- Local economic development officials in the selected city.
- Consultation with the selected local partner relying on his knowledge about the country.

In conclusion, variations were discovered among the service and manufacturing firms which made successful international location decisions concerning the city and site information sources. The rationale for these differences referred to the importance of the site decisions for each group, the ownership structure of foreign investment and the foreign investment regulations in the selected country.

For the three service Companies (A, B and C), the international operations were greenfield FDI and the site decisions were not considered to be essential requirements related to the availability of utilities and plant space, therefore the local partner and the local economic development officials as sources of city and site information were irrelevant. However, since it was a legal requirement for the three service companies to have a local sponsor from the selected countries (Gulf countries), the local sponsor provided significant input in developing potential sites for the developed site factors as he was highly knowledgeable about the country and its cities. In contrast, the manufacturing foreign investments of Companies D and E were international joint ventures and the selected local partner with his high familiarity with his country and personal contacts, represented an elementary source of city and site information. In addition, given that the availability and the price of the utilities and the plant room were critical to the plant site, the local economic development officials in the selected city were a major source of site information to be considered by the manufacturing firms.

The second step involved in the information acquiring and assessment phase relates to evaluating the suggested location options in order to arrive at the final beneficial location choice. All the companies which made successful international location decisions confirmed that initial analysis and assessment of the country alternatives were carried out and once the final suitable country choice was determined further assessments occurred for the other location choices (e.g. the city and the site options). In other words, the assessment task was undertaken at three stages respectively: country, city and site stages by Companies A, B, C and E. In addition, given that Company D developed four types of location options; country, region, city and site assessment.

The cross-case results showed also that, primarily, all companies utilised one main evaluation methodology in the assessment activities relevant to the prospective countries, cities and sites; viz., comparing and contrasting the collected information about the potential locations with the established appropriate location factors. Furthermore, all companies employed quantitative mathematical methods and techniques as a part of the cost-benefit analysis used to assess the likely opportunities and threats of each country. The cost-benefits analysis (CBA) implied anticipating the financial costs associated with establishing foreign investments in each country option which incorporated all the fixed and variable costs such as cost of construction, cost of land, cost of

renting a property for the office, cost of living for the expatriate manager, cost of labour, cost of raw materials, cost of utilities and other related costs. In addition, assessment of the threats toward foreign investments in each country in relation to local competition and other external environmental impacts was carried out. Anticipating the financial benefits of each country option concerning the size of the target market segmentation and the expected sales volume was also undertaken throughout as part of the cost-benefit technique. The country risk assessment was executed in conjunction with the evaluation approach relying primarily on the relevant country knowledge of the location team and its accumulated international business experience. The risk assessment phase included appraisal for all the likelihoods of economic, political and cultural risk factors in each prospective foreign country that may possibly confront and affect the company's performance.

On one hand, for the manufacturing Companies D and E identifying a potential local partner of the international joint venture based on certain established criteria was also carried out concurrently with the country options evaluation. These major criteria concerned the trustworthiness, the dynamism and the industry experience of the local partner. On the other hand, the service firms identified an appropriate expatriate manager for the international operation in the initial search and development phase and using the same criteria made in the selection of the local partner.

The final step included in the phase narrows down the searching task and shortlists the potential country alternatives, relying on the outcomes of the former assessment activities and on other critical factors related to the second research issue which are explained in Section 5.2.2. As a result, the less feasible countries were eliminated and a new list of a few most feasible countries was produced. Overall, all the companies confirmed using this step; however, slight differences were found among them in relation to the preferred number of feasible countries. For example, the number of feasible countries was two for Companies A and B, three for Company C, one for Company D and two for Company E in the first international location decision and one in the second decision.

The same evaluation methodology used in the country options assessment was employed in assessing the city and site alternatives. However, this evaluation methodology was limited to comparing and evaluating the collected information about the potential city and site options with the established appropriate factors. Some mathematical techniques in relation to cost estimations for the possible cities and sites were also incorporated to the assessment. Nevertheless, the risk assessment was restricted to the country nominees and was not performed in evaluating proposed cities and sites.

In brief, notwithstanding slight differences among the five companies in relation to the attributes of steps involved in this main phase, all the cases confirmed the importance of the information acquiring and assessment phase and its integrated three major steps as a part of their comprehensive international location decision-making processes.

Proposition 5: Information acquiring and assessment of the prospective location options (e.g. country, city and site options) is a fundamental managerial procedure and phase for any successful international location decision-making process.

Proposition 6: Collecting adequate information about the prospective location options (e.g. country, city and site options) in agreement with the pre-determined location factors is a critical step of the information acquiring and assessment phase.

Proposition 7: Evaluating the prospective location options (e.g. country, city and site options) by comparing the collected information with the established appropriate location factors including financial benefits and costs is a critical step of the information acquiring and assessment phase.

Proposition 8: Assessment for the possible economic, political and cultural risk factors is a critical step in the information acquiring and assessment phase.

Proposition 9: Eliminating the less feasible location options (e.g. country, city and site options) by relying on the outcomes of the performed relevant evaluation methodology is a critical step of the information acquiring and assessment phase.

5.2.1.5 Selecting the Final Location Choice

The cross-case results indicated that selecting the final location choice is a crucial managerial action involved in the international location decision-making processes of the five cases. This phase occurred following the elimination act of the less feasible location options. Overall, except for the first unsuccessful international location decision of Company E, all companies confirmed selecting three fundamental location choices (country, city and site choices) respectively, while Company D used four location choices (country, region, city and site choices).

As regards arriving at the final country choice following the elimination process, the location team's prior knowledge about most feasible countries throughout the extensive business visits to

these countries supported with external consultations with internationally experienced business friends and with entrepreneurs from the potential countries provided significant input into the final country choice. Companies A, and C and the case of the second international operation of Company E confirmed the former critical factors in selecting the final profitable country choice. However, the location team leader of Company B maximised his country knowledge about most feasible countries via exploratory field visits to them supplemented with external consultations with internationally experienced businessmen from the potential country; these actions provided significant input into the final country choice of Company B. The location team of Company D selected China as the final beneficial country choice directly from the first elimination round, relying on the company CEO's exceptional international experience with China. For the manufacturing firms (Companies D and E), the final country choice and the appropriate local partner were selected concurrently through one process, whereas for the service firms (Companies A, B and C) no local partner was selected as they were greenfield or wholly-owned FDI.

As discussed earlier, the final appropriate city and site choices were selected by two separate decision processes once the final country choice was determined for Companies A, B and C (service firms) and once the final country and the local partner were identified for Companies D and E (manufacturing firms). On the occasion of the first ineffective international joint venture of Company E no final city or site choice was selected as both had been suggested by the local partner and accepted independent on any further assessment. The successful FDI decisions of Companies E and D, the final city and the site were selected from the shortlisted options in accordance with the local partner's familiarity with his country and relying on the primary relevant city and site factors., For companies A, B and C, the final city was selected depending on the primary relevant city factors supported with investigative field visits and external consultations with internationally experienced business friends and entrepreneurs from the selected countries. The final site was selected by relying on the outcomes of the performed assessments.

In summary, in spite of some slight differences among the manufacturing and service cases, all cases provided evidence that selecting the three fundamental location choices (country, city and site choices) using methodical processes is a crucial managerial phase in any successful international location decision-making process. Furthermore, maximising the knowledge of the most feasible foreign country options through exploratory field visits to these countries is a significant step involved in the selection phase in order to arrive at profitable country, city and site choices.

Proposition 10: Selecting a final beneficial location choice from among the most feasible choices (e.g. country, city and site choices) is a fundamental managerial phase for any successful international location decision-making process.

Proposition 11: Maximising knowledge of the most feasible foreign country, city and site options through exploratory field visits is a critical step of the selection phase to arrive at beneficial appropriate location choices.

Proposition 12: Selecting each of the final country, city and site choices respectively through a separate complementary, methodical process is a critical managerial procedure of a successful international location decision-making process.

5.2.1.6 Authorization for the Selected Location Choice

The cross-case results regarding authorization of the decision showed significant differences among the five companies. The small firms (Companies A and C), wherein the location team executives are the principal owners of the company, did not perform a formalised authorization for carrying out and implementing the selected country choice. However, the decision was made and approved jointly and instantaneously by the directors. On the other hand, the large firms (Companies B, D and E) required official authorization by the board directors for the international location decision.

Proposition 13: Authorization for the selected location choice (e.g. country, city and site choices) is contingent on the size and the ownership structure of the firm and differs from one to another.

5.2.1.7 Implementation of the Selected Location Choice

All companies demonstrated that the implementation of the selected location choice is a significant phase incorporated in the inclusive international location decision process; although, some variations were found between the service and manufacturing firms. For all service firms (Companies A, B and C), the implementation process commenced subsequent to city selection. In effect, the cross-case results of the service firms demonstrated seven main steps involved in the implementation process as follows:

1. Field visits to the selected country.
2. Negotiations with foreign investment officials.
3. Finding a local sponsor.
4. Selecting a site in accordance with the local sponsor.

5. Feasibility study for foreign operation related costs.
6. Selecting the office space within the selected site.
7. Registering the business and renting the selected office space.

The three service firms established international operations in the same foreign region (Gulf region) which may account for some of the similarities. Further, for Company B a site for the vessel was selected also along with the service office site. On the other hand, for the manufacturing firms (Companies D and E), the implementation process started following the simultaneous selection of the final country and the joint venture partner. As a result, the city and site were selected in the course of the implementation process. Both Companies D and E (second international operation decision) agreed that the implementation process of the international location decision by manufactures involved six fundamental steps as follows:

1. All essential legal documentation was signed between the parent company and the selected IJV local partner.
2. Exploratory field visits by the location team to the preferred country in order to decide on the most beneficial city and site choices in accordance with the local partner.
3. Negotiation with the country foreign investment and economic development officials about their foreign investments incentives.
4. Once the final site was identified, the local partner used his local contacts and links in the city to prepare all the legal documents for registering the foreign facility.
5. Accurate feasibility study of the selected site which included the costs associated with building the manufacturing plant was prepared by the location team of the parent company in accordance with the local partner.
6. Carrying out construction work for building the facility.

With the case of the first international operation of Company E, the above steps were considered in the implementation process, but performed poorly. For example, no exploratory field visits to the selected country were carried out by the location team for the purpose of investigating appropriate city and site choices; the city and the site were offered by the Indonesian partner and accepted without any analytical assessment. That proved to be a failed decision in the initial years of establishment of the foreign operation because the site of the plant was inappropriate; it was far from the city port which affected negatively the performance of the offshore facility and the parent firm's overall performance. Furthermore, the original feasibility study calculations were based on inaccurate figures. Another significant distinction between the service and the manufacturing firms is that the time used in the implementation process of the successful foreign investment decisions of the manufacturing firms was greater than that of the service firms.

That suggests that the site decisions for the manufacturing required deeper and longer investigation relative to the service firms.

In brief, some differences were found between the service and manufacturing firms respecting the implementation process; the differences relate to the type of industry, the importance of the site decision and the legal rules of the foreign country toward foreign investors. Despite the minor divergence, the cross-case results showed that in all cases the implementation process was considered to benefit from:

1. Exploratory field visits to the selected country.
2. Negotiations foreign investment officials.
3. Selecting the site for the office position or for the manufacturing facility in accordance with the local partner.
4. On-going study about the costs associated with implementation.
5. Adhering to all relevant legal property rules.
6. Construction work in an industrial zone for manufacturing operations, or renting office for a service operation.

Proposition 14: Implementing the selected location choice is a fundamental managerial phase for any successful international location decision-making process.

Proposition 15: Exploratory field visits to the selected country and negotiations with its foreign investment officials about their incentives and the legal requirements toward foreign investors are a critical step of a successful implementation process.

Proposition 16: Selecting an appropriate site for the office or for the manufacturing facility in cooperation with the local partner is a critical step of a successful implementation process.

Proposition 17: Cost assessments associated with setting up the foreign operation are on-going critical step of a successful implementation process.

Proposition 18: Adhering to all relevant legal rules in accordance with appropriate local advisors is critical step of a successful implementation process.

Proposition 19: The build or rent issue is critical step of a successful implementation process.

5.2.1.8 Evaluation of the Effectiveness of the Location Decision

The cross-case findings revealed that a review of the effectiveness of the international location decision outcomes is a significant managerial action. Very slight differences were observed between the service and the manufacturing firms. For example, Company D contrasted the anticipated break-even analysis (BEA) figures with the attained facts during its first six years. Furthermore, it utilised a pre-prepared growth plan for evaluating the financial performance and production capacity of the offshore facility. Results illustrated that all companies (company A, B, C, D and E) employed one central evaluation tactic which encompassed comparing the pre-defined and pre-planned strategic goals and objectives with the actual achieved facts during the initial first year of operating internationally. In essence, fulfilling the preliminary drivers of internationalisation and outward foreign investments constituted a significant component of the strategic goals. A monthly reporting system was used by all companies; evaluation figures included financial outcomes relating to the sales volume and qualitative information about the growth in market share. In addition, judgments about the international location decision effectiveness were made following the first year of establishing the foreign investment.

Proposition 20: Reviewing the outcomes of the effectiveness of the international location decision process relates to the profitability of the business during the first year of operating is a significant part of the for the international location decision-making process.

5.2.2 Findings about the Second Research Issue:

Second research sub-question:

- **What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?**

Table 5.8 is a matrix which shows the cross-case analyses of the general themes that emerged during the within-case analysis processes in response to the above sub-question as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house and external consultations with international business experts.
- Identification of a trustworthy and internationally experienced manager or local partner for international operation.
- Participation in trade fairs in the potential foreign locations.

Table 5.8: Cross-case findings for the second research issue

Company	A	B	C	D	E1	E2
Information sources						
-International business experience of the location team leader.	Y	Y	Y	Y	<u>N</u>	Y
-The country knowledge about the potential foreign locations.	Y	Y	Y	Y	<u>N</u>	Y
-In-house and external consultations with international business experts.	Y	Y	Y	Y	<u>N</u>	Y
-Identification of a trustworthy and internationally experienced manager or local partner for international operation.	Y	Y	Y	Y	<u>N</u>	Y
-Participation in trade fairs in the potential foreign locations.	Y	<u>N</u>	Y	<u>N</u>	<u>N</u>	<u>N</u>

Notes: **Y** (confirmed as relevant), **N** (not relevant at all), **E1** (Company E first decision), **E2** (Company E second decision).

Source: Developed for the current research by the author based on cross-case analysis of field data.

As can be seen from the above Table all the companies, excluding the failed case with the first international operation of the Company E, corroborated the initial four themes as critical factors which positively influenced the success of the international location decision-making processes. Likewise, the importance of these critical factors to the success of the international location decisions was supported in a roundabout way by the findings of the first ineffective international location decision of Company E.

More precisely, the findings revealed that notwithstanding the local partner of the IJV was trustworthy and active, the lack of international business experience of the location team which resulted in inadequate and imprecise investigation and assessment for the potential countries, cities and sites, the lack of the country knowledge about the potential countries and the inadequate external consultations with international business experts were major factors in making a poor international location decision which led to a detrimental international expansion, specifically in the initial two years of operation.

Furthermore, as the Table shows, participation in trade fairs which were held in the prospective foreign countries proved to be a valuable factor in arriving at appropriate country choice for only two service firms (Companies A and C). The participation allowed the companies to obtain vital information about the potential countries in relation to market potential of their products and to consult local business experts about the feasibility of their prospective foreign investments. As a result, the information gathered at trade fairs provided significant input into the assessment of the country options and the final county selection.

In summary, all companies used four critical success factors which contributed considerably to the effectiveness of their international location decision-making processes as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house and external consultations with international business experts.
- Identification of a trustworthy and internationally experienced manager or local partner for international operation.

Under the next sub-headings, there is discussion on how these success factors affect the international location decision-making processes carried out by the organisations.

5.2.2.1 International Business Experience of the Location Team

The cross-case results showed that, in all companies, the location teams and the team leaders were experienced internationally and that, in turn, affected positively the decision-making phases and managerial actions. This leaders' experience played a significant role in assessment of the drivers of the outward foreign investment decisions and on formulating apposite location factors or criteria. Consequently, the foreign countries that identified matched closely were with the leaders' international experiences. Further, the international experience provided value to the information acquiring and the assessment phase which was based on the international experiences. In addition, the foreign location alternatives were assessed and the final location choices were selected by relying, to high extent, on the experiences. As a final point, the international experience of the location teams aided them in implementing the FDI decisions appropriately.

Proposition 21: An internationally experienced location team has a significant impact on the phases of the international location decision-making process, and its likely success.

5.2.2.2 The Country Knowledge of the Potential Foreign Locations

Knowledge of and familiarity with the developed countries was gained through considerable international business dealings with the countries. As a result, the location team proposed selecting the potential countries with which they were aware, even the cities in most cases. Furthermore, knowledge of the prospective countries was a source of information for evaluating the alternatives and in selecting the ultimate country of choice. In addition, the exploratory field visits by the companies to the likely countries maximised their knowledge about them and increased the chance

of a successful choice. Finally, knowledge about the foreign investment rules of a country assisted in the implementation of the selected country choice in relation to site selections and other necessary procedures.

Proposition 22: Adequate knowledge of the potential countries has a significant impact on most phases of the international location decision-making process; namely, on searching for appropriate prospective countries, information acquiring and assessment, selection of final location choice and on the implementation phase thereby contributing significantly to a beneficial foreign location choice.

5.2.2.3 In-House Consultation and External Consultation with International Business Experts

As discussed earlier in section 5.2.1.2, the cross-case results showed that valuable consultations and discussions occurred between experienced location team members throughout the comprehensive international location decision-making process of each company. These discussions allowed for the exchange of the knowledge and information relevant to the international location decision and assisted the achievement of a fruitful foreign location choice.

In addition, significant external consultations with experienced international business experts from the home country of the companies (Australia) as well as from the prospective countries proved to be a significant critical factor in attaining a beneficial foreign location. The location teams of the five companies consulted business experts throughout the initial stage of developing possible country options to get some advice on the most feasible foreign locations. Later, during the information acquiring and the assessment phase some suggestions were sought for evaluating and selecting the most appropriate foreign location for the foreign investment.

Finally, some external consultations with business experts occurred throughout the implementation phase. Likewise, the external consultations involved local business experts from the identified country options all through the phases of the international location decision-making process.

Proposition 23: In-house consultations among internationally experienced location team members have a significant impact on the phases of the international location decision-making process thereby contributing significantly to a beneficial foreign location choice.

Proposition 24: External consultations with business experts from the prospective countries and other international business experts have a significant impact on most phases of the international location decision-making process; namely, on searching for appropriate prospective countries, information acquiring and assessment, selection of final location choice and on the implementation phase thereby contributing significantly to a beneficial foreign location choice.

