Synergistic Networks between Multinational Subsidiaries and Subnational Actors: Role, Interaction and Variation within a Small, Highly Globalised Economy

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Submitted in fulfilment of the requirement for the degree of Doctor of Philosophy, University of Limerick
ABSTRACT

Location-specific assets and spatial attributes of foreign direct investment (FDI) are increasingly identified as an important condition for successful economic activity. Drawing upon a nascent interdisciplinary theoretical framework, this thesis seeks to integrate socio-spatial concepts from economic geography (EG) with research within international business (IB) to explore the dynamic engagement between subnational actors and FDI in a small, highly globalised economy. Adopting a multi-method research design, social network analysis (SNA) is combined with qualitative semi-structured interviews in 33 agencies, institutions and organisations across two regions within Ireland to determine the capacity of subnational actors to engage with FDI.

In order to first profile the role of subnational actors who interact with FDI, a structural configuration of the key actors at a subnational level is generated. Building upon this, the processes of relational engagement between subnational actors and FDI are explored. Finally, a cross regional comparison is used to highlight the subnational variation between these actors and FDI within a single country context. The empirical findings demonstrate the role of subnational actors, which are substantially organised and mobilised via customised coalitions in response to the needs of FDI during both attraction and retention of investment. Furthermore, the activities of these coalitions generate a unique sense of subnational empathy through formal and informal relational engagement with FDI. Finally, significant subnational differences are evident in terms of the administrative and colloquial demands on subnational actors which generate substantial spatial heterogeneities. Overall, the mechanisms of engagement between subnational actors contribute towards the initiation, securement and acceleration of inward investment within Ireland.

This study generates important contributions to theory and practice. In particular, the cross-fertilization of concepts from EG to IB enhances this theoretical interface while equally providing novel insights on the role, interaction and variation of subnational actors for foreign investment. Furthermore, this research offers a methodological blend of SNA and qualitative data to illustrate the structural configuration and relational interaction of subnational actors and FDI. Finally, significant policy recommendations are derived from this study in order to further enlighten the process of how interaction with FDI is navigated at a subnational level.
DECLARATION

This thesis is my own work and has not been submitted to any other university or higher education institution, or for any other academic award. Citations of secondary works have been fully acknowledged and referenced.

______________________

Sinéad Monaghan
ACKNOWLEDGEMENTS

While my name rests under the title, the completion of this thesis has by no means been an individual endeavour. Therefore, I wish to acknowledge and sincerely thank a multitude of people whose encouragement and patience has substantially enriched my research, work and experience as a doctoral student.

Firstly, I am indebted to the support, enthusiasm, dedication and friendship of both of my supervisors – Professor Patrick Gunnigle and Dr. Jonathan Lavelle. Throughout my time at UL, Paddy and Jonathan have always been a tremendous source of knowledge, advice and reassurance. Furthermore, you both always made to feel a valuable part of the team – even if I couldn’t play soccer - and for that and so much more, I am genuinely grateful.

To all in the Grad Centre, who have been a resilient team at every stage of the journey. In particular, I wish to thank María Jesús, Helen, Catríona, Maeve, Sarah, Kathryn, Sharon, Lisa, Valerie, Gerald, Anthony Carroll, Anthony Cawley, Gordon, Yanyi, Hui, Saaed and Hussain. It can’t have been easy to work with me at times over the last few years and I am grateful for your support and resolute friendship. To those who have gone before me and have paved the way – Lorraine, Ultan, Jean and James - thank you for your kindness, expertise, advice and of course, the copious amounts of tea, particularly at the final stages of this process. The opportunity to work and study with such a fantastic group of people is certainly a highlight of my time in UL! To those of you who gave of your time to proof read the final version of this work, I am heavily indebted.

Furthermore, I wish to graciously thank the faculty and staff of the Department of Personnel and Employment Relations for their moral, advisory and logistical support over the last four years. Since coming to UL in 2008, the warmth and welcome from the Department has been truly remarkable. In particular, I would like to thank Noreen, Mike, Tom Turner, Christine, Juliet, Michelle O’Sullivan, Michelle Hammond, Jill, Tom Garavan and Deirdre for your kindness throughout the years.
A special thanks to Helena, Julianne, Michelle, Bernie and Cáit for your help and support, Margie and Mary in the Grad Centre, Íde and Lawrence in the Regional Writing Centre and all of the library staff for their assistance and advice at various times.

I have been extremely lucky to be involved in the Regions’ Project, through which I have gained invaluable experience and had the opportunity to work alongside leading scholars in the field. I am sincerely humbled to be considered as part of such an innovative and pioneering project team. Additionally, I would like to thank my friends and colleagues in Dublin Institute of Technology for their support and kindness at international and national conferences. I am particularly grateful to the Irish Research Council for their provision of financial assistance towards this research. Additionally, I would like to thank all of the various organisations, agencies and institutions who gave their time to their research.

To friends at home and away - who would have thought I’d get this far…. I am eternally grateful for your friendship and support in helping me through and for ensuring my social life was never affected! Finally, I wish to pay a special thanks to my family, without whom I would not be the person I am. To my parents, Jarlath and Mary, and my brother Diarmaid, who were exceptionally patient as I continued to live the student dream! Thank you for your steadfast support over the last few years.

Go raibh míle maith agaibh go léir,

Le grá,

Sinéad


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LIST OF ABBREVIATIONS

CAP: Common Agricultural Policy
CSO: Central Statistics Office
BMW: Borders, Midlands and West Region
DJEI: Department for Jobs, Enterprise and Innovation
EEC: European Economic Community
EG: Economic Geography
EGFSN: Expert Group for Future Skills Needs
EIU: Economic Intelligence Unit
EPTR: Export Profits Tax Relief
ERSI: Economic and Social Research Institute
EU: European Union
FDI: Foreign Direct Investment
GDP: Gross Domestic Product
GFC: Global Financial Crisis
GVA: Gross Value Added
IB: International Business
ICT: Information and Communication Technology
IDA: Industrial Development Authority (now IDA Ireland)
IISC: Inward Investment Service Class
IMF: International Monetary Fund
IMI: Irish Management Institute
LEDNs: Local Economic Development Networks
MDS: Multi-dimensional Scaling
MNE: Multinational Enterprise
NESC: National Economic and Social Council

NUTS: Nomenclature of Territorial Units for Statistics

OCC: Opening Costal Cities

OECD: Organisation for Economic Co-operation and Development

OLI: Ownership-Location-Internalisation (Eclectic) paradigm

R&D: Research and Development

S&E: Southern and Eastern Region

SEZ: Special Economic Zones

SFZ: Shannon Free Zone

SNA: Social Network Analysis

UK: United Kingdom

UNCTAD: United Nations Conference on Trade and Development

US: United States
CHAPTER ONE - INTRODUCTION

Introduction
This opening chapter seeks to situate the thesis within contemporary academic discourse, presenting an overview of the study in order to contextualise and map the subsequent chapters. The introduction begins by outlining the background and rationale for this study, highlighting the central ideas driving the research. This allows for the overarching research aim and questions to be presented, which are specifically derived from gaps identified in existing literature. Following this, the methodological approach employed to address these questions is briefly outlined and explained. Finally, the chapter concludes with an outline of the ensuing structure of the thesis.

Background for the study
Spatial attributes and location-specific assets have increasingly captivated research within international business (IB). With this growing focus on the geography of foreign direct investment (FDI), the subnational context – relating to the units and structures organised below the national tier, such as regions, states and provinces – has emerged as an important unit of analysis in which to explore the international strategy of a multinational enterprise (MNE) (Beugelsdijk and Mudambi 2013; Beugelsdijk et al 2010; Meyer and Nguyen 2005). Within this, the potential for institutions to operate as a key mediator of the interaction between an MNE subsidiary and the host location at a subnational level is a core aspect of the exchange between a firm and its location, given their fundamental role in delineating “the rules of the game” (North 1990, p.3) and functioning as “carriers of history” (Martin 2000, p.80). Firstly, subnational actors – including local agencies, institutions and organisations - offer the most proximate feature of a foreign market for FDI (Cantwell et al 2010; Santangelo and Meyer 2011). Secondly, it is increasingly apparent that subnational actors represent an additional and equally important network relationship, distinct from the business networks which have been extensively explored in relation to MNE subsidiaries (Andersson et al 2002, 2007; Bartlett and Ghoshal 1989; Ghoshal and Bartlett 1990; Johanson and Vahlne 2009;
Monaghan et al 2014; Nohria and Ghoshal 1997; Vahlne and Johanson 2013). For
the purpose of this study, subnational actors are thus defined as the body of local
regulatory and service-providing institutions, agencies and organisations with a
functional remit to engage with foreign owned enterprise at a subnational level (Chan
et al 2010; Phelps 2000).

With a mutual interest in the spatial nuances of geographically dispersed enterprises,
an increasingly fruitful approach to deconstructing the subnational context within IB
is the integration of concepts from economic geography (EG) (Beugelsdijk and
Mudambi 2013; Beugelsdijk et al 2010; Buckley and Ghauri 2004; Dunning 2009;
McCann 2011; McCann and Mudambi 2005; Meyer et al 2011). With EG, the
fundamental emphasis on FDI is its role within the local economy, while IB
primarily centres on the motivations and implications of the MNE (Beugelsdijk and
Mudambi 2013). In particular, subnational institutional capacity, a concept from EG,
can greatly facilitate exploration of how subnational actors engage with FDI (Fuller
and Phelps 2004; Phelps 2000). Subnational institutional capacity rests on the
organisation, credibility, partnership and network relations of subnational actors
towards a common unified purpose (Fuller et al 2003). Thus, while collaboration and
integration of subnational actors with FDI can generate a sense of commonality and
more positive results, fragmented subnational institutional capacity, such as a lack of
coherence and consensus in roles, conflict and tension, can all inhibit the success of
subnational actors engaging with FDI (Fuller et al 2003; MacKinnon and Phelps
2001).

Existing research on subnational institutions within IB has primarily transpired from
emerging market economies as a result of factors such as subnational divergence,
even economic development, institutional instability and cultural diversity. While
this body of literature has greatly accentuated understanding of and interest in
subnational institutions, the primary focus of this research is to enhance
understanding of the processes of FDI within these economies – particularly China
(Ma et al 2013; Shi et al 2012; Zhou et al 2002) and Vietnam (Meyer and Nguyen
2005; Nguyen et al 2013) - and therefore, exclusive analysis of the attributes and
characteristics of subnational actors and the mechanisms by which they engage with
FDI is limited. Equally, the capacity of subnational actors within developed economies has been relatively overlooked. With higher value-added FDI activity, greater capabilities of indigenous enterprise, high concentration of research and innovation and absorptive capacity competence (Monaghan et al 2014; Perri et al 2013; Porter 2000), developed economies display unique subnational institutional features. In light of its significant dependence on MNE investment, in addition to recent economic challenges and the increasing global competition for FDI, the Republic of Ireland represents an interesting locale to explore this process (Monaghan 2012).

**Research Aim, Rationale and Research Questions**

After a substantial review of the contemporary literature, the central assertion of this study is that synergistic networks between subnational actors and MNEs may facilitate a more proactive, collaborative environment in which to foster successful engagement with FDI. Drawing on an interdisciplinary theoretical framework, the primary aim of this study is to integrate socio-spatial concepts from EG to research within IB in order to comprehensively analyse the capacity of subnational actors to engage with FDI within a small, highly globalised economy. Cognisant of the current standing of research, three components of the capacity of subnational actors to engage with FDI require a more thorough exploration than offered heretofore - namely their role, interaction and variation within a single country context. As such, this research objective will be addressed by exploring three distinct research questions.

Firstly, given the largely national level focus on FDI within IB (Beugelsdijk and Mudambi 2013), limited attention is explicitly given to the functional role of subnational actors in relation to FDI. Increasingly, research has focused on subnational actors, yet the classification of these actors varies substantially depending on the research context (Chan et al 2010; Meyer and Nguyen 2005) and the research focus (Nguyen et al 2013; Phelps 2000). While these insights have greatly enhanced understanding of subnational institutions as key actors with FDI, the contemporary body of literature has failed to extensively explore and profile the
fundamental role of subnational actors with FDI. Consequently, the first research question seeks to address this gap;

1. **Who are the key subnational actors involved with FDI within an advanced economy?**

Secondly, within IB, there is limited information on the mechanisms and processes by which subnational actors engage with FDI. Heretofore, the activity of subnational institutions with FDI has primarily been explored in relation to MNE subsidiary performance (Chan *et al* 2010; Ma *et al* 2013; Nguyen *et al* 2013), strategy (Meyer and Nguyen 2005; Shi *et al* 2012) or entry mode (Meyer and Nguyen 2005). While many researchers implicitly acknowledge the influence of local institutional factors on the activity of the MNE (Cantwell *et al* 2010; Cantwell and Mudambi 2000; Driffield 2006; Dunning and Lundan 2008; Fuller and Phelps 2004; Loewendahl 2001), insufficient research is offered to overtly profile their mechanisms of exchange. As such, the second research question intends to explicitly enlighten the interaction of subnational actors with FDI;

2. **How do subnational actors engage with FDI within an advanced economy?**

Finally, subnational variation is increasingly referenced in relation to FDI location, particularly the importance of spatial heterogeneity to MNE subsidiary units (Beugelsdijk and Mudambi 2013; Cantwell 2009). Cross-regional studies within a single country context have provided significant insights on the potential for distinctive subnational variation to exist and influence FDI location, performance and strategy (Nguyen *et al* 2013; Shi *et al* 2012). However, as outlined earlier, the majority of this research is located within emerging markets where variation at a subnational level is more evident, but equally, more acute (Chan *et al* 2010; Zhou *et al* 2002). Thus while considerable research is available on the effects of subnational variation on FDI within emerging economies, this issue has heretofore not been fully addressed within an advanced market economy setting (with the exception of Chan *et
al 2010, and Fallon and Cook 2010). Seeking to build upon these insights, a third research question is presented;

3. Does this interaction vary between subnational locations within a single advanced country context?

These three research questions are fundamentally reduced to understanding the ‘who, how and why’ of subnational actors in relation to FDI within an advanced economy. In this thesis, information is presented in response to each of these dimensions of subnational engagement with FDI. Furthermore, the articulation of these research questions established an appropriate methodological approach for the collection and analysis of data.

**Research Methodology**
This study was designed to extensively explore the capacity of subnational actors – their role, interaction and variation – to engage with FDI within a small, highly globalised economy. In order to do so, a multi-method research design was employed where both qualitative and quantitative research techniques were used to address the three research questions. Firstly, in order to substantiate the role and remit of subnational actors with FDI, social network analysis (SNA) was used to generate a representative account of the structural configuration of subnational actors. Additionally, relational data was garnered on the patterns of exchange between subnational actors and FDI through in-depth semi-structured interviews. As such, SNA and qualitative data are concurrently utilised and presented in order to thoroughly address all dimensions of this research endeavour. Therefore, a uniquely insightful aspect of this research is the strategic combination of SNA with qualitative data to provide a more holistic interpretation of ‘who’ and ‘how’ subnational actors engage with FDI.

Moreover, in order to explore variation in the engagement of subnational actors with FDI, two subnational regions within the Republic of Ireland were identified.
Premised on a similar institutional infrastructure, geographical location and physical attributes, case study analysis of these two subnational regions was carefully and thoroughly conducted. In fact, the analysis of SNA and qualitative data from both regions enabled a more in-depth and detailed account of the distinct differences on ‘why’ MNEs locate in one subnational region over another and substantially enhanced the findings on subnational variation. Greater detail of the research methodology can be found in Chapter Four.

**Structure of the Thesis**

The remainder of the thesis is structured as follows. The subsequent chapter (Chapter Two) presents a detailed review of the literature from IB and EG on the geography of FDI. In particular, an explicit rationale is generated on the potential for an interdisciplinary IB-EG theoretical lens to highlight and explicate the concurrent strands of literature which contribute to understanding subnational actors. As such, this chapter aims to position the research questions within contemporary literature, while the three research questions are outlined and further discussed within this chapter.

Chapter Three seeks to present an overview of the research context in which this study is conducted. Therefore, information on the national and subnational institutional and industrial environment within the Republic of Ireland is presented and discussed. In particular, significant information is offered on both the formal and informal activities and attributes of the focal actors within the context of the research. The chapter thereby demonstrates the unique position of Ireland as an appropriate ‘natural laboratory’ in which to investigate the interaction of subnational actors with FDI.

Chapter Four outlines the methodological approach adopted for this research study, and specifically acknowledges the choices available and the rationale for selecting the subsequent research methodology. Details on the research design, strategy and approach are provided in order to empirically situate the study. Considerable information is reported on the decisions of the researcher in collecting and handling
data, in addition to an in-depth discussion of the methodological challenges and obstacles identified.

Chapter Five is the first of two chapters dedicated to the empirical findings. This chapter explicitly focuses on exploring and discussing the role and interaction of subnational actors with FDI. Drawing upon quantitative and qualitative data, the first two research questions are addressed therein. Chapter Six then explores variation of subnational actors in their engagement with FDI across two subnational regions within a single country context. In both chapters, the empirical evidence is formally presented alongside a brief synopsis of these findings.

These two preceding chapters on the empirical findings facilitate a systematic and analytic discussion of the research in Chapter Seven. This chapter draws upon the findings related to all three research questions and summarises these in relation to the overall research aim. In so doing, the empirical findings are discussed in light of existing research and the contribution of this study to academic discourse is demonstrated. Furthermore, the conceptual, empirical, methodological and empirical contributions of this thesis are outlined and discussed.

Finally, Chapter Eight concludes by reviewing some of the limitations of this study and illustrating a number of potential future avenues of research. Furthermore, this concluding chapter presents a detailed reflection on the personal and professional learning objectives achieved by the author during this research study.
CHAPTER TWO - INTERNATIONAL BUSINESS AND ECONOMIC GEOGRAPHY: A CONSTRUCTIVE CONVERGENCE?

Introduction
There is a growing interest in the subnational dimension of FDI insofar that greater emphasis is now attributed to nuanced, locational features of an MNE. This perspective has been substantially fuelled by an effective correspondence between IB and EG. In an attempt to contribute to this interdisciplinary interface and further explore the subnational perspective of foreign investment, this thesis applies an integrated IB-EG theoretical lens to extensively analyse the capacity of subnational actors to engage with FDI. This chapter enlists significant research and theories from these two different disciplines, which – at times – proved a significant challenge in the accurate presentation, discussion and integration of primary concepts from both IB and EG. Following this, contemporary research on subnational actors is reviewed and evaluated, highlighting a notable deficiency of research on the role, interaction and variation of subnational actors with FDI within an advanced economy. Three research questions are identified from the existent body of literature, which subsequently situates this thesis in relation to current knowledge.

FDI location from an International Business Perspective
Dunning and Lundan (2008a) broadly conceptualise the MNE as a unique unit of enterprise, which owns, coordinates and controls value-added business activities in more than one country, resulting in cross-border production, transaction and relationships which are internalised within the firm. Central to this definition are the determinants of MNE activity which relate to both ownership and organisational factors but also, fundamentally recognise and accentuate the location of value-adding resources and activities.

The following section outlines a select number of key theories within IB, all of which contribute substantial insights and classification on the spatial determinants of the MNE and their activity pertaining to the surrounding location. These frameworks
emerge from significantly different schools of thought and research traditions, having evolved from a focus on different questions and principles. The first two models – Dunning’s eclectic paradigm and the internalisation theory – both originate from the Reading school, with significant influence from neo-classical economics. The third model – the internationalisation process model – materialised from the Uppsala school with attributes from both marketing and behavioural theories. A final model – the network model of the MNE – centres on the organisational structure of international operations and discusses the connection of subsidiary units dispersed to alternative locations. Thus, while the eclectic paradigm and Uppsala model predominantly focus on the process of international activity, the internalisation theory and network model concentrate on the internal organisation of the MNE. Within all theoretical models, the presence and prominence of locational features is noted.

Eclectic Paradigm

Intent on uniting seminal thoughts and research on the international firm, the eclectic paradigm, or Ownership-Location-Internationalisation (OLI) paradigm (Dunning 1977), represents the most fundamental theory on the existence of the MNE (Dunning and Lundan 2008a). Dunning’s (1977) framework demonstrates that international production rests on three firm processes – ownership advantages, locational advantages and internalisation advantages – thus, integrating “a macroeconomic theory of international trade and a microeconomic theory of the firm” (Dunning and Lundan 2008a, p.95). As such, it seeks to explain why and where an MNE exists, in addition to how it is organised. Ownership-specific advantages (O) refer to the possession of, or capacity to access, specific and sustainable assets from the home market which can be easily transferred within the organisation to either a domestic or foreign market. Ownership advantages may relate to technological, organisational and management skills and capital, amongst others and more recently, have incorporated the role of formal and informal institutional structures (Oi) to value-added activities (Dunning and Lundan 2008b). Location specific advantages (L) refer to specific assets which are unique to a location, and as they are a characteristic of the location, these assets are available to all firms and can be natural or created resource endowments or market attributes. Within the eclectic paradigm, location-specific assets relate to resources of an
alternative location, usually a foreign country. Location maintains a central role in the eclectic paradigm, with significant contemporary interest in the variance and influence of this contributory factor (Beugelsdijk and Mudambi 2013; Beugelsdijk et al. 2010; Dunning 2009). Finally, internalisation specific advantages (I) signify advantages which emerge from hierarchical control and the coordination of activity across national borders.

The principal hypothesis of the eclectic paradigm demonstrates that international production is premised on the extent to which these ownership advantages (O) are identified, fostered and utilised within the organisation (I) and the employment of these advantages in a foreign location (L). As such, Dunning (1977, 2000) demonstrates that it is the fusion of the O-L-I components of cross-border activity which define the MNE. In so doing, the eclectic paradigm offers the most comprehensive conceptualisation of the determinants, activity and implications of international investment, demonstrating that “given the distribution of specific assets, enterprises that have the most pronounced O advantages and perceive they can best exploit these by combining them with others in a foreign territory are likely to be the most successful international or global players” (Dunning and Lundan 2008a, p.108).

**Internalisation Theory**

The internalisation theory predates the eclectic paradigm and essentially seeks to explore and explain why international transactions are organised by firm-level hierarchies, rather than determined by market forces (Buckley and Casson 1976). The fundamental tenet of this framework is similar to the internalisation advantages (I) of the eclectic paradigm, in that the hierarchies generated from the MNE structure facilitate and maximise the coordination of value-added activities across national boundaries. These hierarchies enable common ownership of domestic and foreign activities, which enhance transaction, production and trading relationships. The roots of internalisation theory can be attributed to the initial advances in defining the MNE by Richard Hymer in the 1960’s, who indicated that the internationalisation of a firm was the result of monopolistic advantages. Hymer (1976) believed that the possession of specific assets within the firm, generated from their position and activity within the home market, counterbalanced the liability of operating as a
foreign firm in a host market. Premised on the theory of a domestic firm, internalisation theory explores the endogenous growth and existence of the MNE.

Subsequent research in the 1970s by Peter Buckley and Mark Casson (Buckley and Casson 1976), Jean-François Hennart (1982) and Alan Rugman (1982) pursued Hymer’s ideas and sought to enhance the internalisation theory of the MNE. This school of thought advocates that international firms tend to internalise international value chain activities if the market (cost of transaction) is less efficient than the hierarchical solution (cost of control) in the cross-border transaction of goods and products (Buckley and Casson 1976; Hennart 1982; Rugman 1982). As such, the primary concern of the internalisation theory is the internal hierarchical organisation of value-added activities, rather than the exogenous market environment and so, this theory offers limited insights on the role of location for the MNE (Buckley 1987; Casson 1987). More recently, Rugman and Verbeke (2001) highlighted the potential for MNE subsidiaries to develop internal capabilities from their exogenous environment, as an effective means of firm-specific advantages, which can be either location bound or non-location bound and sourced from home country, host country or internally within the MNE network. In particular, they demonstrate the increasing importance of subsidiary specific advantages, whereby a subsidiary unit can develop a unique, and highly specialised competence which can be exploited globally but also benefits from the non-imitable nature of this capability. As such, internalisation theory serves to strengthen the importance of owning and controlling value-added activities outside of the domestic national border, and diffusing them within the MNE.

**Uppsala Internationalisation Process Model**

In contrast to the economically derived perspectives of Buckley and Casson (1976), Dunning (1977), Hymer (1976) and Williamson (1975), Johanson and Vahlne (1977) conceptualised internationalisation of firm activity as a gradual, incremental process by which firms internationalise through an establishment chain pattern in order to reduce the risk associated with entering foreign markets. The Uppsala internationalisation process model adopts a behavioural and dynamic view on how firms enter foreign markets, emphasising the integral role of both general and
market-specific knowledge to increasing commitment and resources abroad. As such, this model was one of the first evolutionary models of the process and characteristics of international trade (Dunning and Lundan 2008a). Premised on the insights of Cyert and March (1963) and Penrose (1959), scholars within the Uppsala school recognised the role of organisational learning and the capacity of managers to acquire and process information for the purpose of internationalisation. As such, this theory concentrated on the behavioural aspects of the firm in relation to internationalisation.

More recently, in light of significant theoretical and economic developments, Johanson and Vahlne (2009, p.1415) revisited their original theory to present a business network model of internationalisation as a “multilateral network development process”. Drawing on the network perspective, their revised model fundamentally views the foreign market as a network structure, highlighting the key role of the surrounding business environment, and more specifically the relationships inherent within this business network, as an influential variable on the process of internationalisation. Within this view of internationalisation, a network position is premised on committed relationships characterised by attributes of knowledge, learning, trust and opportunity creation. This perspective moves away from the ‘liability of foreignness’ thesis towards a ‘liability of outsidership’, identifying ‘insidership’ as secured market entry, whereby functional relationships within an environment of low uncertainty and risk enable the recognition of potential opportunities. This stands in contrast to ‘outsidership’, where the firm fails to attain a position within the foreign market (Cantwell and Mudambi 2011; Johanson and Vahlne 2009, 2006, 2003). These contemporary additions to the Uppsala internationalisation process model serve to emphasise the role of processes and interactions between network actors as they evolve over time and locate across borders. However, while network processes and interactions are acknowledged, there is limited detail provided on unique features of a location and how they engage with the MNE.
The Multinational as an Inter-Organisational Network

Complementing the FDI theories of the Reading School and the Uppsala model, the network perspective of Christopher Bartlett and Sumantra Ghoshal presents an additional theory on the MNE which acknowledges the integral role of locational features (Bartlett and Ghoshal 1989; Ghoshal and Bartlett 1990; Nohria and Ghoshal 1997). In particular, this theoretical framework describes the processes inherent in managing a business across borders and the coordinating role of the MNE headquarters. Ghoshal and Bartlett (1990) perceive the MNE as a loosely coupled organisation with heterogeneous resources obtained from alternative locations of its subsidiary units. Bartlett and Ghoshal (1989) argue that each subsidiary unit plays a unique role within the MNE structure, which is premised on their surrounding local environment and the distinctive capabilities of the subsidiary. Within this, they explicitly acknowledge the participation of customers, suppliers, regulators and business partners in the external network.

Furthermore, the network model of the MNE describes the need for global integration and local adaptation amongst its subsidiary units and highlights the specific influence of the alternative location of subsidiaries on the MNE. This model generates a significantly fruitful approach to understanding the embedding of MNE subsidiary units across a variety of locations, in addition to the fundamental role of the headquarters in managing and coordinating their activities. Meyer et al. (2011, p.236) recently demonstrated the complexity of multiple embeddedness for the MNE, whereby “subsidiaries must be ‘externally embedded’ within each local context while also being sufficiently ‘internally embedded’ within the MNE network for the benefits of external embeddedness to be potentially available to the rest of the MNE”. The contribution of this model to understanding and integrating the external environment can be seen in the subsidiary embeddedness literature, which offers substantial insights on the external subsidiary network and the potential resources available from this network (Andersson and Forsgren 1996; Andersson et al 2002, 2007). Subsidiary embeddedness within a network of specific business relationships significantly influences the level of corporate control, in which greater embeddedness amongst external business relationships enhances the power of the subsidiary unit and thereby reduces the degree of headquarters’ control (Andersson and Forsgren, 1996; Andersson and Holm 2010; Andersson et al 2007; Forsgren et al
The need for corporate headquarters to manage and coordinate subsidiary embeddedness has thus become a pivotal area of concern for MNEs (Mudambi et al 2013; Nell and Ambos 2013; Vahlne and Johanson 2013). In fact, Vahlne and Johanson (2013) have recently advocated for their multinational business enterprise model to offer a distinctly dynamic alternative to Dunning’s eclectic paradigm, as it integrates a network perspective to the development and evolution of an MNE. Thus, the network perspective has substantially generated a more nuanced approach to understanding the relative role of alternative locations for a MNE structure.

The development of these theories have incorporated contributions from disciplines including international trade theory, economics, economic geography, regional strategy and international business. While these theoretical frameworks on the determinants, activity and patterns of international firms serve to introduce a considerable number of variables involved in managing and coordinating an MNE, this review is by no means exhaustive. Rather, the four theoretical frameworks were identified and listed for their focus on the geographical component of FDI. As such, a fundamental attribute of these theoretical frameworks is the interaction of endogenous, firm-level characteristics with exogenous, environmental features. In a recent definition of the MNE, Cantwell et al. (2010) acknowledge this exchange and accentuate the importance of both endogenous and exogenous relationships to the MNE.

“We consider the MNE as a coordinated system or network of cross-border value-creating activities, some of which are carried out within the hierarchy of the firm, and some of which are carried out through informal social ties or contractual relationships. Thus an MNE is not defined solely by the extent of the foreign production facilities it owns, but by the sum total of all of its value-creating activities over which it has a significant influence”

Cantwell et al. (2010, p.569)

As such, a more concerted emphasis on the coordinating role of the MNE both echoes and endorses the recognition of locational attributes to the MNE. Moreover, in 1998, Dunning (1998, 2009) stipulated the need to return to original theories on the existence and activity of the MNE in order to provide greater insights on the role
of location-specific aspects of internationalisation. In particular, Dunning (1998, 2009) identified that other attributes of the MNE, namely internalisation and ownership characteristics, had received greater attention. This petition for further research on the “neglected factor of location” (Dunning 2009, p.5) has generated a wealth of contemporary research on the exogenous, locational attributes of an MNE. One significant avenue for this research has been increased recognition and enhanced integration of EG within this domain, which offers the potential to complement existing knowledge and understanding of the MNE (Beugelsdijk et al 2010; Dunning 2009).

**FDI location from an Economic Geography Perspective**

While first identified as a discipline in the early 19th century, the contemporary roots of EG, and their interest in the MNE, are predominantly derived from Raymond Vernon’s (1966) product life cycle model (Barnes et al 2003; Beugelsdijk et al 2010; Cantwell 1995; Dunning and Lundan 2008a). Intrigued by the role of home-market characteristics, and specifically prompted by the foreign activities of United States (US) MNEs in the 1960s, Vernon – a Harvard economist - conceptualised a cyclical model of MNE activity. As a neo-classical theory of spatial distribution, the basic tenets of the product life cycle model highlight that a firm’s competitive advantage is primarily determined by the structure and pattern of their home country resources, institutions and markets. Fostering the thoughts of Vernon, EG essentially “seeks to explain the spatial distribution of economic activity in an explicitly one or two dimensional geographical setting” (Beugelsdijk et al 2010, p.486; Dunning and Lundan 2008a). Coe et al. (2007) explain EG as the inherent interaction of space, place and scale in understanding and framing economic processes and activities. Equally, McCann and Mudambi (2005, p.1863) refer to the dispersed international location of alternative components of the organisation as “stylised geographical versions of the product-cycle model”.

However, significant advances in EG since the late 1980s have propelled the discipline from a predominantly product life cycle heritage towards a more comprehensive analysis of economic spatiality. Effectively, EG is concerned with the spatial distribution of economic activity and as such, theories within EG operate at a
more general, macro level to explore MNE location behaviour. There are four broad approaches within EG – neoclassical or new economic geography, institutional economic geography, geographical political economy and evolutionary economic geography (Boschma and Frenken 2006).

**New Economic Geography**

Neoclassical or new economic geography is largely premised on the work of Paul Krugman (1991) and – adopting a largely economic perspective (Martin, 1999) – it seeks to explain trade, specialisation and agglomeration in terms of rational decisions of economic agents. Krugman (1991) indicates that increased productivity and returns occur as a result of regional economic agglomeration and specialisation. As a micro-economic approach to spatial and firm heterogeneity, formal models are used to deductively indicate and explore firm-level utility maximisation and the reciprocal influence on geographical and spatial territories. Equally, the work of Michael Porter (1990) on industrial clusters (from a strategic management perspective), and Allen Scott (1988) on spatial clustering (from an EG background) has accelerated this “new era” of EG (Beugelsdijk et al 2010, p.487; Gordon and McCann 2000; Martin and Sunley 2003; McCann and Mudambi 2005; Scott 1988). New economic geography is strongly related to industrial specialisation and clustering, including agglomeration, industrial-complex and social networks (Gordon and McCann 2000).

**Institutional Economic Geography**

Secondly, institutional economic geography associates differences in economic behaviour to institutional routines, patterns and structures (Amin and Thrift 1994; Hodgson 1988, 1998; Saxenian 1994; Gertler 1995). Consistent with the relational turn in EG, Martin (2000, p.79) ascertains that “economic activity is socially and institutionally situated: it cannot be explained by reference to atomistic individual motives alone, but has to be understood as enmeshed in wider structures of social, economic and political rules, procedures and conventions”. Equally, Boschma and Frenken (2006, p.276) note that “Institutional differences can be present among firms (in terms of organisational routines and business cultures) and among territories (in terms of legal frameworks, informal rules, policies, values and norms)”. As such, significant reference is made to the concepts of path-dependence, relating to the
continuity and preservation of institutional practices in shaping the growth of an economy and lock-in, which is the irreversibility of institutional practices and the erosion of opportunities through institutional myopia (Coe et al 2007; Boschma and Frenken 2006). Martin (2000, p.80) describes institutions as “carriers of history”, in that they are fundamental in preserving and advancing social, spatial and economic practices, and indicates that this institutional path-dependence is most notable at the local level as “institutions are important carriers of local economic histories”. Institutional thickness and institutional capacity has also been largely explored within institutional economic geography to understand the potential for positive, ‘thick’ institutional combinations to advance local economic development (Amin and Thrift 1994; Fuller and Phelps 2004; Phelps 2000). As such, institutional economic geography places considerable emphasis on, and draws significant insights from, the local and regional scale. Research within this domain is largely supported by rich case-study analysis which seeks to celebrate and theorise from local specificity.

Political Economic Geography

Identified as part of the “cultural turn” in EG (Barnes and Sheppard 2000, p.5), political economic geography was popularised in the 1970s, as it acknowledged the integral role of social and spatial inequities within the wider territory (Hudson 2006; Jones 2008). Political economic geography explores social relations, including power and politics in structuring and shaping economic activity, advocating that spatial patterns of industrial distribution, urban growth and economic development are manifest from the complex tension between capital and labour (Coe et al 2007; MacKinnon et al 2009). A key theoretical framework within political economy, and conducive with political economic geography, is the national business system model (NBS: Whitley 1998, 1999). The NBS model identifies the national-level institutional systems which govern, coordinate and control organisational structures and practices, including governance regimes, educational institutions, industrial relations systems, financial systems and training systems (Whitley 1998, 1999), and are both influenced and influencers of the needs and demands of MNEs. A significant application of this theory has been in illustrating the influence of both ‘home’ and ‘host’ NBS on the transfer of policies and practices in MNE foreign subsidiaries (Almond and Ferner 2006; Ferner 1997; Ferner et al 2001; Gunnigle et al 2005; Kristensen and Zeitlin 2004). The NBS is often acknowledged within EG, as
it places a distinct emphasis on the surrounding contextual features of the MNE and has a distinct reference to scale (Coe et al 2007).

More recently, the NBS model has been considered at the subnational scale (Almond 2011; Monaghan 2012). Utilising the same systematic framework as the NBS, the subnational business system (SNBS) positions the systems of institutions and actors at a local, subnational level (Almond 2011). While the SNBS retains the general characteristics and systemic aspects of the governing NBS, it also has a specific degree of autonomy, differentiation and legitimacy to the subnational, local environment, offering the potential for the SNBS to interact and engage with MNEs at a more proximate level. Subnational institutional arrangements are defined by their geographical boundaries and it is suggested that they can engage more fluidly and efficiently with MNEs within their jurisdiction (Almond 2011; Monaghan 2012). The SNBS, NBS and wider comparative capitalisms and political economic geography literature recognise the dynamic engagement between a host location and the international firms located there, predominantly emphasising the important exchange between firms and a location.

**Evolutionary Economic Geography**

A more recent trend within EG is the increasing attention towards exploring and enhancing the understanding of evolutionary process inherent within the economic landscape (Boschma and Frenken 2006; Boschma and Martin 2010). Evolutionary economic geography refers to a relatively novel theoretical perspective within EG which concerns “the processes by which the economic landscape – the spatial organisation of economic production, circulation, exchange, distribution and consumption – is transformed from within over time” (Boschma and Martin 2010, p.6). As such, evolutionary economic geography integrates fundamental concepts from EG to examine the historical processes that produce, foster and shape the distinctive features of an economic landscape.

These preceding theoretical frameworks serve to demonstrate that the local ecosystem of an MNE, in both the domestic and host market, represents a
significantly important attribute of international trade, production and relationships, given the fundamental ‘where’ of production which is organised and managed across an international landscape (Dunning 1977, 2009). The attention towards locational features has been buttressed by an increasing awareness of tacit knowledge and knowledge-intensive activity, fragmentation of production and rise of global value chains, and the shifting nature of economic governance (Almond 2011; Brenner 1999; Coe et al 2007; Dunning 2009; Gertler 2003; Maskell et al 1998; McCann 2011; McCann and Mudambi 2005; Mudambi 2008). These shifts represent the paradoxical perspective of the “perpetuation and deepening of geographical concentration in a world of expanding markets, weakening borders, and ever cheaper and more pervasive communication technologies” (Gertler 2003, p.76). Notwithstanding their alternative approaches, it appears the engaged discourse between EG and IB is largely premised on this mutual interest in spatiality (Beugelsdijk et al 2010; Cantwell and Mudambi 2011, 2005; Meyer et al 2011; Mudambi 2008).

**FDI location from an IB-EG perspective**

In one of the earliest studies which utilised a combined IB-EG lens, Nachum (2000) examined the location of MNEs, particularly financial and professional service FDI to the US. While her work encouraged greater utility of this blended approach to enhance understanding of MNE location choice, it also highlighted the need for a more concerted theoretical platform on which to “incorporate the logic of economic geography theories into the models and paradigms of international business, and to identify what the former may explain that the latter ignore or explain only partially” (Nachum 2000, p.380). Advocating for the advancement of this interdisciplinary theoretical lens, Buckley and Ghauri (2004) identified the potential for EG to advance the research agenda of ownership and location strategies in MNEs. Similarly, Dunning (2009) emphasised the role of EG in extending the parameters of the eclectic paradigm by substantiating the location component of this theory. This research opportunity was also extensively recognised within the EG literature,

“Given that there is currently almost no theoretical analysis of the location behaviour of MNEs at the subnational regional level within either the international business or the international trade theory
literatures, it would therefore appear that there is currently an ideal opportunity for the explicitly spatial insights of economic geography and regional economics concerning firm-location behaviour to be better integrated within the international business and international trade literatures”

McCann and Mudambi (2005, p.1862)

Despite the considerable merit perceived in adopting an IB-EG perspective to FDI location, the synergy of this discourse was largely curtailed by the lack of a coherent theoretical platform. In particular, integral differences in theoretical approaches and analytical techniques were educed as a meaningful distinction between the two disciplines which constrained this endeavour (Gordon and McCann 2000; McCann 2011; McCann and Mudambi 2005). Nevertheless, the aspiration to fuse these two theoretical traditions and advance “a discussion of firm organisational issues with the characteristics of the sub-national region” was pursued (Beugelsdijk et al 2010, p.489). Acknowledging the similar focus between IB and EG on the locational features of FDI, Beugelsdijk et al. (2010) attempted to explicitly formalise a theoretical link between EG research and IB by generating an alternative model to Dunning’s (1977) eclectic OLI paradigm. Figure 2.1 demonstrates the rationale on which the theoretical framework is produced.
Figure 2.1: Convergence of IB and EG
Centred specifically on place, space and organisation (Beugelsdijk et al. 2010), the particulars of this theoretical model are effectively articulated by Dai et al. (2013, p.554),

“While ‘ownership’ and ‘internationalisation’ are merged into an ‘organisation’ factor, ‘location’ is decomposed into two separate factors: ‘place’ and ‘space’”

Within this framework, place relates to the location-specific assets of the firm, while space accounts for geographical distance and network characteristics (Dai et al. 2013; McCann 2011). This model has strongly endorsed and enhanced the integration of EG concepts with IB, as it has presented researchers with an efficient and effective tool in which to explore the geography of FDI. The merit of this model is evident in the recent proliferation of research, in which it is effectively adopted and employed to contemporary trends within IB (Alcácer et al. 2013; Dai et al. 2013; Goerzen et al. 2013; Ma et al. 2013; Schmitt and Van Biesebroeck 2013). Beugelsdijk and Mudambi (2013) have further enhanced this analytical model by demonstrating the efficacy of its application.

From the offset, Beugelsdijk and Mudambi emphasise that research on the alternative dimensions of economic activity dispersed across space must incorporate the “complex intermingling of different geographic scales (global, supra-regional, national and subnational)” (2013, p.415). Moreover, throughout their thesis, there is considerable contention for a more fine-grained analysis of the subnational location. First and foremost, Beugelsdijk and Mudambi (2013) highlight the disproportionate attention assigned to the nation-state and national boundaries as the central unit of analysis within IB. In addition to exhibiting the diversity and heterogeneity of firm location, the subnational unit of analysis can also substantially enhance understanding of the nuanced challenges and complexities facing MNEs in particular “sourcing [knowledge and resources] from actors outside the MNE” (Beugelsdijk and Mudambi 2013, p.419). This information, as described by Beugelsdijk and Mudambi (2013), is largely imparted from EG. Building upon this strong, contemporary assertion, this thesis believes that the integration of information on subnational institutions and actors available and professed within EG can greatly enhance our understanding of FDI location.
Subnational Actors: Who, how and why?

A particularly promising avenue of the integration of EG to IB is a more nuanced understanding of the local, subnational context – relating to the units and structures organised below the national tier, such as regions, states and provinces – in facilitating international firm activity (Beugelsdijk and Mudambi 2013; Beugelsdijk et al 2010; Dunning 2009; Ma et al 2013; McCann 2011). According to Zhou et al. (2002, p.68),

“A subnational level allows for a more fine-grained analysis of regional differences, and therefore may offer more accurate evidence for the sensitivity of FDI decisions to location determinants”

In light of a growing emphasis on this unit of analysis, there is considerable evidence to suggest that subnational actors may participate as key influential determinants within this interactive exchange between location and FDI. However, this information is largely attained from research within emerging economies (Ma et al 2013; McDermott et al 2009; Meyer and Nguyen 2005; Nguyen et al 2013; Shi et al 2012; Zhou et al 2002). Given their significant subnational disparity, uneven economic development, institutional change and cultural diversity, the majority of empirical research on subnational actors has sought to primarily enhance understanding of FDI within emerging economies rather than generate more tangible information on the attributes and engagement of subnational actors with FDI (Bevan et al 2004; Chan et al 2010; McDermott et al 2009; Meyer and Gelbuda 2006; Meyer and Nguyen 2005; Zhou et al 2002). Thus, while this body of research has served to significantly enlighten the importance of subnational institutions and related actors, analysis of subnational actors in relation to FDI within developed economies has been overlooked with relatively limited information available to conceptualise and outline the distinctive role and interaction of subnational actors in relation to foreign investment. With relatively higher value-added FDI activity, greater capabilities of indigenous enterprise and competence with absorptive capacity (Perri et al 2013; Porter 2000), developed economies display unique institutional features for inward investment and so, the subnational structure within an advanced economy represents a viable research context.
Furthermore, it appears that there are a number of important exclusions to the current understanding of subnational institutions and actors. Firstly, considerable research is required to deconstruct the role of subnational institutions and actors and identify who are the key subnational actors involved with FDI. Additionally, as recent criticism has been directed toward the relatively “generic” perception of FDI location (Zaheer and Nachum 2011, p.96), greater insights on the interaction and variation of subnational institutions is also warranted to explore the dynamic interaction of a firm with its surrounding location in addition to the locational diversity available to FDI (Alcácer and Chung 2011; Beugelsdijk and Mudambi 2013; Cantwell 2009; Dunning and Lundan 2008a). Significant research from EG may enhance our understanding of this process. The notion of institutional capacity offers a conceptual platform on which to analyse the dynamic exchange between subnational institutions and FDI as it explicitly demonstrates how working practices and patterns of subnational institutions engage with FDI (Amin and Thrift 1994; Fuller et al 2003; Fuller and Phelps 2004; MacKinnon and Phelps 2001; Phelps 2000; Phelps and Fuller 2001).

In the late 1980s, during the initial shift towards institutional economic geography, significant insights were provided by Healey (1998, p.1531) on the importance of “appropriate governance capacity” to deliver and improve the quality of places.

“It is about fostering the institutional capacity to shape the on-going flow of ‘place-making’ activities in ways which can promote long term and sustainable improvements to material quality of life and to the sense of identity and well-being of people in places”

Healey (1998, p.1544)

This idea of coalescence and coordination amongst institutions towards a shared goal relates to the concept of ‘institutional thickness’ by Amin and Thrift (1994), which was premised on four elements (see Coe et al 2007, p.341):

1. The significance of strong pro-growth institutions within a region

2. The degree of collaboration and cohesiveness amongst these institutions
3. The development of well-defined structures of shared rules, conventions and knowledge to generate local power structures within the region as a means of engaging and negotiating with national authorities

4. The understanding amongst participants that these institutional networks represent a common enterprise

This work by Amin and Thrift (1994), in addition to Healey (1998), has greatly influenced the research of Phelps (2000), Phelps and Fuller (2001) and Fuller et al. (2003) in exploring the role of subnational institutional capacity in attracting and retaining FDI, particularly as it positions subnational institutions as a significant node within this collaborative and interactive process. Aligned within this framework, subnational institutional capacity highlights that the processes and mechanisms by which subnational institutions interact with FDI may vary significantly depending on factors such as organisation, credibility, partnership and capture (Fuller et al. 2003; Phelps and Fuller 2001). The collaborative, well connected activity of subnational institutions is believed to strongly condition their mobilisation to capture, create and enhance opportunities for the local environment (Phelps 2000, 2008). In contrast, fragmented and diverse governance relationships amongst subnational institutions negate their capacity to generate effective and sustainable initiatives for FDI. Given the distinctive transformations in the subnational institutional structure over the last two decades, the majority of research on subnational institutional capacity has emerged from the UK, which exhibits a rich pool of data on the “state-multinational nexus” (Phelps and Fuller 2001, p.817) and on the concept of subnational institutional capacity as an inherent indication of successful economic spaces (Fuller et al. 2003; MacKinnon and Phelps 2001).

Heretofore, this research on subnational institutional capacity has largely contributed to the understanding of how MNEs influence local economic development (Phelps 2000; Phelps and Fuller 2001). In light of the substantial endorsement of subnational institutional capacity within EG, and its strong utility in understanding the local economic role of FDI, it is thus presented that the concept of subnational institutional capacity may offer considerable explanatory power to analyse who, how and why subnational actors interact with FDI. The following sections discuss three aspects of
this capacity – role, interaction and variation – to provide a more robust understanding of the engagement of subnational actors with FDI.

**Role of subnational actors with FDI**

While ‘institutions matter’ within internationalisation (Eden 2010; Henisz and Swaminathan 2008), the majority of existing research is focused on national level institutional factors (Cantwell and Mudambi 2000, 2005; Flores and Aguilera 2007; Pajunen 2008; Slangen and Beugelsdijk 2010). Using a fuzzy-set analysis of institutions, Pajunen (2008) illustrates that the attractiveness of a location is influenced by a complex array of macro-level institutional factors, including taxation and labour regulation, and country-specific factors, such as level of development or geographical location. Meanwhile, in their review of foreign location choices of the 100 largest US MNEs between 1980-2000, Flores and Aguilera (2007) indicate that institutional-cultural differences, such as the legal and political system and cultural norms and practices, between the USA and the host location impacted negatively on US investments. Santangelo and Meyer (2011) illustrate the potential for institutional voids and institutional uncertainty to exert a significant divergence between intended and realised business strategy of inward foreign investment. While their findings significantly demonstrate the need to provide greater differentiated analysis of institutional influences on international business strategies, the work of Santangelo and Meyer (2011), in addition to Pajunen (2008) and Flores and Aguilera (2007) predominantly highlights the heavy reliance on national level institutional factors within IB research. However as noted above, contemporary advances in the broader IB field has sought to enhance the attention assigned to the local environment and immediate external resources surrounding the MNE subsidiary as a means of extending knowledge on the geography of FDI (Beugelsdijk and Mudambi 2013).

While the concept of subnational institutions has become substantially more popular in the recent past, there is limited information on the actual specifics of who these subnational actors are. For example, Chan *et al.* (2010, p.1228) have effectively referred to subnational institutions as “intermediaries (or locally oriented organisations) that provide support services to firms and the common infrastructure that supports regional economic transactions”. Equally, Phelps (2000, p.171) denotes
these actors as “the entire range of local institutions and service providing organisations not simply those traditionally concerned with economic development and the provision of business services”. Other researchers have merely assigned North (1990) and Scott’s (2008) definition of institutional structures to a subnational level (Ma et al 2013; Meyer and Nguyen 2005; Nguyen et al 2013; Shi et al 2012). As such, relatively defined subnational institutions have provided significant, but varied insights on the role of these actors with FDI.

Based on a case study within Vietnam, Meyer and Nguyen (2005) found that subnational institutional variables – formal and informal – have a significant effect on both entry mode and location of FDI to Vietnam. In particular, they conceptualise a trilateral engagement between domestic incumbents, institutions and foreign entrants, generating a significant framework on the subnational context confronting foreign investors within a decentralising emerging economy. Also, Shi et al. (2012) focused on the electronic and information technology sector across 18 provincial regions in China, a high growth emerging economy, and effectively identified the role of subnational institutional contingencies in shaping the perceived attractiveness for foreign firms seeking international joint ventures (IJV). Specifically exploring the role of network centrality and structural holes of potential IJV partners within their domestic market, Shi et al. (2012) found that the subnational institutional environment within alternative host locations significantly influenced partner selection of a proposed IJV. As such, they determined that internationalising firms analyse the network structure and subnational institutional system of partner IJV prior to selection in an attempt to maximise the success and cooperation of IJV partnership.

Equally, within the context of the Argentina wine industry, McDermott et al. (2009) explored the potential for local public-private institutions to serve as social and knowledge bridges for firms which seek access to knowledge and production upgrading. In particular, this research classifies the fundamental role of local public-private institutions as a key actor within a subnational region of an emerging economy due to their unique cross-cutting network qualities which enhance collective resources and also, regulate relationships between firms. McDermott et al.
(2009) also emphasise that these relationships are most successful when their ties are ones with network centrality and bridging qualities. This work extends the model of inter-firm networks to include, and promote, the mediating role of proximate actors for firms to build collaborative relationships, gain resources, learn and coordinate activities.

Similarly, there is significant evidence within EG research of partnerships amongst subnational actors designed as a means of attracting inward investment to advanced economies. For example, MacKinnon and Phelps (2001) discuss the potential of an Inward Investment Service Class (IISC) – a constructed coalition of actors with a vested interest in regional development via FDI projects – to engage with FDI at the subnational level. In particular, they highlight fundamental differences between various conceptualisations of an IISC and regional groupings, which are reflective of alternative levels of integrative and effective relationships and cooperation. Wood (1993, 1996) discusses the activity of Local Economic Development Networks (LEDNs), where local public and private partnerships are formed to engage with and mediate inward investment. In terms of their composition, Wood (1996, p.1285) noted significant variation, insofar that certain ‘critical agents’, such as investor-owned utilities and local chambers of commerce, were involved in most inward investment projects but other actors, including property developers, were ‘more sporadic’ in their engagement. While “a common pattern in the roles undertaken by different economic development agencies in attracting inward investment” is exemplified in this study, this research also indicates the considerably dominant role of some local economic development actors relative to others (Wood 1996, p.1285).

Despite significantly fruitful findings on subnational actors to date, there is an amplified need to thoroughly explore and identify the role and remit of subnational actors in terms of their engagement with FDI. As such, the first research question is posed as:

Who are the key subnational actors involved with FDI within an advanced economy?
Addressing this research question can substantially contribute to understanding who are the central subnational actors involved with FDI, in addition to providing a more descriptive analysis of their functional role with FDI within an advanced economy.

**Engagement of subnational actors with FDI**

As highlighted above, subnational actors can offer a key vehicle of exchange between location and FDI (Cantwell et al 2010; Dunning and Lundan 2008b; Mudambi and Navarra 2002). In particular, subnational actors may provide a significant mechanism for FDI to engage with a location through activities such as investment incentives, investment promotion, ‘aftercare’ policies, localised financial assistance packages and reduction of transaction costs, while also responding appropriately to the needs of MNEs at more proximate level (Cantwell and Mudambi 2000; Driffield 2006; Fuller and Phelps 2004; Loewendahl 2001; Phelps 2000).

With a primary focus on technological innovation, knowledge transfer and advances within MNEs, Cantwell (1995) demonstrated that the mandate for research and development (R&D) activity within a subsidiary unit is directly influenced by the immediate location in which it is based.

“In this literature, it has been proposed that a subsidiary can contribute more creatively to technology generation within such a network, the better is the local infrastructure in the location in which it is sited, which increases its potential skill base and local linkages with other innovative firms and research institutions; the wider is the functional scope of its mandate, which broadens its potential role within the MNE network; and the more mature it is, having had time to evolve away from a principally domestic orientation and toward more closely internationally integrated relationships”

(Cantwell and Mudambi 2005, p.1124)

Cantwell and Mudambi (2000) found that innovative locations, with significant knowledge creating indigenous enterprise or rich research and knowledge
accumulation activities, are most attractive to international firms. For example, Cantwell and Piscitello (2005) highlight that the location decision-making process for R&D functions of an MNE are strongly determined by their potential for attaining and internalising knowledge spillovers from the local environment. In relation to the extensive literature on the localised advantages from FDI spillovers, Cantwell (2009, p.35) noted the considerable opportunities available to the MNE as a result of their “synergistic locational portfolio of complementary sources of knowledge”. Moreover, while this research substantially supports the potential of locational attributes for FDI, it also strongly acknowledges the interactive exchange between a firm and its location.

Within this, it is evident that the body of research on dynamic engagement between location and FDI has failed to provide sufficient detail on the potential interaction of subnational actors within this space. More recently, considerable research adopting an interdisciplinary IB-EG lens has significantly enhanced understanding of how subnational actors engage with FDI. Ma et al. (2013) demonstrated that institutional conditions within the local, subnational context substantially influence firm behaviour and performance. Furthermore, Nguyen et al. (2013) identified that the performance of private firms within an emerging economy is a function of its export strategy, local institutional environment and the interaction of these determinants. As such, the activity and engagement of subnational institutions with FDI strongly effects their organisation. However, this research fails to explicate the particular processes and mechanisms by which this interaction occurs.

Within EG, Phelps (2000) discusses the subnational initiatives designed and implemented in response to the needs and demands of foreign MNEs. For example, Phelps highlights the range of strategies utilised by subnational actors in order to attract, develop and embed inward investment. Equally, Phelps and Wood (2006, p.494) highlight the role of subnational initiatives, via ‘inward investment regimes’, to actively mediate the “multiscalar nature of political and economic” interests with FDI. Within this perspective, Phelps and Wood (2006) discuss the role of subnational actors in representing and mediating the tensions between global and local interests in mobile capital. As such, they conceptualise the attraction of mobile capital and the
mobilisation of inward investment regimes as a multi-scalar process, with international, national and subnational dimensions. This resonates with the research by Dicken and Tickell (1992; Tickell and Dicken 1993) and Fuller et al. (2003), that the institutional structure of inward investment attraction in the UK is organised on a hierarchical basis. These nuanced initiatives, such as reducing local transaction costs and creating local sources of ownership advantages, enable subnational bodies to engage with investment. Wood (1993, 1996) highlights the collaboration of LEDNs in developing reciprocal and functional cooperative relationships with other subnational organisations as a means of enhancing local economic development. In fact, Wood (1993, p.1649) identified LEDNs as “critical mediators in attracting new business investment into metropolitan areas” indicating that the primary rationale for this is their commitment and dependence to the local environment. However, Phelps (2000) does identify the potential danger with these subnational initiatives where greater engagement of subnational actors with FDI, in addition to intensified competition amongst subnational territories for inward investment, has resulted in an asymmetrical relationship between subnational actors and FDI.