5.2.2.4 Identification of Trustworthy and Internationally Experienced Manager or Local Partner for International Operation

In view of the fact that the foreign investments decisions of the investigated firms entailed enormous financial and human resource commitment it was important for all companies, before reaching the final country choice and setting up the international operation physically, to identify a trustworthy and internationally experienced manager or local partner to manage the international operation. For the service firms (Companies A, B and C) as wholly-owned or greenfield FDI, an Western Australian expatriate skilled and trustworthy manager was identified in the beginning of the international location decision process as became an important member of the location team. As a result, the expatriate manager provided significant influence on the international location decision-making process in relation to the phases of searching for location options, information acquiring and assessment, selecting the final location choice and implementation. Correspondingly, for the manufacturing firms (Companies D and E) as they established IJV with a local partner, it was crucial for the companies to search for potential foreign countries and local partners within these countries concurrently and to recognise a trustworthy and skilled local partner in conjunction with country choice. Accordingly, the local partner joined the location team of the parent company and influenced the choice of an appropriate city and site options and the relevant information acquiring and assessment phase. Moreover, having assisted the parent company to select the final city and site, the local partner supervised the implementation process for the news facility through his personal links in the country and selected.

Proposition 25: Identification of a trustworthy and internationally experienced manager or local partner for the planned international operation has a significant impact on most phases of the international location decision-making process; namely, on searching for appropriate prospective countries, information acquiring and assessment, selection of final location choice and on the implementation phase thereby contributing significantly to a beneficial foreign location choice.

5.3 Summary of Key Findings

The cross-case analysis provided the 25 propositions findings concerning research issues related to the first and second research sub-questions which, finally, led to answering the main research question, viz., *What are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?* This section summarises briefly in Table 5.9 the key findings of the current research that emerged from the cross-case analyses of the data. While Chapter 6 discusses these findings in more detail those and the associated propositions within the extant research line and subsequently integrates these propositions into a conceptual decision model.

Table 5.9: Summary of key findings

Research issue	Major findings about the research issue
First sub-question	<ul style="list-style-type: none"> • Identification of international business opportunity, problem or need. • Meetings and consultations between experienced location team. • Determining location criteria or factors. • Searching for location options. • Information acquiring and assessment of location options. • Selecting the final location choice. • Authorization for the selected location choice when applicable. • Implementation of the selected location choice. • Evaluation for the effectiveness of the location decision.
Second sub-question	<ul style="list-style-type: none"> • International business experience of the location team. • The country knowledge about the potential foreign locations. • In-house and external consultations with international business experts. • Identification of a trustworthy and internationally experienced manager or local partner for international operation.

Source: Developed by the author for the current research.

5.4 Conclusion

This chapter has provided the cross-case results through outlining similarities and differences among the five cases in relation to the research issues (first and second research sub-questions); i.e., answers sought for the research sub-questions resulting in response to the main research question. Accordingly, based on the cross-case empirical findings, propositions were developed. In the next chapter, Chapter 6, these propositions are discussed within the present theoretical framework and, as a result, integrated into a comprehensive a ‘best practice’ model for successful international location decision-making and beneficial international expansion.

Discussion, Conclusions and Implications

6.1 Introduction

The current exploratory investigation was designed to provide rich and deep insights into managerial actions and procedures as well as critical success factors that should be considered in effective international location decision-making process to attain a beneficial foreign location choice. Chapter 1 presented the groundwork of the investigation concerning the purpose and the scope of the research, the research problem and rationales and motivations for undertaking the research.

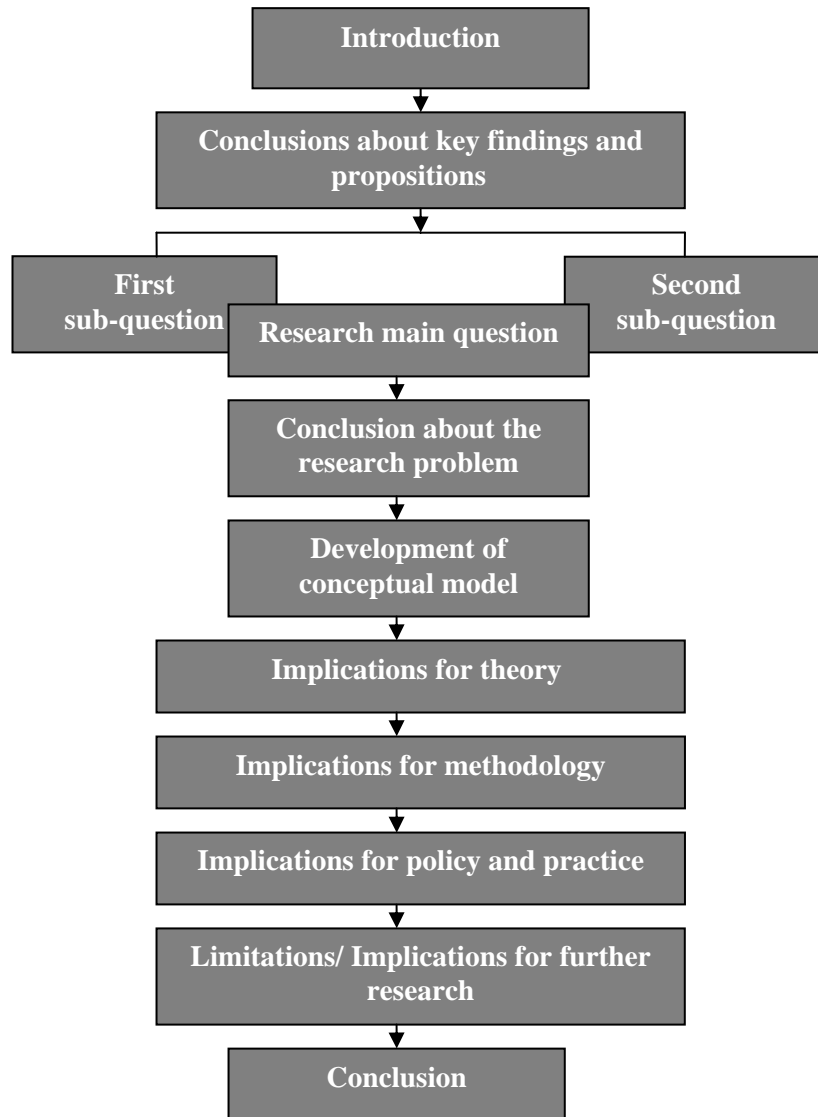
Chapter 2 reviewed the existing theoretical framework on the defined research problem, gaps in the extant literature were identified and one main research question and two associated minor questions were designed for the research.

Subsequently, Chapter 3 presented and justified the interpretive paradigm, qualitative methodology and the case study strategy as appropriate research design and methodology framework for conducting the intended research.

Later, Chapters 4 and 5 provided respectively the within-case and cross-case analyses and results of the data collected via in-depth interviews, questionnaire and secondary sources.

Chapter 6 complete the existing research, as initially there is a discussion of the empirical findings and the related propositions in the light of the academic literature reviewed in Chapter 2 on strategic decision-making and on location decision-making in international business. Further, the conclusions about the overall research problem are discussed and, accordingly, the revised findings and propositions were integrated into conceptual model for successful international location decision-making process and beneficial international expansion (Figure 6.2); ultimately, resulting in resolving the research problem and filling the identified literature's gaps. Next, the implications and contributions of the research findings and the developed conceptual model to theory, methodology, policy and practice are addressed as well as the boundaries and limitations of the research. Finally, prospective directions for future research and the chapter conclusion are presented. The formal plan of the chapter is demonstrated in Figure 6.1.

Figure 6.1: Outline of Chapter 6



6.2 Conclusions about Key Findings and Propositions

The current research aimed to unearth and unravel answers for one exploratory question, viz., *what are the significant managerial procedures as well as critical success factors which Western Australian internationalising firms need to consider in their comprehensive international location decision-making processes so as to arrive at beneficial foreign locations and hence attain successful international expansion?*

To respond to the main broad question, two minor questions were designed and answered during the data analysis in Chapters 4 and 5. These sub-questions reflected the following twofold research issues:

***Question 1:** What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?*

***Question 2:** What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?*

The research's empirical findings relevant to the above research issues attended briefly in the preceding chapter in table 5.9 and the linked propositions are discussed in the next sub-headings in more details and deepness in the light of the related existing academic literature. Consequently, these discussed findings and propositions are integrated into a conceptual model (Figure 6.2) which represents the major contribution of the current investigation to theory and practice.

6.2.1 Conclusions about the First Research Issue

The first research issue concerned the question of:

- *What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?*

In point of fact, the conclusions about the findings have two dimensions within two contexts; that is, the general and specific dimensions and the contexts of strategic decision-making and international location decision-making. The general facet was concerned with the overall conclusions about the revealed international location decision-making process, whereas the specific dimension discussed each component of the process separately.

General Conclusion 1. In the context of strategic-decision making, the extant research identified two central theoretical approaches to making strategic decisions; i.e., the prescriptive and the descriptive models. The prescriptive approach (*rational comprehensive, rational maximising or rational decision theory*) which describes how decisions should be made, attracted little attention from organisational strategy scholars (Allison 1971; Fredrickson 1984; Fredrickson & Mitchell 1984; Kaufman 1990; Levin & Kirkpatrick 1975). This approach assumes that a decision-maker behaves rationally when making decisions; that implies he/she should have a well-defined and clear problem, be certain about all the alternatives and its expected optimal consequences, have a preference system with known payoffs, and will select the best alternative or choice with maximised payoffs or utility.

Furthermore, it relies considerably on the credibility of the collected information and, therefore, assumes that the production of greater and essential information reduces ambiguity and uncertainty associated with the decision problem. Further, it puts immense emphasis on normative and mathematical tools, as decision criteria are established and weighted mathematically, and the factors are combined to reduce the likelihood for bias and subjectivity to drive the decision.

On the other hand, the descriptive model (*satisficing approach, bounded rational, behavioural decision theory*) which illustrates the bounded way in which decisions are made in reality, dominates most of the strategic decision-making literature (Bourgeois & Eisenhardt 1988; Cyert, Simon & Trwo 1956; Eisenhardt 1989b; Eisenhardt & Zbaracki 1992; Haigh 1990; Harrison 1999; Harrison & Pelletier 1997; Harrison & Pelletier 2000; Katona 1951; March & Simon 1958; Mintzberg 1983; Mintzberg, Raisinghani & Theoret 1976; Nutt 1984; Petit 1966; Simon et al. 1992; Simon 1955, 1957a, 1957b; Tarter & Hoy 1998).

This position asserts that the rational decision theory is appropriate only when the problem is repetitive, structured, and well-defined and does not entail any kind of risk or uncertainty (Cyert, Simon & Trwo 1956). According to this challenging position (1) alternatives are not generally 'given' but they should be researched, (2) the information as to what consequences are attached to which alternatives is seldom 'given', (3) the evaluation for alternatives is not commonly made in terms of one clear, single, criterion like profit; though, other intangible criteria need to be considered and, thus, making an evaluation based on profit is difficult if not impossible, (4) rather than searching for the *best* or *optimal* alternative, the decision maker is usually concerned with finding a *satisfactory* alternative - one that will achieve a specified goal and at the same time satisfy a number of assisting conditions, and (5), in reality, the problem itself is not 'given' and well-defined but instead, organisations search for significant problems.

As a result, this principal trend assumes that decision-makers in organisations define clearly their managerial objectives, collect information about these objectives from various environmental sources. The collected, specified information within the organisation is used to identify a set of appropriate alternatives from which to make a satisficing choice. But the amount of information and consequent number of alternatives are bounded: first, by the lack of complete information; second, by inevitable time and cost constraints; and, finally, by the cognitive limitations of the decision-maker.

As a consequence, the strategic decision-maker should consider these constraints thoughtfully because they affect significantly the success of a strategic decision in any organisation. Accordingly, it is not surprising that the findings strongly confirm the former dominant satisficing or bounded rational approach, as the findings revealed that:

- The international location problem of selected case organisations was unstructured, strategic and challenged with high levels of risk and uncertainty and therefore, not well-defined. Further, the problem was analysed and assessed by the location decision makers prior to pursuing other procedures of the selection process and, consequently, reaching the final foreign location choice.
- A range of tangible (objective) and intangible (subjective) criteria or factors were identified by location teams to guide them in developing suitable prospective locations (countries, cities and sites). The tangible criteria or factors concerned cost issues (variable and fixed costs factors); whereas the intangible factors covered non-cost matters related to global risk such as political, economic and cultural risk factors.
- Searching for alternative locations (countries, cities and sites) was carried by the location teams of the selected organisations within their international experience and country knowledge. As a result, only few potential locations (from two to six options) were developed.
- Information was collected about pre-determined location options from different sources in relation to the established criteria, though, given that the gathered information covered intangible factors, the sum of information was to some extent limited and incomplete due to the cost and time constraints as well as the cognitive limitations of the decision maker as human beings, especially in relation to global risk factors.
- The assessment course of the developed alternatives was not restricted to the tangible factors only, but involved intangible and subjective factors related to global risk factors. Further, the accumulated international experience of the location team, supported with external consultations with local and international business experts provided significant inputs into the entire international location decision-making process to arrive at the final beneficial foreign location choice.
- As a final conclusion, the findings illustrated that the selected location choices (country, city and sites) were seen as sound and good choices rather than optimal or perfect choices.

In brief the findings provide additional empirical support for the effectiveness and appropriateness of the satisficing decision theory in the field of strategic decision-making and in international location selection decision-making.

General Conclusion 2. All in all, the vast majority of organisational and strategic decision process models suggested by experienced theorists in prior literature (for example, Cyert, Simon & Trwo 1956; Dewey 1933; Drucker 2001; Mintzberg, Raisinghani & Theoret 1976; Lundberg 1964; Simon 1977) encompass five major steps: (1) recognition and analysis of a problem or decision opportunity, (2) collection of relevant information, (3) generation of alternatives or solutions, (4) evaluation of alternatives and (5) implementing for the selected alternative subsequent to obtaining formal approval when applicable.

In the current research, it was found that strategic decision-making processes adopted by the selected firms incorporated six major phases: (1) identification of international business opportunity, business problem or need, (2) undertaking meetings and consultations between the internationally experienced location team for situational analysis, (3) searching for and development of location factors and potential locations, (4) information acquiring about the generated location options and assessment of the feasibility of each option, (5) the selection of beneficial location choices and (6) implementation of the selected foreign country choice subsequent to obtaining formal approval when required. As a result, these outcomes are closely allied to the former general decision model and emphasise the importance of these managerial actions in developing effective strategic decision-making to select the right foreign countries for international operations.

General Conclusion 3. In regard to the location decision-making process in international business, only a few studies have been conducted (Haigh 1990). Haigh's (1990) study focused on investigating the site selection process of foreign firms which established manufacturing subsidiaries in the US. Primarily, he concluded that the strategic decision-making approach utilised in the international site selection process agrees with the bounded rational/satisficing model, as all possible options were not intensively investigated, limited region, state and site alternatives were developed and prior knowledge, impressions or preconception of the decision makers (intuition) influenced positively the selection of the final region within US. Moreover, he found that the international site selection process is one part of a broader investment decision made by a board of directors or by the principals of the parent firm resulting in selecting the US as a final foreign country choice for their international manufacturing operations. In addition, the study revealed that in most cases, the site selection process incorporated three separate stages: 1) the selection of a specific geographic region in the United States, 2) the selection of two or three states within that region, and 3) the final decision on a specific site in a particular community.

Another study by Schmenner (1994) on site selection by local service firms found that the site selection process incorporates two stages: selection of a general area and selection of a particular site.

On the contrary, the current research focused on Western Australian internationalising firms from both manufacturing and service sectors which have established international operations in various foreign countries. Even though, some of the present research findings support outcomes of earlier studies, the current some results provide new theoretical and practical implications which were not addressed in the extant literature.

For instance, supporting Haigh's (1990) findings, the present investigation found that the bounded rational/satisficing approach was adopted by the selected case firms in their international location decision-making processes and the prior knowledge and accumulated experience of the decision-makers who were the board members or the principals of the parent firm, provided significant inputs to all aspects of undertaken comprehensive decision processes. Likewise, the finding showed that the foreign location selection decision is a multi-stage decision which confirmed the conclusions of previous studies on site selection by international firms (Haigh 1990) and site selection by local firms (Schmenner 1994).

Nonetheless, it was found in the present investigation that the scope of each stage differs from those former studies due to the different unit of analysis of the current investigation. More precisely, it was found that the examined international location decision-making processes incorporated three major managerial selection decision processes; namely: 1) the selection of foreign country, 2) the selection of a city within the chosen country, and 3) the final selection of a site for the facility or for the office of the service operation within the selected city. Further, selection and identification of the expatriate manager for the greenfield service operation was a significant event in its own right; it was carried out prior to the country selection, whereas in the case of local partner for the joint venture manufacturing operation the person was selected simultaneously with the country selection.

In brief, conclusions provided valuable contribution to the existing literature on the selection of a country for foreign investment.

General Conclusion 4. The research established that there were some differences among the selected large and small firms, as well as manufacturing and service firms, about their behaviour in international location decision-making. For example, the large firms appeared to have more formal channel of communication and authorization for the decisions, while the location decision processes of the small firms were informal and depended more on the personal experiences of the location decision-makers.

Furthermore, the time taken to make the foreign location decision was greater in the case of the manufacturing firms compared to service firms. As well, some slight variations were found among the two types of industry and their sizes in terms of the location factors developed for the country, city and site.

As a result, these conclusions agree with the previous line of research in the general field of strategic decision-making which asserts that differences between large and small firms are evident (Busenitz & Barney 1997; Byers & Slack 2001; Papadakis, Lioukas & Chambers 1998; Ulaga & Sharma 2001; Ulaga, Sharma & Krishnan 2002), although, not within the field of foreign country selection processes as the present research has shown.

General Conclusion 5. The final conclusion about the first research issue is that the findings showed that some differences and similarities exist between the site selection process of the selected internationalising firms as to the final selection process and the amount of reviewed literature on the site used by the local manufacturing (Augustin 1999; Blair & Premus 1987; Phillips 199) and service firms (Schmenner 1994).

The most unique conclusion is that the local knowledge of the identified expatriate manager or local partner and the external consultation with local business experts played significant roles in the site selection process of internationalising firms; a feature not established in the extant research. Hence, the present study provides new theoretical and practical implications through highlighting the importance of the selected expatriate manager or local partner for the greenfield or international joint venture FDI in influencing the site selection process positively and, hence, in arriving at a beneficial site choice.

Some similarities were concluded in relation to: (1) identification of primary and secondary site criteria, (2) the characteristics of criteria such as availability, adequacy and the costs of utilities (gas, water, power), availability of suitable plant sites and room for future expansion and cost of land and construction for manufacturing firms (Augustin 1999; Blair & Premus 1987; Phillips 199) and high customer traffic in the area, being near other company facilities, attractive cost of renting and good infrastructure for service firms (Schmenner 1994), and (3) the feasibility study of the plant which entails estimations for the expected costs and returns (Augustin 1999; Blair & Premus 1987; Phillips 199).

Specific Conclusion 1. Moving to individual conclusions relates to each managerial action incorporated in the comprehensive international location decision process, the findings demonstrated that the identification of an international business opportunity, problem or need and the situational analysis of these opportunities, problems or need by the internationally experienced location team, is the first main phase of the undertaken decision process.

This outcome, specifically in relation to the role of the internationally experienced location team in the situational analysis of foreign location problem, was not stressed in prior studies on the international location decision-making process.

Nevertheless; the overall issue of analysing the identified opportunity or problem by the top management was addressed in the existing general literature on strategic decision-making (for example, Ference 1970; Harrison 1999; Mintzberg, Raisinghani & Theoret 1976) and on the site selection decision process of local firms (Schmenner 1982).

Specific Conclusion 2. It has been shown that search and development is the second central phase in international location decision processes carried out by the Western Australian firms. The phase involved the preliminary search for and identifying a trustworthy and internationally experienced manager for the potential greenfield service operation in addition to a local partner for the joint venture manufacturing facility simultaneously with the searching for and selection of a foreign country. The finding was not underlined in the previous literature and is an important contribution to existing body of knowledge on international location decision-making process. Secondly, in all cases of manufacturing and service firms, primary and secondary location factors for the country, city and site options were generated in agreement with the drivers of the internationalisation decision, the type of business and the firm's overall business strategy.

The issue of developing primary and secondary location factors was shown indirectly in the research on international site selection processes by Haigh (1990), Blair & Premus (1987) and Schmenner (1982;1994) in their examinations of the site selection. Furthermore, the current findings showed that the drivers of the internationalisation decision, the type of business and the firm's overall business strategy and the location strategy of each case study influenced the attributes and features of the identified general location factors (country, city, and site factors). For example, service firms were found to have specific location factors related to the size of market and market potential, whereas manufacturing firms were mainly concerned with cost and production factors. Even though some differences were found among the service firms themselves, about the location factors, for instance, the marine tourism firm put great weight on the marine tourism related factors such as country and city waterways, climate and sea conditions and number and conditions of country inward tourists.

Evidently, drivers of the internationalisation decision, the type of business and the firm's overall business strategy and the location strategy in particular affect the structure and the attributes of the intended location factors of international location decision. However, this significant contribution to theory and practice was not shown by prior scholars. Further, most research into locational determinants or factors of international firms and FDI was restricted to manufacturing firms and concentrated on foreign country factors and some studies on site factors, while the city factors were very rarely considered. The attributes of the most important location factors (country, city and site factors) considered by Western Australian manufacturing and service firms in their country selection processes, with their relevance to the literature are shown in Table 6.1.

Table 6.1: Conclusions about findings relevant to location factors of the five cases

Location factors	MFs	SFs	Support in literature
<i>Country Factors</i>			
-Developed infrastructure.	Y	Y	(Andel 1997; Bhatnagar, Jayaram & Phua 2003; Erdal & Tatoglu 2002; McManus et. al 2005)
- Availability and the costs of qualified local labour, raw materials and natural resources.	Y	N	(Porter 1998; Dunning 1980, 1998)
-Access to market.	Y	Y	(Boddewyn & Brewer 1994; Chernotsky 1983; Edwards & Muthaly 1999)
-Political and economic stability.	Y	Y	(Mellahi & Guermat 2001)
-Openness of economy and country.	Y	Y	(Erdal & Tatoglu 2002; Porcano 1993)
-Attractive foreign investment and tax policies.	Y	Y	(Andel 1997; Boddewyn & Brewer 1994; Glaister & Tatoglu 1998; Simango 1993)
-Country knowledge.	Y	Y	(Johanson & Vahlne 1977)
-Similarity in legal and political system.	N	Y	(Beer & Cory 1996; Edwards & Buckley 1998)
-Growth of market.	Y	Y	(Fittock & Edwards 1998; Terpstra & Yu 1988; William 1980)
-Tariff and non-tariff barriers to trade.	Y	Y	(Beer & Cory 1996; William 1980)
-Market size.	Y	Y	(Badri, Davis & Davis 1995; Erdal & Tatoglu 2002; Fittock & Edwards 1998; Glaister & Tatoglu 1998; Root & Ahmed 1979; Terpstra & Yu 1988; William 1980)
<i>City Factors</i>			
-Developed infrastructure.	Y	Y	(McManus et. al 2005)
-Availability of seaports.	Y	N	(Haigh 1990)
-Availability and the costs of qualified local labour, raw materials and natural resources.	Y	N	(Karakaya & Cane 1998)
-Proximity to local partner place.	Y	N	<i>Not highlighted</i>
-Transportation and freight costs.	Y	N	(Karakaya & Cane 1998; Woodruff & Templeman 1993)
-Attractive place to live.	Y	Y	(Badri, Davis & Davis 1995; Chernotsky 1983)
-Adequacy and costs of water, gas and electricity supply.	Y	N	(Badri, Davis & Davis 1995; Karakaya & Cane 1998)
-Economic and trade growth of the city.	Y	Y	<i>Not highlighted</i>
-City governmental policies toward foreign investors.	Y	Y	<i>Not highlighted</i>
-Openness of the city.	Y	Y	<i>Not highlighted</i>

Table 6.1 (Continued)

Location factors	MFs	SFs	Support in literature
<i>Site Factors</i>			
-Parking facilities	N	Y	(Schmenner 1994)
-Attractive building condition	N	Y	(Schmenner 1994)
-Proximity to customer	N	Y	(Shmenner 1994)
-Good infrastructure.	Y	Y	(Haigh 1990; Badri, Davis & Davis 1995; McManus et. al 2005)
-Attractive cost of renting.	Y	Y	(Schmenner 1994)
-Proximity to city CBD.	N	Y	<i>Not highlighted</i>
-Proximity to sea port.	Y	N	(Haigh 1990; Karakaya & Cane 1998)
-Proximity to raw materials sources.	Y	N	(Kerri 1996; Phillips 1991)
-Availability of developed industrial zones.	Y	N	(Haigh 1990; Yang, Delios & Zhou 2002)
-Availability of suitable plant sites and room for future expansion.	Y	N	(Haigh 1990; Badri, Davis & Davis 1995)
-Proximity to suppliers and business services.	Y	N	(Badri, Davis & Davis 1995; Chernotsky 1983)
-Adequacy and costs of water, gas and electricity supply.	Y	N	(Badri, Davis & Davis 1995; Karakaya & Cane 1998; Phillips 1991)
-Cost of land and construction.	Y	N	(Karakaya & Cane 1998)

Notes: **MFs** (Manufacturing firms), **SFs** (Service firms), **Y** (confirmed relevant), **N** (confirmed not relevant), **N** (confirmed relevant to two service cases only).

Source: Developed for the research by the author based on data analysis and literature review.

Specific Conclusion 3. The results revealed that information acquiring and assessment of the location options is an imperative phase in the decision-making process concerning the selection of a foreign country for the international operation. Having adequate and reliable information in relation to the established location factors (country, city and site factors) for the purpose of evaluating the location options, was found important to the foreign location selection processes of all firms. Two categories of information sources proved important in the comprehensive country selection process as follows:

- Country information sources which included: (1) location team prior knowledge about the potential countries and accumulated international experience, (2) external consultations with internationally experienced business friends and some entrepreneurs from the potential countries, (3) Australian and Western Australian governmental trade departments (chambers of trade and commerce, Austrade departments, etc) and (3) Governmental trade departments and embassies of the identified country alternatives.

- City information sources which: (1) the location team's considerable knowledge about the selected country and the exploratory field visits to the country, (2) external consultations with internationally experienced business friends and with entrepreneurs from the potential countries, (3) consultation with the identified expatriate manager for the international operation or the selected local partner, and, (4) governmental trade and economic development departments and embassies of the identified country alternatives.

As mentioned earlier, the vast majority of studies on location selection process dealt with local firms (Augustin 1999; Blair & Premus 1987; Phillips 199; Schmenner 1994; 1982) and from the internationalising angle focused only on the site selection of foreign firms (Haigh 1990). The results of the current thesis provided additional support for the importance of local development departments of the potential countries in the site selection decision. Furthermore, the information sources concerning the international experience of location decision-makers, governmental trade departments of the home country and potential foreign countries, the selected expatriate manager for the greenfield international operation or local partner for IJV and external consultations with business experts, were not addressed in the current body of knowledge on country selection for international operations. As a result, these outcomes provide new and interesting theoretical and practical contributions.

With regard to the assessment activity, it was found that the country, city and site options were evaluated independently, and the less feasible alternatives were eliminated. Comparing the collected relevant information with the developed location factors was employed by all firms as a general assessment approach and that agrees with research on site selection by local firms (Augustin 1999; Blair & Premus 1987; Phillips 199; Schmenner 1994; 1982) and international firms (Haigh 1990). Likewise, assessment of the opportunities and threats for each country and some calculations were undertaken to estimate the potential market share. Furthermore, evaluation of the country political, economic, cultural and social risk factors was carried out and that, in turn, confirmed the literature standpoint that foreign direct investment decisions are surrounded with high degrees of risk and uncertainty (Kobrin 1979; Mudambi & Navarra 2003; Murtaza 2003; Pahud de Mortanges & Allers 1996; Sharon 1996) which required to be assessed carefully before reaching the final country choice (Senkiw 1980). Although the potential country risk was evaluated based on the international experience of the location team and their knowledge about the identified country options no normative or mathematical models were utilised, despite suggestion in the literature by Cengiz (1985) and Murtaza (2003). The current research also illustrated that three factors provided considerable contributions to the assessment process as follows:

- The international experience of the location team including the selected expatriate manager or local partner.
- The knowledge about the potential foreign countries gained by the location decision makers.
- External consultations with business experts from potential countries and with other international business experts.

In brief, the results showed no confirmation for normative models in the assessment process as recommended by Badri 1999; Canel & Das 2002; Robert, Hosseini & Javalgi 1990; or Murtaza 2003. Further, the outcomes relating to the three factors pass new contributions to theory and practice in relation to the importance of intuition or ‘gut-feeling’, which is based on extensive international experience, in eliminating the country alternatives and arrive at a beneficial foreign location.

Specific Conclusion 4. The research revealed that three major location selection decisions were made (country, city and site decisions) in addition to two personnel selection decisions (i.e., selection of expatriate manager for the greenfield international service operation and of a local partner for the IJV). Initially, the final country choice was selected from among the narrowed list of countries relying on: (1) the outcomes of the elimination process in relation to the country options and (2) the location team’s prior knowledge about the preferred countries by means of the extensive business visits to the countries supported with external consultations with internationally experienced business friends and entrepreneurs.

On the other hand, the final appropriate city and site choices were selected through two separate decision processes. The selection of a final city depended on comparing the primary relevant city factors with actual characteristics of the potential cities supported with investigative field visits and external consultations with internationally experienced business friends and entrepreneurs from the selected countries. While the final site was chosen via the traditional approach of evaluating the site options against established factors. Respecting the personnel selection decision, the expatriate manager was selected prior to country in the preliminary phase of situation analysis; however, the local partner for the IJV was identified concurrently with the country selection and, thus, became involved in the city and site selection decisions.

In summary, the results about the traditional assessment approach which implies comparing the established factors with actual attributes of the location options corroborated the findings of empirical studies on the local site selection process (Augustin 1999; Blair & Premus 1987; Phillips 199; Schmenner 1994; 1982) and on the international site selection process (Haigh 1990). Nevertheless, the specific role of the international experiences of the location team and external consultations with business experts in the selection of the final country choice and the conclusion

about selecting the expatriate manager or local partner as a part of the international location decision process were not addressed in the previous literature, so the current findings a new aspect of knowledge to theory and practice.

Specific Conclusion 5. It is established in the current study that implementing and putting into effect the selected country choice is a major phase integrated with the international location decision process. Empirical research on the site selection process of local firms (Blair & Premus 1987) found that the implementation process is carried out following arrival at the final site. Further, the process starts with negotiations with the local officials concerning potential problems and government incentives. Thereafter, the committee will prepare estimates of construction costs to be included in the company capital budget and conduct a feasibility study for the chosen site. The feasibility analysis normally comprises a break-even analysis, and, ideally, will show that the company returns will exceed the fixed construction costs.

In the current research, findings revealed that the implementation activity was carried out following obtaining formal approval from the board members in the large firms; although, no official authorization was required in small firms as the decision makers were the principal owners of the firm. The process began after the decision of final city choice within the selected foreign country. The results also showed, in all firms, the implementation phase included the following steps:

1. Several exploratory field visits to the selected country.
2. Negotiations with foreign investment officials about their incentives and the legal requirements toward foreign investors.
3. Selecting the site for the office position or for the manufacturing facility in accordance with the local partner.
4. Feasibility study about the costs associated with setting up the foreign operation.
5. Registering the international operation officially and adhering to all relevant legal rules in accordance with appropriate local advisors.
6. Construction work or renting a space in the industrial zone for manufacturing operation or renting an office for the service operation.

In conclusion, some differences are evident between the implementation processes of internationalising firms and local firms, as the exploratory field visits to the selected foreign country and the role of a local partner for IJV in selecting the city and the site choices are a part of this process. As a result, these distinctions go with the former conclusion about the importance of the local partner and the field visits in the foreign country selection process.

Specific Conclusion 6. The current research showed two types of evaluation were carried out by all the firms; namely, the pre-implementation and post-implementation. The pre-implementation review routine was conducted once the final country choice was made through in-house discussions and consultations between the internationally experienced location team members as well as external consultations with international business experts. The aim of the consultations was to review the feasibility of the selected country choice and, hence, to search for a more applicable country if necessary. Additionally, evaluation for the selected city and site choices was undertaken in accordance with the local partner with the case of the manufacturing firms.

By contrast, the post-implementation review was carried out after the foreign investment decision. The post-implementation review implied comparing the identified strategic goals and objectives with the actual ones achieved during the initial year of operating internationally. Fulfilling the preliminary drivers of internationalisation constituted a significant component of these strategic goals. The monthly reporting system was undertaken by all firms to evaluate the effectiveness of the selected country, city and site choices and to determine whether the selected country was beneficial or not. The monthly reports included financial figures relating to the sales volume and some qualitative information about growth in the market share.

In effect, the existing research on strategic decision-making and international location decision-making has not addressed the evaluation role of in-house discussions and consultations between internationally experienced location team members or external consultations with international business experts. In addition, the importance of the selected joint venture local partner was not highlighted. The general review act of the outcomes of strategic decision, however, is evident in the strategic management literature (for example, Mintzberg, Raisinghani & Theoret 1976).

6.2.2 Conclusions about the Second Research Issue

The second research issue was:

- *What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?*

In the current research, four major critical success factors were found to be important to arriving at a beneficial foreign country choice. The direct relevance of these factors to the foreign location selection process, as the current research revealed, were not empirically brought to light in the existing literature on location decision-making in international business. As a result, the outcomes contribute substantially to the body of knowledge on foreign direct investment

decisions as well as to practice and policy, as the present research has indicated that effective managerial processes do not lead independently to a profitable foreign location without the aid of these success factors. Even so, some empirical indications as to the significance of these factors were provided in a roundabout way in the international business literature, and strengthen the value of the new findings of the current research. Further, these factors are explained later in this chapter in section 6.2.4 which, in turn, integrates the discussed findings and propositions into a comprehensive conceptual model to ultimately resolve the research problem. As a result, the subsequent sub-sections are incorporated to discuss these factors in the light of the international business and organisational strategy literature.

6.2.2.1 International Business Experience of the Location Team

The results showed that in all firms that arrived at finding a successful foreign location, the location teams and particularly the team leaders had a broad international experience and that affected positively phases of the international location decision-making processes.

Overall, the importance of the top management's accumulated experiences, which has been regarded as executives' 'intuition' or 'gut-feeling' in the strategic decision-making literature, is acknowledged among organisational strategy scholars and well-matched with the assumptions of the behavioural decision theory (see Isenberg 1984; Khatri & Alvin Ng 2000; Miller & Ireland 2005; Prietula & Simon 1989; Sadler-Smith & Shefy 2004; Simon 1987). Intuitive decision-making refers to bringing together and exploiting the entire experiences and perceptions of senior business managers regarding problem solving gained throughout long periods of business employment in arriving at sound decision (Isenberg 1984). Prior research on intuitive decision-making found empirically, as shown also in the current research that the deployment of intuition or the 'gut-feeling' by the senior managers in strategic decision-making affects positively the performance of firms in an unbalanced environment, as was the case in the present research.

Similarly, several international business researchers have stressed the positive impact of internationally experienced executives on the internationalisation of firms (Agarwal & Ramaswami 1992; Angelmar & Pras 1984; Birley & Norbum, 1987; Buckley 1993; Buckley & Casson 1991; Karafakioglu 1986; McDougall et al. 1994; Reuber & Fischer 1997) and on international site selection (Haigh 1990). For instance, Buckley & Casson (1991) argue that a firms' international experience reduces the cost and uncertainty of serving a foreign market. Likewise, Agarwal & Ramaswami (1992) consider that firms lacking international experience are likely to have more problems in managing their international operations. Similarly, Reuber & Fischer (1997) concluded in their research that firms with internationally experienced teams

internationalise their business activities earlier than those firms whose managers lack such experience. A study by McDougall and her colleagues (McDougall et al. 1994) showed that firms that are international from birth are normally originated by a team of individuals with foreign experience.

6.2.2.2 The Country Knowledge of the Potential Foreign Locations

It was found that location teams of all investigated firms were very familiar with and knowledgeable about the identified foreign countries in relation to their political, economic, cultural and social conditions. The country knowledge provided valuable inputs to all phases and aspects of the overall international location decision process. The knowledge of the prospective countries was gained mainly through having considerable international business dealings with these countries.

Previous researchers underlined the importance of country knowledge to the internationalisation of firms in general (Ghaur 1992; Hui-mei, Hengchiang & Pratima 2005; Johanson & Vahlne 1977) and to foreign country selection decisions in particular (Andel 1997; Benito & Gripsrud 1991). For instance, the Uppsala model by Johanson & Vahlne (1977) suggests that 'psychic distance' determines the locational choice. Psychic distance was defined as the costs of obtaining significant information about business conditions in other countries, the perception of risk and uncertainty involved in international operations and the resources required to access foreign networks. The model asserts that the costs expended in overcoming 'psychic distance' decrease over time due to the experience achieved by the firm. Therefore, firms often first enter neighbouring markets because of their historical familiarity, and then expand to other foreign markets.

Hui-mei, Hengchiang & Pratima (2005) concluded that the practical country knowledge of Japanese MNCs in Thailand, Indonesia, Malaysia and Korea was the most significant factor assisted their subsidiaries in overcoming the Asian economic crisis.

In the foreign direct investments context, Benito & Gripsrud (1991) claim that international firms have to be very knowledgeable about a foreign country's economic, political and social risk; a lack of knowledge about these conditions decreases the likelihood of selecting that country as the final, preferred choice during the country selection process. Correspondingly, Andel (1997) considers that the ignorance of foreign country conditions affects negatively the decision-making process relating to international site location and, hence, can doom the foreign investment venture.