However, while the influence of subnational actors has been identified in both IB and EG, relatively less attention has been provided on the specific nature of how subnational actors interact with FDI. As such, the second research question seeks to explore the engagement of subnational actors with FDI;

**How do subnational actors engage with FDI within an advanced economy?**

Resolving this dimension of subnational institutional capacity can strongly advance understanding of the relational patterns of activity between subnational actors and FDI. In addition to specifically contributing towards the IB-EG theoretical model, this research question can also communicate essential insights on how subnational actors operate in relation to FDI.

**Variation of subnational actors involved with FDI**

In his discussion on the role of location to the MNE, Cantwell (2009) asserts that firms interact differently with a location, and this firm heterogeneity exerts a
considerably strong influence on the type of locational attributes acquired and activated by the firm. For example, Cantwell (2009) illustrate that firms may be identified as laggards or leaders within a local network based on their knowledge capabilities. Comparatively, research by Beugelsdijk and Mudambi (2013) significantly accentuate the role of spatial heterogeneity to an MNE insofar that variation in the subnational location represents an additional level of spatial complexity. Within this, Beugelsdijk and Mudambi (2013) describe how an MNE is formed from the combination of multiple spatially dispersed units and these spatial units differ from one another. A particular dimension of this difference relates to the varied features of a location. Zaheer and Nachum (2011) highlight the locational capability of an MNE, which relates to the range of opportunities and resources available from a location which are significantly shaped by the engagement of firms with a location. Spatial heterogeneities may substantially enhance or limit firm strategy depending on the characteristics and attributes of a location (Dai et al 2013; Goerzen et al 2013).

Research findings from emerging economies highlight the significant effects and opportunities of subnational variation for FDI. Explicitly adopting concepts from both IB and EG, Ma et al. (2013) draw upon a large dataset of Fortune Global 500 Corporations’ subsidiaries in China during 1998-2006 to show the direct and indirect influence of subnational variation on firms’ strategy and performance. While interaction between industry, corporate and home-country effects within subnational regions indirectly shape subsidiary performance, a particular feature of the direct effects of subnational variation relates to the creation and promotion of specialised industrial zones. In a similar study, Zhou et al. (2002) explored the locational determinants of Japanese FDI to 27 provinces and regions in China and found that Japanese FDI was more likely to locate in one of the numerous special industrial areas in China, including Special Economic Zones (SEZ) and Opening Coastal Cities (OCC). Importantly, Zhou et al. (2002) determined that the attractiveness of these special industrial areas held a time-dependent influence on FDI location choice (Ma et al 2013). While the uncertainty surrounding the Chinese inward investment led economic development policies and these industrial zones initially deterred investment, the continued stability of these incentives over time resulted in reduced uncertainty and greater success in attracting foreign investment (Ma et al 2013; Zhou
et al 2002). In addition to the effect of industrial zones, Zhou et al. (2002) indicated that the quality of an investment location exerted a significant effect on Japanese investment, whereby the companies were particularly sensitive to the level of infrastructure, economic and social development. Similarly, Meyer and Nguyen (2005) illustrated that Vietnamese provinces with industrial zones were more likely to attract FDI.

Furthermore, subnational resource endowments and specific governmental incentive policies were also found to strongly effect the subnational location of FDI. Head et al. (1999) studied the effectiveness of US state investment policies to attract Japanese FDI between 1980 and 1992 and found that the provision of foreign trade zones, lower corporate tax rates and job-creation subsidies encouraged the location of investment. Additionally, Meyer and Nguyen (2005) offer substantial evidence on the importance of intra-national institution variation for FDI within Vietnam. Also focusing on Vietnam as a research context, Nguyen et al. (2013) demonstrate the substantial moderating influence of subnational institutional factors on the performance of private manufacturing firms, particular their export strategy. While the primary body of work on subnational effects and variation has been conducted within emerging economies, Chan et al. (2010) engage in a unique cross-national study to compare the extent to which subnational regions can account for FDI performance across advanced and emerging economies. In their comparison of subnational variation on foreign affiliate performance within both advanced (United States) and emerging economies (China), Chan et al. (2010) highlight that subnational regions in China exhibit greater variation than those of the US, due to their status as an emerging economy. As such, while subnational effects are more distinctive within emerging economies, they are also evident within advanced economies and Chan et al. (2010) demonstrate the importance of a subnational unit of analysis as a key aspect of subsidiary performance. Equally, Chan et al. (2010) also highlight significant within-country differences, in addition to between-country differences in MNE subsidiary performance which verifies the substantial influence of subnational variation.
Due to pre-existing regional difference within the UK and the devolution of state functions to regional level, MacKinnon and Phelps (2001) identified that the re-organisation of existing state structures fails to take advantage of the potential for new, collaborative inter-regional structures. They found that the activity of subnational actors with FDI, as an important node in interpreting and transforming globalisation from below, may facilitate greater forms of inter-regional institutional collaboration. In relation to the pre-existing regional differences in the UK, Fallon and Cook (2010) found that the distribution of FDI across five different regions was strongly influenced by subnational economic diversity and a significant confluence of national and regional factors are integral in location decision making of FDI. In particular, they identified that once a decision to locate in the UK is made by a foreign investor, a combination of strategic determinants – including the search for markets, resources and efficiencies – drive the subnational or regional location choice. They therefore conclude that any targeting strategy must incorporate a more extensive and flexible design, comprised of supplier-development policies, technology development, promotion of regional education and training output, as opposed to a reliance on the “mere brokering services of regional development agencies and other government agencies” (Fallon and Cook 2010, p.348).

Another active research domain regarding spatial variation relates to the increasing interest in institutional-MNE co-evolution, which centres on the dynamic interplay of institutions and MNEs. Cantwell et al. (2010, p.580) identify the important interaction between institutions and MNE in shaping, influencing and “generating new rules of the game”. Equally, Kristensen and Morgan (2007, p.198) illustrate the active participation of MNEs within the institutional ecosystem as “major actors in the contestation and development of institutional competitiveness”. Boschma and Martin (2010) effectively demonstrate the reciprocal interaction and evolutionary engagement of firms and location over time. As such, MacKinnon and Phelps (2001, p.362) identify that the “territorial consciousness” of a region can be a significant factor in the successful discourse of subnational institutions with FDI. In light of emerging insights on subnational institutions, alongside increasing evidence of both firm and locational heterogeneities, variation in the role and interaction of subnational actors demonstrably warrants greater analysis in order to fuller understand how their potential differences may influence FDI.
This research indicates the increased need to account for subnational variation in their different approaches to engaging with FDI within an advanced economy and so, the third research questions asserts,

*Does this interaction vary between subnational locations within a single advanced country context?*

This final research question can substantially enrich understanding of the idiosyncrasies and unique attributes by which subnational actors engage with FDI. Furthermore, given the current focus on subnational variation within emerging economies, an advanced economy perspective can greatly augment the developing aspects of spatial heterogeneities and MNE-institutional co-evolution.

**Conclusions**

As the current focus on subnational actors has been largely stimulated by an interdisciplinary interest in spatiality, the opening sections of this chapter review the most pertinent theoretical frameworks within both IB and EG which relate to FDI location. Illustrating an evolving and progressive dialogue on the spatial, subnational aspects of FDI, a contemporary analytical framework on the geography of FDI is presented. Following this, significant information on the current standing of subnational actors is detailed. This research adopts a unique blend of concepts and research from both IB and EG to articulate three research questions pertaining to the capacity of subnational actors to engage with FDI. These seek to identify the key subnational actors involved with FDI, inform the processes by which they engage with FDI and explore the aspects of subnational variation facing FDI within an advanced industrial economy.

As the majority of this research has transpired from emerging economies, there is considerable evidence that further insights on the role, interaction and variation of subnational actors are required from advanced economies (Chan *et al* 2010; Fallon and Cook 2010; Perri *et al* 2013). This review of contemporary literature illustrates that a particularly nuanced focus on subnational actors within the Irish context may
be of particular value. Given the significance of recent changes in the global economy, in addition to substantial challenges facing advanced economies in engaging with FDI, the Republic of Ireland offers a valuable research context in which to explore the research aim. As such, the nuances of the national and subnational institutional and industrial context are offered in the following chapter.
CHAPTER THREE - SETTING THE RESEARCH CONTEXT

Introduction
Since the opening of the economy in the late 1950s, Ireland has successfully attracted substantial FDI as a result of national level economic policies for export-led growth. In fact, MacSharry and White (2000, p.12) discuss “how rapidly Ireland has advanced from ‘famine to feast’ and in a relatively short time”. However, in recent times, the significant effects of the global financial crisis (GFC), in addition to the competition for FDI from high growth emerging economies, such as central and eastern Europe, the BRIC economies (Brazil, Russia, India and China) and beyond, have challenged Ireland’s capacity to attract, retain and embed FDI. As a result of this radical period of success - indubitably demonstrated by the disproportionate level of FDI within the country - alongside the equally sharp contemporary challenges largely exacerbated by the GFC, Ireland arguably represents an appropriate natural laboratory in which to explore the role, interaction and variation of subnational actors with FDI.

The primary aim of this chapter is to outline and describe the rationale for selecting Ireland as a research context for this study. In so doing, the historic rise and fall of the ‘Celtic Tiger’, the role and success of FDI within the Irish economy and significant data on the current economic climate in Ireland are detailed. Additionally, given the subnational unit of analysis adopted for this study, extensive information on subnational governance structure within Ireland is also outlined.

Ireland and FDI: The origins
Ireland has explicitly harnessed MNE investment as a vehicle for economic development and Ireland’s position as one of the world’s most highly globalised economies has significantly evolved over time (Barry 2007).
Following the establishment of the Free State in 1922, political decisions on economic development within Ireland were driven by a need to assist indigenous enterprise and protect the state from foreign competition. The introduction of the *Control of Manufactures Act*, 1932 safeguarded Irish ownership and control of any new industry – foreign or domestic – that had been established within the Irish State. This industrial strategy emerged from a combination of external global economic factors, including the “globally more Depression-era environment” (Barry 2011a, p.3) and political ideologies of the Fianna Fáil government at the time, which sought an “introspective, self-sufficient Ireland” (Daly 1984, p.246). As a result of this protectionist policy, Irish economic growth stagnated during the post-war boom of the 1950s, where foreign industry bypassed Ireland to locate in Western Europe. During this time, Western Europe reported growth rates of 6% compared to less than 2% in Ireland and an employment growth rate of less than 1% (Barry 2004, 2007).

However, the late 1950s brought an unparalleled change to industrial policy, economic openness and political consensus. In 1956, *Export Profits Tax Relief* (EPTR) was introduced. EPTR generated a shift from domestically centred production towards export markets (Barry 2011a), allowing for 50% tax remission on export sales, a figure which increased to 100% in 1958. It also provided full relief for 15 years and reduced relief for another 5 years, applying to both domestic and foreign firms (Barry 2007, 2011a; MacSharry and White 2000). In 1958, T.K. Whitaker of the Department of Finance published a white paper report called *Economic Development*, which encouraged a distinct economic focus on free trade and export-led industrial development. Whitaker’s report is often regarded as the basic framework for Irish economic development and industrial policy, as it initiated a national economic recovery plan entitled the *Programme for Economic Expansion* (1959-1963) and instigated the dismantling of the previous era of protectionism (MacSharry and White 2000). Moreover, this report attained an explicit agreement of opinion on economic survival between the major political parties at the time, a consensus which began in the 1950s and has endured as a fundamental aspect of Irish economic strategy over the previous six decades (Barry 2011a). At this time, Ireland also joined the World Bank and the International Monetary Fund (IMF) (Barry 2004, 2007). As such, the late 1950s and 1960s heralded a new era for the Irish economy,
as it adopted an ‘industrialisation-by-invitation’ economic strategy and a more outward-looking attitude (Barry 2004, 2007; Daly 1984).

**Charting FDI in Ireland**

Within this export-led development strategy, a confluence of events and factors has contributed to the success of Ireland on the global economic stage (Barry 2007; MacSharry and White 2000). These are outlined below.

**Industrial Development Authority**

Irish economic growth accelerated with the establishment of the Industrial Development Authority (IDA, later renamed *IDA Ireland*) in 1949 under the remit of the Department for Industry and Commerce. Initially, the IDA was mandated to advise the government on industrial development and promote investment in Irish industry. While the focus at the time was on indigenous enterprise, an early report from the IDA outlined the foundations of positive and reciprocal relationships with foreign investors and suggested the utility of greater financial incentives to increase the amount of exports from foreign companies within Ireland. During this period, IDA experienced progressive development and White (2000) highlights the incremental expansion of the IDA towards FDI alongside the political changes of the 1950s. IDA effectively utilised EPTR as a key instrument to engage and attract foreign investors. The primary objective of the IDA was to convey that Ireland was open for business.

“Above all, [the IDA] sent two very strong signals to the international business community. Clearly, the country was pro-enterprise in the way it rewarded, rather than penalised profits and second, the twenty year tax horizon [EPTR] showed that Ireland favoured a long-term approach to investment”

(MacSharry and White 2000, p.247)

In 1969, the agency was granted status as an autonomous semi-state sponsored body with the authority to identify and promote FDI opportunities. This increased autonomy also significantly enhanced the role of IDA to include the development of
indigenous enterprise and encourage small Irish start-ups. As Barry (2007, p.279) highlights,

“Autonomy was also important because it insulated the agency from pressures to locate industry on political grounds, and because it allowed the agency to build on its success to achieve a high rank in the government hierarchy. This is also found internationally to be a condition for effectiveness in fulfilling an agency’s mandate. Reporting directly to the upper echelons of government strengthens the government’s commitment, reinforces the agency’s credibility in the eyes of business and allows the agency to develop sufficient bureaucratic, administrative and political ‘clout’ to ensure that it can effectively deliver on its promises”

However, by 1992, the Culliton report stipulated a comprehensive review of the industrial policy and with this came a call to reform and restructure the internal structure of the IDA (Culliton 1992). As such, IDA Ireland was consigned with the singular role of attracting, developing and promoting foreign investment, Enterprise Ireland was established to enhance the development of indigenous Irish enterprise while Forfás was tasked as a holding agency responsible for overseeing policy and strategy development. This fracture of the traditional agency into three separate entities sought to achieve greater circulation and success of foreign and indigenous enterprise.

The fundamental approach of IDA Ireland is to identify and target sectors and subsectors undergoing international growth, which align with the current or potential resources of Ireland. As such, the internal structure of the agency actively reflects subnational, national and international nodes of FDI. In the 1960s, IDA Ireland opened their first overseas offices in London, Paris, Cologne, New York, San Francisco and Chicago. During the 1970s, they maintained a definite presence, and continued expansion, in the US, while the first Asia/Pacific offices opened in Tokyo and Sydney. Most recently, there has been a concerted attempt to increase the presence of the IDA in Asia. Since this time, IDA Ireland have expanded their international coverage and at present, IDA have a total of 20 international offices – 4
in Europe, 6 in North America, 1 in Latin America and 9 in the Asia/Pacific (Barry 2011b). The international distribution of IDA Ireland reflects their unique and focused targeting strategy, as the key role of international executives is to identify and engage with potential investors, collect information on emerging trends and explore prospective growth sectors. This strategy has proven to be extremely successful, as evidenced by the location of key electronic, pharmaceutical and manufacturing companies to Ireland in the 1960s and 1970s, information and communication technologies (ICT) companies in the 1980s and 1990s, and most recently a focus on digital media and entertainment industries (IDA 2010; MacSharry and White 2000). From 1972, IDA Ireland identified a core commitment to regional balance of industry which is demonstrated in the subnational armatures of the agency across nine core ‘gateway’ towns in Ireland (Laffan 1996; White 2000). This commitment to geographical balance was further restated during the early 2000s and in their 2010 strategy report, where IDA Ireland adopted a more specific focus seeking stronger regional distribution of FDI (Gunnigle et al 2003; IDA 2010).

Overall, the role of IDA Ireland in the success of the Irish economy cannot be overstated (MacSharry and White 2000). Since the initial steps towards opening the economy, the IDA have pursued a resilient and focused strategy on identifying foreign investors, employing formal and informal engagement to build and enhance sustained relationships with current and prospective investors. While attempts have been made to replicate the exceptional success of the IDA (Ruane and Buckley 2006), MacSharry and White (2000) outline that it is the confluence of unique events and attributes which has propelled this agency to a powerful position on the global economic stage and a core component of the attractiveness of Ireland as a location for FDI.

**Educational Configuration**

In addition to the functional activity of IDA Ireland, White (2000, p.272) notes “one must also develop the human skills and support facilities to meet their operating requirements. And that means investment in education – human capital – as well as physical infrastructure, like telecommunications and roads”. In 1965, Ireland was involved in a study by the Organisation for Economic Co-operation and
Development (OECD) on the educational system within their member states. The publication of a subsequent report, entitled Investment in Education, identified education as a viable channel for a society to invest in its own future by cultivating the natural talent and facilitating economic growth (Barry 2007).

On the recommendation of this critical report, significant investment in educational expansion ensued in Ireland during the 1970s. The establishment of Regional Technical Colleges (now known as Institutes of Technology) offered more practically derived courses centred on the needs of industry and business and provided “a substantial intermediate layer of technicians to sustain the industrial expansion that followed on from Ireland’s relatively late industrialisation” (Barry 2007, p.282; Hannon et al 2011). The Irish government placed particular emphasis on providing extra funding for engineering and science disciplines during the 1980s and 1990s, resulting in a high proportion of graduates in these areas (Barry 2007; O’Riain 2004). Equally, MacSharry and White (2000) note the explicit, concerted and sustained relationship between the IDA and educational institutions in order to ensure an active discourse between universities and the labour related needs of industry.

Since this time, there remains a consolidated emphasis on the need for highly skilled labour as a pillar of the economy. The Expert Group for Future Skills Needs (EGFSN: 2013) ensure that Ireland maintains a forward-looking approach where knowledge and skills are actively aligned with the needs of current and prospective foreign and domestic industry. Equally, the Irish education system is marked as one of the key attractions for FDI and IDA (2010) have identified talent within Ireland as one of the four elements of Ireland’s value proposition, alongside tax regime, track record and technology. Hannon et al. (2011) have empirically demonstrated the importance of the educational system to the growth of the Irish pharmaceutical sector while Gunnigle and McGuire (2001) report that executives in US MNEs rank education and skills as the second most important attraction to Ireland, following corporation tax. Furthermore, the significance of the Irish educational system is internationally recognised as the 2012 International Institute for Management Development (IMD) World Competitiveness Yearbook ranks Ireland 1st choice for
flexibility and adaptability of workforce and 3rd for availability of skilled labour, a slip from 1st in 2012 (IMD 2013, 2012).

**Membership to the European Union**

Another relevant consideration has been Ireland’s membership of the European Union (EU). The relationship between Ireland and the EU began in earnest, as it took almost 12 years to ascertain membership. However, the gains achieved from access to, and participation with the European community accrue to economic, psychological and social benefits. For example, EU membership initially facilitated a break in the traditional dependence on the UK for trade and instigated opportunities with other economies. With access to the Single European Market, the removal of trade barriers with other EU member states resulted in the opening up of the market to almost 250 million consumers. Furthermore, as a member state, Ireland received access to funding under the Common Agricultural Policy (CAP) and Structural Funds (Barry 2007; Boyle 2000; MacSharry and White 2000). Unfortunately, accession to the EU initially challenged some of the foundational aspects of the export-led economic strategy pursued by Ireland since the 1950s. In particular, EPTR came under close scrutiny as it defied the European Economic Community (EEC) treaty regulations. It was clear that other EU states were losing out to Ireland as a direct result of the export tax provisions, and so there was enhanced pressure to alleviate this competitive advantage. While it became necessary to phase out EPTR in 1978, the Irish government responded by securing a compromise with the EU which saw a guaranteed lower tax rate of 10% for twenty years offered to recipient companies (White 2000). More importantly, a convincing marketing strategy was devised to demonstrate that Ireland had no intention of changing their tax regime, articulating a commitment to a 10% corporate tax rate until 2000 (Barry 2007). Despite these challenges, membership to the EU community greatly supported Ireland’s position as an attractive location for FDI by conveying cohesion and access to the European market. The 2012 the IBM Economic Intelligence Unit (EIU) *Investment in Ireland* report noted that 46% of respondents named market access to the EU as a key reason to locate in Ireland, particularly for investment from the United States (EIU 2012).
Barry (2004, 2007) summarises the industrial policy and economic activities across four distinct phases by effectively charting institutional co-evolution of FDI within Ireland (See Table 3.1). Since the 1950s, the economic development strategy of ‘industrialisation-by-invitation’ has prioritised the attraction of FDI. This policy reflected an export-led developmental strategy whereby substantial financial incentives, low corporate tax, a low cost base and a specifically driven agenda by IDA Ireland, were used to encourage FDI to locate in Ireland (Barry 2007). Over the next two decades, these factors were accentuated by a concerted focus on upgrading the educational system and entry into the EU. The country’s success in attracting MNEs, particularly US companies, and using foreign investment as a catalyst for economic growth is manifest in the disproportionate numbers of MNEs located in Ireland and consistently high levels of inward FDI from the early 1960s (Rios-Morales and Brennan 2009).

Table 3.1: Irish Trade Integration

<table>
<thead>
<tr>
<th>Phase of Activity</th>
<th>Period</th>
<th>Characteristic of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>(late 1950s – 1973)</td>
<td>From Protectionism to EU Accession</td>
</tr>
<tr>
<td>Phase 4</td>
<td>Recent Times</td>
<td>Science, Technology and Innovation Policy and the Offshoring of R&amp;D functions</td>
</tr>
</tbody>
</table>

Source: Barry (2007, pp.264-272)

Success of FDI in Ireland

During the 1990s, the congruence of these internal and external factors, resulted in an upsurge of inward FDI flows and enhanced productivity of MNEs located in Ireland which in turn, propelled economic growth. As such, Kennelly et al. (2012, p.1215) reported that during the 1990s, “Ireland quickly received attention around the world as a poster-child example of successful economic transformation”. Exponential
growth levels, sometimes exceeding 10 per cent per year, saw the Irish economy become popularly referred to the ‘Celtic Tiger’. Brennan and Verma (2010, p.1) defined the ‘Celtic Tiger’ as “an era of rapid economic growth, rising living standards and full employment”. In 2000, the IMD World Competitiveness Yearbook ranked Ireland the world’s 5th most competitive economy, achieving particularly strong scores in education, government and technological capacity (IMD 2000). However, several recent reports have profiled the period prior to 2000 as the “true Celtic Tiger” (Honohan 2009, p.2; McHale 2012), highlighting that economic growth in Ireland from 2002-2007 was fundamentally property-driven.

More recently, Ireland has been identified as one of the world’s most FDI-dependent economies and was recently ranked the second most economically globalised country in the world (KOF 2010). In 2010, Ireland had the fifth highest ratio of inward FDI stock to gross domestic product (GDP) amongst OECD nation states and the highest ratio of employment in foreign subsidiaries (OECD 2010). In 2011, Ireland was placed just after Singapore as the second-largest recipient of FDI jobs per inhabitants (IBM 2011), where it secured 228 greenfield FDI investments and 40 merger and acquisitions (United Nations Conference on Trade and Development: UNCTAD 2012). In 2012, Ireland was ranked fifth in the UNCTAD FDI Attraction Index, from a previous position of 13, which rates a country’s success in attracting FDI over a rolling three-year period (UNCTAD 2012). More importantly, Ireland is only one of two developed countries to appear in the top ten of this index and ranks ‘above expectations’ in the FDI potential index (UNCTAD 2012).

Ireland has been particularly successful in attracting investment in the areas of ICT, life sciences, financial services and globally traded business (Deloitte 2013; IDA 2010; KPMG 2012). In 2010, it was identified that Ireland played host to several leading global operations, including 8 of the top 10 ICT companies, 8 of the top 10 pharmaceutical companies and 15 of the top 20 medical device companies (IBEC 2010). Ireland was also ranked as one of the world’s top 20 digital economies in 2010 (IBM 2010). Historic linguistic and cultural links to the US have resulted in a significant presence of American MNEs in Ireland. For example, US FDI inflows to Ireland were estimated at US$18 billion in 2010 (OECD 2011) where 60% of MNEs
located in Ireland were US-based (Brennan and Verma 2010; IMI 2009). Since the 1990s, US corporate investment to Ireland has resulted in a cumulative figure of over $189 billion, which is significantly higher than US investment in the combined BRIC economies of Brazil, Russia, India and China ($159 billion) (Quinlan 2011). In the last year, US FDI stock in Ireland was much larger than US investment to South America ($148 billion) (Quinlan 2012). Of this, US investment to Ireland’s information sector (software, data processing, telecommunications) increased by 30% in 2011 (Quinlan 2012). In fact, Quinlan (2012, p.12) effectively illustrates that Ireland “serves as a strategic beachhead to the rest of the world for US multinationals”.

However, recent changes in the global and Irish economy have challenged Ireland’s ability to attract and retain FDI – including the global financial crisis (Brennan and Verma 2010), greater geographical competition for FDI (UNCTAD 2010), pressure on Ireland’s low corporation taxation regime (Barry and Bergin 2012) and high production and labour costs accrued during the ‘Celtic Tiger’ (Brennan and Verma 2010).

**Contemporary Challenges facing Ireland**

Despite the significant success of the Irish economy since the 1960s, there are many challenges now facing Ireland which call into question its capacity to sustain attraction and retention of FDI.

**Ireland and the GFC**

Prior to 2007, UNCTAD reported that there was a year-on-year increase in the level and activity of global FDI – particularly with increased FDI inflows to developing countries, record values of cross-border mergers and acquisitions and notable growth of MNEs – with global FDI flows for 2007 reaching an all-time high of $1,833 billion (UNCTAD 2008). This uninterrupted economic growth experienced globally from 2003-2007 resulted in economic activity reaching a peak in 2007 which, in turn, deepened the negative effects of the impending downturn. While an economic
downturn had been predicted in some quarters, its global scale, severity and longevity has exceeded all expectations.

The preconditions of the current GFC have been identified by the IMF as years of high growth and low interest rates, excessive industrial risk-taking, failures in domestic and international financial regulation and overall global oversight by financial institutions (IMF 2009). Furthermore, the roots of the crisis can be traced to the US in particular, where the sub-prime mortgage crisis destabilised international financial markets and dramatically increased the cost of credit (IMF 2008). The IMF Economic Outlook (2008) cautioned that economic downturns tend to be more hard-hitting when associated with banking crises, as the duration tends to be longer and the severity is more intense. The GFC initially took hold in the final quarter of 2007, when economic activity began to decelerate and since this time, the global economy has experienced a downturn unprecedented in scale since World War Two (see Figure 3.1).

**Figure 3.1:** Global FDI inflows, average 2005-2007, 2007-2014

![Graph of Global FDI inflows, average 2005-2007, 2007-2014](image)

*Source: UNCTAD (2013a)*

Global GDP contracted by 6% in 2008 and the impact of the GFC was discernible in almost all economies (UNCTAD 2009). GDP continued to fall in 2009. In 2011, global FDI inflows rose by 16% compared to the 2010 equivalent as a result of higher profits from MNEs and high economic growth within developing countries (UNCTAD 2012). In 2012, global FDI inflows fell one fifth to 18%, resulting in a
similar level to that of 2009, which is dramatically lower than expected in previous predictions for the same year (UNCTAD 2013b). As such, FDI recovery, which began in earnest in 2010 and 2011 may now take longer than originally expected. The most recent figures from the UNCTAD *Global Investment Trends Monitor* illustrate a slowdown in FDI recovery for 2012 in the aftermath of GFC, attributing to factors such as the structural weaknesses in major developed economies, concerns regarding the global financial system particularly the Euro-zone and US fiscal cliff, policy fragility in areas such as fiscal policy and investment regulations, and investor uncertainty regarding an unpredicted relapse in recovery (UNCTAD 2013a).