6.2.2.3 In-House Consultation and External Consultation with International Business Experts

The current results confirmed that, in all cases, the international location decision-making is a group decision-making experience as it was performed by a location team consisting of the firm's experienced directors or principal owners. Further, consultations and discussions between these internationally experienced executives were critical to all elements of the international location decision-making process.

These continuous consultations facilitated the exchange of the knowledge and experiences relevant to the international location decision and, hence, resulted in reaching suitable foreign location choice. Furthermore, significant external consultations with international business experts from the home country of the firms (Australia), with local business experts from the potential countries, were found instrumental to the broad country selection process.

In effect, the organisational decision-making literature has not indicated or explained clearly the meaning of the term 'consultation' in decision-making; yet, this term and the importance of consultation in decision-making is evident in research on public policy-making (see Marsh 2000). Nevertheless, the expression 'group decision-making' appears widely in the literature; the author, therefore, views that it reflects to some extent the terminology of 'consultation' in organisational decision-making, is the mechanism or the tool of group decision-making to arrive at sound decision.

According to DeSanctis & Gallupe (1987, p.590) 'group decision-making' can be defined as "two or more people who are jointly responsible for detecting a problem, elaborating on the nature of the problem, generating possible solutions, evaluating potential solutions, or formulating strategies for implementing solutions". Further, DeSanctis & Gallupe (1987) indicate a group decision arises as a consequence of interpersonal communication and the exchange of information among group members. As a result, earlier scholars assert that groups in organisations make more effective and successful decisions than individuals, and virtual teams make the most effective decisions (DeSanctis & Gallupe 1987; Schmidt, Montoya-Weiss & Massey 2001).

Another line of research put emphasis on the value of 'participation', as an alternative term for group decision-making (Ashmos, Duchon & McDaniel Jr 1998; Topping & Hernandez, 1991; Wheatley 1992; Weick 1987). For instance, Weick (1987) argues that participation makes the strategic decision-making processes more difficult and complex and, through that complexity, enhances the possibility of effectively managing the uncertain, ambiguous information that surrounds strategic decision-making.

Likewise, participation and involvement of a firm's employees in strategic decision heightens the investigative comprehensiveness of strategy formulation actions in the firm (Topping & Hernandez 1991). Similarly, Wheatley (1992, p. 65) stated, "the more participants we engage in this participative universe, the more we can access its potentials and the wiser we can become".

In conclusion, in spite of the lack of statistical evidence for the importance of in-house consultation between internationally experienced location team members as well as the importance of external consultation with business experts, the value of these factors shown in the current research.

6.2.2.4 Identification of Trustworthy and Internationally Experienced Manager or Local Partner for International Operation

It was found that for the greenfield international operations, a reliable and internationally experienced expatriate manager for the international service operation was selected in the initial stage of the country selection process and, thus, the selected manager became a significant part of the location team. Further, he influenced positively all subsequent phases of the international location decision process and contributed significantly to arriving at advantageous choices.

Likewise, for the international manufacturing joint venture, it was shown that searching for a foreign country and a reliable and experienced local partner was carried out concurrently. Once the foreign country choice and the local partner were selected, the selected local partner joined the parent company location team, and hence, had a positive effect on city and site selection decisions and on the successfulness of the international location decision process in general. .

Indeed, the international business literature highlighted the importance of selecting an appropriate expatriate manager (Anderson 2001; 2005; Antal 2000; Bartlett & Ghoshal 1994; 1995; Ghoshal & Bartlett 1997; Goby et al 2002; Greenberg 2003; Harvey & Novicevic 2001; Heller 1980; Horton 1987; Stone 1991; Zeira & Banai 1987) or a local partner (Boersma, Buckley & Ghauri 2003; Geringer 1991; 1998; Glaister & Buckley 1997; Lasserre 198; Luo 1998; Schuler et al 1991; Tatoglu 2000; Tsang 1995; Williams & Lilley 1993) to the success of the internationalisation activity of firms.

For instance, several researchers argue that selecting an internationally experienced manager, who is well-knowledgeable about the foreign country conditions, is critical to the success of the international operation (Antal 2000; Goby et al 2002; Heller 1980; Horton 1987; Stone 1991; Zeira & Banai 1987).

Other scholars assert that it is essential for firms that engage in international joint ventures to identify initially in the potential foreign country a trustworthy (Boersma, Buckley & Ghauri 2003; Geringer 1998; Glaister & Buckley 1997; Williams & Lilley 1993) and competent local partner with a high degree of local knowledge (Geringer 1991; Tatoglu, 2000; Williams & Lilley 1993) before they settle on the final country choice.

6.3 Conclusion about the Research Problem

The preceding sections discussed the conclusions about the research findings and propositions which answered the research main question. These discussions illustrate how the research findings and propositions fit into the literature and build the grounds for discussing the general conclusion about the research problem: *How do Western Australian internationalising firms can arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion?*

In fact, this section aims to discuss briefly the overall conclusions about the research problem and the succeeding section (Section 6.4) integrates those conclusions which represent the revised research findings and propositions into a conceptual model.

In a word, derived from the research, firms which decide to internationalise their business activities and select a beneficial foreign location for their international operations and hence attain successful international expansion, have to be extremely cautious in their foreign country selection process. Selecting a country for foreign investments is not a simple decision as it is surrounded with high levels of risk and uncertainty and the failure to select the right country affects negatively the performance of the international operation and the overall performance of the parent firm.

Furthermore, given that the current research shows that foreign direct investments entail immense financial and human resource commitment to diverse aspects of economic, marketing, personnel, manufacturing and financial long-term planning, strategic decisions should be made appropriately and effectively over an appropriate span of time.

Internationalising firms considering a foreign country for their offshore operations require effective strategic decision-making processes which incorporate five important phases as follows:

First Phase: Strategic analysis of internationalisation drivers.

Second Phase: Strategic searching and development.

Third Phase: Information acquiring and strategic assessment.

Fourth Phase: Strategic selection of beneficial location choices.

Fifth Phase: Implementation of the selected foreign country choice.

In addition, four critical factors need to be taken into account in combination with these elements due to the influence of these vital factors on the effectiveness of the foreign country selection decision process and, as a result, on arriving at sound country choice and successful international expansion. In other words, founded on the current research empirical findings, the author argues that having effective managerial decision process is not sufficient and does not necessarily lead to the selection of a beneficial country choice.

The four critical issues to be considered by the location decision-makers in their foreign investment decisions are as follows:

- International business experience of the location team.
- The country knowledge about the potential foreign locations.
- In-house and external consultations with international business experts.
- Identification of a trustworthy and internationally experienced manager or local partner for international operation.

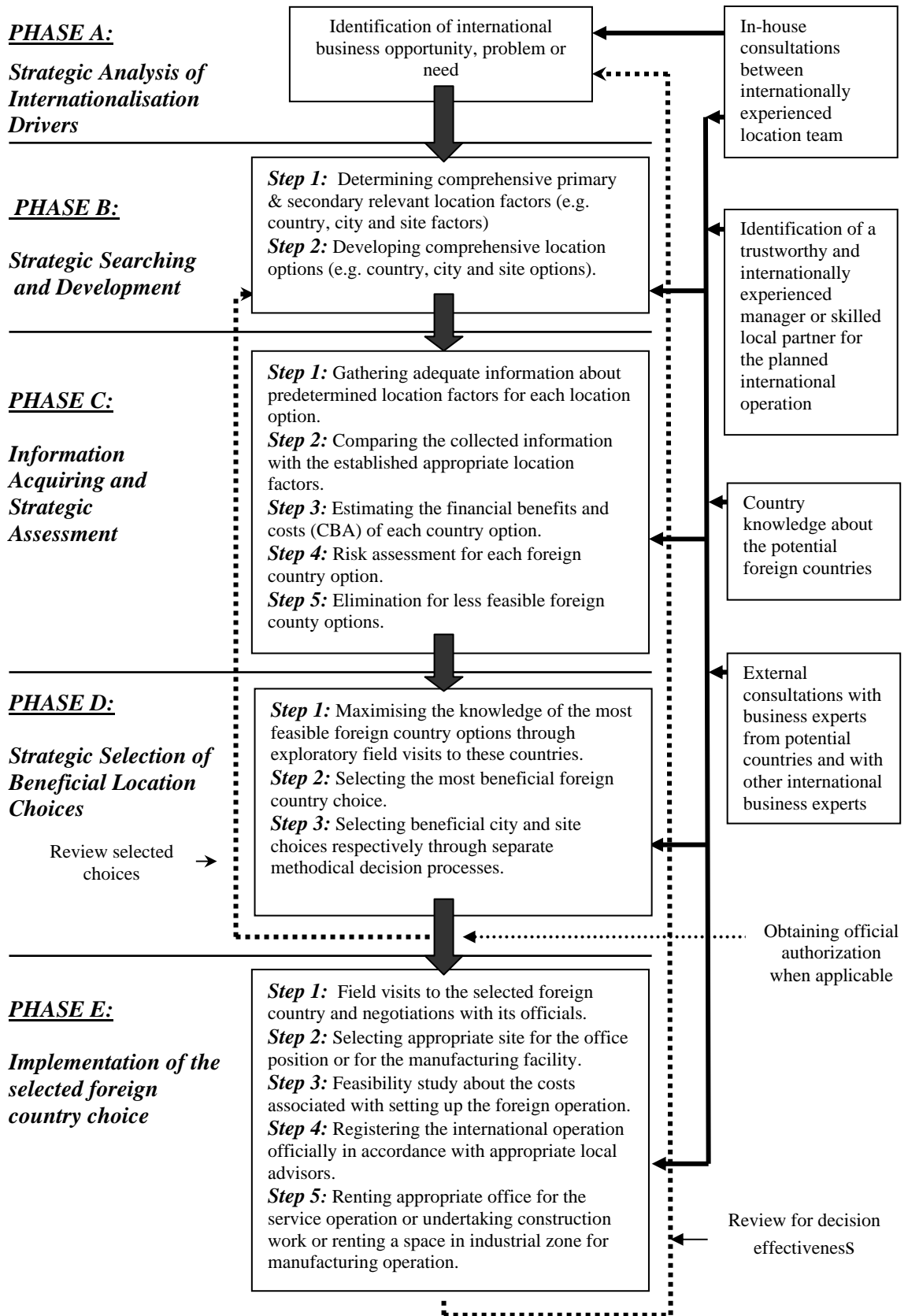
The components of the effective international location decision process and the associated critical success factors are discussed in the next section and combined into a comprehensive conceptual model.

6.4 Development of Conceptual Model for Successful International Location Decision-Making Process

The present section integrates the revised research findings and propositions into a comprehensive, integrated holistic, and conceptual model which represents the ‘best practice’ concept for achieving successful international location decision-making process and beneficial international expansion.

Figure 6.2 illustrates the comprehensive components of the developed ‘best practice’ model as suggested in the preceding section (Section 6.3). In the ensuing sub-headings, the major five phases comprise the developed conceptual model and the correlation of the critical success factors to these phases is discussed.

Figure 6.2: Comprehensive integrated ‘best practice’ model for successful international location decision-making process and beneficial international expansion



Source: Developed for the current research by the author based on the empirical findings and the developed propositions in Chapter 5.

6.4.1 Strategic Analysis of Internationalisation Drivers

In this phase, the internationally experienced location team from the firm's top management is selected to assess consultatively the rationales and motives for having an international operation. In other words, the selected location team members share their knowledge and the international experiences to analyse the emergent international business opportunity and the firm's need or problem to formulate appropriate primary and secondary decision criteria for the location factors as they are driven by understanding and the awareness of the drivers of internationalisation decision.

6.4.2 Strategic Searching and Development

Initially, in this component, the location team begins searching for and identifying a trustworthy and internationally experienced manager to lead the future international service operation. On the other hand, the searching for and the selection of a trustworthy and experienced local partner with a high level of local knowledge for the planned international manufacturing joint venture is performed along with the search for a potential foreign country. Subsequently, the selected expatriate manager or local partner joins the location team and provides significant inputs into the remaining phases of the international location decision-making process.

Afterwards, relevant primary and secondary location factors are determined in agreement with the drivers of the internationalisation decision, the type of business, firm's overall business strategy and the geographical nature of the potential foreign region or country. For instance, for some large foreign countries such as China, country, region or province, city and site location factors need to be identified, whereas for small countries such as Jordan, only country, city and site factors are established.

Accordingly, foreign country options are developed relying on the identified location factors or criteria as well as the prior knowledge and collective international experiences of the location team supported with external consultations with some international business experts from the home and potential host countries of the internationalising firms.

The country which meets the established criteria and with which the location team is extremely familiar is selected. Subsequently, the city and site options are identified based on established factors and on the location team's knowledge and experience about the selected country supported with internal consultations with the expatriate manager or local partner along with some external consultations with the international business experts and local entrepreneurs.

6.4.3 Information Acquiring and Strategic Assessment

This phase commences with gathering and bringing together adequate information and knowledge about the suggested country options in reference to the predetermined location factors as follows:

- The home country's industry and governmental trade departments (e.g. chambers of trade and commerce, Austrade departments, etc).
- Governmental trade departments and embassies of the identified country alternatives.
- Location team's prior knowledge about the potential countries and accumulated extensive international experience with these countries.
- External consultations with internationally experienced business friends and with some entrepreneurs and business experts from the potential countries.

Secondly, the collected and arranged information and facts are compared with the established appropriate location factors. In addition, estimating the financial benefits and costs (CBA) of each country option and assessing the country's economic, political, social and cultural risk factors is undertaken in conjunction with the former evaluation technique. Finally, relying on the outcomes of the former assessment course of action supplemented with the location team prior knowledge about the country alternatives and with external consultations with internationally experienced business friends and with some entrepreneurs from the prospective countries, the alternatives are narrowed down and, hence, the less feasible and profitable countries are eliminated. The developed city and the site candidates are evaluated through separate two decision processes. The former procedures are used in the assessment action, although no risk assessment is usually conducted as it is usually limited to the country alternatives. Furthermore, the local partner for the international manufacturing joint venture as a part of the new location team, contributes significantly to providing valuable information concerning the possible cities and sites within his country and, thus, in the assessment process. With respect to the site of the international manufacturing facility, consultations with the local economic development officials in the selected city provide a major source of site information.

6.4.4 Strategic Selection of Beneficial Location Choices

Following the elimination activity for the less feasible countries, the knowledge of the most feasible country options is maximised through exploratory field visits to these countries. During these visits, external consultations with internationally experienced business experts and with local business experts and entrepreneurs from these countries are held regarding the most suitable and profitable country. As result, the country about the location team is extremely

aware and satisfied and recommended by the consulted business experts tend to be selected as the final country of choice. The location team members may review their recommendation when relevant and search for another country from the prepared countries list. With the case of the IJV of the manufacturing firms, the local partner is evaluated in relation to the level of trust, experience and activity and selected in concert with the country choice. The other selection decisions concerning the city and site final choices are performed respectively through other processes. The city is selected contingent on the outcomes of the assessment and country knowledge of the location team, which includes the selected international manager or local partner, supported with some external consultations with international and local business experts from the chosen country.

6.4.5 Implementation of the Selected Foreign Country Choice

Another major phase in a successful international location decision-making process relates to implementing the selected country choice effectively and appropriately. With the case of the large firms wherein the location team is not comprised of the principal owners, official authorization and approval may be at variance with small firms in which the location decision-makers are major owners. According to the proposed model, the implementation process commences once the final country is selected and, consequently, the city and the site choices are selected as part of this phase. Therefore, as explained earlier, the country knowledge of the location team as well as the selected expatriate manager or local partner as an element of that team and the external consultations with business experts from the selected country and with other international business experts played a significant role in this phase.

The decision implementation phase starts with the conducting of field visits to the selected foreign country to negotiate with its foreign investment officials about their incentives and, hence, to select an appropriate city and site for the international operation. Once the site is selected, a feasibility study is undertaken regarding to the costs associated with setting up the foreign operation in relation to registration costs, renting and/or construction costs for the service operation or manufacturing facility fixed and variable related-costs. Subsequently, the foreign investment or the international operation in accordance with appropriate local legal advice is registered officially. Finally, an appropriate office for the service operation within the selected site and accommodation for the expatriate manager of the international operation is rented or the construction work or renting a space in industrial zone for the manufacturing operation is undertaken. A final relevant post-implementation aspect correlated with the international location decision process concerns reviewing the effectiveness of the outcomes of the international location decision process and the profitability of the selected foreign country,

city and site choices. Results from the first year of operation are tracked by the monthly reports which show the sales and the growth in the market share and compare the drivers of the decision and the planned strategic goals with the achieved facts.

6.5 Implications for Theory

The current exploratory investigation examined the managerial procedures involved in the strategic decision-making process relating to attaining effective selection of a foreign country for international operations, as well the critical success factors required to be considered in that decision-making behaviour in order to arrive at a beneficial country choice. As a result, the research findings were integrated into comprehensive conceptual model for effective foreign country selection process and successful international expansion. Therefore, the current research has made a significant contribution of knowledge to both the wider body of knowledge and parent discipline which includes the strategic decision-making field along with the immediate discipline of location decision-making processes of internationalising firms and the internationalisation process of firm.

In general, the contribution of the current research to theory is the conceptual model, which for the first time, has linked two demanding fields of management research; that is, strategic decision-making and location decision-making in international business. Accordingly, the model has linked and related managerial procedures of the decision-making process to critical success factors in the selection of a foreign country for successfully establish international operations. The next section provides a discussion of current research contribution to theory.

6.5.1 Contributions to Research on Strategic Decision-making

It has been argued that the vast majority of research on strategic decision-making has been conducted in the United States and slight attention has been paid to the discipline in other countries (Schwenk 1995). In spite of the research on strategic decision-making within the US context, it is asserted by experienced organisational strategy scholars that the strategic decision-making literature is fairly small, mostly theoretically and empirically untested (Eisenhardt & Zbaracki 1992; Bourgeois 1980; Mintzberg 1978; Mintzberg & Waters 1985) as it adopts the normative or descriptive approach which describes how decisions 'should' be made rather than how decisions are 'actually' made (Fredrickson 1983; Shrivastava & Grant 1985).

The present research, therefore, was designed to explore and gain deeper and comprehensive understanding about how strategic international location selection decisions are in reality made within the Western Australian context. As a result, the current research findings and the developed model provide new contributions and implications about how Australian international organisations address in reality the highly complex and strategic decision in relation to selecting a country for their foreign investment. The research conclusions show that the strategic decision-making behaviour of Western Australian internationalising firms fits into the established satisficing or bounded rational theory. As well, it reinforces the claimed importance of intuition or 'gut-feeling' to effective strategic decision-making as was evident in the examined firms regardless of their type of industry or size. Consequently, the satisficing decision-making approach and the research on the positive impact of intuition on the outcomes of strategic decision and, consequently, on the overall performance of firms, have been strengthened and extended and proved to be the most appropriate to achieving successful international location decision-making.

Furthermore, the research findings corroborate the value of group decision-making as a technique for gaining outcomes of a strategic nature and add a new aspect to the existing decision-making literature through providing a clearer picture about the distinction among group decision-making, participation and consultation as well as insights into the consultation activity itself. Consultation is an important tool or mechanism to achieve effective group decision-making and participation; it refers to sharing and exchanging the knowledge and information about the decision problem among highly experienced and knowledgeable individuals or senior managers resulting in a collective and *consultative decision*. The lack of a collective, consultative decision-making process was shown to lead to failed foreign investment decision in the case of firm E. The unsuccessful decision was made by a group of senior managers; all of them were managerially skilled and provided what was known about the decision problem. However, their information and experiences were inappropriate and invalid since none of those directors had international experience relating to the foreign investment environment. As a result, the international manufacturing operation in the selected foreign country performed very poorly in the initial two years of operation.

6.5.2 Contributions to Research on Internationalisation, International Location Decision-Making Process and other Disciplines

Most past research on the location decision-making process has concentrated on site selection by domestic firms and, in particular, for the manufacturing sector (Augustin 1999; Blair & Premus 1987; Schmenner 1994; Schmenner 1982; Phillips 1991).

In addition, the location decision-making processes of Western Australian internationalising firms have not been highlighted in the extant internationalisation or foreign direct investment literature. Accordingly, the current research findings provide new insights into that literature about how Western Australian internationalising firms behave with regards to selecting a beneficial foreign country choice for their offshore operations. As a result, these findings not only contribute to the research on the internationalisation of Western Australian firms, but to the overall and entire growing body of knowledge on internationalisation and foreign direct investment (FDI) through the introduction of new model for foreign country selection decisions.

The research concludes that undertaking a managerial decision-making process in the absence of the identified success factors would be detrimental as to the choice of foreign country and international growth. Furthermore, the research findings contribute to growing research on the evaluation of the foreign country risk factors; it stresses that the evaluation of the global risk factors cannot be achieved effectively by using only mathematical or normative tools as suggested in the literature (Cengiz 1985; Murtaza 2003) without the qualitative assessment rooted in the extensive international experience of a location team and their knowledge about the potential country options as well as external consultations with international business experts.

6.6 Methodological Contributions

Experienced scholars in the field of international business (Boddeyn & Iyer 1999) have called for rich analytical case studies of that field as they argue that most international business empirical research relies on secondary data and/or questionnaire responses which involve critical problems. As a result, the current research has made a contribution by using the case study methodology in international business research. Firstly, the in-depth multiple case study approach enabled the researcher to bring together the entire vital knowledge and experiences of location decision-makers in five firms. Secondly, the purposively and theoretical selection of the five cases from among different industries and sizes and the event of a failed international location selection decision enabled the researcher to compare and contrast the findings of these different cases and develop a general model for successful international location selection decisions which could be used by international and internationalising firms regardless of their type of industry or size. Finally, the purposive and in-depth interviewing of the most knowledgeable location decision-makers provided credible and valuable information about the nature of the foreign location decision-making process and, accordingly, confirmed the methodological standpoint in the strategic decision-making literature which provided relevant from informed decision-makers regardless of the number of interviews or informants (Birnbbaum 1985; Huber & Power 1985; Papadakis Lioukas & Chambers 1998).

6.7 Implications for Policy and Practice

The research findings and the developed decision model (see Figure 6.2) have practical managerial implications for international firms currently engaged in the internationalisation, and internationalising firms seeking to internationalise their business activities. Furthermore, the conclusions of the current research and the conceptual model provide benefits for foreign investment policy-makers as well as local development officials in both home and host countries. These implications are discussed in the following sections.

6.7.1 Managerial Implications for Private Sector Managers

In the context of foreign direct investment decisions of Western Australian international and internationalising firms, the developed decision model for international location selection and the research findings improve the decision-making approaches relating to the country selection for entry and investment and, thus, for attaining successful international growth. More specifically, the findings of the current research assist the business managers of Western Australian international and internationalising firms by:

- Gaining a better, rich and comprehensive understanding of the significant managerial procedures as well as critical success factors in order to maximise their international location decision-making process and, hence, undertaking successful international expansion
- Gaining better understanding about the tools and techniques of location strategy analysis and, hence, learning how to develop location strategies that will deliver sustained competitive advantage.

In brief, a summary list of recommendations for private sector managers of international and internationalising firms based on the research empirical findings and the developed decision model is presented in Table 6.1.

Table 6.1: Recommendations for private sector managers

Recommendations
1. Select an experienced consultative team consisting of a team leader who is highly internationally experienced in addition to other senior managers with different international experiences and then the selected team should identify carefully the drivers of an international operation (IO), the organisation's overall strategy and financial and human resources capabilities and the financial and human resources commitments toward the IO. If the entry mode to the foreign country is by a greenfield operation, it is better to select and identify a trustworthy and internationally experienced expatriate manager for the IO at this stage who will become another important part in the location team.

Table 6.1 (Continued)

<p>In the case of an internationalising firm which does not have adequate international experience, it is recommended to recruit an external internationally experienced team leader, seek advice from professional consulting firms and develop international experience prior to pursuing the country selection process, especially if the foreign investment involves enormous financial and human resources commitments</p>
<p>2. Consultatively, the selected location team develops a list of primary and secondary location factors (country, city and site factors) taking into account the drivers of the internationalisation decision, the organisation overall strategy and the geographical nature of the potential foreign countries. For manufacturing firms entering the foreign country through international joint venture (IJV), developing local partner factors or criteria is important; trust a high level of local knowledge are very important.</p>
<p>3. Search and determine potential foreign country options relying on a set of established country factors, international experience and the country knowledge of the location team and external consultations with international business experts. In addition, for IJV searching for a local partner should be carried out together with the search for a country. The proposed country options should be developed within the scope of the country knowledge and international experiences of the location team. In other words, the location team and particularly the selected expatriate manager should be highly knowledgeable about the local conditions (local language, cultural, political, social and legal) of the proposed countries.</p>
<p>4. Gather adequate information relevant to the developed location factors from appropriate governmental trade departments of both home and host countries and through external consultations with business experts from the home country and the potential countries.</p>
<p>5. Evaluate the gathered information by comparing it with the developed country factors. In addition, rely on the international experience and country knowledge of the location team as well as the external consultations with business experts from the home country and from the potential countries, assess the opportunities and threats, the financial and non-financial costs and benefits and the global risk factors of each country option. As a result, eliminate the less feasible foreign county options.</p>
<p>6. Maximise the knowledge of the most feasible foreign country options through exploratory field visits to these countries. Consequently, select the most beneficial foreign country choice relying on the international experience and country knowledge of location team as well as the external consultations with business experts from the home country as well as from the potential countries. For IJV select the local partner based on the identified criteria simultaneously with the country choice.</p>
<p>7. Review the decision consultatively with location team members and do not hurry in performing the decision and once the decision has been agreed, obtain official authorization if required for pursuing the remaining parts of selection process.</p>
<p>8. Select an appropriate city through a process by repeating the same procedures of the former country selection process in cooperation with the selected local partner in the case of IJV.</p>
<p>9. Consult international business experts about how to implement the selected city and conduct field visits to the chosen city within the selected foreign country and negotiate with its foreign investment officials about their incentives.</p>
<p>10. Select appropriate site for the office position or for the manufacturing facility relying on the collected information which covers the site factors in consultation with local business experts and local partner in the case of IJV.</p>
<p>11. Conduct feasibility study about the costs associated with setting up the foreign operation.</p>
<p>12. Register the international operation officially in accordance with appropriate local advisors.</p>
<p>13. Rent an appropriate office for the service operation or undertaking construction work or renting a space in industrial zone for manufacturing operation.</p>

Source: Developed by the author based on empirical findings and research model (Figure 6.2).

6.7.2 Implications for Public Sector Policy Analysts and Managers

Overall, the current research findings and the conceptual model provide benefits for foreign investment policy-makers as well as local development officials in both home and host countries. Within the Western Australian context, the findings have important implications for foreign investment policy-makers, trade department officers and local development administrators.

The research provides insight into how Western Australian investors select the location for their foreign investments in relation to how they develop potential beneficial countries, what type of characteristics they require in a foreign country, what type of location factors they produce, what type of information they gather and how they assess the country options, how they implement the country decision and finally what are the critical success factors to attain profitable foreign investments.

Understanding the issues would assist considerably the Western Australian particularly and Australian national government trade departments concerned with increasing the business involvement of Australian firms with foreign countries to improve the foreign investment decision-making process of firms. Minimising the risk associated with foreign investment decisions will bring economic benefits to the Australian national economy through assisting firms to attain successful international growth. In addition, they could establish a governmental consulting body and recruit internationally experienced directors and academic experts in the area of international business to aid substantially the Western Australian internationalising firms willing to undertake foreign investments, but which lack of appropriate or adequate international experience to arrive at sound international investments.

Furthermore, the international trade policy-makers could increase the international participations of Western Australian enterprises by reaching positive trade agreements with foreign countries to provide attractive foreign investment incentives to the investors and facilitate the implementation process in relation to offshore site selection, legal requirements and registration procedures.

Australian trade missions could also be established abroad in cooperation with local development officials and local firms to attract networks of local entrepreneurs willing to have a joint venture partnership with Western Australian investors.

The previously discussed implications of the current research findings to public policy-makers within the Western Australian context could be applied to any foreign country to assist in the economic development in the country.

6.8 Limitations of the Research

It is unarguable that any empirical research has some limitations which need to be acknowledged; and despite these limitations, the present research has made significant contributions to theory, methodology, practice and policy. However, this section discusses other limitations that became evident during conducting the current research.

Initially, for the reason that the research employed the case study strategy and was built on five case studies selected purposively from among 16 potential firms, the most distinct problem associated with this approach is that of generalisation (Eisenhardt 1988; Yin 1994; 2003). However, given that “the purpose of the case study is not to represent the world, but to represent the case” (Stake 1994, p. 245) and case studies have to be selected based on ‘theoretical sampling’ and not on ‘random sampling’ as with quantitative research (Eisenhardt 1989a; Glaser & Strauss 1967; LeCompte & Preissle 1993; Patton 1990; Perry 1998; Stake 1994; Yin 2003), the ‘analytical generalisation’ is applied to case study research and not the ‘statistical generalisation’ as in quantitative research which deals with a large randomly selected sample (Yin 1994; 2003). Analytical generalisation means to what extent are the findings of the case studies replicated and constant (Yin 1994; 2003). The greater the replication identified in the cases, the greater the rigor with the findings of the research (Eisenhardt 1989; Yin 1994; Rowley 2002). This analytical generalisation was achieved in the current research as the results concerning the international location decision-making process and the associated success factors were constant and hence theoretical saturation (Glaser & Strauss 1967) was reached. Moreover, the study’s generalisability was enhanced by focusing on one country and firms in the one state of Western Australian (see Richards 2000). Further, the aim of the current research was to generate theory and not to test theory to capture the distinctiveness of cases rather than to use them as groundwork for wider generalisation (Gomm, Hammersley & Foster 2000).

The research has a limited geographical and industry focus and as it focused on Western Australian firms and only investigated two manufacturing firms and three service firms and, accordingly, it is likely that the findings do not apply similarly to other international organisations in other Australian states and in other countries.

Another limitation relates to ‘interviewee response bias’ and ‘retrospective bias’ as the decisions investigated occurred some time in the past, which may result in not all the information has being recalled correctly by the informants. However, in organisational, strategy research, as was the case with the current research, “the best trace of the completed process remains in the minds of those peoples who carried it out” (Mintzberg Raisinghani & Theoret 1976, p.248). In addition, the questionnaire was designed following the interview session to validate the interviewee’s responses and the available secondary data were utilised to confirm the interview

statements. A final limitation concerns the number of interviews in qualitative research in general and in case study research in particular. As explained earlier in Chapter 3, there is no harmony or agreement among methodologists about how many interviews are necessary in case study research. Therefore, there are no rules governing the number of interviews and sample size in a qualitative study (Dick 1999; Lincoln & Guba 1985; Nair & Reige 1995; Patton 1990; Patton 2002; Strauss & Corbin 1998). Furthermore, the qualitative sample size is determined by the stability attained during the interview; that is, when conformity among interviewees is achieved and disconformity among them is justified on all the issues raised during the interview process (Nair & Reige 1995; Patton 1990). Moreover, the informants of organisation strategy should be selected purposively, as was performed in the current research; that is, selecting the most knowledgeable informants who possess credible and valuable information about the issues being investigated regardless of the number of interviewees (Birnbaum 1985; Huber & Power 1985; Papadakis Lioukas & Chambers 1998). Further, five case studies were undertaken during the present research process, and that number has met the methodology guidelines (Eisenhardt 1989a; Perry 1998; Yin 1994; 2003).

6.9 Implications and Directions for Future Research

The current research adopted the case study strategy as a theory-building approach to explore the strategic decision-making process related to selecting a foreign location for international operations. As a result, derived from the research findings and propositions, a conceptual decision model was developed which resulted in pinpointing some possible valuable areas for potential research.

The model incorporated two major issues which answered the main research exploratory question and, as a result, could be used to produce testable hypotheses for prospective research. Accordingly, the first suggested direction for future research is to test empirically this model in different countries, and within different industries, by using the quantitative survey method as an attempt to generalise the research findings in a 'hypothesis format'.

Within the Australian context, future research in the area of international location decision-making process using in-depth case studies as a the research method in international business, is recommended to be carried out in other states to investigate how international location selection decision are made in reality among various types and sizes of industries across the nation.

Because the current research was limited to greenfield and joint venture FDI, more research is recommended to examine other international businesses adopting various entry mode strategies

such as acquisition, licensing and exporting to capture the significant differences in location decision-making process between these entry modes in international business.

The current study has shown that employing an appropriate international manager for the greenfield international operation or a local partner for the international joint venture, was carried out in the initial stage of the country selection process and proved to be crucial to the success of the overall process and to arriving at a beneficial international expansion. Therefore, future research is needed to explore in more detail the selection process of the expatriate manager and the local partner and their continuing role in the international location decision-making process.

In the current research, it was shown that in-house and external consultations positively influenced the outcomes of the country selection process. As a result, prospective research may well investigate the consultation process in addition to the differences among consultation, group decision-making and participation in strategic decision-making. Further, possible research could be carried out to explore the important attributes that the expert or advice-giver should possess in strategic decision-making in general and in foreign direct investment decisions in particular. In addition, other eventual research could examine the role and the impact of international experience and 'gut-feeling' of senior managers of international firms in formulating successful and effective international business strategies.

6.10 Conclusion

Chapter 6 has completed the current exploratory investigation. Firstly, the research empirical findings and propositions within the context of the academic literature reviewed in Chapter 2 were discussed. Further, the conclusion about the overall research problem was discussed, and, accordingly, the revised findings and propositions were integrated into a conceptual model for making international location selection decisions successfully leading to beneficial international expansion. Subsequently, the implications and contributions of the research findings and the developed conceptual model to theory, methodology, policy and practice were addressed as were the limitations of the research. Finally implications and directions for future research were recommended.

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APPENDICES

Appendix A:

1. Participant's Information Sheet
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Appendix A:

1. Participant's Information Sheet

The Company's Directors

The Researcher and the Study Background

This is to introduce myself (Mr. Marwan Al Qur'an) to your firm for the purpose of undertaking interviews in the coming weeks that will take place at a time and date convenient to you. In essence, the purpose of the study is to gain a rich understanding about managerial procedures as well as critical success factors that should be considered in selecting a beneficial foreign location choice for the international operation. The study forms the basis of my doctoral candidature at Curtin University of Technology, Perth, Australia. The case study approach is being utilised in this study which involves interviews, questionnaires and a documents review when available. The interview questions will be opened-ended and will cover your participation in the decision-making process relating to the selection of foreign country for your international operation. I have enclosed a sample of the open-ended questions and the interview issues so you may review them prior to the interview. This letter is written to all senior managers of the company who provided significant inputs into the country selection process. I genuinely and kindly request that you would be able to give your time, experience and patience towards the interviews. Your co-operation is most vital because the case study will contribute significantly to understand the location decision-making process in international business and, as a result, produce some recommendations which your company can benefit from should you undertake further international expansion.

Ethical Concerns

I will record the interviews if it is possible and all the interviews will be treated in absolute confidentiality. In addition, after the case study report of your organisation has been compiled, a copy of the report will be immediately sent back to you to add or delete any misinterpreted information. You are hereby assured of the confidential keeping of information obtained from you. This is an essential requirement of the Curtin's Human Ethics Protocol which regulates such types of research. Data obtained would be used for the purpose of the PhD thesis and will not be utilised for other purposes. Throughout the course of the research a participant is free to withdraw from the study without penalty even if she/he gave consent for the interview. In the event that this situation occurs, any previous data collected from the participant will not be used in the data analysis phase unless she/he given permission for that.

If confirmation is needed of these details, feel free to contact my supervisor Dr Laurie Dickie at Curtin Business School on 08 9266 3080 or via his email address (Laurie.Dickie@cbs.curtin.edu.au).

I wish to express my appreciation and gratitude for your assistance and look forward to arranging an appropriate time and venue for the interview.

Sincerely

Marwan Al Qur'an
Doctoral Candidate & Sessional Lecturer
Curtin Business School/ Curtin University of Technology
GPO Box U1987 Perth, W.A 6845, Australia,
Mobile: (+ 61) 0415 414 710, Facsimile: + 61 8 9266 7694
Email: Marwan.AlQur'an@cbs.curtin.edu.au

2. Consent Form

Curtin University of Technology Consent Form - Student Research

I agree to participate in the research project '*Location Decision-Making Processes of Internationalising Firms*', being conducted by Marwan Al Qur'an of Curtin University of Technology, Bentley Campus, Perth, as part of his PhD within Curtin Business School being undertaken at Curtin University of Technology, Australia.

I understand that the purpose of this study is to explore understanding decision-making process relating to the country selection of our company's international operation.

I am aware that my participation in this research will involve a number of tasks. These are being interviewed, to provide any relevant documents related to the location decision of our overseas operation as well as responding to a questionnaire instrument. I understand that the interviews will be audio taped and that I may ask for taping not to be allowed or stopped at any stage. I am also aware that my responses will be treated confidentially and not be released to any other person.

I understand that I can contact Marwan Al Qur'an, mobile 0415414710, email: Marwan.AlQur'an@cbs.curtin.edu.au or his supervisor Dr Laurie Dickie, telephone: (08) 9266 3080; email: Laurie.Dickie@cbs.curtin.edu.au if I have any concerns or questions about the research. I also understand that I am free to withdraw my participation from this research project at any time I wish without giving penalty.

I agree that Marwan Al Qur'an has answered my questions about the research fully and clearly.

I agree that the research data gathered from his project may be published in a form that does not identify me in any way.

..... /...../
Signed by

..... /...../
Witnessed by

3. Follow-up Letter

Dear Sir/Madam

I am Marwan Al Qur'an, doctoral researcher at Curtin University of Technology, Perth, Australia. I thank you for participating in the interview session which took place in.....concerning my research project '*Location Decision-Making Processes of Internationalising Firms*'.