In 2008 only 40% of MNEs reported being affected by the crisis, but by 2009 some 85% of MNEs identified the GFC as the key reason for cutbacks in investment (UNCTAD 2009). FDI flows fell substantially as a result. While global FDI flows in 2011 had increased to $1.5 trillion dollars, exceeding the pre-financial crisis figures for 2005-2007, the primary reason for this growth was attributed to MNE activity. MNEs employ almost 69 million workers worldwide and thus, represent a key element within the economic upturn (UNCTAD 2012). As a small country on the periphery of the EU with a disproportionately large number of resident MNEs, the representation of Ireland on the global economic stage is heavily premised on the level and activity of FDI. Thus, the effects of the GFC have been significantly evident within Ireland with substantially more significant and detrimental ramifications.

Prior to the GFC, Ireland was noted as one of the most MNE-dependent economies in the world (Barry 2004, 2007; UNCTAD 2007). However, from the early 2000s, it is believed that Ireland began to engage in an alternative cycle of economic growth, a “property, price and construction bubble” (Honohan 2009, p.1) and for these domestic reasons, Ireland was in a very vulnerable position with the onset of the GFC (Kennelly *et al* 2012; McHale 2012). In 2008, the Irish Central Statistics Office (CSO) revealed that Ireland was the first country in the Euro-zone to enter recession (CSO 2008). The IMF described the severity of Ireland’s recession as the worst in the advanced world, due in large part to its status as one of the world’s most economically globalised economies with a huge reliance on international trade and
investment, but equally a function of overdependence on construction activity and personal consumption combined with reckless lending in the banking sector (Honohan 2009; IMF 2009; McHale 2012). Table 3.2 and Figure 3.2 illustrate the comparative effect of the GFC on Ireland prior to, and during the downturn.

**Table 3.2:** GDP in selected countries, 2000-2013

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
<th>2013 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>27 EU member states</strong></td>
<td>9,200,992</td>
<td>12,406,298</td>
<td>11,754,457</td>
<td>12,642,398</td>
<td>13,086,459</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>105,774</td>
<td>188,729</td>
<td>161,205</td>
<td>161,037</td>
<td>167,372</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>1,600,206</td>
<td>2,063,475</td>
<td>1,573,465</td>
<td>1,746,587</td>
<td>1,940,659</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>10,774,686</td>
<td>10,236,191</td>
<td>10,018,425</td>
<td>10,830,244</td>
<td>12,383,580</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>5,125,766</td>
<td>3,181,241</td>
<td>3,614,690</td>
<td>4,241,377</td>
<td>4,382,080</td>
</tr>
</tbody>
</table>

*Source: Eurostat (2013); (f) = forecasted*

**Figure 3.2:** Real GDP rate, 2005-2014

As illustrated above, the sharp downturn in the Irish economy began in 2008 and significantly deteriorated in 2009. 2010 saw a slowdown in the pace of economic contraction. However, in an early report for 2013, UNCTAD highlight that Ireland has “bucked the trend [the global decline in FDI inflows] and saw FDI inflows
increase… With the return of stability and confidence in the Irish economy, which was severely impacted by the banking crisis in 2008, there has been a revival of transnational corporation activity in the country” (UNCTAD 2013a, p.4). Duffy and Timoney (2013) note that the Irish economy stabilised in 2012 with GDP increasing by 0.9% while early reports in 2013 caution that the standardised unemployment rate has stabilised at an unwarranted 13.5% after continuing increments over the last five years (CSO 2013; Morgenroth 2013).

Although Ireland still remains in a difficult position, economic recovery has largely been driven by export-led growth, primarily due to the MNE sector, with 90% of exports in 2010 from agency-assisted foreign owned companies (Forfás 2012a; Brennan and Verma 2012). Barry and Bergin (2012, p.1291) refer to Irish exports as the “sole engine of growth for the foreseeable future”. Equally, McHale (2012) notes that the success and strengths accrued by Ireland during the ‘Celtic Tiger’ years have cushioned the effects of the GFC, and facilitated a quicker recovery. In fact, the impact of the GFC has been viewed as a potential avenue to regain a comparative advantage in making Ireland a more attractive location for FDI for a number of reasons.

“Ireland’s reputation has not suffered as a result of the country’s EU-IMF agreement on a financial assistance package. Ireland’s policy consensus in relation to FDI is a critical factor in sustaining Ireland’s FDI attractiveness, alongside an innovative and resourceful workforce, low corporate tax, strong manufacturing and compliance track record, and a high-standard R&D infrastructure”

Brennan and Verma (2012, p.5)

The influence and effects of the GFC are crucial when framing Ireland as a research context for a study on FDI, particularly given the presence, role and contribution of MNEs to the Irish economy. Equally, the resilience of Ireland is substantially buttressed by a concerted acknowledgement of a problem, a direct and honest response to the issues and concerns of international investors and an active plan for recovery. In fact, a recent report by the EIU note that, in a survey of over 300 senior executives, the majority were confident that the Irish government were engaging in a positive response to the GFC, with clear priorities and actions (EIU 2012).
Cost Competitiveness

While the period of the ‘Celtic Tiger’ generated exponential growth, it also left a surplus of high labour and production costs in Ireland. During the ‘Celtic Tiger’, the cost of commercial property – a house, an office, a piece of land – grew year on year and while these, and the costs of business-to-business services, fell significantly in 2009 (IBEC 2010), they remain comparatively higher than other locations (Forfás 2011a, 2012a). Given the harsh economic reality, personal income and living standards in Ireland have also decreased (Forfás 2012a). While the OECD report that unit labour costs in Ireland have continued to fall since 2007 (OECD 2012) (see Figure 3.3), this figure does not reflect the exceptionally high unemployment rate in Ireland (CSO 2013).

Despite these significant improvements in cost competitiveness, the 2012 EIU report noted that Ireland is still perceived as an expensive location to do business by senior executives (EIU 2012). The government are heavily in debt, with a number of tough budgets being outlined and executed since 2009 in an attempt to reduce the government deficit. A marginal surplus in Ireland’s current account balance is the result of some important pro-competitive steps adopted by the Irish government in recent years (Forfás 2012a). However, Forfás note that the current rise in competitiveness is due to cyclic effects, rather than structural reform which highlight the risk that these costs may rise again in the future (Forfás 2011a, 2012a).
**Figure 3.3:** Seasonally adjusted unit labour costs from 2007-2012, total change in percentage

![Chart showing unit labour costs](chart.png)

*Source: OECD (2012)*

**Tax Harmonisation**

In light of the EU-IMF Programme for Financial Support, it has been noted that the Irish corporate tax rate represents the sovereignty of Ireland (EUI 2012). A review on *Investing in Ireland* accurately identifies that while the attractive and positive taxation climate in Ireland is premised on the headline rate of 12.5%, it also includes other incentives such as double taxation treaties, tax credits, transfer-pricing and sector-specific incentives (EUI 2012). In fact, 46% of respondents to this EIU survey highlight that while low corporate tax rate is the most important fiscal government incentive for foreign investors, the additional aspects of the taxation system also contribute to creating an environment conducive to investment. For example, the report highlights a growing anxiety regarding imbalances within the personal tax system which may deter investment and may possibly impede the transfer of senior talent to Ireland (EUI 2012).
Furthermore, in addition to these concerns, there has been considerable pressure from the EU to change the tax regime within Ireland and the EU Commission has actively sought tax harmonisation in previous years (Barry 2010). Given the criteria of the EU-IMF Programme for Financial Support, there was a renewed demand on the Irish government to increase the corporate tax rate as a means of reducing the impact of the EU-IMF agreement. However, rather than adhere to this ‘race to the bottom’ argument, the IMF supported the instrumental role of low corporate tax rates in generating export-led growth for Ireland. Nevertheless, consistent pressure from the EU to introduce a common consolidated corporate tax base is a continued threat, and one which would be destructive to Ireland’s capacity to attract and retain FDI (Barry and Bergin 2012). Equally, since the Obama administration came to power in the US, there has been considerable speculation to changes to the taxation system for US MNEs (Barry and Bergin 2012). Even as recently as May 2013, there was additional inquiry into the taxation policies utilised by the Irish government to attract and assist foreign owned companies, as the US administration reported that Apple Inc. negotiated a corporate tax rate of less than 2% in Ireland to avoid high income tax in the US (Burke-Kennedy 2013). As such, increased pressure and exposure of the Irish tax climate has significantly heightened in recent times.

**High Growth Emerging Economies**

Within this volatile period of global downturn, a fundamental trend for FDI has been increased investment and activity in developing countries. The market for FDI is highly competitive as all countries seek to attract, retain, develop and enhance FDI within their economy. Technological advances, lower transportation costs, increased skills and intellectual capital, growing mergers and acquisitions, international joint ventures and cross-border alliances between MNE units and subunits has resulted in a changing geographical landscape for FDI (Dunning 2009). The role of emerging economies within this space, as ‘quasi-societal experiments’ (Meyer and Gelbuda 2006, p.144), illustrates the increased level of international competition for FDI.
Over the past decade, FDI inflows to developing countries has surpassed developed countries, reaching US$680 billion which is the second highest level recorded and exceeding developed countries by US$130 billion (UNCTAD 2013a). Recent figures highlight that the BRIC economies play an important role in the changing patterns of global investment (UNCTAD 2013c). Between 2003 and 2007, FDI inflows to the BRIC economies intensified with almost half going to China, followed by Brazil, Russia and finally, India, and investment to these economies were relatively resilient to the GFC compared to the developed economies (UNCTAD 2013c). Equally, while FDI outflows from developing countries suffered a decline in 2011, figures demonstrate that it is at its second highest level in history which marks a significant shift in FDI trends. Furthermore, competition from Central and Eastern European countries for FDI is also a significant threat to Ireland (Barry and Hannan 2001).

While the IDA highlight the BRIC economies as a viable source of new investment, with 20% of intended greenfield investments believed to originate from high-growth emerging markets and beyond by 2014, they also recognise the potential threat imposed from these economies (IDA 2010).

While Ireland remains an attractive location for investment, with decreasing costs, a supportive pro-enterprise regulatory environment and a reasonably highly skilled workforce, the current fiscal and economic constraints facing Ireland illustrate a need to explore alternative avenues to sustain foreign investment (Brennan and Verma 2010). Ryan and Giblin (2012) advocate that a more concerted understanding of the tangible and intangible capacities within the Irish economy are required to determine the strengths on which a sustainable economic future can be built. Recently, Forfás (2009) have espoused a regional economic development strategy for Ireland, emphasising the potential of subnational, local resources as a driver for sustaining economic growth. As such, one potential avenue to regaining and retaining foreign investment rests in the subnational and local context, particularly the capacity of subnational actors in engage with FDI.

**Subnational Governance in Ireland**

With the opening of the economy in the late 1950s, Ireland established a number of state-sponsored agencies to foster industrialisation, govern economic development
and enhance job creation prospects at a subnational level - the key agency being the subnational offices of the IDA, but also relating to regional development agencies. The following sections outline the formal subnational governance structures in Ireland and the traditional regional development structures.

**Formal Subnational Governance Structures**

As the origins of formal local structures and policies in Ireland were first driven by the Local Government Act, 1898 and essentially modelled on the British System, the county was identified as the basic unit of local governance. In terms of traditional subnational infrastructure, the Republic of Ireland has 26 counties, which Laffan (1996, p.322) notes offer the “critical focus for collective identity” for Irish people. A local authority resides within each county, with some counties having two authorities due to their size and/or the presence of a city. Their primary role lies in the provision of local government services at a county and city level, principally the delivery and maintenance of physical infrastructure in the locality, such as planning, water supply, sewerage and roads. However, significant changes to the role and functions of local authorities have occurred since their origin. Following the foundation of the Free State in 1922, many of the functions of local governance were integrated to national level institutions and central administration. Since the 1950s, several reports have advocated the need for local government reform, many of which have instigated acts, and amendments to acts, on issues such as housing legislation, planning and development, sewage and waste disposal and water supply. Finance, in particular, reflects a persistent, constraining factor for local authorities. In 1977, the capacity of local authorities to raise independent funds through local rates was removed, and since this time, local authorities have been fully financially dependent on central government (Laffan 2006). State grants to substitute for local rates have served to further reduce the autonomy of local authorities. As a result, Ireland is considered a highly centralised administration, with approximately 94% of all public expenditure decisions made at national level (O’Broin and Waters 2007).

Within the Irish governance system, the term ‘region’ pertains to a collection of counties. In 1991, the Local Government Act made provisions for the establishment of regional structures within Ireland and regional authorities were created in 1994,
comprised of nominated members elected from the local authority within their jurisdiction. There are eight regional authorities – Border, West, Midlands, Midwest, Southwest, Southeast, Mideast and Dublin. Each regional authority has two main functions; to coordinate public service provision and to monitor the administration and delivery of EU structural funds assistance to the region. The statutory role of the regional authorities was further enhanced under the Planning and Development Act, 2000, where these actors were responsible for the adoption, implementation and monitoring of Regional Planning Guidelines which offered a clear outline of linear planning from national to county level. In addition to this, two regional assemblies were established in 1999 – the Border, Midlands, West Regional Assembly (BMW) and the Southern and Eastern Regional Assembly (S&E) – under the Nomenclature of Territorial Units for Statistics (NUTS) III system of regional subdivision by the European Union (Eurostat 2011). The regional assemblies were created in response to a call from the Agenda 2000 European Structural Fund, where Ireland would no longer qualify for Objective 1 funding from the EU (Boyle 2000). After significant lobbying for the retention of Objective 1 funding, the government decided to separate the country into two discrete regions – the BMW Region, which retained Objective 1 status as a ‘Phasing-In’ region, and the S&E region, which was considered a transition ‘Regional Competitiveness and Employment’ region or Objective 2 (Boyle 2000; IRO 2006; Moylan 2009). The role of the Regional Assemblies are similar to that of the Regional Authorities, in that they coordinate, manage and disseminate EU funding within the region. As these regional bodies emulated from the criteria for the EU cohesion policy and were primarily established to attract EU funding, their governance role is largely elusive (Boyle 2000). Laffan (1996, p.336) notes that these regional structures “were and remain artificial constructs with weak political and administrative underpinnings”. Equally, Boyle (2000, p.741) highlights that “the Irish state is comprised of two tiers, central and local, and as such, is one of the few states in Europe to lack any meaningful form of regional government”. The formal subnational governance system can be summarised in the following table (Table 3.3)
Table 3.3: Structure of subnational governance in Ireland

<table>
<thead>
<tr>
<th>No. of Institutions</th>
<th>Category of Subnational Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Regional Assemblies (BMW Regional Assembly and S&amp;E Regional Assembly)</td>
</tr>
<tr>
<td>8</td>
<td>Regional Authorities (Border, Dublin, Mideast, Midlands, Midwest, Southeast, Southwest, and West)</td>
</tr>
<tr>
<td>34</td>
<td>Local Authorities, which consist of a variety of groups such as</td>
</tr>
<tr>
<td></td>
<td>• County/City Councils</td>
</tr>
<tr>
<td></td>
<td>• City/County Development boards</td>
</tr>
<tr>
<td></td>
<td>• Vocational Educational Councils</td>
</tr>
<tr>
<td></td>
<td>• Enterprise Boards</td>
</tr>
<tr>
<td>80</td>
<td>Town councils</td>
</tr>
</tbody>
</table>

Source: O’Broin and Waters (2007)

Given the strongly centralised nature of the Irish governance system, formal subnational governance operate with limited autonomy and decision-making power (Boyle 2000; Monaghan 2012; O’Broin and Waters 2007). In fact, Laffan (2006) notes that local government has no role in economic policy or industrial development. However, the Local Government (Planning and Development) Act, 1963 identified the potential for subnational and regional actors to engage in physical planning and also, their significant role as a vehicle for economic development at regional level. This represents the origins of a significant departure between formal subnational governance and those structures assigned to regional development in Ireland.

**Traditional Structures of Regional Development**

Fuelled by the 1952 Underdeveloped Areas Act, the 1950s were a significantly active period for regional development in Ireland where economic development, competitiveness and the attraction of foreign investment were high on the agenda. In addition to the creation of the IDA, two large regional development agencies were established to enhance regional economic development through private enterprise.
(Moylan 2009; National Economic and Social Council: NESC 1975). The following section describes the establishment and activity of two regional development agencies in Ireland, the creation of which were very much steeped in industrial, economic and structural changes. Additional changes and perspectives on regional development are also discussed.

**Údarás na Gaeltachta**

Established in 1958, Údarás na Gaeltachta was sanctioned to enhance employment opportunities and foster socioeconomic development within areas where the Irish language (Gaelige) is predominantly spoken. As a result of its linguistic orientation, the geographical spread of the Gaeltacht region is quite dispersed. The core of the region is along the Western seafront, but also comprises of smaller geographical areas in both the South and Midlands of the country. These areas are quite rural with just 2% of the Irish population located in the Gaeltacht region. Given its primary activity in the West of Ireland, the Gaeltacht region has been aligned with the EU NUTS II West region for the purpose of this study (See Figure 3.4).

Governed by the Department for Arts, Heritage and the Gaeltacht, the foundational ethos of Údarás na Gaeltachta is primarily focused on socioeconomic and linguistic development. As such, industrial development within the larger Gaeltacht/West region was largely coordinated and conducted by subnational offices of the IDA. Nevertheless, Údarás na Gaeltachta has the authority to offer financial assistance, in the form of industrial grants and subsidies, to both indigenous and foreign-owned companies within their remit. The level of FDI within the Gaeltacht region is quite low, with four MNEs identified out of 27 companies in their 2009 Annual Report. In particular, the Gaeltacht/West region contributes a significantly higher percentage of traditional industries such as agriculture, forestry and fishing, but also market and non-market services (CSO 2012). The growth of market and non-market services to the Gaeltacht/West can be attributed to the emergence of two significant clusters in

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1 Beugelsdijk and Mudambi (2013) highlight that NUTS regional data is often used within IB as the data is readily available. However, they also suggest the need to move beyond these formal administrative structures in order to gain a more nuanced and holistic understanding of economic activity across geographical space.
the urban centre of the region in recent years, namely medical devices and ICT (Das and Ryan 2010; Giblin and Ryan 2012). As such, there is evidence of FDI in sectors such as life sciences, medical devices, aquaculture and ICT within the Gaeltacht/West region.

**Figure 3.4:** Traditional regional boundaries of the Gaeltacht/West and Shannon/Midwest regions

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**Shannon Development**

The establishment of Shannon Development was largely premised on the increasing activity of a regional, custom free airport which offered a strategic stopover location for the refuelling of transatlantic flights between Europe and the US during the mid-20th century. In 1957, Shannon Development was mandated with the role of industrial development in the region surrounding the airport – Shannon Free Zone (SFZ) - in addition to a tourism promotion role for the wider region and the management of local initiatives. Shannon Development was formally incorporated as a regional development agency in 1959 under the Department of Industry and
Commerce (now the Department for Enterprise, Jobs and Innovation). The geographical space under the governance of Shannon Development relates to the Midwest of Ireland (See Figure 3.4), taking in parts of five different counties and accounting for 11% of the Republic of Ireland population. With both an international airport and low labour costs, Shannon Development were authorised to provide special, more favourable tax incentives and arrangements for manufacturing and export-orientated companies to locate in the SFZ. These tax incentives have been largely credited with the initial attraction of FDI to the Shannon region and as such, the region has a traditionally strong industrial base of manufacturing, engineering and ICT MNEs (Callanan 2000; CSO 2012).

With the establishment of a dedicated regional development agency (Shannon Development) and a unique industrial zone (SFZ) during the late 1950s, the Shannon region has been heralded as an international exemplar of regional development. This model is often referenced in relation to the economic policy adopted by China in the development of SEZ and OCC (Callanan 2000). While it was originally established with distinct autonomy from the government, an NESC report highlighted that by 1970 industrial activities of Shannon Development were integrated with those of the IDA whereby Shannon Development was considered an agent for the national organisation within the Midwest of Ireland. Nevertheless, both agencies continued to work collaboratively to attract foreign investment to Ireland, with Shannon Development focused on solely promoting their regional jurisdiction. However, by 1978 there was further organisational alignment between Shannon Development and the IDA, where the government outlined a policy to provide IDA with responsibility for medium and large industry outside of SFZ and the remit of Shannon Development was reduced to concentrating on small industry within the zone (Callanan 2000). Additionally during this period, a 12.5% tax rate was extended to all of Ireland with Shannon Development losing their unique tax incentive.

This cooperative relationship continued until the early 1990s when, in response to the Culliton Report (1992), the activities of Shannon Development were further curtailed. As a result of the report, their industrial development activities were solely confined to established companies in the SFZ and the IDA received the sole mandate
to promote Ireland as a location for FDI on both a national and international scale, including the areas previously under the remit of Shannon Development. Despite these substantial changes to the remit of Shannon Development, in 2010 the Shannon region hosted almost 120 indigenous and foreign-owned companies in over 57 business parks in the area, including the SFZ adjacent to the airport. In terms of FDI presence, Shannon Development offered assistance to 69 MNEs of the 118 companies within their subnational remit (Monaghan 2012; Shannon Development 2011).

Despite the establishment and activity of Údarás na Gaeltachta and Shannon Development, the achievement of balanced regional economic development has been fraught with changes and complexities and the comparative activities of these two regional development agencies have been considerably multifaceted. While both were established in the late 1950s to enhance employment and industrial development within their respective regions, Údarás na Gaeltachta and Shannon Development have witnessed significantly different trajectories over time. While the following data illustrates quite a similar picture of socioeconomic data (Table 3.4), distinct differences between the Shannon/Midwest and Gaeltacht/West regions in terms of industrial heritage and institutional infrastructure offer significant locational diversity for FDI.
Table 3.4: Data on the Shannon/Midwest and Gaeltacht/West regions in Ireland

<table>
<thead>
<tr>
<th></th>
<th>Shannon/Midwest Region</th>
<th>Gaeltacht/West Region</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area</strong></td>
<td>8,248.64km</td>
<td>13,801km</td>
</tr>
<tr>
<td><strong>Population (% of national population)</strong></td>
<td>8.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td><strong>Population Density</strong> (Population per sq. km)</td>
<td>21</td>
<td>31</td>
</tr>
<tr>
<td><strong>FDI</strong></td>
<td>94</td>
<td>61</td>
</tr>
<tr>
<td><strong>Employment in Foreign Owned Enterprises</strong></td>
<td>14,477</td>
<td>18,039</td>
</tr>
<tr>
<td><strong>% Employed in Foreign Owned Enterprises</strong></td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Gross Value Added (GVA) at Basic Prices</strong></td>
<td>7.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>Main sectors</strong></td>
<td>Manufacturing</td>
<td>Biomedical and Life Science</td>
</tr>
<tr>
<td></td>
<td>Financial Services</td>
<td>ICT</td>
</tr>
<tr>
<td></td>
<td>Aviation</td>
<td>Entertainment and Media</td>
</tr>
<tr>
<td><strong>Regional Development Agency</strong></td>
<td>Shannon Development (1959)</td>
<td>Údarás na Gaeltachta (1958)</td>
</tr>
<tr>
<td><strong>Governing Authority</strong></td>
<td>Department of Jobs, Enterprise and Innovation</td>
<td>Department of Arts, Heritage and the Gaeltacht</td>
</tr>
<tr>
<td><strong>EU Regional Status</strong></td>
<td>Objective II – Transition Region ‘Regional Competitiveness and Employment Objective’</td>
<td>Objective I – Phasing-In Region ‘Convergence Objective’</td>
</tr>
</tbody>
</table>

*Source:*  
1 CSO (2011)  
2 IDA Ireland (2012)  
3 Forfás (2012b)  
4 CSO (2010a)  
5 IRO (2006)
Moylan (2009, p.45) notes that while regional development agencies “represent a specific form of regional economic governance…. as part of the quango sector, [they] are open to charges of weak democratic accountability”. This is no more evident than in the significant change to the remit of these regional development agencies over time. At the beginning of this study, Shannon Development was wholly responsible for property development and tourism across the Shannon/Midwest, and industrial development contained to the SFZ. However, in May 2012, the Department for Jobs, Enterprise and Innovation (DJEI) announced that the enterprise remit for Shannon Development was to be officially transferred to IDA Ireland and Enterprise Ireland and the remit for tourism transferred to Fáilte Ireland, while the agency itself was to be merged with Shannon Airport Authority within the region (DJEI 2012). Equally in early 2010, Údarás na Gaeltachta were actively engaged in industrial, linguistic and socioeconomic development across the Gaeltacht/West region. Their remit, however, became more focused in May 2011 when Údarás na Gaeltachta was mandated to coordinate and implement the 20-year strategy for the Irish Language 2010-2030. As such, the industrial activities of both of these agencies have been significantly curtailed and restructured since their origin in the late 1950s.

The rationale for illustrating and exploring the traditional origins and evolution of the Shannon/Midwest and Gaeltacht/West regions, in addition to the changing activity of Shannon Development and Údarás na Gaeltachta relates to the importance of local characteristics in shaping economic activity (Beugelsdijk and Mudambi 2013). As effectively emphasised by Essletzbichler and Rigby (2007, p.565):

“Regions are not static entities, however, they evolve over time as the endogenous population of economic agents and their characteristics shift, and as those agents deliberately try to influence the organisational and institutional environment within which they operate... Indeed, as characteristic bundles of agents and place-specific attributes, regions increasingly become central to the strategies of economic agents, as spaces of contestation with resources to control or when conditions dictate as spaces that can be remapped, shifting the boundaries of competition in particular directions”
Given unique characteristics of industrial heritage and institutional infrastructure in both subnational regions, they present an appropriate context in which to comparatively explore the capacity of subnational actors to engage with FDI.

**Conclusions**

Ireland represents a suitable research context in which to explore FDI. Since the pursuit of an ‘industrialisation-by-invitation’ export-led development strategy in the late 1950s, with a low corporate tax, highly skilled and flexible labour force, membership to the EU, political and industrial stability and an active industrial promotion agency, Ireland has been a sanctuary for MNEs. However, considerable challenges have emerged and escalated in recent times which contest Ireland’s capacity to attract, retain and embed FDI. In light of this and the increasing importance of the subnational environment for MNEs, there is evidence of subnational economic competitiveness, on both the national and international platform (Chan et al 2010; Forfás 2009, 2012; Meyer and Nguyen 2005). Given the rich presence of FDI within Ireland, in addition to the aligned response of national level institutions to the changing contours of investment over time, there is considerable merit in exploring the potential for subnational actors to embark on a similar endeavour.
CHAPTER FOUR - METHODOLOGY

Introduction
While the previous chapters outlined the theoretical base and research context, this chapter concentrates solely on the methodological approach to this study. Designed to provide a background and detailed insight to the empirical fieldwork conducted, this chapter serves to outline all aspects of data collection and analysis, including the rationale for the research design, selection of research tools and subsequent development and application of these tools, in addition to highlighting the challenges and obstacles which were confronted.

Research Aim
Firstly, in order to contextualise the methodological choices of this research, it is important to revisit and underline the overall aim of this research. Premised on the cross-fertilization of theoretical and conceptual insights from IB and EG, this study seeks to extensively explore the capacity of subnational actors to engage with FDI within an advanced economy. In order to address this overall aim, a number of research questions emerge.

1. Who are the key subnational actors involved in FDI within an advanced economy context?

2. How do subnational actors engage with FDI within an advanced economy context?

3. Does this interaction vary between subnational locations within a single advanced country context?

The central assertion of empirical research is that the overarching aim and research questions fundamentally drive all other aspects of the research strategy and design (Bryman and Bell 2011; Edmondson and McManus 2007). Given the exploratory nature of this study, an interpretivist research approach with a multi-method design is adopted which combines SNA with semi-structured interviews to triangulate and interpret the findings across two subnational cases within Ireland. The specific details of this approach are now discussed.
Research Approach

Prior to implementing this methodology, significant dimensions of the philosophical underpinnings, paradigms and subsequent research strategy were considered. The ‘research journey’ involves a logical and sequenced, yet dynamic, process of engaging with a contemporary area of study, developing clear and testable research questions, considering the most appropriate research approach, strategy and design and carefully selecting the research methods (Bryman and Bell 2011; Edmondson and McManus 2007; Lee and Lings 2008; Saunders et al 2009). In order to ensure this alignment, a number of important assertions were required to define the overall philosophical assumptions underlying the research. In particular, this serves to outline and substantiate the frame of reference assumed by the researcher for the subsequent research study. Social science research distinguishes between two competing paradigms in the study of knowledge – positivism and interpretivism.