It took me some time to finalise the analysis of the case data. Therefore, please find the attached copy of findings of your company case. Please review the findings report for accuracy and feel free to modify the case report when required.

Please take your time to send me your valuable comments. I look forward to hear from you.

Thank you again for sharing your time, perceptions and experiences with me and for supporting this research project.

Sincerely,

Marwan Al Qur'an
Doctoral Candidate & Sessional Lecturer
Curtin Business School/ Curtin University of Technology
GPO Box U1987 Perth, W.A 6845, Australia,
Mobile: (+ 61) 0415 414 710, Facsimile: + 61 8 9266 7694
Email: Marwan.AlQur'an@cbs.curtin.edu.au

4. Case Study Protocol

A. Introduction to the Case Study and the Purpose of Protocol

The purpose of the current research is to explore deeply and comprehensively '*how do Western Australian internationalising firms arrive at a beneficial foreign location choice for their international operations and hence attain successful international expansion*'. In order to resolve this research problem, five empirical in-depth case studies, excluding a pilot case study, are purposefully selected from among sixteen potential Western Australian firms which have established international manufacturing and service operations abroad. Seven foreign country selection processes are investigated within these five case organisations.

The field data is mainly collected through in-depth interviews, questionnaires and documents review when available. The case study protocol is an important instrument for planning and guiding data collection procedures. The field data of all case organisations are collected using this protocol. In that way, it increases the reliability of the case study research. Using this protocol, the researcher solves the research problem through answering two exploratory research questions derived from the literature review found in Chapter 2 of the thesis. These research questions are:

1. What are the actual managerial procedures and actions involved in the strategic decision-making processes carried out by Western Australian firms in arriving at beneficial foreign locations for their international operations?
2. What are the critical success factors which contribute to achieving beneficial foreign location choices for the international operations of Western Australian firms?

B. Data Collection Procedures

Field procedures in relation to data collection are highly important in case study research in contrast to the experimental research as the researcher has no control over the data collection environment (Yin 1994, 2003). Therefore, patience and flexibility are necessary skills for any case study researcher to overcome some difficulties associated with field research such as the refusal of interviewees to cooperate completely. For that reason, the researcher needs to call attention to the field visit schedule and obtaining some knowledge of the case organisation policies prior to starting the data collection process.

The data collection procedures begin with a 5-10 minute telephone conversation with the selected case organisations to explain the research purpose and interview questions to the participants and determine a date, time and venue for the interview sessions. Afterwards, participants are contacted by telephone to agree on the date, the time and the venue for the interview sessions. Arranged dates and times are then confirmed with the participants' personal secretaries by telephone a couple days prior to the arranged dates. The researcher through telephone contacts with the senior managers creates a friendly atmosphere with them. Field visits are made to the premises of the companies to interview the identified informants (company's most knowledgeable senior managers; CEO or MD. The all interviews are recorded using two high quality voice recorders. Recording the interviews provides more accurate interpretation and rendition of any interview than any other method (Yin 2003, p.92) and it is advantageous for the accuracy of recalling the interviewee's responses to questions (Given 2004). In addition, handwritten field notes are taken during the visits to the firms' sites and during the interview sessions. Subsequent to each interview session, the consent form and the company and international location decision background questionnaire and documents relating to the location decision when available are gathered from each firm.

Later, following the interviews sessions, short follow-up telephone contacts are made to clarify some issues related to the international location decision process. The outcomes of the preliminary case studies analysis of the data collected via in-depth interviews, field notes, international location decision and company background questionnaires, documents when available, internet sources, and telephone follow-up interviews, are used in designing the second questionnaire (the country selection process) in order to triangulate the data. Once the questionnaire is completed, it is sent by electronic mail to the key participants and then collected by the researcher. The in-depth interview data of each case study in conjunction with the second questionnaire data and other data sources were analysed and the final individual case study report findings is prepared. The final step relates to the *participant validation* (Lacey & Luff 2001), these case study reports are again sent by electronic mail to the participants to review the reports and make changes when applicable.

B.1 Skills and Techniques for Conducting the Case Study Method

It is important that the researcher should be aware of the skills required to conduct a case study. Only the researcher will be involved in collecting the field data from the identified companies. The researcher is experienced in conducting research as he has conducted several researches during his academic life. In addition, he has a considerable professional experience and good interviewing skills. The following are important techniques which with the researcher should familiarise himself to improve his data collection skills.

Comprehension of the Research Background and Pilot Case Study

The researcher needs to control the phenomenon under study by thoroughly comprehending the academic literature dealing with the decision-making theories and by controlling the situation through conducting a pilot case study. That will necessitate the researcher reviewing his research questions thoroughly and prepared the interview guide questions which should cover the research questions comprehensively and thus ask the right questions during the interview. The pilot study will allow the researcher to gain insight into all aspects of how the firm makes its location decisions. It will also increase the researcher's skills and experience in conducting a case study. Moreover, they will enable the researcher to test and alter the prepared semi-structured interview guide prior to collecting the field data from the five selected case studies.

Conducting the Interviews

Before conducting the interviews, the researcher needs to have some experience which can be achieved through the pilot study which the researcher. This training will include familiarising the researcher with the skills of reflective questioning, summarising and controlling an interview. To conduct a good interview, the interviews need to appear unbiased, be systematic and thorough, and offer no personal views. The researcher needs to be well-informed about the purpose of the interview and well-prepared and familiar with the interview guide. Moreover, the researcher needs to be a good listener and ask the right question relevant to the research questions and purpose of the research. Phrasing and paralinguistics are required to ask the right questions during the interview (voice tone and pitch, stress on particular words or phrases). Avoiding interview bias is a very important aspect and the researcher will not bring his personal perceptions into discussion by allowing the interviewee to express his opinion freely without interference and by knowing when to wait and when to prompt when asking questions. The interviewer bias could also happen in the phrasing of questions, the use of prompts and selecting which responses to explore further. The interviewer should always focus on what the interviewees are saying and clarifying what they mean. The more time spent on active listening and the less time the interviewer spends talking, the less directive the interview will be and the

less bias being introduced to interview. Some of the helpful techniques in conducting an interview are as follows:

- Don't interrupt; let informants finish their thoughts.
- Follow up leads; i.e. responds to answers given, some answers will lead onto the next question.
- Ask about both sides of issue, in other words ask the same question twice in different way to validate the answers to the same question.
- Use reflective comments which give the respondent permission to continue to discuss and consider a particular topic.

Body Language

It is important that the researcher needs to pay attention to the respondent's non-verbal signals while he conducting the interviews. The researcher will look at the respondent's attitude; are they relaxed and comfortable or sitting perched on the edge of their seats? Looking at the respondents hands, what he/she doing with him, is he/she biting his/her nails, holding his/her hand over his/her mouth while speaking? Is the interview emotionally distressing? The body language may indicate that there is more information to come. The researcher's body language is also important in making the respondents feel comfortably by responding to their verbal and non-verbal signals.

Silence

Silence may be very telling in a qualitative interview. The researcher needs to give the respondent the opportunity and time to reflect and add supplementary information. The length of the silence may be important and should be mentioned in the final transcript.

Recording Data

It is essential that the interviews be audio-taped. The researcher will use two audio recorders to avoid losing the interviews data in case of any technical error which could happen while recording the interviews. The audio tapes should have the capacity to record 3-5 hours of interview. Therefore, the researcher will use a digital recorder which records up to 5 hours interview. Tape recording ensures that the whole interview is captured and provides complete data for analysis so signals or cues that were missed the first time can be recognised when listening to the recording. In the tape recording the increased risk of interviewer bias is less compared with note taking.

Closing the Interview and Post Interview

One of the most important and difficult issues in the interviews is how to close it. Therefore, the interviewer or the researcher will need to develop a range of signals to indicate the end of the interview. These can be as direct as switching off the tape recorder and giving signals to the interviewee that we are close to the end of the interview by saying "*I think we have come now to the end of today's interview,... I really want to thank you for giving me your valuable time*". After completing the interviews, the researcher will write a 'thank you' letter to the respondents and always maintain a good relationship and keep the respondents informed about the progress of the study.

C. Case Study and Interview Questions

The data will be collected via in-depth interviews using semi-structured interview guide which includes broad open-ended questions and some closed questions. The questions of the case study interview guide are mainly open-ended, broad and indirect questions (Haigh 1990) and designed to collect rich, deep and comprehensive information about the strategic decision-making processes carried out by the selected firms in selecting the foreign location for international operations.

As regards the open-ended questions, some questions cover principal issues related to the background of the initial internationalisation decision. Other core questions address the steps and phases involved in the international location decision-making process. Likewise, some open-ended questions are incorporated in the interview guide to address critical success factors which contribute to achieving a beneficial foreign location choice. Few questions are organised to capture any suggestions and recommendations by the participants to improve the effectiveness of future international location decision-making and to learn from their experiences. The final type of open-ended question was formed to triangulate and validate some answers to the former open-ended questions. Conversely, most of the closed questions are asked during the interview sessions to gain accurate and deep picture relating to the issues raised from answering the broad open-ended questions. The case study interview questions are attended in the subsequent sections of this protocol in the interview guide, Part I.

With respect to the source of data and informants selection, the interviews will be conducted with the most knowledgeable senior managers who played a significant role in the foreign country selection decision-making process, namely, CEO, MD and senior directors as the foreign investment decisions are made by that management level.

D. Outline of Case Study Report and Within Case Analysis

1. Company Background
 - 1.1 The Organisational Structure of the Company
2. The International Location Decision Background
 - 2.1 Management Level Involved in International Location Decision
 - 2.2 Location Decision Timeline
3. Themes describing all managerial procedures involved in the foreign country selection process.
4. Themes describing critical success factors contributed to achieving beneficial foreign location choice.

4.1 Part I: Interview Guide

Interview Guide

Case No: Interview No: Date:

Firm's name:

Business type:

Interviewee's name:

Interviewee's title:

Interview's location:

Interview's start time Finish time

Section A: Initiating factors of the internationalisation decision.

A.1 Could you please tell me, who came up with the idea about establishing business operation overseas and what were the reasons behind that decision? (One main broad question)

.....
.....
.....
.....

Section B: Country selection decision process relating to the firm's international operation.

B.1 By whom the decision was made and what were the roles of each personnel who participated in the decision?

.....
.....
.....

B.2 When you reached the final decision to have international operations in the nominated country; could you please explain to me the whole management decision process story? (What were all the steps and actions involved in that decision process in details?) (One main broad question)

.....
.....
.....
.....

More specifically, the following issues were addressed during the interview to gain deep understanding about the county selection process: (A sample of questions which were probed during the interview sessions)

- Did you develop criteria or factors for the country, city or site? What were these criteria?
.....
.....
.....

-Did you have any classification for these criteria?
.....
.....
.....

-Did you select the country, city and site within the city through one selection process? If no, how did you select the city and the site? Did you follow the same steps for each country, city and site processes? Which process (country, city or site) was the most complex, important and consumed more time?
.....
.....
.....
.....

-Did you develop alternative countries, cities and sites before arriving at the final choices? How did you develop them and what were these alternatives?
.....
.....
.....

-Did you gather information about country, city and site alternatives? If yes, what were the information sources?
.....
.....
.....

-Did you evaluate these alternatives? How (methods, techniques) and by whom?
.....
.....
.....
.....

-Did you conduct any country risk evaluation for each alternative country before deciding on the final foreign location choice? How?

.....
.....
.....

-Did you use the same evaluation techniques in the country, city and site evaluation process?

.....
.....
.....

-Did you conduct any mathematical calculations for each alternative country before arriving at the final choice? If yes, what type of calculations did you use?

.....
.....
.....

-Did you make any field visits to the developed countries during the selection process?

.....
.....
.....

-Did you make any particular field visits to the strongest country option before selecting this country as the final choice?

.....
.....
.....

-How did you implement the selected country choice or the decision?

.....
.....
.....

-Did you negotiate with the foreign investment officers in the selected country about their investment policies and incentives?

.....
.....
.....

-In arriving at that final decision, did you consult other individuals outside the company (e.g. government officials, customers, suppliers, competitors, friends and consulting companies)?

.....
.....
.....

-Considering alternative location options, what were the reasons for selecting this country, city and site in particular? Why were the other options rejected?

.....
.....
.....

-Did you evaluate the effectiveness of your location decision before and after implementing the final selected country choice? How?

.....
.....
.....

Section C: Critical success factors contributed to achieving beneficial foreign location choices

-Could you please explain to me the most important issues that assisted you significantly to reach a valuable foreign location choice? (One main broad question)

.....
.....
.....

Section D: Suggestions to improve international location decision-making process and, hence, to reach successful foreign location choice

D.1 The next time you participate in selecting a country for foreign investments, what elements of this decision process will you replicate and why?

.....
.....
.....

D.2 In your opinion, what are the most important managerial actions and other issues that need to be considered in order to select a profitable country for international operation and to make successful foreign investments?

.....
.....
.....

Section E: Triangulation questions to validate the responses of some questions.

E.1 In your opinion, were the selected country, city and site choices the most appropriate choices? Why?

.....
.....
.....

E.2 Could you please tell me, what kind of the characteristics and attributes were you expecting in the potential beneficial foreign country?

.....
.....
.....

E.3 If you could do it all over again, would you have done anything differently? If yes, what would you do and why?

.....
.....
.....

Section F: Additional comments.

F.1 Would you like to add any other comments concerning the issues that have been discussed in this interview?

.....
.....
.....
.....
.....
.....
.....

Thank you very much for giving me your valuable time and for your participation in the interview!

4.2 Part II: Questionnaire 1

Company and International Location Decision Background

Section A: Company Information

1. Which of the following categories describes the main business activities of your parent and international operation (IO)? *(Please tick the appropriate box)*

(a) Services

- Finance & Banking Services
- Insurance Services
- Business Services/Management and Marketing Consultation
- Real Estate Services
- Entertainment and Leisure Services
- Legal Services
- Oil and Engineering Consultation Services
- Education Services
- Printing & Publishing Services
- Telecommunication Services
- Computer & Software Services
- Product Design Services
- Travel and Tourism Services
- Other; Please specify.....

(b) Manufacturing;

- Automotive
- Aerospace
- Chemicals
- Consumer Durables

- Consumer Packaged Goods
- High Technology
- Industrial Machinery
- Other; Please specify.....

2. When was your Australian parent company formed?
3. Which (IO) branch is the topic for this discussion and when it was established?.....
4. In which countries does your parent company have business operations?

<u>Country</u>	<u>Year of establishment</u>
a).....
b).....
c).....
d).....
e).....
f).....
g).....
h).....

5. How many people are working in the Australian parent company?
6. How many people are working in the nominated IO?
7. How are personnel in IO selected?

Managers:	a). Australia	b). Locally O/S	c). Other, please specify.....
Employees:	a). Australia	b). Locally O/S	c). Other, please specify.....

Section B: Company's Organisational Structure

1. Does the IO report to the Australian parent company?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------
2. Is your IO managed by Australian personnel?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------
3. What are the key departments or divisions in your Australian parent company?

a).....	b).....	c).....	d).....
e).....	f).....	g).....	h).....
4. What are the key departments or divisions in your IO?

a).....	b).....	c).....	d).....
e).....	f).....	g).....	h).....

5. How many key managers do you have in your Australian parent company and what are their positions titles?

<u>Managers</u>	<u>Position title</u>
a).....
b).....
c).....
d).....
e).....

6. How many key managers do you have in your IO what are their positions titles?

<u>Managers</u>	<u>Position Title</u>
a).....
b).....
c).....
d).....
e).....

7. Which of the following terms explains the relationship between your Australian parent company and IO? (Please circle one answer)

- a). **Decentralised federation** (Each company has high degree of independence).
- b). **Centralised** (The Australian parent company applies global strategy and control over most of the IO decision- making)
- c). **Coordinated federation** (The IO is partly centralised, partly decentralised)

8. Does the IO represent a regional head office which has responsibility for providing products or services to other countries in the region? Yes No

9. If yes, please state these countries?

a)..... b)..... c)..... d)..... e).....

10. What percentage does your Australian parent company owns from the IO shares?
%

11. In which country do the major shareholders of your parent company reside?

a)..... b)..... c)..... d)..... e).....

Section C: International Location Decision Background

1. When did your Australian parent company start thinking of the need for establishing an operation in a foreign country? (Please state the month and year if possible for the all timing questions and tick the appropriate box for question 6)

.....

2. When was the decision finally made by your Australian parent company that you should establish operation overseas?

.....

3. When did the country selection process start?

.....

4. When was the nominated foreign location selected as the final location choice?

.....

5. How long did it take for setting up and implementing your operation physically in the nominated country?

.....

6. Was the decision made completely by your Australian parent company itself or/and by other source?

The company itself

Other source, please state these sources

7. Who had participated in that country selection process from your Australian parent company or other sources? (In case the of parent company source please state the position title only and the type of external or other source if applicable)

From parent company

From other source

- a).....
- b).....
- c).....
- d).....
- e).....
- f).....
- g).....

-
-
-
-
-
-
-

Thank you very much for completing this initial questionnaire!

4.3 Part III: Questionnaire 2

Country Selection Process

Section A: Rationality in Decision-Making Behaviour

Please answer the following questions of this section using this scale: (1: Not at all, 2: To small extent, 3: To some extent, 4: To a large extent, 5: To a very large extent). (Please chose one answer for each question)

	1	2	3	4	5
1. How extensively did the participants in the country selection process look for information in making the final decision?					
2. How much did the participants rely on internal sources as (organisational documents and records, etc.) for gathering information during the country selection process?					
3. How much did the participants rely on external sources as (magazines, vendors, embassies, etc.) for gathering information during the country selection process?					
4. How extensively did the participants analyse relevant information before making the final decision?					
5. How important were quantitative and analytical techniques in making this decision?					
6. To what extent did the participants generate alternative locations (foreign region, country, city and sites options)?					
7. To what extent were the location factors or criteria clear and determined before evaluating these alternative locations?					

Section B: Location Factors or Criteria Involved in the Country Selection Process

Please answer the following questions of this section using this scale: (1: Not at all, 2: To small extent, 3: To some extent, 4: To a large extent, 5: To a very large extent). (Please tick the right number for each factor)

1. How important do you think the following location factors were to your firm when you first selected a foreign country for your operation and which factors are currently important?

Country location factor	At the time of the original decision					Currently				
	1	2	3	4	5	1	2	3	4	5
1. Economic stability.										
2. Political stability.										
3. Geographical proximity to Australia.										
4. Attractive foreign investment policies and incentives.										
5. Developed infrastructure (Roads, communication).										
6. Attractive tax policies.										
7. Access to neighbouring consumer markets.										
8. Availability of qualified local personnel.										
9. Size of local market.										
10. Low Labour cost.										
11. Country Knowledge.										
12. Similarity in language, culture, legal and political system.										
13. Growth of market.										
14. Tariff and non-tariff barriers to trade.										
15. Availability and the price of raw materials and natural resources.										
16. Attractive environment regulations.										
17. Cultural amenities.										
18. Access to market.										
19. Other please specify:.....										