**Positivism**

A positivist position assumes a scientific perspective on the study of social reality, whereby methods of the natural sciences are applied to and guide social science research (Bryman and Bell 2011). As such, positivism tends to advocate a more clinical, objective assessment of knowledge. As a detached observer (Brannick and Coghlan 2007), social phenomenon are recorded and reported, analysed and described by the researcher. Derived from strong and mature theory, the testing of hypotheses is generally conducted through the use of quantitative methods and statistical analysis, seeking to produce generalizable findings. Quantitative data is generally driven by deductive theory, whereby a hypothesis is built from previous literature which propels the collection and empirical analysis of data. IB research has long been associated with a positivist tradition given the use of large quantitative datasets which provide significant statistics for theory testing and development (Birkinshaw et al 2011; Vaara and Tienari 2004).
Interpretivism

Interpretivism offers an alternative perspective to that of positivism, in that it refutes the belief that social reality is analysed through a scientific lens. Illustrating the distinctiveness of social phenomena, an interpretivist approach is premised on the subjective nature of research (Bryman and Bell 2011). Brannick and Coghlan describe an interpretivist researcher as “an engaged participant” (2007, p.64), whereby the interpretation of observed events facilitate a substantial component of the research. Contrary to the rigidity of positivism, interpretivism considers the existence of multiple subjective realities, the integrated involvement of the researcher, the perspective and perception of different actors and the role of context in the creation and interpretation of data. In many cases, theory may initially guide the researcher, but the focus for an interpretivist researcher is to fully understand behaviour. Therefore, this approach tends to be associated with qualitative research methods such as observation, ethnography and interviews, which primarily utilise an inductive process. While preliminary insights are derived from relevant literature, inductive theory is predominantly generated and developed from the findings. There has been a growing body of support for the greater integration of an interpretivist epistemological stance to IB research (Birkinshaw et al 2011; Cantwell and Brannen 2011; Marschan-Piekkari and Welch 2004; Toyne and Nigh 1998; Welch et al 2011; Zalan and Lewis, 2004), while within EG there is a longstanding interpretivist tradition such as qualitative case studies to gather rich empirical data on spatial attributes (Boschma and Frenken 2006).

While different research philosophies tend to advocate one approach over another, research methodologies often integrate both deduction and induction to create a more dynamic and valid theory development. However, the specific research methodology must be closely aligned with the methodological fit of the study. Methodological fit ensures internal consistency amongst all elements of the project including the research questions, prior theoretical, conceptual and empirical work, research design and the theoretical contribution and thus, significantly enhances the quality of field research (Edmondson and McManus 2007). Remaining loyal to the overall research aim, and given the focus on theory development, this research employs an interpretivist research approach which involves an on-going and dynamic iteration between deductive theory testing – in which concepts from IB and EG are used to
develop the overall research questions – and inductive theory development – where insights emerge organically from the data – to understand the capacity of subnational actors to engage with FDI. In so doing, there was a high level of researcher flexibility in developing the research questions and collecting, handling and analysing the data (Edmondson and McManus 2007; Meyer 1982). As interpretivism encourages the researcher to fully engage with the data, in some cases within the parameters of preceding theoretical pillars, this research approach facilitates a significant contribution to an emergent theoretical agenda.

Research Strategy
In addition to the novelty of integrating EG to the domain of IB, the subnational level of analysis is a relatively new perspective on global organisational activity within IB, as outlined in an earlier chapter. This contemporary research area represents an integrative period of theory development and thus, can be considered intermediate theory - which extends knowledge by enabling the identification and advancement of new insights (Edmondson and McManus 2007). In defining intermediate theory, Edmondson and McManus note that research questions should “propose relationships between new and established constructs” leading to “a provisional theory, often one that integrates previously separate bodies of work” (2007, p.1160). Given its exploratory and maturing nature, hybrid research approaches are most conducive to intermediate theory (Edmondson and McManus 2007). Hybrid research methods integrate and mix qualitative and quantitative data and Hammersley (1996) offers three avenues to mixed methods research – triangulation, facilitation and complementarity. For the purpose of this research, triangulation is employed in addition to case study analysis.

**Triangulation**
Triangulation facilitates a deeper exploration of theory, ensuring the research questions are thoroughly explored and answered while enhancing the external and construct validity of the findings (Jick 1979). As a form of mixed method research, triangulation is defined as “the combination of methodologies in the study of the same phenomenon” (Denzin 1978, p.291; Deacon et al 1998; Jick 1979). While methodological triangulation represents the most common form of this approach,
Denzin (1970) identified three other types of triangulation – data triangulation, investigator (researcher) triangulation and theoretical triangulation. Rather than an end within itself, triangulation facilitates the verification, or corroboration of data to enhance research validity through the use of alternative methodological tools (Jick 1979). As methodological triangulation allows the weaknesses of individual methodologies to be compensated by the strengths of other research methods (Pauwels and MatthysSENS 2004), this form of triangulation appears to be utilised quite frequently. Mixed methods research has suffered from considerable criticism, given that quantitative and qualitative research methods represent fundamentally different epistemological positions and theoretical paradigms (Smith and Heshusius 1986). The principle of methodological triangulation, however, emphasises the importance of carefully selecting the most appropriate and complementary methodology. Finally, and most important for the purpose of this research, triangulation can illuminate alternative dimensions of a phenomenon and produce a more complete and contextual representation of reality (Ghauri 2004; Yeung 1995).

This research study combines quantitative SNA with qualitative semi-structured interviews to address the three research questions. In particular, SNA seeks to quantify the structural configuration of subnational actors with FDI, while the qualitative semi-structured interview data is used to enhance insights on the patterns of relational interaction between subnational actors and FDI. As such, the combination of these two methodologies can greatly augment the use of either methodology alone.

**Case Study Analysis**

A case study can be described as a focused and detailed exploration of the dynamic activities and processes within a single setting (Bryman and Bell 2011; Eisenhardt 1989; Yin 2009). Piekkari et al. (2009, p.569) define a case study as “a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world”. Yin (2009) detailed that case study analysis was particularly suitable for research in which the answers to ‘how’ and ‘why’ questions were being sought, with four potential applications – to describe, explain, illustrate and enlighten – while
equally serving as a means to test and build theory (Eisenhardt 1989). Case study analysis offers a highly appropriate research technique in the exploration of contemporary events (Yin 2009). Recently, Welch et al. (2011) advocated for the increased addition of contextual features to case study analysis in order to strengthen and broaden the potential for novel theoretical insights. In fact, the use of case studies when seeking to answer research questions pertaining to IB research is receiving significant recommendation (Ghauri and Grønhaug 2002; Piekkari et al 2009), while case study analysis offers a fundamental and multifaceted methodological tool in EG, particularly institutional economic geography (Boschma and Frenken 2006).

Given the interdisciplinary nature of this study, the strong contextual nuances of the subnational institutional ecosystem in Ireland and contemporary challenges facing the capacity of Irish industrial and economic policy to capture the interest of internationalising firms, there is considerable merit in adopting a case study approach to exploring the role, interaction and variation of subnational actors with FDI. The unique and nuanced attributes of the Shannon/Midwest and Gaeltacht/West regions, their tumultuous institutional heritage and intricate industrial legacy, as illustrated in the previous chapter, provide a strong rationale for the implementation of case study analysis to these two subnational regions within a single country context, with subnational actors representing the phenomenon under study. As such, the significant detail available, both historical and contemporary, descriptive and statistical, factual and anecdotal, from two subnational locations within Ireland facilitates a more extensive exploration of the capacity of subnational actors to engage with FDI within these geographical boundaries. Thus, while case study analysis serves to primarily address the third research question – Does this interaction vary between subnational locations within a single country context? – it equally provides an additional confirmatory dimension to the initial research questions – Who are the key subnational actors involved with FDI? and How do subnational actors engage with FDI? – by providing evidence and activity from subnational actors across two regional locations. As such, the similarities and differences highlighted between the regions, in addition to the institutional nuances within the subnational regions, were explored, categorised and interpreted. Yin (2009) and Ghauri (2004) outline a number of options for the overall analysis of case studies, including chronological
analysis, coding, clustering (based on the similarities and differences) and matrices. Given the overarching aim of this research, clustering of the findings was identified as the most appropriate analytic technique. This holistic approach was further supported by the use of triangulation in the collection of data, which represents a defining feature of case study analysis (Ghauri 2004).

**Identifying the Participant Subnational Actors**

As illustrated above, the case study analysis was defined by the geographical position, industrial heritage and institutional infrastructure of two subnational regions within Ireland\(^2\). However, in terms of collecting empirical data on the role, interaction and variation of subnational actors with FDI, a representative sample of participants was required. Given that there was no definitive listing of actors involved with FDI at the subnational level, a database of FDI-related subnational actors at a subnational level within Ireland was developed from primary and secondary empirical data and anecdotal evidence (see Monaghan 2012).

The decision to generate a single listing of subnational actors in Ireland, as informed by the two subnational regions, was based on Williams (1997) who states that if there is no comprehensive listing available, it is good practice to collect information from a number of key sources and generate an accurate, representative listing. This method has been successfully used in a previous study on the employment practices of MNE in Ireland, providing noteworthy results (Edwards *et al* 2013; Lavelle *et al* 2009; McDonnell *et al* 2007). This database of subnational actors was generated on the basis of two criteria;

1. A functional presence within the subnational location
2. An evident affiliation with current or prospective FDI within this location

Premised on theoretical and anecdotal evidence collected from both primary and secondary sources, nine institutional categories were explored as a potential network of FDI-related subnational institutions and agencies – Regional Development

\(^2\) In order to preserve anonymity, these regions will subsequently be called Region 1 and Region 2
Agencies, National Development Agencies, Educational Institutions, Skills and Training Bodies, Employer Bodies, Service Providers, Sector Specific Bodies, Trade Unions and Regional and Local Government – the components of which are displayed in Figure 4.1. Furthermore, established MNEs and local firms were also identified as playing a significantly influential role with inward investment (Cantwell and Mudambi 2000; 2011). In order to verify the level and type of interaction, the website of each individual actor was examined to ensure the validity and nature of interaction (McDonnell et al 2007; Williams 1997).

All actors were compared across both subnational regions to substantiate their presence and role, resulting in the creation of one comprehensive profile of a general Subnational System of Economic Development in Ireland (see Figure 4.1), which can be applied to either subnational region under study. This listing, and the subsequent framework, was greatly informed by discussions with national offices of the IDA and National Policy Advisory Board on the general process of engaging with FDI, in terms of validating the inclusion of actors and also ensuring all necessary institutions, agencies and organisations were represented. While significant attempts have been made to generate a comprehensive and representative system of FDI-related subnational actors, some weaker or less active agencies and institutions within this sphere may not have been identified. Following the framework (Figure 4.1), a brief description of each subnational actor – and their relative role with FDI – is outlined (Table 4.1).
Figure 4.1: Subnational System of Economic Development
Table 4.1: FDI-related subnational actors in Ireland

<table>
<thead>
<tr>
<th>Regional Development Agencies</th>
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<tbody>
<tr>
<td>Regional development agencies play a key intermediary role between the national and local governance structure while also operating as a coordinator for MNE subsidiaries within their jurisdiction (Almond 2011; Fuller and Phelps 2004). Some of their activities can include the provision of financial incentives, aftercare arrangements and access to key local resources. Interaction may occur during direct site visits, or through more brokerage relationships between the MNE and other organisations and institutions, such as sub-suppliers, skill providers and local government. The specific FDI-related activity of two regional development agencies – Shannon Development and Údarás na Gaeltachta – underlies their inclusion within the database. These are the only two regional development bodies in Ireland and other subnational locations do not host such agencies. In order to ensure anonymity, these two agencies have been prescribed acronyms, namely Regional Development Agency 1 and Regional Development Agency 2.</td>
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<tr>
<th>National Development Agencies</th>
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<tr>
<td>Given the strong economic dependence on FDI, in addition to the highly centralised administration in Ireland, the activity of national institutions is of fundamental importance. Using information provided by IDA Ireland, Enterprise Ireland, Forfás and the Department for Jobs, Enterprise and Innovation, the presence and activity of the subnational armatures of national development agencies was explored. Two national level actors were found to have a direct and functional interaction with FDI at the subnational level – IDA Ireland and Enterprise Ireland. As illustrated earlier, IDA Ireland holds primary responsibility for the attraction and development of FDI in Ireland. As the development agency for indigenous enterprise, Enterprise Ireland is largely concentrated on the development and growth of Irish companies but also holds a remit for the attraction and retention of FDI in the Food and Natural Resource sector. Equally, Enterprise Ireland offers support in R&amp;D, HRD and Technology related</td>
</tr>
</tbody>
</table>
activities for existing FDI. In order to maintain anonymity, these two national development agencies were labelled National Inward Investment Agency and National Indigenous Development Agency for the subsequent research.

### Educational Institutions

Educational institutions are not conventionally classified as an FDI-related actor, yet their role for FDI within the subnational environment is strongly evident. For example, Almond (2011) notes the role of educational institutions in generating skills development, facilitating a skills ecosystem and offering a potentially strategic role in research collaboration at the subnational level. Similarly, Beugelsdijk and Cornet (2002) identify a positive relationship between the innovative activity of an organisation and the close proximity of a university. Within this research, educational institutions relate specifically to third level institutions – namely Universities and Institutes of Technology (ITs). Such actors play a significant role with inward investment through the supply of skilled labour and research expertise/collaboration.

### Regional and Local Government

Local and regional governance bodies such as County and City Councils, Regional Authorities and Regional Assemblies (Table 3.3) are responsible for the delivery and maintenance of physical infrastructure in the locality, such as planning, water supply, sewerage and roads. They engage with national development agencies in the provision and maintenance of the physical environment for FDI and indigenous enterprise, thus having an indirect role with inward investment. Some direct interaction with FDI may also occur regarding local services, rates and charges.

### National Skills and Training Bodies

The National Skills and Training Authority provides specific training and employment programmes, information on skills development and training and promotes job opportunities for school leavers, post-graduates and professionals in Ireland. As this relates primarily to technical and industry
specific training - traditionally providing skills for manufacturing, construction, labouring and basic engineering roles - their interaction with FDI is largely dependent on the nature of the company. The National Skills and Training Authority have a functional presence in both subnational regions.

<table>
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<th>Trade Unions</th>
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<tr>
<td>Trade unions represent labour interests at both company and national level and, in Ireland, are generally organised on an occupational basis (e.g. general, craft and white collar unions). While incoming FDI traditionally engaged with trade unions, recent FDI tend to be non-unionised. Notwithstanding this evidence, unions continue to play a role in MNEs where unions are recognised. Union density is slightly higher in Region 1, at 38%, compared to 34% in Region 2 (CSO 2010b).</td>
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<tr>
<th>Employer Bodies</th>
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<tr>
<td>Employer associations and other employer bodies (e.g. IBEC and local chambers of commerce) provide advice to both incoming and existing MNEs, including industrial relations support, lobbying (at local and national level), representation and information on labour related issues.</td>
</tr>
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<tr>
<th>Service Providers</th>
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<tr>
<td>Service providers offer a key role as facilitators in reducing the costs of doing business abroad (Goerzen et al 2013). Informal discussions with national development agencies illustrate the significant role of private service providers with FDI. These services include recruitment agencies, further training and education agencies, accountancy, legal and tax specialists and other sub-supplier organisations, who can offer access to localised skills and knowledge during the initial location, or subsequent reinvestment.</td>
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<tr>
<th>Sector Specific Bodies</th>
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<tr>
<td>Similarly, sector specific bodies, such as Bord Iascaigh Mhara (the Irish</td>
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</table>
Sea Fisheries Board), Irish Medical Devices Association and the Irish Pharmaceutical Healthcare Association, can provide more detailed and specialised information to FDI, in addition to representing the views of their members at national level. Interaction with FDI tends to occur when companies are located in Ireland. Sector specific bodies are present in both regions.

**Multinational Enterprises**

While MNEs do not constitute members of the subnational network of economic development *per se* – as they are not technically institutional actors - there is potential for existing MNEs (both domestic and foreign) within the subnational environment to operate as a key resource for incoming MNEs and to potentially engage in networking. Kristensen and Morgan (2007, p.197) note the increasing need for institutional frameworks within a location to include local MNE subsidiaries as “active participants”. During the initial stage of investment, and potential reinvestment, established MNEs offer information and knowledge on the subnational environment. Indeed a strong part of the ‘pitch’ in attracting investment is the cadre of existing MNEs operating within Ireland (IDA 2010).

**Local Firms**

There is increasing evidence of the role, and importance, of local firms to engage with FDI (Cantwell and Mudambi 2011). In a similar way to established MNEs, local firms offer considerable access to local resources and often form part of the sub-supply network.

**Research Instrument**

Selection of a research instrument is predominantly driven by the theoretical underpinnings, philosophical assumptions, research objectives and quality of information the particular instrument can yield (Saunders *et al* 2009). Given the ‘who, how and why?’ research questions of this study, in addition to the rich theoretical support for methodological triangulation and case study analysis (Jick 1979; Saunders *et al* 2009; Yin 2009), there was significant merit in developing –
and synchronising - a qualitative and quantitative research instrument. While the relational element of this research was best explored qualitatively, quantitative social network analysis was believed to produce strong empirical evidence on the structural configuration of subnational actors with FDI. Given its established dominance in collecting network data (Bernard et al 1985; Marsden 1990), a SNA questionnaire was developed and administered alongside a semi-structured interview.

As this research was associated with a larger internationally comparative project, which sought to explore the influence and effect of relations between subnational governance actors and selected MNE subsidiaries on the regional supply and demand of human resources across five advanced economies (UK, Spain, Ireland, Canada and Germany), the generation of a comparative research instrument required considerable international corroboration in the initial stages of this project. Prior to data collection, an international research meeting was held in October 2009 with active research partners in the UK, Spain, Germany and Canada, to coordinate the development of a research instrument. This meeting produced a consensus on the use of semi-structured interviews and an SNA questionnaire for the collection of data. Following this, significant time was invested in aligning these research instruments to the Irish context. For example, the subnational system of economic development framework was used as a fundamental platform on which to identify the network items for the SNA questionnaire. Furthermore, the dimensions of the semi-structured interview guide were selected on the basis of the subnational system and insights on the subnational context for FDI gained during the development of this framework (Monaghan 2012). Every attempt was made to specifically shape, tailor and customise the research instrument to the Irish context. Therefore, it is important to verify that while the decision to use semi-structured interviews and an SNA questionnaire were initially generated in line with the objectives of the international comparative research project, the development of the research instruments and this overall body of work represents an individual piece of research.

**Qualitative Semi-Structured Interview**

Interviewing remains the most common form of collecting qualitative data, allowing for interactive researcher-to-respondent dialogue (Bryman and Bell 2011; Lee and
Lings 2008). While there are many approaches to conducting qualitative interviews, the primary options include unstructured and semi-structured interviews. Unstructured interviews allow the interviewee to converse openly regarding a general or broad topic (Bryman and Bell 2011). On the other hand, semi-structured interviews centre on a number of specific, pre-identified topics. Semi-structured interviews allow for a high degree of flexibility, as the primary focus is exploratory and aimed at gaining rich, novel insights on the perspectives and opinions of the interviewee while retaining a specific focus on key issues. A list of questions, themes or constructs are prepared within an interview schedule to frame the conversation with the interviewee, however these questions are generally open-ended. The role of the interview schedule is to prompt the respondent to discuss particular issues or topics (Bryman and Bell 2011). An additional function of the semi-structured interview is that it facilitates cross-case comparability within case study analysis. Evidence within IB has illustrated that requests for an interview generally obtain a higher response rate than survey questionnaires, however this advantage is often negated by the significant investments in time and expense (Daniels and Cannice 2004). Given these attributes, it is apparent that semi-structured interviews strongly align with the exploratory nature of the research aim, the philosophical assumptions of the research approach, offering a fundamental facet of the research strategy.

In formulating the interview guide, the primary aim was to address the most critical remit, engagement and variation of subnational actors with FDI from the perspective of both subnational actors and MNE subsidiaries. As such, two broad, semi-structured interview formats were devised to account for the different perspectives (see Appendix A and B). The semi-structured interview guide was composed of six broad areas including history of the institution, organisation or agency, their regional profile, the structure and functioning of the governance bodies, the regional labour market, strategically important MNEs and engagement between governance actors and MNEs. This guide offered a dual purpose of both prompting participants to discuss specific issues, while also serving as a checklist to ensure all relevant material was covered. The objectives of the semi-structured interviews with both subnational actors and MNE subsidiary actors were as follows:

1. To verify the remit, function and activity of subnational actors with FDI
2. To gather information on the general context of FDI in Ireland

3. To gain insights on the structural configuration and relational interaction of subnational actors with FDI

4. To explore specific aspects of engagement between subnational actors and FDI

5. To consider additional aspects of subnational activity beyond formal engagement with FDI

6. To gather understanding of interaction amongst subnational actors

7. To allow for additional insights on subnational engagement with FDI

**Quantitative Social Network Analysis**

An additional dimension of this research involved a social network questionnaire which was developed based on the overarching aim of the research and administered following the semi-structured interview. Offering objective and systematic data, SNA centres on relationships among systems of dependent actors, rather than on independent details of cases and this perspective on organisational activity has greatly enhanced understanding of how organisations engage and interact within the marketplace and society in general (Borgatti and Foster 2003; Brass et al 2004; Kilduff and Brass 2010; Wellman 1988). A social network perspective has been found to explain organisational phenomena at a number of interpersonal, inter-organisational and intra-organisational levels of analysis, such as trust, inter-organisational relationships (Gulati 1999; Uzzi 1996) and embeddedness (Borgatti and Foster 2003; Granovetter 1985) as well as business group structures (Rocha 2012) and social capital (Carpenter et al 2012; Storberg-Walker and Gubbins 2007). Equally, a broader network perspective has offered valuable insights to different meaningful dimensions of the MNE, such as subsidiary strategy (Andersson et al 2002, 2007), supply chain management (Borgatti and Li 2009; Galaskiewicz 2011) and conflict within globally distributed teams (Joshi et al 2002). As such, this research tool offers a significant resource in the collection of network data and patterns of interaction between subnational actors and MNEs.
In order to collect social network data, one relation (or more) is generally measured among a set of actors which can be gathered using a variety of instruments, such as questionnaires, interviews, observations or archival data. Given its dominance in collecting network data (Marsden 1990, 2005) and the ease with which questionnaires combine with semi-structured interviews (Bryman and Bell 2011), a self-report SNA questionnaire was developed. Burt (1984) noted that the general procedure of developing a self-report SNA questionnaire involves identification of the overall network which the questionnaire seeks to explore, determining members of the network, creating a list of name generators and obtaining data via the name generator items (Marsden 1990, 2005). Similar to the interview schedule, it was important to account for the potential international comparative analysis of the social network data. As such, the overarching structure of the SNA questionnaire observed the international project guidelines identified in October 2009 but the network members which formed the name generators were Irish specific.

The purpose of the SNA questionnaire was to identify and evaluate the interaction between subnational actors and FDI. The questionnaire was composed of a name generated roster listing, whereby each subnational actor identified in the subnational system of economic development (Figure 4.1) was listed on the questionnaire and additional space was provided for strategically important MNEs and other subnational actors which may not have been named (see Appendix C). This method of selecting the network population was closely aligned to expanding selection (Doreian and Woodard 1992), which, as the name suggests, draws upon an initial list of network members generated by the researcher with the inclusion of additional actors if mentioned more than twice by respondents. Additionally, reliability is more easily controlled by ensuring that all aspects of measurement are verified before administering the instrument (such as accurate name generators and clarity of questions).

Four different aspects of the research question were initially developed - frequency of contact; extent of knowledge outflows; extent of knowledge inflows and extent of skills development. Binary judgements are believed to be less difficult for respondents (Eudey et al 1994) and thus the SNA questionnaire contained a yes/no
dichotomy of interaction, followed by a rating scale, ranging from zero (no contact) to seven (daily contact), if interaction was present. The relative frequency assigned to the relationship provides valued data, as it indicates strength or intensity (Wasserman and Faust 1994). The SNA questionnaire was administered in person as face-to-face administration of a name generator SNA instrument can reduce the complexity of the task (Marsden 2005; Van Tilburg 1998). Additionally, a visual showcard was created and distributed to respondents, to assist in the response of the SNA questionnaire (see Appendix D). Significant criticism of social network data collection has illustrated a growing need to both contextualise the data and also to integrate more qualitative methods to the study of social networks (Galaskiewicz 2007; Kilduff and Brass 2010; Provan et al 2007) and thus, the quantitative SNA questionnaire was administered following the semi-structured interview.

**Ethical Considerations**

With organisational field research, it is imperative to maintain an awareness of, and pay attention to, ethical considerations. In line with the *Research Governance and Ethics* standards of the University of Limerick, an application was submitted to and approved by the Kemmy Business School Research Ethics Committee in December 2009, confirming that this study meets the moral, methodological and safety guidelines of organisational field research.

**Pilot Testing**

Prior to conducting field research, pilot testing can provide an essential foundation to the process (Bryman and Bell 2011). In particular, piloting can enhance data collection and handling;

1. Pilot testing allows researchers to become familiar with the research tool and data collection process
2. Piloting a research instrument which was designed for the purpose of the study provides accurate information on its performance in reality
3. It illuminates potential issues or confusion with the research tool, such as wording errors (in questionnaires) and sensitive questions or topics (in
interviews), and any difficulties or gaps with the research instructions or guidelines which may have been overlooked during development

4. It provides a preliminary indication of the type of data which will be gathered.

In order to enhance the effectiveness of the pilot, it is important to trial the research instrument on a representative sample of potential participants (Saunders et al 2009). As such, the pilot test was conducted in December 2009 with a group of three respondents from the regional development agency in Region 1. Cognisant of the provisional nature of the semi-structure interview and SNA questionnaire, the participants were asked to contribute their opinions and observations on the issue of subnational engagement with FDI while also imparting information on the structure, feasibility and nature of the questions. While significantly insightful information was garnered on the actor, its role within the region and engagement with other institutional and industrial actors within the subnational environment, this dialogue was also essential to refining the research tools utilised for data collection. For example, the respondents highlighted that some aspects of the SNA questionnaire, particularly level of knowledge outflows and level of knowledge inflows, were too unwieldy in extracting information and suggested minimising this element of the SNA questionnaire. Furthermore, the respondents were quite experienced and informed on the nature of subnational activity and regional economic and industrial development, and so this facilitated the tightening of the semi-structured interview format. Given the central role of the regional development agency, and their knowledge of the local subnational region, it was necessary to include their information to the overall dataset.

In relation to any interview, Wilkinson and Young (2004) identify three necessary aspects of preparation – logistical preparation, preparation of physical properties and mental preparation – which were adhered to during the piloting and main fieldwork stage. Logistical preparation relates to the preliminary planning of the time and location, mode of transport and, in some cases, language. Knowledge of the physical environment in which to conduct the interview is also strongly advised. While the choice of location is often based on the respondents’ convenience, it is helpful to identify whether the interview will take place in a formal meeting room or a public
location. Therefore, if the opportunity arises, it is best to collect qualitative data within the natural context (Marschan-Piekkari et al 2004; Miles and Huberman 1994). As such, awareness of the individual, interview, organisational and economical context is important to ensure the data is correctly represented. Access to a high-quality, reliable recorder, in addition to pen and paper, is strongly advised prior to attending the interview. Finally, mental preparation relates to ensuring the researcher is fully familiar with the interview schedule, prepared to facilitate and navigate the interview and confident to effectively communicate with the respondent.

The piloting process generated significant information on the administration of the SNA questionnaire, while also identifying additional topics for the interview schedule. In particular, some key issues were raised regarding the SNA questionnaire, namely in relation to network boundary specification, data reliability and context of enquiry. With the evolution of the data collection, these issues emerged as significant methodological concerns with the use of SNA and are discussed below. Furthermore, the triangulation of qualitative and quantitative data served to illuminate these issues.

**Main Fieldwork Stage**

The overall network was identified in relation to the research context, and defined as a subnational region within Ireland. The network, therefore, contained all actors with a functional remit to engage with FDI within a subnational region in Ireland, as per the subnational system of economic development (Figure 4.1), and a select sample of strategically important MNE subsidiaries. Relying significantly on this framework, a representative participant from each institution, agency or organisation was contacted by formal e-mail. Romney and Weller (1984) found that some informants may be more accurate than others, due to their knowledge of the situation and interaction within the relevant domain, and so an individual respondent from each institution, organisation or agency who was considered to be most knowledgeable of or active in engaging with FDI was asked to complete the SNA questionnaire. The participation of a key respondent from each of the identified subnational institute was a significant strength of the study.
On confirmation of participation in the study, a time and date for a face-to-face interview was scheduled to meet the needs of the participant. In many cases, multiple participants from a single institution or organisation were interviewed at once. Furthermore, two research supervisors of this study from the University of Limerick attended and engaged in each interview. In some instances, the principal UK collaborator from the international comparative project attended the interviews to ensure internal consistency with the overall project – present at 4 interviews in total. Over a three year period, from December 2009 to December 2012, the main body of fieldwork was conducted resulting in 59 interviews with 33 subnational FDI-related institutions or agencies and MNE subsidiaries (see Table 4.2).
### Table 4.2: List of interviews

<table>
<thead>
<tr>
<th>Date</th>
<th>Interviewee(s)</th>
<th>Region</th>
<th>Organisation Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>11th December 2009</td>
<td>CEO, Strategic Project Manager, Project Executive</td>
<td>Region 1</td>
<td>Regional Development Agency</td>
</tr>
<tr>
<td>January 5th 2010</td>
<td>Senior Vice-President, Enterprise and Employment Executive, Digital Media Sector Project Executive</td>
<td>Region 2</td>
<td>Regional Development Agency</td>
</tr>
<tr>
<td>January 12th 2010</td>
<td>Senior Principal Engineer</td>
<td>Region 1</td>
<td>US Manufacturing MNE</td>
</tr>
<tr>
<td>February 5th 2010</td>
<td>HR Director, Financial Director</td>
<td>Region 1</td>
<td>US Manufacturing MNE</td>
</tr>
<tr>
<td>February 23rd 2010</td>
<td>Vice-President (HR), Executive Vice-President (Sales and Marketing- Europe and Canada), Senior Vice-President (Operations Manager)</td>
<td>Region 1</td>
<td>US Financial Services MNE</td>
</tr>
<tr>
<td>March 2nd 2010</td>
<td>Former Chairman</td>
<td>Region 1</td>
<td>Regional Development Agency</td>
</tr>
<tr>
<td>March 3rd 2010</td>
<td>Senior Vice-President (Midwest and Southeast USA)</td>
<td>International</td>
<td>International office of National Inward Investment Agency</td>
</tr>
<tr>
<td>March 4th 2010</td>
<td>Pharmaceutical Chemical and Medical Devices Sector Organiser</td>
<td>Region 1</td>
<td>Trade Union</td>
</tr>
<tr>
<td>March 5th 2010</td>
<td>Regional Director</td>
<td>Region 1</td>
<td>Subnational office of National Inward Investment Agency</td>
</tr>
<tr>
<td>Date</td>
<td>Position and Company Details</td>
<td>Region</td>
<td>Organization</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>--------</td>
<td>--------------------------------------------------</td>
</tr>
</tbody>
</table>
| March 8<sup>th</sup> 2010 | Senior Policy Advisor, Science, Technology and Innovation Policy  
Senior Enterprise Policy Advisor  
Department Manager (Competitiveness, Infrastructure, Tax and Finance) | National | National Policy Advisory Board                     |
| March 9<sup>th</sup> 2010 | Executive Vice President (Technical Manager)                                                  | Region 1 | US Financial Services MNE                        |
| March 12<sup>th</sup> 2010 | Senior Vice-President (HR)                                                                   | Region 2 | Norwegian Aquaculture MNE                        |
| April 9<sup>th</sup> 2010 | Director/CEO                                                                                 | National/Region 1 | National Employer Body  
US Manufacturing MNE                       |
| April 12<sup>th</sup> 2010 | Finance Director (EMEA)  
HR Manager (EMEA)                                               | Region 2 | Swedish Manufacturing MNE                        |
| April 26<sup>th</sup> 2010 | Former Chairman                                                                              | Region 1 | US Financial Services MNE                        |
| May 7<sup>th</sup> 2010    | Head of Process Improvement  
Head of HR                                                        | Region 1 | German Manufacturing MNE                        |
| October 1<sup>st</sup> 2010 | HR Director                                                                                  | National | US Pharmaceutical MNE                           |
| October 6<sup>th</sup> 2010 | Regional Director  
Employment Services Manager                                         | Region 1 | National Training Agency                         |
| October 18<sup>th</sup> 2010 | Director, Technology Transfer Office                                                          | Region 1 | Educational Institution                          |
| November 2<sup>nd</sup> 2010 | Head of Careers Services                                                                      | Region 1 | Educational Institution                          |
| November 4<sup>th</sup> 2010 | Regional Director  
Operations Manager                                                           | Region 1 | Regional Recruitment Agency                      |
<p>| November 18&lt;sup&gt;th&lt;/sup&gt; 2010 | Commercialisation Executive                                                                    | Region 2 | Educational Institution                          |
| November 25&lt;sup&gt;th&lt;/sup&gt; 2010 | Senior Policy Advisor                                                                       | Region 1 | Regional Development Agency                      |
| December 2&lt;sup&gt;nd&lt;/sup&gt; 2010 | Regional Director                                                                             | Region 2 | Subnational office of National Inward Investment Agency |
| December 2&lt;sup&gt;nd&lt;/sup&gt; 2010 | Head of Career Development Centre                                                            | Region 2 | Educational Institution                          |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Position</th>
<th>Region</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 7th 2010</td>
<td>Director</td>
<td>Region 1</td>
<td>Regional Authority</td>
</tr>
<tr>
<td>January 19th 2011</td>
<td>Chairman/CEO</td>
<td>Region 1</td>
<td>Private Lobbying Body</td>
</tr>
<tr>
<td>January 20th 2011</td>
<td>Director</td>
<td>Region 2</td>
<td>Regional Authority</td>
</tr>
<tr>
<td>February 4th 2011</td>
<td>Electronics and Engineering Sector Organiser</td>
<td>Region 2</td>
<td>Trade Union</td>
</tr>
<tr>
<td>February 11th 2011</td>
<td>National Delegate (Industrial Technologies)</td>
<td>Region 1</td>
<td>Subnational office of National Indigenous Development Agency</td>
</tr>
<tr>
<td>February 14th 2011</td>
<td>Director of Industrial Relations and Human Resource Services Regional Director</td>
<td>Region 1</td>
<td>Business and Employer Association</td>
</tr>
<tr>
<td>February 17th 2011</td>
<td>Regional Director</td>
<td>Region 1</td>
<td>Subnational office of National Indigenous Development Agency</td>
</tr>
<tr>
<td>February 18th 2011</td>
<td>Regional Director</td>
<td>Region 2</td>
<td>Business and Employer Association</td>
</tr>
<tr>
<td>March 7th 2011</td>
<td>Regional Director Enterprise Executive</td>
<td>Region 2</td>
<td>National Training Agency</td>
</tr>
<tr>
<td>March 16th 2011</td>
<td>City Manager</td>
<td>Region 1</td>
<td>Local Authority</td>
</tr>
<tr>
<td>March 24th 2011</td>
<td>Enterprise Development and Enterprise Liaison External Services Manager</td>
<td>Region 2</td>
<td>Educational Institution</td>
</tr>
<tr>
<td>April 4th 2011</td>
<td>County Manager Senior Executive (Economic Development and Business Response Unit)</td>
<td>Region 2</td>
<td>Local Authority</td>
</tr>
<tr>
<td>April 4th 2011</td>
<td>Regional Director</td>
<td>Region 2</td>
<td>Subnational office of National Indigenous Development Agency</td>
</tr>
<tr>
<td>May 26th 2011</td>
<td>Project Executive</td>
<td>Region 1</td>
<td>Regional Development Agency</td>
</tr>
<tr>
<td>December 14th 2011</td>
<td>Financial Controller</td>
<td>Region 2</td>
<td>Educational Institution</td>
</tr>
<tr>
<td>December 12th 2012</td>
<td>CEO</td>
<td>Region 2</td>
<td>Indigenous Manufacturing MNE</td>
</tr>
</tbody>
</table>
Of these subnational actors, two were national-level institutions, which provided significant contextual information on the subnational environment in Ireland and the overall process of inward investment. Additionally, five MNEs participated in the research, in which their experience of investment and location to Ireland was retrospectively assessed. Drawing from a range of industrial sectors in Ireland, the mean tenure of investment from this representative sample is 19.5 years, with an average size of 1,260 employees. As the internationalisation process is significantly shaped by mode of entry (Buckley and Casson 1998), a representative sample of MNEs was attained. Of the five MNEs, two were Greenfield investments and three were acquisitions, all of whom engaged in higher order, advanced activity within their relative sector. The participant MNEs were categorised into the following activities – high technology, process development manufacturing (3 MNEs); leading edge aquaculture (1 MNE) and advanced international financial services (1 MNE). This information is summarised in the following table (Table 4.3). The data was collected retrospectively, with all investors well established in Ireland at the time, and so all respondents were knowledgeable of the initial stages of location and subsidiary establishment.

Table 4.3: Summary data of MNE subsidiary participants

<table>
<thead>
<tr>
<th>Region</th>
<th>Year of Establishment</th>
<th>Type of Investment</th>
<th>Subsidiary Employment</th>
<th>Country of Origin</th>
<th>Sector</th>
<th>Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region 1</td>
<td>1995</td>
<td>Greenfield</td>
<td>650 FT</td>
<td>US</td>
<td>Medical Technology</td>
<td>Inward Investment Agency</td>
</tr>
<tr>
<td>Region 1</td>
<td>1993</td>
<td>Greenfield</td>
<td>140 FT</td>
<td>US</td>
<td>Financial Services</td>
<td>Regional Development Agency 1</td>
</tr>
<tr>
<td>Region 1</td>
<td>1990</td>
<td>Greenfield</td>
<td>628 FT</td>
<td>Germany</td>
<td>Manufacturing</td>
<td>Regional Development Agency 1</td>
</tr>
<tr>
<td>Region 2</td>
<td>2005</td>
<td>Acquisition</td>
<td>233 FT</td>
<td>Swedish</td>
<td>Manufacturing</td>
<td>Regional Development Agency 2</td>
</tr>
<tr>
<td>Region 2</td>
<td>2006</td>
<td>Acquisition</td>
<td>249 FT</td>
<td>Norwegian</td>
<td>Aquaculture</td>
<td>Regional Development Agency 2</td>
</tr>
</tbody>
</table>
On average, respondents were interviewed for 40-50 minutes, followed by face-to-face administration of the SNA questionnaire which required 30-40 minutes to execute, resulting in an average of 70-90 minutes face-to-face contact time per institution, agency or organisation. Prior to engaging with the topics of the interview schedule, the interview opened with formal introductions to generate a professional rapport. Following this, a brief introduction to the research study was provided. The researcher noted the use of a recording device, verifying permission for the use of this with the interviewee. Notes on the context of the interview, and the information provided, were taken simultaneous to discussion to ensure the accurate recording of all data. These interviews maintained sufficient flexibility to allow for the exploration of unique subnational factors and personal anecdotes from the respondent. When all items of the interview schedule were discussed, a 5-7 minute introduction was provided prior to the administration of the SNA questionnaire to reiterate its function and format. This created a distinct separation in the qualitative interview and the quantitative questionnaire for participants, providing specific information on the context and role of the SNA while reducing the potential for confusion or misinterpretation. Overall, this resulted in substantially in-depth contact time of approximately 80 minutes with respondents, extending to two hours on occasion. When the SNA questionnaire was completed, participants were invited to offer any additional information. Following this, future contact was facilitated to allow for the clarification of any issues with reporting of findings and permission for telephone and email follow-up was attained to clarify outstanding issues and gather supplementary information. Notes and recollections were also recorded immediately after completing the interview to ensure all relevant information was documented.

**Issues with Data Collection**

During the course of empirical fieldwork, a number of issues were encountered particularly with the SNA questionnaire, namely network boundary specification, data reliability and context of enquiry. Identification of these issues were primarily facilitated by the semi-structured interview, which highlighted significant discrepancies between the qualitative response and the quantitative numerical answer.
provided by the respondent. These three issues illustrate the substantial challenges associated with collecting and handling SNA data.

Network Boundary Specification

Network boundary specification relates to the identification and definition of network parameters prior to and during analysis (Kilduff and Brass 2010; Marsden 2005; Wasserman and Faust 1994). Laumann et al (1989) offered three specific approaches to select and define network boundaries and members – positional, event-based and relational approach. Furthermore, Doreian and Woodard (1992) introduced expanding selection as a means of generating the network members. More recently, Gile and Handcock (2010) have explored the concept of respondent-driven sampling as a means of identifying and defining the network boundary.

Given that “boundary-setting and sampling decisions can have a profound impact on the structure of the network” (Conway 2012, p.4), significant time and effort was allocated to identifying network attributes, including parameters and participants as illustrated in Chapter 3 and ‘Identifying the Participant Subnational Actors’ earlier in this chapter. Despite the intricate specification of the network boundary and participant subnational actors, problems of definition and classification arose during data collection which resonates with the complexity of this procedure (Carpenter et al 2012). Confusion of subnational definitions emerged as an issue for respondents where different interpretations of subnational geographies resulted in complexity with network boundaries, size and specifics. For example, the network was defined as a subnational region and all respondents were affiliated with institutions, agencies or organisations operating within these jurisdictions, as per the subnational system of economic development (Table 4.1).

“…different agencies have different geographical remits; these are some of the geographical uncertainties ... that need to be streamlined so agencies have a clearer delineation of the space available to them”

Local Authority Manager

While this issue primarily transpired from the relatively weak subnational structure and changing regional boundaries in Ireland as outlined in Chapter 3 (Boyle 2000;
O’Broin and Waters 2007), rather than a direct technical issue with the SNA instrument, it does reiterate the importance which must be assigned to identifying, selecting and maintaining network boundaries. As illustrated by Fombrun (1982), and recently reiterated by Carpenter et al. (2012), Conway (2012) and Handcock and Gile (2010), the specification of network boundaries – by its very nature - fundamentally shape the structure, composition and participants of a network and therefore, is a crucial aspect of SNA. A particularly important ramification of network boundary selection pertains to the role of indirect ties (actors who are not directly connected within the overall network structure), weak ties (actors who may not be strongly connected) and redundant ties (relationships that do not allow for new information) in the transfer of information and resources (Borgatti and Foster 2003; Burt 1992; Granovetter 1973). Furthermore, brokerage between actors, a mechanism whereby actors which span structural holes, or connect components of a network, are more likely to produce fresh ideas and therefore, the network must allow sufficient members to account for the possibility of external or uncharacteristic linkages (Burt 2007). The identification of these actors and attributes may be influenced by or curtailed by a haphazard or less structured approach to network boundary specification. Therefore, management researchers and practitioners must be considerably cognisant of what the bounded network encapsulates, or excludes, and whether a local or whole network more appropriately suits the research question (Kilduff and Brass 2010).

Data Reliability

Given its highly subjective nature, the reliability of network data has been a persistent issue despite considerably little empirical attention within the management field (Marsden 1990, 2005; Wasserman and Faust 1994). Network data reliability relates to the accuracy, consistency and repeatability of network data and how outputs effectively represent reality. Carpenter et al. (2012) offer a more technical example of this issue, in terms of endogenity, whereby a measurement error arises due to correlation or similarity of concepts. While reliability of an SNA instrument can be examined using traditional tests of reliability, such as test-retest studies, it has also been found that reliability can be explored during the administration of the SNA questionnaire in terms of the “in-practice performance of instruments” (Marsden 2005, p.12). Although these features of data reliability do not directly impact
network composition, form or structure, it is important to consider that self-report techniques, while significant tools for collecting network data, may lead to potentially distorted data if insufficient detail is assigned to informant accuracy, competence and construct validity.

a) **Informant accuracy**, which questions the authenticity of self-report information compared to the true reality of observed interaction, remains a prevalent and live concern within SNA reliability (Bernard *et al* 1984; Marsden 1990, 2005; Wasserman and Faust 1994). For example, Brewer (2000) noted that recognition of names can reduce the effects of forgetting, thus increasing the accuracy of data. Similarly, **informant competence** is an important criterion pertaining to the knowledge and proficiency of the respondent (Marsden 2005; Romney and Weller 1984). Within the context of this study, informant accuracy and competence were identified as the inadvertent influence of personal relationships and informal interactions on the response of participants, other than those specific to the questionnaire.

Participant selection was a significantly rigorous process, pertinent to ensuring a true representation of the network, and in many cases, two or three individuals from the same organisation were interviewed. However, as many of these subnational actors hold a range of roles, responsibilities and relationships, interactions between actors tend to be multi-level and multi-issue driven. As such, considerable difficulty was noted in reporting on the sole topic of engaging with FDI, causing significant complexity for the respondent in offering a quantifiable response to the questionnaire;

“I would meet up with Mr X five or six times a year to talk specifically about FDI... But we also have a more informal and personal relationship as well; he would alert me to emerging issues... that would be fairly off the record”

*Subnational Director, Inward Investment Agency*

Given the specific focus of the research study, this multiplexity of roles represents a potential threat to data reliability. While this issue was largely curtailed by the active
intervention of the researcher during the administration of the questionnaire to clarify any confusion, informal interaction amongst actors, it also demonstrates an additional level of engagement amongst subnational actors which presents an interesting dimension to the findings. Nevertheless, the importance and impact of interviewer effects on the reliability of data is discussed below.

b) **Construct validity** is also a particularly pervasive concern, given that many researchers tend to assume an instrument accurately measures the concepts intended without sufficient testing of how these instruments engage with data (Mouton et al 1955; Wasserman and Faust 1994). Research on construct validity within SNA has tested the influence of questions posed during data collection and how this shapes the overall network (Bailey and Marsden 1999; Marsden 2003; White and Watkins 2000).

A significant example of construct validity was evident in the early pilot-testing stage of the SNA questionnaire. Initially, the questionnaire contained four different dimensions - frequency of contact; extent of knowledge outflow; extent of knowledge inflow and extent of skills development – which were all rooted within the overall research objectives of the study and sought to acquire greater information regarding the characteristics of the relationship between subnational actors and FDI. However, during piloting of the SNA questionnaire, it emerged that these four dimensions proved excessively cumbersome for respondents, who failed to comprehend the alternative constructs. Consequently, the questionnaire was reduced from four items to one (frequency of contact), which maintained information on both presence/absence of relationship and level of interaction (0 = no contact - 7 = daily contact).

**Context of Enquiry**

Several reviews on network data also illustrate the need for greater contextual information (Marsden 2003; White and Watkins 2000) with Kilduff and Brass (2010, p.340) arguing that “social network research should be rooted in the specifics of time and place”. In their insightful longitudinal study, Kilduff and Oh (2006) review the
multiple re-analyses of seminal research by Coleman et al. (1966) on the diffusion of practices amongst medical practitioners in four small towns during the early 1950s. Highlighting that all four re-analyses produced different and contradicting results, their findings demonstrate that insufficient historical, social and environmental contextualisation can greatly influence the interpretation of network data. Equally, Carpenter et al. (2012) demonstrate that the level of analysis is a fundamental component of the context of a network (also see Borgatti and Foster 2003). As such, the type of network under study – whole network, dyadic ties or ego-network - represents a significant determinant of the context of enquiry (Laumann et al 1989; Wasserman and Faust 1994). There are three primary examples of contextual issues – research context, interview content and interviewer effects.

In conducting this research, all potential respondents were informed in advance on the content, format and motivation for the study, thus facilitating an overall research context. Information on the academic and practical rationale for this study was distributed prior to data collection and all respondents were invited to maintain open communication with the researcher following data collection, which significantly reduced issues of data reliability (as highlighted above). Given the fluctuating global economic climate, the importance of FDI to a subnational location and the strong industrial policies within Ireland (Barry 2004, 2007), respondents were enthusiastic to discuss their perspective on the capacity of subnational actors to engage with FDI.

Equally, Bailey and Marsden (1999) illustrate the importance of the preceding interview content to contextualise SNA data, whereby a respondent’s interpretation of questions, and subsequent elicitation of network members, is significantly primed by issues and topics raised prior to administration of the SNA. The SNA questionnaire and semi-structured interview were intentionally used concurrently to ensure consistency in the topic and issues raised. Administering the questionnaire following the interview served to quantify the interactions, relationships and processes which had been discussed and explored at length during the interview. Nevertheless, a significant introduction preceded the SNA to prepare the respondent for this component of data collection. As illustrated above, the qualitative dimension of this research facilitated a more straightforward identification of inconsistencies.
between the quantitative and qualitative methods. For example, respondents often alluded to relationships in the SNA questionnaire which had not been previously mentioned during the interview, and in many cases, they tended to inflate or underplay the frequency of relationships noted.

*Interviewer:* “[During the interview] you mentioned MNC2b, would you engage with them?”

*Respondent:* “No... It is not a formal relationship. There is nothing very developed there with them”

_HR Director, US Financial Services MNE Actor_

Finally, Van Tilburg (1998) and Marsden (2003) found interviewer effects are an additional contextual feature to the interpretation of questions, which may affect network size. In order to minimise contravening interviewer effects, the use of interviewer training, clear procedural guidelines and controlled verbal interaction is suggested. To minimise the risk of interview effects, the qualitative interview and the standardised SNA questionnaire were administered concurrently and facilitated by the same researcher across the three year period of data collection to ensure consistency and minimise interviewer effects. Additionally, face-to-face administration of the SNA questionnaire significantly reduced contagion of data as it provided the interviewers with an additional opportunity to clarify responses.

Overall, these issues serve to illustrate the importance of strong, reliable network data, which is fundamental to any research, highlighting that substantial mechanisms must be employed to ensure the collection of accurate data. While Marsden (1990, 2005) outlines the issues surrounding the collection and handling of SNA data, the issues identified in this study provide an evidence-based review of the pervasive influence of network boundary specification, reliability and context to SNA research within management research and practice (Conway 2012). Equally, it offers information on actions which can address, or potentially alleviate, these issues. Ensuring caution and attention is exercised during development of the research design, selection of respondents and administration of the instrument, an SNA perspective can offer an accurate representation of reality.
Technical Adequacy

Edmondson and McManus (2007) highlight that in addition to methodological fit, the researcher must demonstrate technical adequacy, which refers to the successful and effective employment and analysis of a methodological tool. In order to ensure technical adequacy, significant training in both qualitative and quantitative analysis was sought and received. These courses included:

- Winter School in Qualitative Research Methods (University of Limerick, January 2010)
- Working with Long Documents (University of Limerick, March 2010; September 2013)
- Introduction to NVivo (University of Limerick, May 2010)
- Analysing data with NVivo (University of Limerick, May 2010)
- Introduction to Social Network Analysis (University of Essex, July 2011)
- Network Dynamics (University of Groningen, August 2011)
- Advanced Social Network Analysis I – Selection Mechanisms and Social Structure (University of Essex, July 2012)

These courses were extremely beneficial in providing foundational knowledge and skills in quantitative SNA and qualitative data analysis. Additionally, significant reference was made to the online resources and textbooks on quantitative, qualitative and mixed methods research throughout the process of data analysis in order to fortify the necessary competence with data analysis.

Furthermore, during the course of data analysis a number of national and international seminars were organised to ensure internal validity of the data and international consistency. In terms of the national, Irish dimension of the project, researcher triangulation was effectively employed, whereby colleagues from the University of Limerick who had attended the interviews, also presented reports on findings, interpretation of data and implications of results. This served to further
Data Analysis

Prior to the collection of data, and under the advice of Yin (2009), a case database was created for both subnational regions, where all information pertaining to the region – including public documentation, media reports and annual reports from relevant MNEs and subnational actors – were stored. Interview recordings and field notes were also saved within this case database. Furthermore, additional information, such as global and national economic activity, which was not directly related to this study, but served to contextualise the research was also recorded within each case database. The empirical data was initially analysed separately to ensure sufficiently robust analysis of the quantitative and qualitative findings. Following this, however, a more rigorous integrated and triangulated analysis of the overall dataset was conducted.

Quantitative Data Analysis

In total, 31 SNA questionnaires were collected, organised and collated into a 31 x 31 sociomatrix, in which each participant actor represented a ‘sender’ and ‘receiver’ of contact. This sociomatrix was subsequently imported to UCINET (Borgatti et al 2002), a specialist software programme for handling and analysing social network data (see Appendix E). In UCINET, preliminary descriptive analysis was run to ensure that all actors were reported with no missing variables. From this point, analysis of the structural configuration of the network was explored with particular attention on network centrality and core-periphery models.

Qualitative Data Analysis

While the qualitative data analysis sought to verify the quantitative SNA on the structural configuration of subnational actors in relation to FDI, the primary aim of
this qualitative data was to provide greater exploratory evidence on relational interaction of subnational actors with FDI. All interviews were transcribed verbatim by the researcher, resulting in over 1,000 pages of qualitative data, and imported to *Nvivo 9©*. *Nvivo 9©* facilitated the creation and maintenance of a comprehensive depository of qualitative data and enabled efficient, thorough and rigorous data analysis. The first stage of this qualitative data analysis involved the generation of a descriptive coding reference, which was derived from the semi-structured interview format (see Appendix A and B). Furthermore, this coding structure was verified with, and established amongst the international research partners during one of the international seminars on collecting data (June 2011). Additional themes, which were not directly related to the research questions but provided interesting insights and emerged organically from the interviews, were also coded.