2. How important do you think the following location factors were to your firm when you selected the city within a country and which factors are currently important?

City location factor	At the time of the original decision					Currently				
	1	2	3	4	5	1	2	3	4	5
1. Labour productivity.										
2. Transportation cost.										
3. Availability of skilled labour.										
4. Availability of local airport.										
5. Attractive climate and place to live.										
6. Availability of seaports.										
7. Freight costs.										
8. Developed infrastructure, (e.g. telecommunications, railways, road networks).										
9. Availability, adequacy and cost of raw materials and utilities (water, gas, electricity, etc).										
10. Other please specify:.....										

3. How important do you think the following location factors were to your firm when you selected the site within the city and which factors are currently important?

Site location factor	At the time of the original decision					Currently				
	1	2	3	4	5	1	2	3	4	5
1. Parking facilities.										
2. Attractive building condition.										
3. Proximity to customers or buyers.										
4. Proximity to major suppliers and business services.										
5. Proximity to competitors.										
6. Attractive place to live.										
7. Being near other company facilities.										
8. Good infrastructure (e.g. roads, communication).										
9. High customer traffic in the area.										
10. Attractive rent or cost.										
11. Accessibility via highways and airways.										

(Continued) 3. How important do you think the following location factors were to your firm when you selected the site within the city and which factors are currently important?

Site location factor	At the time of the original decision					Currently				
	1	2	3	4	5	1	2	3	4	5
12. Proximity to major airports and highways.										
13. Proximity to seaports.										
14. Availability of suitable plant sites and room for future expansion.										
15. Cost of land and construction.										
16. Availability, adequacy and costs of utilities (water, electricity, gas, etc).										
17. Availability of transportation facilities.										
18. Availability of pipeline facilities										
19. Availability of developed industrial zones.										
20. Other please specify:.....										

Section C: Managerial Procedures Involved in the Country Selection Process

1. To what extent did you use the following procedures in your selection process? (1: Not at all, 2: To small extent, 3: To some extent, 4: To a large extent, 5: To a very large extent).

Managerial Procedures	Importance				
	1	2	3	4	5
a. Assessing the initiating factors relating to selecting country for IO.					
b. Selecting internationally experienced location team.					
c. Identifying primary and secondary location factors (country, city and site).					
d. Developing potential locations (country, city and site alternatives).					
e. Gathering adequate information and assessment of the developed location options.					
f. Selecting firstly the final beneficial country choice.					
g. Obtaining authorization to implement the selected country choice.					
h. Implementing the decision and selecting the city and site choices through other two decision processes as a part of the implementation process.					
i. Establish physically the IO in the selected country within the selected site.					
j. Evaluation for the decision effectiveness during the initial years of operating in the selected country.					

2. Could you please describe the sequence of the managerial procedures involved in your country selection process? (1: first step, 2: second step, 3: third step, 4: fourth step, 5: fifth step, etc....) (Please circle the appropriate number).

Managerial Procedures	Sequence				
	1	2	3	4	5
a. Assessing the initiating factors relating to selecting country for IO.					
b. Selecting internationally experienced location team.					
c. Identifying primary and secondary location factors (country, city and site).					
d. Developing potential locations (country, city and site alternatives).					
e. Gathering adequate information and assessment of the developed location options.					
f. Selecting firstly the final beneficial country choice.					
g. Obtaining authorization to implement the selected country choice.					
h. Implementing the decision and selecting the city and site choices through other two decision processes as a part of the implementation process.					
i. Establish physically the IO in the selected country within the selected site.					
j. Evaluation for the decision effectiveness.					

Section D: Critical Success Factors Contributed to Achieving Beneficial Foreign Location Choice

1. To what extent do you think that the following issues were important to the effectiveness of your country selection decision process and, eventually, to arriving at profitable country choice? (1: Not at all, 2: To small extent, 3: To some extent, 4: To a large extent, 5: To a very large extent).

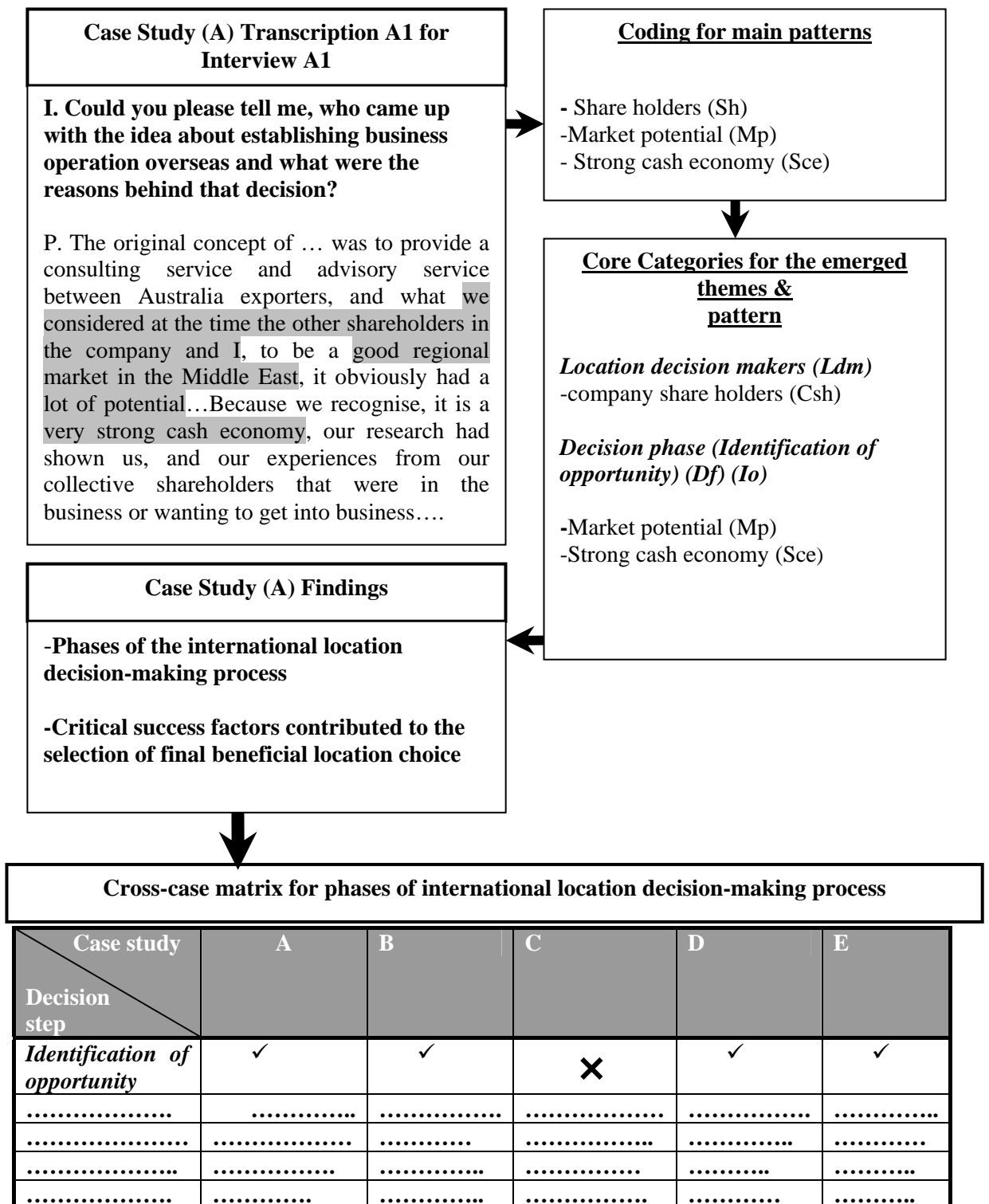
Critical Success Factor	Importance				
	1	2	3	4	5
1. International business experience of the selected location team.					
2. Constructive consultations between the selected location team.					
3. Having significant country knowledge about the identified foreign countries in relation to cultural, political and legal structure.					
4. Significant external consultation with business experts from Australia and other Countries as well as from the identified country options.					
5. Identification of a trustworthy and internationally experienced manager for IO in the first stage of the process and, hence, providing significant inputs into the decision process.					
6. Identification of a trustworthy and skilled local partner for the joint venture concurrently with searching for county options.					

Thank you for your cooperation and support for this research project!

Appendix B

1. Sample of Data Analysis Procedures

Figure B.1: Sample of data analysis procedures



Appendix C:

1. Pilot Case Study Background and Findings

1.1 Company Background

The company was established 20 years ago in the Syrian capital city (Damascus) with several other branches within Syria. The company was originally a family business as is the case of most Syrian firms. It produces a wide range of detergent products such as various types of washing powder and liquids. The company is considered a pioneer in Syria in the field of detergents and bleaches and it exports to many countries in the Middle East and around the world. The company board of directors is represented in the owners of the company. The parent company has five key directors, CEO or the general manager, marketing manager, production manager, financial manager and human resource manager.

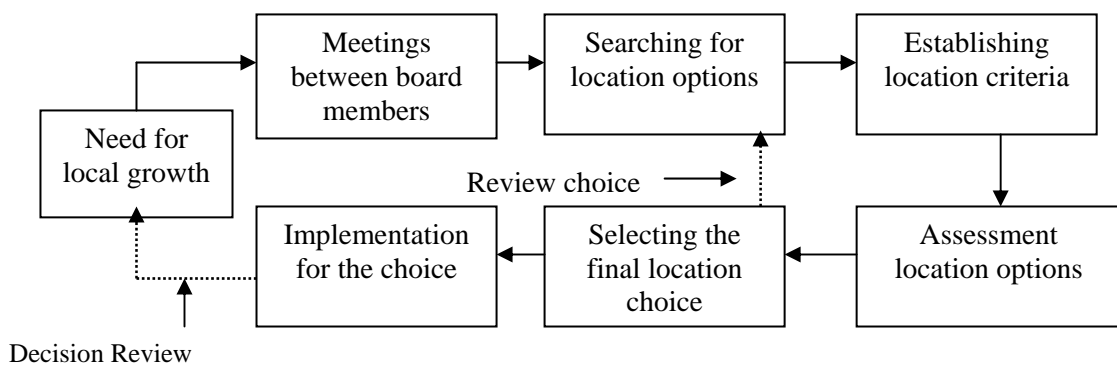
1.2 Data Collection Procedures

The pilot case study data was mainly collected through in-depth interviews using a prepared semi-structured interview guide. In January, 2004, telephone contact was made with the one of the most knowledgeable directors in the firm about the location decision-making process to explain the research issue and to determine the date, the venue and the time of interview. Later on 25 January, 2004, the marketing director, one of company's owners and a member of the board of directors, was interviewed in depth for approximately one and a half hours. The interview questions were open-ended and focused on the decision-making process concerning the selection of the firm's business locations and designed to capture the company wide experience in making the business location decisions.

1.3 Findings

In brief, location selection decisions were made by the board of directors including the marketing manager for growth purposes to increase the market share of the company in the Syrian market by getting close to the customers in different cities. The time taken to make these decisions varied from one decision to another and usually it took 12 to 16 months. In general, the main phases included in the site location decision-making process are illustrated in Figure C.1.

Figure C.1: Location decision-making process of the pilot case study



Source: Developed by the Author based on the data analysis of the pilot case study.

As can be seen from Figure C.1, the location decision process started with the need for growth and being close to distributors and customers. Subsequently, the board members had meetings to discuss these issues and once the decision was reached to have a manufacturing facility, location options and, consequently, a few city alternatives were developed. Information about the potential city options was collected from the database available at the Chamber of Commerce in Damascus and through field visiting to the prospective cities. Afterwards the city options were evaluated and narrowed based on the established location factors or criteria and based on the board members local knowledge about these cities. The criteria used in decision covered the following issues:

- Cost of land.
- Proximity to seaports.
- Availability of skilled employees.
- Infrastructure and transportation facilities.

Following the selection of the final city choice, the site location for building the factory was selected and a feasibility study for the cost of construction was carried out. The site criteria included:

- Good infrastructure (e.g. roads, communication).
- Availability of suitable plant sites and room for future expansion.
- Availability of utilities (water, electricity, gas, etc).
- Accessibility via highways and airways.
- The appropriateness of land soil for construction work.

The final step relates to the construction work of the factory. After several months of operating in the selected city, an evaluation for the location decision was conducted through the monthly sales reports.

2. Summary of Findings for the Five Cases

Table C.2.1: Summary of findings for Case 1

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of problem or business opportunity</u></p> <ul style="list-style-type: none"> ▪ Expansion location decision -Emerging business opportunity abroad. ▪ Relocation location decision -Emerging business opportunity in other countries in the region. -Illness of the manager of the first international operation. <p><u>2. Consultations between experienced location team</u></p> <p>-Valuable discussions to interchange experience and the knowledge between the three experienced board members of company (A) which included later a local director from the target foreign region.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Foreign region location factors -Political stability & economic stability. -Market potential. -Import-oriented with consumption tendency. -Rich and strong purchasing power economy. -Good reaction to the Australian foreign policy. -Geographical proximity to Western Australia. <ul style="list-style-type: none"> ▪ Country location factors -Developed infrastructure. -Attractive tax policies -Access to market and neighbouring markets. -Political and economic stability. -Security issues. -Costs issues. -Attractive foreign investment policies. -Availability of qualified local personnel. -Country knowledge. -Similarity in legal and political system. -Growth of market. -Tariff and non-tariff barriers to trade. -Market size. <ul style="list-style-type: none"> ▪ City location factors -Cost considerations. -Economic and trade growth of the city. -City governmental policies toward foreign investors. -Openness of the city. <ul style="list-style-type: none"> ▪ Site location factors -Parking facilities -Attractive building condition -Proximity to customer -Being near other company facilities -Good infrastructure -Attractive cost of renting -Proximity to city CBD and airport.

Table C.2.1 (Continued)

Research issue	Findings
<p>-First research issue (continued).</p>	<p><u>4. Searching for location options</u></p> <ul style="list-style-type: none"> ▪ Expansion location decision <ol style="list-style-type: none"> 1. Searching for foreign region. 2. Searching for country within the selected foreign region. 3. Searching for site within the main city. ▪ Relocation location decision <ol style="list-style-type: none"> 1. Searching for country within the selected region. 2. Searching for city within the selected country. 3. Searching for site within the selected city. <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Collecting relevant information to the established country criteria <ul style="list-style-type: none"> ▪ Source of Information <ul style="list-style-type: none"> -Western Australia chamber of commerce and industry. -Embassies of the alternative countries in Australia. -Chambers of trade and commerce in the alternative countries. -Australian libraries. -Austrade offices in Australia. -The Middle East based shareholder. ▪ Characteristics of Information <ul style="list-style-type: none"> -Economic information. -Operating costs information. -Political system information. -Legal system information. -Cultural and social system information. -Economic development information. 2. Quantitative and qualitative analysis of the country options based on the collected information <ul style="list-style-type: none"> ▪ Methods and techniques <ul style="list-style-type: none"> - Scaling, scoring and ranking methods. - Country risk assessment and analysis. 3. Elimination of country options relying on: <ul style="list-style-type: none"> -The outcomes of former quantitative and qualitative analysis. -Country knowledge gained through field visits to alternative countries and business dealings with these countries. -Consultations with businessmen and business experts from alternative countries and other countries. -Attractiveness of some country options as trade exhibition centre during the assessment process. <p><u>6. Selecting the final location choice</u></p> <ol style="list-style-type: none"> 1. Selecting the foreign region location choice relying on: <ul style="list-style-type: none"> -International experience and country knowledge of the location team. -Business opportunity emerged in that foreign region. -Assessment for the likelihood of the Middle East region as a potential market was carried out in conjunction with produced location criteria. 2. Selecting the country location choice relying on: <ul style="list-style-type: none"> -The outcomes of the former assessment phase (phase 5). 3. Selecting firstly the city and then site location choices through other two different processes relying on: <ul style="list-style-type: none"> -Comparing the established city and site criteria with the actual characteristics of the city and site options.

Table C. 2.1 (Continued)

Research issue	Findings
<p>-First research issue (continued).</p>	<p><u>7. Implementation of the selected location choice</u></p> <ol style="list-style-type: none"> 1. Field visits to the selected country. 2. Finding local sponsor. 3. Selecting the site in accordance with local sponsor. 4. Feasibility study for foreign operation related costs. 5. Selecting the office location within the selected site. 6. Registering the business and renting the selected office place. <p><u>8.Evaluation of the effectiveness of the location decision</u></p> <ol style="list-style-type: none"> 1. Review the decision process following the country selection through: <ul style="list-style-type: none"> -Appropriateness and adequacy of the collected information, resources. -Richness of the knowledge and the experience of the location committee used in the decision process. -Satisfaction of location committee about the steps involved in the process and the outcome of the process. 2. Evaluating the effectiveness of the selected country choice following setting up the operation through: <ul style="list-style-type: none"> -A monthly report which includes sales volume and the number of contracts produced, number of problems encountered and customers' satisfaction in Australia and the host country of the foreign operation.
<p>-Second research issue.</p>	<ul style="list-style-type: none"> ▪ International business experience of the location team. ▪ The country knowledge about the potential foreign locations. ▪ In-house consultation and external consultation with international business experts. ▪ Identification of trustworthy and internationally experienced manager for international operation. ▪ Participation in trade fairs in the potential foreign locations.

Source: Developed for the current research by the author based on the analysis of field data.

Table C.2.2: Summary of findings for Case 2

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of problem</u> -Decline in the local market which resulted in an extra capability of vessels.</p> <p><u>2. Meetings and consultations between the location team</u> -Valuable discussions to interchange experience and the knowledge between the location team members.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Country factors <ul style="list-style-type: none"> -Political and economic stability. -Developed infrastructure. -Country waterways, weather, climate and sea conditions. -Purchasing power of tourists. -Country marine tourism conditions. -Access to market and neighbouring markets. -Security issues. -Costs of operating. -Attractive foreign investment and tax policies. -Availability of qualified local personnel. -Country knowledge. -Similarity in legal and political system. -Growth of market. -Tariff and non-tariff barriers to trade. -Government economic and legal policies toward economic growth. ▪ City factors <ul style="list-style-type: none"> -Market potential for marine tourism. -Economic growth of the city. -City governmental policies toward tourism. -Developed infrastructure. -City waterways, weather, climate and sea conditions. ▪ Site factors <ul style="list-style-type: none"> -Parking facilities. -Attractive building condition. -Proximity to customers. -Good infrastructure. -Attractive cost of renting. -High customer traffic in the area. <p><u>4. Searching for location options</u></p> <ol style="list-style-type: none"> 1. Searching for country 2. Searching for city within the selected country 3. Searching for site office and vessel site within the selected city <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Collecting relevant information to the established country criteria <ul style="list-style-type: none"> ▪ Source of Information <ul style="list-style-type: none"> -Australian libraries. -Potential countries chambers of commerce and tourism commissions. -Internet sources. -Tourism and travel magazines. -Company's MD extensive knowledge about tourism industry. -Consultations with other business experts from the potential countries.

Table C.2.2 (Continued)

Research issue	Findings
<p>-First research issue (continued).</p>	<p><u>5. Information acquiring and assessment of location options (Continued)</u></p> <ul style="list-style-type: none"> ▪ Characteristics of Information -Economic information. -Operation costs information. -Political system information. -Legal system information. -Culture and social information. -Economic development information. -Country waterways, weather, climate and sea conditions. -Country local and foreign tourists' information. <p>2. Quantitative and qualitative analysis of the country options based on the collected information</p> <ul style="list-style-type: none"> ▪ Methods and techniques -Mathematical calculations for the number of foreign tourists' arriving in each prospective country and for their purchasing power. -Cost-benefit analysis for each prospective country to estimate the expected returns and expenses of marine tourism market. -Country risk assessment and analysis. <p>3. Elimination of country options relying on:</p> <ul style="list-style-type: none"> -The outcomes of former quantitative and qualitative analysis. -Country knowledge of the location team leader gained through extensive international business expertise in tourism industry. -Consultations with tourism experts from alternative countries and other countries. <p><u>6. Selecting the final location choice</u></p> <p>1. Selecting the country and city choices through one process relying on:</p> <ul style="list-style-type: none"> -The outcomes of the assessment phase (phase 5). -Exploratory field visits to the nominated strongest country candidates -Consultations with the tourism industry experts in these countries. <p>2. Selecting the site for the office and for the vessel through one process relying on:</p> <ul style="list-style-type: none"> -For office site, relying on some predetermined site criteria. -For the vessel site, relying on consultations with tourism experts in the selected city and maximum utilisation for the vessel. <p><u>7. Authorization for the selected location choice</u></p> <ul style="list-style-type: none"> -Consulting the company board of directors and getting the approval for implementing the selected country and city choices. <p><u>8. Implementation of the selected location choice</u></p> <ol style="list-style-type: none"> 1. Field visits to the selected country. 2. Finding local sponsor and appointing legal advisor to adhere to all business regulation for registration. 3. Selecting the office and vessel site locations. 4. Feasibility study for operation costs and expected annual returns. 5. Renting the selected office, vessel site and accommodation and preparing the service operational plans relating to catering.

Table C.2.2 (Continued)

Research issue	Findings
<p>-First research issue (continued).</p>	<p><u>9.Evaluation of the effectiveness of the location decision</u></p> <p>1. Review the decision process following the selection of the country and city in conjunction with the authorization act by the company's board members through:</p> <ul style="list-style-type: none"> -Appropriateness and adequacy of the collected information, resources. -Satisfaction of company's board of directors about the steps involved in the process and the outcome of the process. <p>2. Evaluating the effectiveness of the selected country choice after 12 months of setting up the operation through:</p> <ul style="list-style-type: none"> -Management reporting system includes qualitative information in relation to the effectiveness of the company's products and satisfaction of target customers in the selected country. -Financial reports incorporate financial statements which show the company's financial position concerning the annual returns and expenses.
<p>-Second research issue.</p>	<ul style="list-style-type: none"> ▪ International business experience of the location team. ▪ The country knowledge about the potential foreign locations. ▪ In-house consultation and external consultation with other international business experts. ▪ Identification of a trustworthy and internationally experienced manager for international operation.

Source: Developed for the current research by the author based on the analysis of field data.

Table C.2.3: Summary of findings for Case 3

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of problem and need</u> - Poor market performance in Australia. -The need o have a business presence in the target marketplace.</p> <p><u>2. Meetings and consultations between experienced location team</u> -Valuable discussions to interchange experience and the knowledge between the two experienced location team members.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Country location factors. -Political and economic stability. -Openness of economy and country. -Size of local market. -Developed infrastructure. -Access to market and neighbouring markets. -Attractive foreign investments and tax policies. -Costs of operating. -Availability of qualified local personnel. -Country knowledge. -Similarity in legal and political system. -Growth of market. -Tariff and non-tariff barriers to trade. -Government economic and legal policies toward economic growth. -Rich and strong purchasing power economy. -Availability of raw materials and natural resources. <ul style="list-style-type: none"> ▪ City location factors -Economic and trade growth of the city. -Developed infrastructure. -Economic and trade growth of the city. -City governmental policies toward foreign investors. -Openness of the city. <ul style="list-style-type: none"> ▪ Site location factors -A part of industrial area. -Attractive building condition and cost of renting. -Good infrastructure. -Proximity to customers. -Visibility of the office to the main street. -Proximal to major highways and city CBD. <p><u>4. Searching for location options</u></p> <ol style="list-style-type: none"> 1. Searching for country within the target foreign region. 2. Searching for city within the selected country. 3. Searching for site within the selected city. <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Collecting relevant information to the established country criteria <ul style="list-style-type: none"> ▪ Source of Information -Western Australia chamber of commerce and industry and Austrade. -Australian libraries. -Company’s GM extensive experience in international business in the Middle East region which gained through extensive exploratory field and business visits to that region.

Table C.2.3 (Continued)

Research issue	Findings
<p>-First research issue (Continued).</p>	<p><u>5. Information acquiring and assessment of location options (Continued)</u></p> <ul style="list-style-type: none"> ▪ Characteristics of Information -Economic conditions and economic development information. -Operating costs information. -Political and legal system information. <p>2. Quantitative and qualitative analysis of the country options based on the collected information</p> <ul style="list-style-type: none"> ▪ Methods and techniques -Mathematical calculations for the costs of operating in each country. -Country risk assessment and analysis. <p>3. Elimination of country options relying on:</p> <ul style="list-style-type: none"> -The outcomes of former quantitative and qualitative analysis. -Country knowledge gained through field visits to alternative countries and business dealings with these countries. -Consultations with businessmen and business experts from alternative countries and other countries. -Attractiveness of some country options as trade exhibition centre during the assessment process. <p><u>6. Selecting the final location choice</u></p> <p>1. Selecting the country and city location choice relying on:</p> <ul style="list-style-type: none"> -The outcomes of the former assessment phase (phase 5). -The inquiries received during the international water trade exhibitions held in the some of the potential countries. - Company's GM extensive experience in international business in the Middle East region which gained through extensive exploratory field and business visits to that region. -External consultations with business experts. <p>2. Selecting the site location choice through other process relying on:</p> <ul style="list-style-type: none"> -Comparing the established criteria with the actual characteristics of the site options. <p><u>7. Implementation of the selected location choice</u></p> <ol style="list-style-type: none"> 1. Field visits to the selected country. 2. Finding local sponsor. 3. Selecting the site for office. 4. Feasibility study for foreign operation related costs. 5. Selecting the office position within the selected site and finding appropriate accommodation for the operation manager. 6. Registering the business and renting the selected office place. <p><u>8. Evaluation of the effectiveness of the location decision</u></p> <ol style="list-style-type: none"> 1. Review the decision process following the country selection through: <ul style="list-style-type: none"> -Satisfaction of location committee about the steps involved in the process and the outcome of the process. 2. Evaluating the effectiveness of the selected country choice following setting up the operation through: <ul style="list-style-type: none"> -Managerial reports to evaluate the real business environment in Dubai against the anticipated one -Financial reports which shows the company's financial position concerning the annual returns and expenses to conclude the profits or loses occurred during that year.

Table C.2.3 (Continued)

Research issue	Findings
-Second research issue.	<ul style="list-style-type: none">▪ International business experience of the location team.▪ The country knowledge about the potential foreign locations.▪ In-house consultation and external consultation with international business experts.▪ Identification of trustworthy and internationally experienced manager for international operation.▪ Participation in trade fairs in the potential foreign locations.

Source: Developed for the current research by the author based on the analysis of field data.

Table C.2.4: Summary of findings for Case 4

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of international business opportunity</u> -Relying on the company’s remarkable business relationships with Asia, the company observed a substantial international business opportunity emerging in Asia as a large market and as an attractive low-cost foreign location for global manufacturing.</p> <p><u>2. Meetings and consultations between experienced location team</u> -Valuable meetings and discussions to interchange experience and the knowledge between the first and second-stage location team members.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Country location factors <ul style="list-style-type: none"> -Political and economic stability. -Developed infrastructure. -Size and growth of local market. -Availability and the costs of qualified local labour, raw materials and natural resources and utilities. -Attractive tax and foreign investment policies. -Availability of local partner. -Tariff and non-tariff barriers to trade. ▪ Region location factors <ul style="list-style-type: none"> -Developed infrastructure. -Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power). -Stability in the relevant labour market. ▪ City location factors <ul style="list-style-type: none"> -Availability of sea ports. -Proximity of sea port to the manufacturing facility. -Developed infrastructure. -Availability and the costs of qualified local labour, raw materials and natural resources and utilities (gas, water, power). -Proximity to the local partner place. -Transportation cost. -Adequacy of water, gas and electricity supply. -Attractive place to live. ▪ Site location factors <ul style="list-style-type: none"> -Availability and the costs of utilities (gas, water, power). -Proximity to sea port suppliers and business services. -Adequacy of water, gas and electricity supply. -Cost of land and construction. -Availability of suitable plant sites and room for future expansion. <p><u>4. Searching for location options</u></p> <ol style="list-style-type: none"> 1. Searching for country within the target foreign region. 2. Searching for region within the selected country. 3. Searching for city within the selected region. 4. Searching for site within the selected city. <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Having adequate relevant information to the established factors <ul style="list-style-type: none"> ▪ Source of Information <ul style="list-style-type: none"> - Company’s CEO’s extensive international experience gained through extensive business visits to that region, particularly to China.

Table C.2.4 (Continued)

Research issue	Findings
<p>-First research issue (Continued).</p>	<p><u>5. Information acquiring and assessment of location options (Continued)</u></p> <ul style="list-style-type: none"> ▪ Characteristics of Information -Economic political and legal system information. -Operating costs information. -Economic development information. <p>2. Elimination of country options by first-stage location team relying on:</p> <ul style="list-style-type: none"> -Country knowledge of CEO gained through field visits to alternative countries and business dealings with these countries. <p>3. Elimination of region, cities and site options within China by the second-stage location team relying on:</p> <ul style="list-style-type: none"> -The predetermined relevant location factors and the country knowledge of the location team including the Chinese local partner. <p><u>6. Selecting the final location choice</u></p> <p>1. Selecting the country choice and local partner relying on:</p> <ul style="list-style-type: none"> -Company’s CEO’s extensive experience in international business with Asia which gained through extensive business visits to China. <p>2. Selecting the region, city and site location choice through other different processes relying on:</p> <ul style="list-style-type: none"> -Comparing the established relevant location factors with the actual characteristics of the site options. -The country knowledge of the second-stage location team including the Chinese local partner. <p><u>7. Authorization for the selected location choice</u></p> <ul style="list-style-type: none"> -Approval for selected country and partner by the first-stage location team and then for the selected region, city and site by second-stage team. <p><u>7. Implementation of the selected location choice</u></p> <ol style="list-style-type: none"> 1. Field visits to the selected country by the second-stage location team to Select suitable region, city and site choices within the country. 2. Once the site was selected within the selected city, the Chinese local partner through using his personal contacts and links in the city prepared all the legal documents for registering the foreign operation. 3. Feasibility study for the selected site using CBA and BEA. 4. Carrying out the construction work for building the plant. <p><u>8. Evaluation of the effectiveness of the location decision</u></p> <ul style="list-style-type: none"> -Ongoing evaluation for the effectiveness of the location decision following setting up the operation during the first six years through: <ol style="list-style-type: none"> 1. Comparing the prepared estimated financial feasibility and break-even figures with the achieved one during the first six years. 2. Growth plan for evaluating the financial performance and manufacturing capacity of the offshore manufacturing facility through contrasting the planned goals with the actual achieved goals.
<p>-Second research issue.</p>	<ul style="list-style-type: none"> ▪ International business experience of the location team. ▪ The country knowledge about the potential foreign locations. ▪ In-house consultation and external consultation with international business experts. ▪ Identification of a trustworthy and skilled local partner for international joint venture.

Source: Developed for the current research by the author based on the analysis of field data

Table C.2.5.1: Summary of findings for the first location decision of Case 5

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of international business opportunity</u> -Relying on the company’s remarkable business relationships with Southeast Asia through its sales office in Singapore, the company observed a substantial growing demand for its products in that region.</p> <p><u>2. Meetings between inexperienced location team</u> -Some meetings between internationally inexperienced location team members to develop and assess the country options.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Country location factors -Political and economic stability. -Developed infrastructure. -Size of local market. - Access to market. -Availability and the costs of qualified local labour, raw materials and natural resources and utilities. -Attractive foreign investment and tax policies. -Availability of local partner. -Growth of market. -Tariff and non-tariff barriers to trade. -Access to neighbouring market. -Geographical proximity to Australia. -Simplicity in the foreign language. <p><u>4. Searching for location options</u> - Searching for country within the target foreign region.</p> <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Having relevant information to the established country criteria <ul style="list-style-type: none"> ▪ Source of Information -Australian trade governmental departments such as Chamber of commerce and Austrade. -The embassies of the potential countries in Australia. - Paid research about these countries. <ul style="list-style-type: none"> ▪ Characteristics of Information -Economic information. -Political system information. -Legal system information. -Economic development information. 2. Elimination of country options by first-stage location team relying on: <ul style="list-style-type: none"> -Comparing the collected information about the country options with the established country factors. <p><u>6. Selecting the final location choice</u></p> <ol style="list-style-type: none"> 1. Initial selection of the first strongest country choice (Malaysia) and local partner relying on: <ul style="list-style-type: none"> -The outcomes of the former assessment phase through comparing the established relevant country factors with the actual characteristics of the country options. 2. Final selection of the second strongest country option (Indonesia) due to the withdrawal of the selected Malaysian joint venture partner and due to the availability of trustworthy and active local partner in Indonesia.

Table C.2.5.1 (Continued)

Research issue	Findings
<p>-First research issue (Continued).</p>	<p><u>7. Authorization for the selected location choice</u> -Approval for selected country and joint venture partner by the first-stage location team and agreement on the suggested city and site was reached by the second-stage location straightforwardly without any further assessment.</p> <p><u>8. Implementation of the selected location choice</u> 1. All the essential legal documentations were signed between the parent company and the selected Indonesia partner. 2. The suggested site for the plant by the joint venture partner parent was approved instantaneously by the parent company’s first-stage location team without any complementary assessment. 3. Inaccurate financial plan for the costs associated with building the manufacturing plant was prepared by the location team of the parent company. 4. Carrying out the construction work for building the facility.</p> <p><u>8.Evaluation of the effectiveness of the location decision</u> -Financial reports during the first two years which included financial figures related to the domestic sales.</p>
<p>- Second research issue (factors led to achieving detrimental foreign location choice).</p>	<ul style="list-style-type: none"> ▪ Lack of international business experience by the location team. ▪ Lack of the country knowledge about potential foreign countries and in particular the selected country choice. ▪ Inadequate and ineffective investigation and assessment for potential countries, cities and sites. ▪ Inadequate external consultations with international business experts.

Source: Developed for the current research by the author based on the analysis of field data.

Table C.2.5.2: Summary of findings for the second location decision of Case 5

Research issue	Findings
<p>-First research issue.</p>	<p><u>1. Identification of international business opportunity</u> - To increase the company's international involvement as a good business opportunity arose in the international market.</p> <p><u>2. Meetings and consultations between experienced location team</u> -Vital meetings and discussions occurred between the company's recent GED as a team leader and other team members to developing and assessing the country options.</p> <p><u>3. Determining location criteria or factors</u></p> <ul style="list-style-type: none"> ▪ Country location factors -Political and economic stability. -Developed infrastructure. -Size of local market. -Access to market. -Availability and the costs of qualified local labour, raw materials and natural resources and utilities. -Attractive foreign investment and tax policies. -Availability of local partner. -Growth of market. -Tariff and non-tariff barriers to trade. -Access to neighbouring market. ▪ City location factors -Availability of sea ports. -Proximity of sea port to the manufacturing facility. -Developed infrastructure. -Availability and of qualified local labour, raw materials and natural resources and utilities (gas, water, power). -Proximity to the local partner place. -Transportation and freight costs. ▪ Site location factors -Availability and of utilities (gas, water, power). -Proximity to sea port. -Proximity to major highways and roads. -Availability of developed industrial zones. -Proximity to raw materials sources. -Availability of suitable plant sites and room for future expansion. <p><u>4. Searching for location options</u></p> <ol style="list-style-type: none"> 1. Searching for country within the target foreign region. 2. Searching for city within the selected country. 3. Searching for site within the selected city. <p><u>5. Information acquiring and assessment of location options</u></p> <ol style="list-style-type: none"> 1. Having rich and comprehensive relevant information to the established country, city and site criteria ▪ Source of Information -Australian governmental trade departments such as Chamber of commerce and Austrade. -The embassies of the potential countries in Australia. -The selected local partner knowledge about his country.

Table C.2.5.2 (Continued)

Research issue	Findings
<p>-First research issue (Continued).</p>	<p><u>5. Information acquiring and assessment of location options (continued)</u></p> <ul style="list-style-type: none"> ▪ Characteristics of Information -Economic conditions and economic development information. -Political and legal system information. -Cost of operating information. <p>2. Elimination of country options by first-stage location team relying on:</p> <ul style="list-style-type: none"> -Thorough comparing the collected information about the country options with the established country factors. <p>3. Elimination of city and site options by first-stage location team in accordance with the local partner relying on:</p> <ul style="list-style-type: none"> -Thorough comparing the collected information with the established city and site factors <p><u>6. Selecting the final location choice</u></p> <p>1. Selecting the country choice and local partner relying on:</p> <ul style="list-style-type: none"> - The outcomes of the former assessment phase and based on the company’s GED extensive experience in international business. <p>Selecting the city and site location choices through other different process relying on:</p> <ul style="list-style-type: none"> -Comparing the established relevant location factors with the actual characteristics of the city and site options. -The country knowledge of the second-stage location team including the Chinese local partner. <p><u>7. Authorization for the selected location choice</u></p> <ul style="list-style-type: none"> -Approval for selected country and local partner by the first-stage team and then approval for the selected city and site by the second-stage team. <p><u>8. Implementation of the selected location choice</u></p> <ol style="list-style-type: none"> 1. All the essential legal documentations were signed between the parent company and the selected Chinese partner. 2. Exploratory field visits by the first-stage location team to the suggested city and site options and selecting the most beneficial city and site. 3. Accurate financial plan for the costs associated with building the manufacturing plant was prepared by the location team of the parent company. 4. Carrying out the construction work for building the facility. <p><u>8.Evaluation of the effectiveness of the location decision</u></p> <ul style="list-style-type: none"> -Assessing the profitability of the target domestic market in China was made by the second-stage team succeeding selecting the site.
<p>-Second research issue.</p>	<ul style="list-style-type: none"> ▪ International business experience of the location team. ▪ The country knowledge about the potential foreign locations. ▪ In-house consultation and external consultation with international business experts. ▪ Identification of a trustworthy and skilled local partner for international joint venture.

Source: Developed for the current research by the author based on the analysis of field data.