**Table 4.4: Qualitative coding structure**

<table>
<thead>
<tr>
<th><strong>Background and Role of Respondent</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Relevant Career History</td>
<td></td>
</tr>
<tr>
<td>1.2 Current Role</td>
<td></td>
</tr>
<tr>
<td>1.3 Roles in, membership of other relevant organisations</td>
<td></td>
</tr>
<tr>
<td>1.4 Longevity within the region</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Regional economic profile and strategy</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 General regional economic profile</td>
<td></td>
</tr>
<tr>
<td>2.2 Economic sectors</td>
<td></td>
</tr>
<tr>
<td>2.2.1 Current</td>
<td></td>
</tr>
<tr>
<td>2.2.2 Potential</td>
<td></td>
</tr>
<tr>
<td>2.3 Clusters</td>
<td></td>
</tr>
<tr>
<td>2.3.1 Current</td>
<td></td>
</tr>
<tr>
<td>2.3.2 Potential</td>
<td></td>
</tr>
<tr>
<td>2.4 FDI as a performance metric</td>
<td></td>
</tr>
<tr>
<td>2.5 Region 1</td>
<td></td>
</tr>
<tr>
<td>2.5.1 Strengths</td>
<td></td>
</tr>
<tr>
<td>2.5.2 Weaknesses</td>
<td></td>
</tr>
<tr>
<td>2.6 Region 2</td>
<td></td>
</tr>
<tr>
<td>2.6.1 Strengths</td>
<td></td>
</tr>
</tbody>
</table>
2.6.2 Weaknesses

### Structure and Functioning of governance bodies/networks

#### 3.1 Governance Structures

<table>
<thead>
<tr>
<th>3.1.1 Supranational</th>
<th>3.1.1.1 Regional effects of EU policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.2 National</td>
<td></td>
</tr>
<tr>
<td>3.1.2.1 National Governance of FDI</td>
<td>3.1.2.2 Regional Effects of National Policy</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.3 Regional Development Agencies</td>
<td></td>
</tr>
<tr>
<td>3.1.3.1 Inter-regional collaboration</td>
<td>3.1.3.2 Inter-regional conflict</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.4 Regional Government</td>
<td></td>
</tr>
<tr>
<td>3.1.5 Sub-regional</td>
<td></td>
</tr>
<tr>
<td>3.1.5.1 County/Province</td>
<td>3.1.5.2 City</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.5.2.1 Elected Officials</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.5.3 Intra-regional collaboration</td>
<td>3.1.5.4 Intra-regional competition</td>
</tr>
</tbody>
</table>

#### Regional Labour Market

#### 4.1 Skills/HR/IR

<table>
<thead>
<tr>
<th>4.1.1 Basic skills and general education</th>
<th>4.1.2 Specific occupational skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.3 Expertise from existing clusters</td>
<td>4.1.4 Graduate level skills</td>
</tr>
<tr>
<td>4.1.5 Labour costs</td>
<td>4.1.6 Flexibility and Rigidity of the Labour Market</td>
</tr>
<tr>
<td></td>
<td>4.1.7 Industrial Relations climate</td>
</tr>
<tr>
<td></td>
<td>4.1.8 Employment/Unemployment rates</td>
</tr>
</tbody>
</table>

#### 4.2 Attempts to improve labour market supply

<table>
<thead>
<tr>
<th>4.2.1 Governance Actors</th>
<th>4.2.2 Employers/Trade Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2.3 MNCs</td>
<td>4.2.4 Other private sector agencies</td>
</tr>
<tr>
<td></td>
<td>4.2.5 Educational Institutions</td>
</tr>
</tbody>
</table>
4.2.5.1 National Training Agency
4.2.5.2 University and ITs

**MNCs**

5.1 Strategically important MNCs

5.1.1 Size
5.1.2 Importance to clusters/innovation

5.2 Relevant MNC info

5.2.1 MNC1 – US Financial Services MNE (Region 1)
5.2.2 MNC2 – German Manufacturing MNE (Region 1)
5.2.3 MNC3 – US Manufacturing MNE (Region 1)
5.2.4 MNC4 – Swedish Manufacturing MNE (Region 2)
5.2.5 MNC5 – Norwegian Aquaculture MNE (Region 2)

5.3 Local subsidiary coordination with parent HQ

5.4 MNC and local supply chain

**Engagement between Regional Governance actors and MNC actors**

6.0 Irish Hierarchy

6.1 Initial attraction of investment to the region

6.2 Involvement in subsidiary bids for new and replacement investment

6.3 Bringing MNC actors together with local business

6.3.1 On skills issues
6.3.2 Quality/Productivity
6.3.3 Other

6.4 Provision of infrastructure

6.4.1 Planning/Transport
6.4.2 Energy
6.4.3 Other

6.5 Negotiation of regulation

6.5.1 IR
6.5.2 Other

6.6 Types of engagement

6.6.1 Formal bilateral meetings
6.6.2 Informal discussions and networking
6.6.3 Secondments
6.6.4 Aftercare provision
6.6.5 MNC representation on local bodies
<table>
<thead>
<tr>
<th>6.6.6</th>
<th>Overseas offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.6.7</td>
<td>Role of private intermediaries (consultants)</td>
</tr>
<tr>
<td></td>
<td>6.6.7.1 In bidding processes</td>
</tr>
<tr>
<td>6.7</td>
<td>Nature of engagement</td>
</tr>
<tr>
<td>6.7.1</td>
<td>Contacts with whom in MNC?</td>
</tr>
<tr>
<td></td>
<td>6.7.1.1 Corporate</td>
</tr>
<tr>
<td></td>
<td>6.7.1.2 National subsidiary</td>
</tr>
<tr>
<td></td>
<td>6.7.1.3 Local subsidiary unit(s)</td>
</tr>
<tr>
<td></td>
<td>6.7.1.4 Functional managers</td>
</tr>
<tr>
<td></td>
<td>6.7.1.5 Workforce representatives</td>
</tr>
<tr>
<td>6.7.2</td>
<td>Intensity and frequency of contacts</td>
</tr>
</tbody>
</table>

**Innovation**

7.1 R&D
7.2 ‘Innovation Systems’
7.3 Collaboration with universities and research institutes

**Irish Specific**

8.1 Diaspora Connections
8.2 Entrepreneurial Individuals
8.3 Managerial Competence
8.4 Networking
8.5 Political Access
8.6 Strategic Irish Subsidiary
8.7 Sub-supply and Indigenous Network
8.8 Cultural Empathy
8.9 Cultural Links
8.10 Legacy and MNE experience

**Integrative Data Analysis**

Following the discrete analysis of the quantitative and qualitative data, the empirical data was explored as a whole. The following conceptual map demonstrates the utility and contribution of the different aspects of the qualitative and quantitative data (see Figure 4.2). The quantitative SNA data was fundamental to the first research question, as it provided substantial information on the structural configuration of the key subnational actors to engage with FDI. However, this data was also highly
significant in the analysis of the second and third research questions as it provided greater contextual and structural information to the relational dimension of how subnational actors interact with FDI, in addition to the variation in this engagement. Equally, the qualitative data on relational interaction patterns and activities represented an important feature of further examining and exploring aspects of the role, interaction and variation of subnational actors with FDI. As such, it is evident that in order to respond to and address each research question, both qualitative and quantitative insights were combined.
Figure 4.2: Conceptual map of data analysis

Research Aim
To analyse the capacity of subnational actors to engage with FDI within an advanced economy

Research Question 1
Who are the key subnational actors involved with FDI within an advanced economy?

Research Question 2
How do subnational actors engage with FDI within an advanced economy?

Research Question 3
Does this interaction vary between subnational locations within a single advanced country context?

Role

Interaction

Variation

Quantitative Social Network Analysis

Qualitative Semi-Structured Interview Data
Conclusions
This chapter detailed the research methodology utilised to explore the research aim and questions, establishing a platform on which to interpret the data and engage in an in-depth analysis of the findings. Early in the chapter, the philosophical and theoretical underpinnings of the research approach and strategy were outlined to frame the research, illustrating why an interpretivist mixed methods approach was considered most appropriate for this study. Following this, a substantial and detailed description of the alternative stages of participant selection, research instrument design, fieldwork and data handling were offered. The following chapter provides an analysis of the empirical data.
CHAPTER FIVE - SUBNATIONAL ACTORS AND FDI: ROLE AND INTERACTION

Introduction
After substantial review of the contemporary literature, the central assertion of this study is that subnational actors – institutions, agencies and organisations - offer the capacity for a more proximate and proactive level of engagement with FDI. Adopting Ireland as an appropriate research context in which to explore this process, empirical data is now presented to substantiate the role, interaction and variation of subnational actors with FDI. In order to accurately convey the research findings, these results will be outlined and discussed across two chapters. This first chapter focuses on the role and interaction of subnational actors with FDI, integrating both SNA and qualitative data to illustrate and describe the findings. As such, rich empirical evidence is offered on the network of subnational actors, allowing for a more nuanced understanding of the key subnational actors and their role with FDI. Following this, the chapter illustrates the various mechanisms and processes by which subnational actors engage with FDI. In so doing, both structural configuration and relational patterns of interaction are referenced to convey the nuances of engagement between subnational actors and inward investment.

Structural Configuration of Subnational Actors with FDI
Derived from substantial primary and secondary data, Figure 4.1 within the previous chapter visually demonstrated a static network of the FDI-related actors that hold an official remit to engage with FDI at a subnational level. Building upon this subnational framework, SNA is hereby used to explore the functional and dynamic interaction between subnational actors and FDI.

Using Netdraw, a visual mapping programme in UCINET, social network data was used to generate an initial visual network map of the structural configuration of subnational actors in their engagement with FDI (see Figure 5.1) (Borgatti et al 2002). Multi-dimensional scaling (MDS) was used to position the actors based on
their overall proximities and similarities to one another, a method which is useful in understanding the “internal structure of the group” (Wasserman and Faust 1994, p.287). Using MDS, the raw input SNA data was computed to graphically position similar actors closer together, while those who are dissimilar appear farther apart in that space. As such, nodes on the right hand side of the map relate to Region 1 (black squares; actors labelled 1), the left hand nodes represent Region 2 (white squares; actors labelled 2) while the grey nodes in the centre of the network (ServiceProv and EmBod3) are inter-regional actors active across both regions. Table 5.1 identifies the anonyms used to label the respondent subnational actors.
Figure 5.1: Network of engagement between subnational actors and FDI

- Region 1
- Region 2
### Table 5.1: Listing of participant actors with SNA acronyms

<table>
<thead>
<tr>
<th>Inter-regional Actor</th>
<th>SNA Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Employer Body</td>
<td>EmBod3</td>
</tr>
<tr>
<td>National Service Provider</td>
<td>ServiceProv</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subnational Actor: Region 1</th>
<th>SNA Acronym</th>
<th>Subnational Actor: Region 2</th>
<th>SNA Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Government</td>
<td>SNGov1a</td>
<td>Regional Government</td>
<td>SNGov2a</td>
</tr>
<tr>
<td>Local Authority</td>
<td>SNGov1b</td>
<td>Local Authority</td>
<td>SNGov2b</td>
</tr>
<tr>
<td>Trade Union</td>
<td>TradeUnion1</td>
<td>Trade Union</td>
<td>TradeUnion2</td>
</tr>
<tr>
<td>Employer Body</td>
<td>EmBod1</td>
<td>Employer Body</td>
<td>EmBod2</td>
</tr>
<tr>
<td>Subnational Office of Inward Investment Agency</td>
<td>NatDev1a</td>
<td>Subnational Office of Inward Investment Agency</td>
<td>NatDev2a</td>
</tr>
<tr>
<td>Regional Development Agency</td>
<td>RegDev1</td>
<td>Regional Development Agency</td>
<td>RegDev2c</td>
</tr>
<tr>
<td>Private Interest Group</td>
<td>IntGroupA</td>
<td>Education Institution</td>
<td>Education2a</td>
</tr>
<tr>
<td>Education Institution</td>
<td>Education1a</td>
<td>Education Institution</td>
<td>Education2b</td>
</tr>
<tr>
<td>Education Institution</td>
<td>Education1b</td>
<td>Education Institution</td>
<td>Education2c</td>
</tr>
<tr>
<td>Education Institution</td>
<td>Education1c</td>
<td>Subnational Office of National Training Agency</td>
<td>Training2</td>
</tr>
<tr>
<td>Subnational Office of National Training Agency</td>
<td>Training1</td>
<td>Multinational Subsidiary (Swedish Manufacturing)</td>
<td>MNC2a</td>
</tr>
<tr>
<td>Multinational Subsidiary (US Financial Services)</td>
<td>MNC1a</td>
<td>Multinational Subsidiary (Norwegian Aquaculture)</td>
<td>MNC2b</td>
</tr>
<tr>
<td>Multinational Subsidiary (German Manufacturing)</td>
<td>MNC1b</td>
<td>Local Indigenous Firm (Manufacturing)</td>
<td>LOC</td>
</tr>
<tr>
<td>Multinational Subsidiary (US Manufacturing)</td>
<td>MNC1c</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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This visual map (Figure 5.1) allows for initial observations on the interaction and role of subnational actors and enables the identification of any irregularities or anomalies. A primary insight from this preliminary representation is that subnational actors appear in unique subnational constellations, whereby all actors from Region 2 are clustered together relative to Region 1 with some active cross-regional linkages between the two regions. Equally, the inter-regional remit of Service Providers and the National Employer Body is illustrated by their location within the middle of the network as they are active within both regions. However, in order to fully explore and examine the role of subnational actors with FDI, more comprehensive computational analysis was conducted. First and foremost, core-periphery analysis was utilised to determine the most active actors within the network.

Core-periphery analysis is a specific computational tool used to identify the predominant subgroup of densely connected actors which is surrounded by a more loosely tied, sparse body of peripheral actors (Borgatti and Everett 1999; Wasserman and Faust 1994). Core-periphery analysis can offer significant visual and empirical evidence of those actors who represent the centre of the network relative to those who are less involved. Given that this study seeks to identify the key body of subnational actors, a discrete core-periphery model is defined. A discrete core-periphery model is a partition-based approach within which there are two distinct classes of nodes – core actors and periphery actors. The core actors represent a highly-organised, maximally dense cohesive subgraph while the periphery includes actors which “are more loosely connected to the cohesive subgraph but lack any maximal cohesion with the core” (Borgatti and Everett 1999, p.377). Essentially, the core-periphery model is a measure of centrality which is effective in distinguishing the key actors within a network structure.

Figure 5.2 illustrates a core-periphery network map, where actors within the inner network represent the primary group who actively engage with inward investment (black-triangular nodes) while those further from the centre, the group of surrounding marginal actors (white-square nodes), have fewer linkages to others, and thus less involvement with incoming investors. Table 5.2 provides a supporting
classification of participant actors, which identifies the SNA acronym used for data analysis and distinguishes between core (*bold*) and peripheral actors.
Figure 5.2: Core-Periphery model of activity at the subnational level in relation to FDI

- ▲ Core Actor
- □ Periphery Actor
Table 5.2: List of core and peripheral subnational actors in relation to FDI

<table>
<thead>
<tr>
<th>Core Actors</th>
<th>Peripheral Actors</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>ServiceProv</em></td>
<td>EmBod3</td>
</tr>
<tr>
<td><em>EmBod1</em></td>
<td>SNGov1a</td>
</tr>
<tr>
<td><em>NatDev1a</em></td>
<td>SNGov1b</td>
</tr>
<tr>
<td><em>NatDev1b</em></td>
<td>TradeUnion1</td>
</tr>
<tr>
<td><em>IntGroupA</em></td>
<td>RegDev1</td>
</tr>
<tr>
<td><em>Education1a</em></td>
<td>Training1</td>
</tr>
<tr>
<td><em>Education1b</em></td>
<td>MNC1a</td>
</tr>
<tr>
<td><em>Education1c</em></td>
<td>MNC1b</td>
</tr>
<tr>
<td><em>MNC1c</em></td>
<td>SNGov2a</td>
</tr>
<tr>
<td><em>NatDev2a</em></td>
<td>SNGov2b</td>
</tr>
<tr>
<td><em>NatDev2b</em></td>
<td>TradeUnion2</td>
</tr>
<tr>
<td><em>Education2a</em></td>
<td>EmBod2</td>
</tr>
<tr>
<td><em>Education2b</em></td>
<td>RegDev2c</td>
</tr>
<tr>
<td><em>Education2c</em></td>
<td>Training2</td>
</tr>
<tr>
<td></td>
<td>MNC2a</td>
</tr>
<tr>
<td></td>
<td>MNC2b</td>
</tr>
<tr>
<td></td>
<td>LOC</td>
</tr>
</tbody>
</table>

This core-periphery model facilitates initial observations on the key subnational actors, relative to those who are less involved with FDI within Ireland. In particular, this structure highlights subnational offices of national development agencies (both inward investment and indigenous) and educational institutions as core subnational actors – the black-triangular nodes - a finding which is mirrored across both regions.
On the other hand, however, the white-square nodes represent the peripheral, or less connected subnational actors. As equally demonstrated in both regions, training agencies and trade unions appear to be the most marginal actors within this network. Although identified as a peripheral actor, regional development agencies and local government appear to occupy a more intermediate position given their close proximity to the central core structure. In fact, this core-periphery analysis strongly supports the mandate of subnational actors with FDI, as outlined in Chapter 4. However, in order to fully ascertain and substantiate the relative core and periphery structure, further computational SNA is required. Measures of centrality, in particular, can inform “the extent to which an actor occupies a central position in the network” (Kilduff and Tsai 2003, p.132) by using the frequency and strength of ties to determine positional properties of actors within the network. As such, centrality measures identify the most important or key actors within a network and may enhance understanding of core actors, while equally verifying the peripheral role of other subnational actors.

There are a number of different centrality measures to identify how a network’s structure and their position within this structure can contribute to the significance and prominence of the node, including degree centrality, closeness centrality, betweenness centrality and Eigenvector centrality. Degree centrality identifies how well connected an actor is in terms of the number of ties it has to other actors, and basically reflects the activity of a node within their network. Closeness actor centrality accounts for the distance of actors from each other within a network and is calculated on the frequency of interaction with other actors. Furthermore, betweenness centrality measures the extent to which a particular node lies between, or along, a path of other nodes in the network holding a ‘brokerage’ or central position to the transfer of information or resources. Finally, Eigenvector centrality relates to the identification of the most central actors in terms of the overall structure of the network (Hanneman and Riddle 2005; Wasserman and Faust 1994). These measures of centrality enable a greater insight into how central or prominent a node is within the network (Wasserman and Faust 1994).
For the purpose of this research, degree and closeness centrality were believed to be the more appropriate, and applicable, tests of centrality given the specificity of the research questions posed. Degree centrality emphasises the immediate ties an actor has, while closeness centrality considers the distance of an actor to all others in the network. These two calculations are local measures of centrality for the individual actor and thus, allow for a more grounded understanding of the individual actors role within the overall network. While betweenness centrality is also a local measure of centrality, it is mainly interpreted as indicating power and access to diverse flows of information. Thus, betweenness centrality would provide a more synthesised description of the most powerful actors, rather than those actively involved. Furthermore, Eigenvector centrality tends to be more applicable for large groups and cliques as it identifies the connectedness of an actor to well-connected actors. As such, degree centrality and closeness centrality strongly relate to the overall research questions posed in this study, and so these measures were considered most suitable for the analysis. Prior to administering the computational analysis, however, a preliminary test for components was run in order to verify that the network was a cohesive unit. This is an important prefix to conducting social network analysis tests, as it allows the identification of irregularities (Hanneman and Riddle 2005; Scott 1999; Wasserman and Faust 1994).

Component Analysis

Wasserman and Faust (1994, p.109) define a component as “a subgraph in which there is a path between all pairs of nodes in the subgraph”. In any one network, there may be several components, or clusters of activity, embedded within the overall network structure and if there is more than one component, the graph is deemed disconnected. Component analysis, therefore, identifies the presence of components, both weak and strong, within a network (Hanneman and Riddle 2005). After running this test for components, one actor (MNC1a) was identified as a separate, weak component. As this actor basically reflected an isolate, separated from the other subnational actors – which represented a strong component – inclusion of MNC1 in centrality tests would result in zero degree and be technically undefined. Thus, this actor was removed from subsequent tests of degree and closeness centrality, allowing for a more robust analysis (Hanneman and Riddle 2005; Wasserman and Faust
1994). As such, centrality analysis was run on a network of 30, rather than the full 31, actors (for more information, see Wasserman and Faust 1994).

**Actor Degree Centrality**

As the simplest measure, and “most intuitive definition of centrality” (Grassi et al 2010, p.256; Wasserman and Faust 1994), degree centrality identifies how well connected an actor is. Degree centrality uses the activity of the node as the reference point and so this measure is one of local centrality. Premised on the number of their ties, an actor with more direct contact to other nodes in the network may occupy an advantageous position having increased opportunities to access information and greater autonomy from other actors to attain resources from alternative routes (or actors). Given that this data on the engagement of subnational actors with FDI is both valued and directed, a measure of outdegree and indegree centrality are computed. Outdegree relates to a central position calculated on the basis of the choices made by the individual actor (lines directed outwards from the node) and indegree centrality is premised on the popularity of the node by other actors’ choices (the number of lines towards the node). Therefore indegree centrality is most pertinent to our research. The normalised output figures for indegree centrality are provided, as they represent an adjusted measure of the degree based on the size of network whereby an n-indegree of 100 indicates all possible connections and 0 n-indegree has no connections (Wasserman and Faust 1994).

**Table 5.3: Indegree Centrality for subnational actors with FDI**

<table>
<thead>
<tr>
<th>Normalised Indegree</th>
<th>Normalised Indegree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Education2a</strong></td>
<td>19.704</td>
</tr>
<tr>
<td><strong>2 NatDev1a</strong></td>
<td>18.719</td>
</tr>
<tr>
<td><strong>3 NatDev2a</strong></td>
<td>17.734</td>
</tr>
<tr>
<td><strong>4 ServiceProv</strong></td>
<td>16.749</td>
</tr>
<tr>
<td><strong>5 Education2b</strong></td>
<td>16.749</td>
</tr>
<tr>
<td><strong>16 EmBod2</strong></td>
<td>8.867</td>
</tr>
<tr>
<td><strong>17 SNGov2b</strong></td>
<td>8.867</td>
</tr>
<tr>
<td><strong>18 RegDev2</strong></td>
<td>8.374</td>
</tr>
<tr>
<td><strong>19 SNGov1b</strong></td>
<td>8.374</td>
</tr>
<tr>
<td><strong>20 IntGroupA</strong></td>
<td>5.419</td>
</tr>
</tbody>
</table>
These figures illustrate the extent to which some actors are considered more central than others and thus, authenticate the core-periphery model. In fact, degree centrality highlights the more central role of subnational offices of national development agencies (both inward investment and indigenous) and educational institutions, in terms of their ties with other actors, than actors such as training agencies, trade unions, local government and other MNEs. However, this test only provides a fragment of the overall structural configuration of subnational actors. Closeness centrality contributes greater clarity to the role of subnational actors with FDI.

**Closeness Centrality**

In addition to degree centrality, closeness centrality can provide an indication of how close an actor is to the transfer of information or resources in a network as it accounts for the distance of actors from each other within a network. A high closeness score indicates that an actor has direct access to other actors and is less dependent on others for information or resources. As this measure depends on the extent to which an actor is close to other actors, closeness centrality is premised on the geodesic distance between nodes – the length of the shortest path between two
nodes (Wasserman and Faust 1994). Again, the normalised output figures for closeness centrality are reported below.

Table 5.4: Closeness Centrality for subnational actors with FDI

<table>
<thead>
<tr>
<th>nCloseness</th>
<th>nCloseness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Education2a</td>
<td>69.048</td>
</tr>
<tr>
<td>2 ServiceProv</td>
<td>65.909</td>
</tr>
<tr>
<td>3 RegDev1</td>
<td>64.444</td>
</tr>
<tr>
<td>4 Education1c</td>
<td>64.444</td>
</tr>
<tr>
<td>5 Education1a</td>
<td>63.043</td>
</tr>
<tr>
<td>6 Education2c</td>
<td>63.043</td>
</tr>
<tr>
<td>7 Education2b</td>
<td>61.702</td>
</tr>
<tr>
<td>8 Education1b</td>
<td>61.702</td>
</tr>
<tr>
<td>9 NatDev1a</td>
<td>60.417</td>
</tr>
<tr>
<td>10 RegDev2</td>
<td>59.184</td>
</tr>
<tr>
<td>11 Embod1</td>
<td>59.184</td>
</tr>
<tr>
<td>12 NatDev2a</td>
<td>55.769</td>
</tr>
<tr>
<td>13 SNGov2b</td>
<td>54.717</td>
</tr>
<tr>
<td>14 SNGov1b</td>
<td>53.704</td>
</tr>
<tr>
<td>15 Embod2</td>
<td>50.877</td>
</tr>
<tr>
<td>16 Training1</td>
<td>50.000</td>
</tr>
<tr>
<td>17 MNC1c</td>
<td>50.000</td>
</tr>
<tr>
<td>18 NatDev1b</td>
<td>50.000</td>
</tr>
<tr>
<td>19 NatDev2b</td>
<td>49.153</td>
</tr>
<tr>
<td>20 SNGov2a</td>
<td>49.153</td>
</tr>
<tr>
<td>21 Embod3</td>
<td>48.333</td>
</tr>
<tr>
<td>22 IntGroupA</td>
<td>48.333</td>
</tr>
<tr>
<td>23 SNGov1a</td>
<td>47.541</td>
</tr>
<tr>
<td>24 LOC</td>
<td>46.032</td>
</tr>
<tr>
<td>25 TradeUnion1</td>
<td>44.615</td>
</tr>
<tr>
<td>26 MNC1b</td>
<td>41.429</td>
</tr>
<tr>
<td>27 TradeUnion2</td>
<td>40.845</td>
</tr>
<tr>
<td>28 Training2</td>
<td>40.845</td>
</tr>
<tr>
<td>29 MNC2b</td>
<td>38.158</td>
</tr>
<tr>
<td>30 MNC2a</td>
<td>37.662</td>
</tr>
</tbody>
</table>

Similar to the findings of degree centrality, closeness centrality illustrates that educational institutions are the most prominent and central subnational actor in relation to FDI. As such, these centrality figures substantiate and complement the visual core-periphery model to provide further insights on the relative role of
subnational actors with FDI. This analysis of the structural configuration of the subnational system of economic development prompts the exploration of a number of key themes, including the distinctive core-periphery structure of subnational engagement with incoming FDI and the emergent role of established MNEs and local firms within this space. These are now discussed, drawing on key qualitative data to enlighten and enhance the findings.

The qualitative data sought to both endorse the quantitative output, but equally to provide greater exploratory evidence on the interaction patterns of subnational actors with FDI. Using the qualitative coding structure (see Table 4.4), the initial codes were mapped onto the three dimensions of the overall research objective – the role, interaction and variation of subnational actors with FDI. Intricate interpretative analysis was subsequently conducted to verify, and quantify, the dynamic engagement between subnational actors with investment under these three constructs. A number of techniques were used to strengthen the reliability and validity of these themes, including significant iterations of data analysis, confirmatory and corroboratory analysis with respondents and continuous reference circling between theory and findings. Figure 5.3 summarises this data reduction process and demonstrates the fundamental qualitative themes emerging from the data.
While the above figure illustrates the analysis of qualitative data to all three research questions, the first two themes – role and interaction – will be subsequently discussed in this chapter. Chapter 7 will utilise this diagram for the purpose of the third research question – the variation of subnational actors in engaging with FDI. Additional qualitative quotes to further support each of these themes are represented in Appendix F. Focusing on the first research question, the qualitative data are now integrated with the quantitative SNA findings to further explore the role of subnational actors with FDI.
Core Actors vis-á-vis Peripheral Actors in the Subnational System of Economic Development

As illustrated above, the core-periphery model distinguishes between an inner group of nodes, surrounded by additional, peripheral actors. Furthermore, the centrality measures support this partition in reaffirming the primary, central subnational actors to engage with FDI. By and large, the empirical evidence reaffirms the mandate of subnational actors, insofar that national development agencies and educational institutions represent the most important, central actors, while the peripheral actors are composed of training agencies, trade unions, MNEs and local firms who appear on the outer most circumference of the network. An interesting dimension to this analysis, however, is that the SNA fails to capture the indirect role of subnational actors, for example the body of intermediary actors, such as local government and regional development agencies, who intervene between the core and peripheral space. Drawing on qualitative data, these different clusters of subnational actors will now be discussed in more detail.

Core Actors

The presence of subnational offices of national development agencies as core actors within this subnational system is largely premised on and endorsed by, their official FDI-related remit. Ireland’s national inward investment promotion agency has primary responsibility for FDI attraction to Ireland, structured with offices at international, national and subnational (regional) level. As such, they engage directly with internationalising firms to generate interest in locating within Ireland and their primary focus is on securing investment to Ireland. Equally, while the inherent remit of the indigenous development agency is to support the growth and development of indigenous enterprise, they also have a substantial function to engage with FDI specifically within the Food and Natural Resources sector. Given this role, the indigenous development agency is strongly associated with the activities of the inward investment agency – insofar that in most subnational locations, they share the same office – and therefore, localised industrial development of both foreign and indigenous enterprise in Ireland is coordinated and sustained by subnational offices of national development agencies. Given this remit to directly engage with investment, and their position as the national node for investment promotion and
development, subnational offices of national development agencies maintain a collaborative and focused engagement with FDI.

“The national development agencies would see themselves as facilitators. They use the tax regime and the grant packages to attract investors in. Equally, the national development agencies have been very good at influencing government and influencing tax policies”

_Educational Institution Actor_

Equally, empirical evidence suggest that third level educational institutions engage directly with FDI at a more proximate, local level. While their primary orientation centres on the provision of skills and research for Ireland in general, third level educational institutions tend to align with local MNEs and actors to provide strong links to industry in terms of both supply of skilled labour and research collaborations (including potential funding).

“We have a lot of university graduates here and we do a lot of research with them [the university]. We also do a lot of interaction on other stuff, just day-to-day. For instance, we are just in the middle of validation on a technical development to one of our medical devices. We have two or three very expensive and finicky pieces of equipment here that we need to use full blast at the minute to get through this testing and validation. We’ve had one or two issues with the suppliers but now we have got the loan of one from the university for the next couple of weeks. To have someone beside you who knows what you are talking about is great, never mind being willing to give you something”

_EMAIL:CEO, US Manufacturing MNE_

Given their high rankings on the measures of centrality, the role of educational institutions may be primarily related to the availability of and capacity for research and innovation.

“I certainly would have witnessed over the last couple of years the education sector – for reasons like educational institutions being much more outward looking – has also become hugely important in the mindset of business when they actually look at a subnational region”

_Director, Employer Association_
This perspective is also supported by the national level actors who recognise the important contribution of educational institutions as providers of knowledge and skills, labour and research.

“As companies become established in a particular area, it is important that the local Higher Education Institutes are aligning themselves with the needs of industry. The local educational institution can be the most responsive to particular individual company needs, if they are a large company. Certainly, there would be a fair amount of interaction at that local level between institutes of technology or universities and the local companies”

National Policy Advisor

Overall, it appears that the central role of subnational offices of national development agencies and educational institutions with FDI relates to their direct and functional remit, their longstanding experience in the FDI space and equally, their responsibility for knowledge, skills, research grants and facilities. Moving outwards from the core actors to focus on less active subnational actors, qualitative data suggests that local government and regional development agencies occupy a more intermediate position than demonstrated in the partition-based core-periphery analysis.

Intermediary Actors

Although local government and regional development agencies are computationally categorised as peripheral, their position within the visual core-periphery map suggests that they may hold an intermediary position. In fact, qualitative analysis illustrates that the role of local government and regional development agencies with FDI is more multifaceted than the initial partition offered by the quantitative SNA data. As such, there is reason to explore the potential for these subnational actors to provide a more localised, proximate and indirect relational engagement for FDI than that of the core subnational offices of national development agencies and educational institutions. For local government, their mandate is to facilitate an appropriate physical, socioeconomic and industrial environment within Ireland. As such, local government are pivotal in the creation and maintenance of infrastructure, telecommunications services and connectivity services which are fundamental for foreign and domestic enterprise.
“We are trying to ensure the facilities and conditions to attract [MNEs]”

Local Authority Manager

Within this, however, an important function for these actors extends to conveying an attractive, welcoming and responsive environment for inward investment. As such, equal attention is assigned to intangible assets, such as generating a favourable and distinctive endorsement of a location, and shaping the cultural and social atmosphere in addition to fostering physical infrastructure.

“They [inward investors] do the whistle-stop tour, and the guys get a perception of the infrastructure and support of the area... It is really down to gut feeling and ability”

Subnational Director, Indigenous Development Agency

Therefore, while the SNA primarily reflects the official remit of local government with FDI – as outlined in Chapter 4 – the qualitative data indicates that these actors also play an important indirect role in facilitating and sustaining an environment conducive for FDI at the local level through the provision of local amenities, infrastructure and telecommunications.

Additionally, the role of regional development agencies with FDI is more intricate than illustrated by the SNA. In fact, their peripheral position within the network can be attributed to the “smallness” of Ireland, where the utility of regional development agencies as a channel for FDI has been highly contested.

“You can’t have regional development agencies in a small country like Ireland selling themselves... That is counterproductive, it doesn’t work... there should just be a single entity”

Subnational Director, Inward Investment Agency

In many instances, respondents referred to Ireland as “one region” debating whether the engagement of regional development structures with foreign investment was suitable or in fact, necessary. Related to this, there was a considerably negative perception amongst respondents on the role of regional development agencies with FDI, where subnational development agencies are often associated with poorer
regional locations (Cantwell and Mudambi 2000, 2005; Mudambi 1998). This was identified as a significant deterrent to engaging with FDI.

“It just spooks some of the larger players – wondering who are these guys? What is this regional stuff? Are we at a disadvantage? Or what are the advantages of having them?”

Subnational Director, Indigenous Development Agency

Furthermore, direct interaction of regional development agencies with FDI within Ireland has been significantly circumvented by the central and prominent role of national development agencies.

“The national development agencies are the experts in the field of bringing in FDI, so I don’t understand who these regional development agencies are”

Educational Institution

Nevertheless, it is evidently clear that regional development agencies – in addition to local government - operate as effective boundary spanners between the core subnational actors and the more peripheral agencies. For example, they hold a unique proficiency of local knowledge which has been developed over time. This institutional repository is an essential source of locational capital for MNE subsidiaries and other subnational actors who engage with FDI, and therefore, regional development agencies and local government may operate as fundamentally indirect conduits between the location and the more economically oriented activity of core subnational actors who engage directly with FDI.

“That means they are focused, and I believe they are certainly giving companies who are there a very good service as they understand what their needs are and they have a good personal relationship with the companies on a one-to-one basis and they are in to visit the companies quite frequently, due to the fact that there aren’t too many companies in the region whereas all over the country, there are a lot”

Technical Executive, Indigenous Development Agency

As the core-periphery test is partition-based, it is difficult to determine the particular contribution and role of local government and regional development agencies. In fact, the misalignment between the quantitative SNA data and qualitative insights
further demonstrates the ambiguity surrounding the role of regional development agencies and local government. However, the opportunity for regional development agencies and local government to function as boundary spanners – between personal and professional networks, MNEs and local firms, national and local agencies – is significantly advanced by the qualitative data and serves to endorse their intermediary role within the network.

**Peripheral Actors**

Trade unions and training agencies, in contrast, represent genuinely peripheral actors. They appear on the furthermost edge of the network, receive substantially low centrality rankings and their limited role in relation to FDI was extensively discussed during the qualitative interviews. In fact, the marginal role of these agencies can be largely attributed to the shifting nature of investment in addition to the more streamlined strategy of inward investment agencies. In recent years, there has been a greater emphasis on attracting high-value and R&D intensive FDI, primarily US-based MNEs, which have a clear preference for non-unionism (Gunnigle et al 2009; Gunnigle et al 2005). As such, the role of trade unions within the FDI-related subnational network has become relatively less significant for inward investment – a development which is reflected in their diminishing participation.

“To be honest, we wouldn’t bring any [inward investment] itinerary to a trade union... again politically incorrect, but they are less relevant than what they were and most of the investments coming in... go non-union”

*Subnational Director, Inward Investment Agency*

Trade union representatives spoke of the difficulty in gaining direct access to MNEs, referring to a distinctive shift in the role of trade unions engaging with FDI. In fact, there is evidence to suggest that the primary role of trade unions within the subnational location is now resigned to maintaining a stable political and industrial climate for inward and established investment.

“We worked a lot closer with national development agencies 20 years ago than we do now... Ireland is being sold as a non-union location. Invariably now, the agencies would only contact us if I was having a row with someone...
and they would say that this company is nervous... telling me that I am scaring them away”

*Subnational Trade Union Actor*

Similarly, the role of training agencies has been equally affected by the changing nature of investment. Given the focus on attracting high value-add investment, the services of training agencies are no longer considered necessary for inward investment.

“\textit{The training agency would tend not be included. Increasingly the nature of investment that we attract is not something that is readily identified with the training agencies, as they tend to be more associated with low end skills}”

*Subnational Director, Inward Investment Agency*

Therefore, there is substantial evidence to suggest that the role of subnational actors differs significantly in terms of their engagement with FDI. Furthermore, the quantitative SNA empirics fail to convey the increasing importance and substantial contribution of established MNEs and local firms in facilitating the attraction, retention and potential embedding of FDI.

**The role of MNEs and local firms**

Significant qualitative data counters the role assigned to established MNEs and local firms within the SNA structural configuration and therefore, it is important to qualify the potential reasoning behind this peripheral status. Primarily, their marginal role within this network can be explained by the fact that the fundamental business related activity and focus of established MNEs and local indigenous firms’ lies in distinct contrast to the basic premise of the network which centres on FDI-related subnational actors who engage with FDI. However, a finding which emerged organically from this study pertains to the integral contribution of this body of business actors to potential FDI in offering local knowledge on the features and opportunities of the host location. In particular, it appears that established MNEs can offer significant experiential knowledge to inward investors on the location decision-making process, the functions of alternative subnational actors, the industrial climate of the location, the positive features of the subnational location and also, the issues or obstacles they faced during investment.
“The one group that [inward investors] tend to listen to most is the guy who has done it all, because this is the person that will give them the warts and all version of what is going on”

Subnational Director, Indigenous Development Agency

In terms of the information they provide, many MNEs effectively function as an indirect proxy for the sub-supply infrastructure, whereby they offer extensive insights on local operations and the activity of indigenous enterprise for incoming investment. In terms of the sub-supply framework, the legacy of MNEs in Ireland and the existing base of successful FDI has nurtured a significant pool of sub-supplier organisations and FDI spinout companies. The technical and knowledge spillovers from MNEs have resulted in a successful cohort of indigenous enterprise which is uniquely aligned with the FDI population.

“Ireland is particularly strong at the moment ... you are getting an Irish indigenous industry growing up alongside the multinationals”

Director, Employer Association

In particular, this relates to the significant body of research which advocates that technical and knowledge spillovers, growth and development of indigenous enterprise and the attraction of new foreign investment is strongly facilitated by the location and activity of FDI (Cantwell and Piscitello 2007; Driffield 2006).

“The cloud of FDI would be very strong in the background. Here, about 30% or 40% of the high-growth start-ups are coming from FDI”

Subnational Director, Indigenous Development Agency

Within this domain, subnational actors are keenly aware of the positive stimulus of established MNEs in promoting and endorsing the subnational region. As such, subnational actors tend to be quite involved in coordinated relationships between MNEs that may not be officially formalised.

“We don’t just have established FDI, there is a mix of FDI and SME’s. In fact, you’ve a big mix there. So the development agencies that deal with these companies know the sub-suppliers, they know the established FDI, so they are able to talk to these potential FDI companies that come in about the local infrastructure”
Finally, a clear distinction can be made between the activity and role of established MNEs and local indigenous enterprise, where local firms have less formal interaction with FDI at the earlier stage of inward investment. While their engagement with FDI may be coordinated by subnational actors, there is evidence to suggest that the role and activity of local indigenous firms becomes of more central importance for FDI following secured investment to the subnational location.

“Generally, we are not a factor in their decision to come here, and I wouldn’t take credit for attracting any big companies...but [the sub-supply base] has developed a lot here now, and so if [MNEs] were thinking of leaving, we would certainly be a factor”

CEO, Indigenous Manufacturing Firm

Similar to the findings for regional development agencies and local government, the qualitative data on the role of established MNEs and local firms within the subnational network significantly enlightens the structural configuration. In fact, it appears that the quantitative distinction between core and periphery actors and their level of centrality reflects the direct remit of subnational institutions, agencies and organisations but fails to demonstrate the indirect and multifaceted role of these actors. Nevertheless, when considered together, the quantitative and qualitative data illustrate that there is a clear delineation of key subnational actors who engage with FDI.

“…In the marketplace for attracting industry”

This analysis of the structural configuration of subnational actors with FDI provides significant insights and information on the key actors involved with investment to a subnational location. Embellished with rich qualitative insights, the visual social network map provides a unique representation of the subnational actors and their relative direct and indirect role with FDI.

First and foremost, there is an explicitly central role for subnational offices of national development agencies and educational institutions in terms of their potential
to attract, engage, enhance and potentially embed MNE investment to the subnational location. Consistent with this, local government and regional development agencies operate within a more intermediate position, where their experiential knowledge of the subnational hinterland endows them with a more indirect role within the network than their official remit. The formal mandate and functional role of training agencies and trade unions has diminished in recent years as a result of the contemporary nature of investment, the strategy of national level institutions and policies and the relative centrality of other subnational actors. Finally, established MNEs and local firms offer a multifaceted role within the subnational system of economic development, as they engage both directly with inward investment but also, facilitate and support the activities of subnational actors to engage with FDI. Furthermore, this multidimensional role contributes significantly fresh insights on the complete network of subnational actors in their interaction with FDI whereby these business actors also contribute towards the activity of the non-business network to engage with FDI. In fact, the direct and indirect engagement of subnational actors with FDI produces a coordinated approach to inward investment where subnational actors organise via distinct customised coalitions which are specifically tailored and mobilised in response to the needs and demands of inward investment.

Overall, the role of subnational actors with FDI can be either direct or indirect, in line with the nature of engagement and the needs of investment. Identification of the specific role and remit of the key subnational actors to engage with FDI allows for a more concerted exploration of the mechanisms by which subnational actors engage with FDI.

**Relational Interaction between Subnational Actors and FDI**

Building upon the structural configuration of the subnational network, the second research question seeks to advance these initial insights on the role of subnational actors with FDI and further explore their engagement with FDI. Premised on their official mandate (as discussed in Table 4.1) and the preceding information on their direct role, the predominant incentive and driver for all subnational actors to engage
with FDI is to attract and retain investment for the subnational location. However, within this, two key mechanisms of interaction between subnational actors and FDI emerge – formal and informal engagement. Formal engagement is primarily grounded on the distinctive role of subnational actors identified above, whereby there appears to be a hierarchical structure of interaction between subnational actors and FDI. Furthermore, informal engagement reflects a more organic and iterative process between subnational actors and FDI, insofar as it appears to be based on a more casual dynamic. Both of these engagement mechanisms are now further discussed.

**“Main drivers of attracting industrial investment”: Hierarchical Structure for FDI**

As suggested in the structural configuration, subnational actors have clear and delineated roles in relation to FDI and in many cases, these roles conform to their mandate. However, there is also significant evidence to suggest that there is an alternative and complementary process of engagement which is not solely determined by the certified remit of these subnational actors. In fact, there appears to be a distinctive hierarchical structure by which subnational actors engage with FDI beyond their formal conventions within Ireland. This section seeks to identify and highlight the primary attributes of how subnational actors formally engage with FDI.

As their official remit certifies national development agencies (at both international and subnational level) as the central footnote in advancing the initial attraction of an international firm to Ireland, it is clear that they command the principal role within the subnational architecture to engage with FDI. Prior to any investment decisions, direct contact with an international firm is generally obtained through international representatives of the national inward investment agency, who engage with the current state of a firm to initiate contact with international firms and encourage investment to Ireland. Within this, international executives are keen to familiarise inward investors with alternative subnational location opportunities within the country. As such, the subnational offices of the national development agencies represent a central component of engagement with a potentially internationalising firm, drawing on their local knowledge and extensive relationships (with investors, institutions, agencies and established organisations) to “build a compelling value
proposition for this subnational region” and engage in “reference selling” (Subnational Director, Inward Investment Agency). Therefore, subnational offices of the national development agencies work quite closely together at the top of the subnational hierarchy and actively engage in both attracting and retaining investment. Subnational offices of national development agencies have been colloquially referred to as “our conduit to the MNE sector”, “the central machine” and “having an influencing agenda”. Equally, subnational offices of national development agencies are highly aware of their coordinating role.

“We would take credit for [institutional coalition] – we see that these [subnational actors] are key pieces in our toolbox to make the sale. So we make sure that we have all of these different parties on board with us and to a fair degree, I would keep them reasonably informed insofar as one can about what we are doing, what kind of pipeline we have”

Subnational Director, Inward Investment Agency

Alongside subnational offices of national development agencies, the centrality of educational institutions illustrates their equally prominent role in attracting and retaining FDI. The importance and contribution of educational institutions for FDI affords them in a highly central position and their interaction is often coordinated by national development agencies.

“The university is an integral part of our sell... Nearly every itinerary that comes in would meet with the co-op people⁵. So the co-op programme is one piece, next are the graduates; the quality of the graduates and the type and how flexible it is in terms of industry. Third it would be the research. They would be the three pieces for educational institutions”

Subnational Director, Inward Investment Agency

Below this, there exists an additional body of subnational actors within the local context who comprise the “key pieces of our toolbox”. These actors, particularly local government and regional development agencies, are integral in exposing the

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¹ Co-op refers to Cooperative Education Programme which exists within certain third level educational institutions in Ireland. Cooperative Education places third level students with employers to enable work-based practice and experience, related to their relevant area of study, as an integral component of their education framework.
internationalising firm to the attributes and opportunities of a subnational environment by specifically promoting and highlighting locational resources and capabilities, the institutional ecosystem, established FDI, local firms and indigenous industry, labour pools and human capital, financial incentives, physical resources and infrastructure. These activities occur across both the attraction and retention phase of investment, although in some instances, the indirect role of local government and regional development agencies with FDI may render them more important for retention of investment. For example, the alignment of local government and regional development agencies with established MNEs can encourage the development of subsidiary units, advanced R&D laboratories and enhanced telecommunications infrastructure. Numerous respondents, both MNE and subnational actors, noted the importance of developing “broadband and fourth generation networks” to enhance the subnational telecommunications infrastructure and enable MNEs to connect to the global market. As outlined earlier, local government are also fundamental in cultivating a socioeconomic environment conducive to investment.

“Companies like to be associated with good things, like arts festivals and stuff like that... It is probably not the critical thing, but nevertheless it is part of the package that is on offer here. I think it is particularly critical for attracting high calibre staff and keeping them. It is not only about attracting them, but you also have to keep them”

Local Governance Manager

Furthermore, regional development agencies offer a significant level of localised support and personal networks for MNE subsidiaries to become more embedded within the subnational location. Therefore, in many instances, subnational offices of national development agencies would draw upon their existing bank of knowledge, connections and relationships to encourage reinvestment, and potentially embed, established MNEs.

“Because we are a local regional development company, we’d have personal as well as professional ties to our clients and our companies. Brothers, family, people we play soccer with, golf with. So that’s a huge
level of personal as well as professional interaction that we would all have with our client base that a national agency might not have”

Strategic Project Manager, Regional Development Agency

Contrary to the visual SNA maps, established MNEs and local firms significantly contribute to this mid-level localised depository of subnational actors. In effect, these business actors enhance the capacity of subnational offices of national development agencies and educational institutions to engage directly with inward investment by substantiating their potential to attract, retain and embed FDI. For example, subnational actors, such as subnational offices of national development agencies, regional development agencies and educational institutions may introduce, incubate and encourage relationships between potential investors and established MNE subsidiaries to endorse, support, formalise and in some cases, directly coordinate these links.

“If they were trying to encourage [an investor] to come in, they would bring them to visit us. We would give presentations and stuff and take them through the offices etc. Or if they had visiting dignitaries, like an international minister coming, they would bring them in and we would set up a presentation for them”

CEO, US Financial Services MNE

Furthermore, this appears to be a largely reciprocal relationship whereby MNE subsidiaries are cognisant of their potential to contribute to attracting and retaining investment to the subnational location. As such, established MNEs are quite accommodating of this task and consider it as largely altruistic behaviour.

“…you are kind of wheeled out at a local level as some sort of a bride at the wedding; you are a great story for the area”

HR Director, US Pharmaceutical MNE

Equally, established MNEs and local firms can provide a substantial amount of agglomerated industrial support for incoming FDI.

“These companies take comfort from clusters… if the other company thought this was the right place to locate, then the senior executives of this
inward company will say that once the leader [industry] is there, they should be there too”

Educational Institution

Given the hierarchical nature of this engagement mechanism, a foundational level must exist. As illustrated in the structural configuration and measures of centrality, trade unions and training agencies represent the most subordinate subnational actors for inward investment. While their minimal engagement can be attributed to more macroeconomic factors, such as the changing nature of investment and industrial policies, it does appear that even within the hierarchical process of engagement, trade unions and training agencies do not play a role with FDI.

Overall, there appears to be an implicitly formalised hierarchical pattern of relational engagement with FDI within Ireland, whereby the attraction and retention of inward investment is coordinated via a unique consortium of subnational actors. Primarily based on their direct role with investment, and substantiated by their central role within the FDI-related subnational network, subnational offices of national development agencies and educational institutions operate as the primary actors to engage with FDI at a subnational level. However, their role also extends to the coordination of other subnational actors in relation to FDI. As illustrated earlier, regional development agencies, local government, established MNEs and local firms’ offer a supportive and facilitative role in creating an environment conducive for FDI at alternative stages of attraction and retention while trade unions and training agencies have limited interaction. As such, there appears to be a distinct hierarchical structure to the engagement of subnational actors with FDI which presents a more formalised mechanisms of interaction.

“There’s an art to winning friends and influencing people”: The role of personalities and informal networking

Informal networking and personal relationships emerged as a fundamental mechanism of engagement between subnational actors and FDI. Irrespective of their position within the more formalised hierarchical network, all subnational actors stated the importance of personalities, relationships and networking in attracting and
retaining FDI. Three positive expressions of this informal networking were identified – including networking amongst subnational actors themselves, managerial and institutional capacity with MNEs and institutional-MNE networking. However, two localised hazards were also noted whereby more destructive elements of this engagement were articulated, namely institutional density and actor turnover. Each dimension of informal networking is now discussed.

**Networking amongst Subnational Actors**

As clearly illustrated by the social network maps (Figure 5.1 and Figure 5.2), there is a dynamic level of engagement amongst subnational actors, which offers a considerably constructive basis on which to interact with FDI. While this internal networking within a subnational region presents a positive prerequisite for attracting and retaining investment, it is fundamentally premised on “personal relationships amongst local actors” and “strong working relationships” amongst subnational actors.

“In effect, we create a network of contacts in the local community, be it in the MNEs that are there already, Irish companies or the different bodies - national training agency, the universities, recruitment agents, lawyers, accountants in the local area - so that they are all on side to help in the promotion of the region for new investments. So that is what our subnational managers do and they will bring those people into meetings, they will bring them to dinners if we have clients around, to try and put a positive image on the particular region”

*International Office, Inward Investment Agency*

It is explicitly clear that subnational actors invest a strong focus on integrating and assembling the range of agencies, institutions and alternative service providers to respond to the needs and demands of potential, incoming or established MNEs. While this supports the concept of more formalised consortiums of subnational actors, the following quotation illustrates that a substantial component of these consortiums is the capacity to build upon existing or available personal relationships.

“A couple of weeks ago, the complete board of MNEx had their meeting here and travelled up the motorway to their site before it was even opened to
As such, it is evident that professional relationships are significantly buttressed by personal ties and associations which facilitate a greater level of engagement and proactivity amongst subnational actors. In fact, there was considerable reference to the capacity for “every aspect of the region [to be] focused on winning FDI. If you go for a walk through the region, any restaurant or shop, they turn it out [for FDI]” (Educational Institution). Furthermore, the distinct commitment of subnational actors to generating and exhibiting a strong and resilient display for incoming investment appears to be propelled by a vested commitment to, and personal relationships within, the subnational location. A fundamental aspect of these relationships within the Irish context relates to the multiple layers of relationships, interaction and association between subnational actors within Ireland. In particular, the strength and buoyancy of personal relationships and connections significantly reconciles professional positions.

“I was born in Region 2... I moved out of here and I’ve come back to the region and there are a lot of people working in multinationals around that I know from school and from college here. I can certainly pick up the phone and that is the bond that was there. I wouldn’t have any doubt that is an influencing factor. I would also say that because I have worked in multinationals, some people I talk to or when I meet would recognise and know that I came from that background. They would know the company I worked with here and that certainly helps, it creates a connection.”

Subnational Director, Indigenous Development Agency

The underlying rationale for this adheres to the distinct consensus amongst actors, at both a national and subnational level, on the role and contribution of FDI to the economy. The source of this consensus can be directly traced to the legacy and
commitment of the Irish economy to an export-led development, which in turn has fostered a unique understanding of MNEs.

Managerial and Institutional Capacity in Managing Mandates
As highlighted in Chapter 3, Ireland has a strong legacy and experience of MNEs since their location here in the early 1960s. This has resulted in a keen inside knowledge and capacity for engaging with MNEs - knowing how they operate, what they look for and how to manage the subsidiary-corporate relationship. As such, there appears to be somewhat of an innate capacity for subsidiary managers, agencies and institutions to effectively manage MNE mandates. At its highest level, the legacy of FDI and consensus amongst subnational actors on the importance of FDI within Ireland has significantly enhanced the competence of subnational actors to engage with these investors.

“What we have here is 50 years of senior management experience, 50 years of people moving up through FDI into boardroom positions and having those skills”

Director, Regional Development Agency

This, in turn, offers a significant dimension to the informal interaction of subnational actors with FDI. A consistent finding amongst the subnational institutional and industrial respondents of this study was an inherent familiarity and knowledge of, as well as involvement with, the MNE sector within Ireland. In particular, this experiential knowledge has cultivated a key strength within subnational actors. For example, many of the MNE actors, and indeed the subnational actors, had previously worked through different departments, sectors and layers of MNEs, or gained extensive experience in related fields.

“I worked in an MNE during the 1970s and the knowledge I gained was just unbelievable. I can point to individuals who started in MNEs and went on to take more leadership roles in MNEs. There is absolutely no doubt whatsoever that the training people get in MNEs is number one. They are tremendous training grounds in terms of management development and leadership”

Subnational Director, Indigenous Development Agency
Of particular interest is the fact that subnational actors are highly cognisant of the capacity of Irish managers to understand and engage with MNE and this managerial skillset has been implicitly supported and nurtured by subnational actors in order to enhance and upgrade subsidiary activity within Ireland.

“Over the years we have spent a lot of time working with managers to look at increasing the mandate and expanding the mandate... We believe a lot of it comes back to individual managers and how they look on that and how they interpret their mandate. I think a lot of the success of MNEs was down to the subversive management they had that we’re always chasing. Seek forgiveness afterwards, rather than go out and ask for permission – that was an important agenda”

Subnational Director, Inward Investment Agency

Equally, established MNEs note the important role of subnational actors in assisting, facilitating and supporting the transfer of experiential knowledge between industrial actors. In fact, many MNEs applaud the active engagement of subnational actors within this space, highlighting the significant endorsement provided by these local institutional and governance actors.

“We have been supported by [subnational actors] in terms of having access to people... We have networked quite a lot with nearly every other manufacturing facility or company in this country because every single one of them is in the same boat with competition coming out their ears from their sister companies in other parts of the world”

HR Director, German Manufacturing MNE

Therefore, while there is a strong emphasis on the transfer of experiential knowledge to inward investment via subnational actors, there is also a substantially direct interaction amongst MNE subsidiaries within Ireland. The operationalization of this characteristic is often demonstrated by the cadre of subsidiary managers who display a micro-political acumen for interacting with corporate and the overall MNC system, through networking and relationship building. As such, these unique skills are utilised and driven towards the management of MNE mandates, where Irish subsidiary managers integrate business portfolios with networking of key individuals at senior level. In particular, there was significant reference to “walking the corridors in Boston”, “building links with corporate” and “looking at things with a
“can-do attitude” by Irish subsidiary managers who seek to secure mandates, foster relationships with corporate relationships and engage with on-going projects. An explicit awareness of this capacity to openly and intentionally engage with other MNE subsidiaries represents the somewhat subversive activity of Irish subsidiaries who unreservedly converse and network with competitor companies in order to gain fresh insights on subsidiary management or mandates.

“There is an Irish dimension to the competitive issue here. We talk to MedTechCo.1, we talk to MedTechCo.2 who are our biggest competitor globally but I don’t have any problem talking to them here. Now we are all very careful on what we say... generally [we talk on] common themes, like anything that is good for all of us. But I know in the US, they just would not talk to their competitors. It just isn’t done... The culture isn’t there”

CEO, US Manufacturing MNE

Possibly due to the size of the country and the extensive and enduring legacy of FDI, there is an awareness and familiarity amongst MNE actors that their knowledge base and network includes competitor companies. Evidence of this activity has also been recollected in relation to the successful penetration of Irish subsidiary managers at the corporate level.

“The successful multinationals in Ireland have been the ones who have managed to export their general managers and people like that to other roles within the corporate world. So our biggest supporter would be the original general manager, and he is now vice-president who makes those decisions. He has been our biggest supporter, but he is very clear he is only supporting us because of the good return on investment. But he set the culture, he knows the place intimately. He is pretty hard on us getting return on investment, but he is the decision maker ultimately.”

Financial Director, US Manufacturing MNE

Within this managerial capacity, there is an innate sense of entrepreneurship which has also been associated with the attraction, development and retention of FDI within Ireland. All the while, this activity is identified and supported by key subnational actors.
“We have senior executives locally who want to grow their plant... actually it is important to ensure that some part of the senior executive team are Irish themselves. Like if they are locally based guys, it makes a big difference. And if they are senior in the worldwide corporation of that company then you can take it that the FDI is far more secure.”

Educational Institutional Actor

The location of FDI in Ireland since the 1960s has significantly intensified the capacity of individual managers and subnational actors to gain a unique proficiency in the mechanisms of engaging with foreign investors. In particular, this has also nurtured a more informal process of institutional-MNE networking at a subnational level.

Institution-MNE networking

In addition to networking amongst subnational actors and the more individualistic managerial capacity, there is also significant evidence of a dynamic exchange between subnational actors and FDI which tend to go beyond the formal conventions. While the explicit, formal engagement between subnational actors and FDI pertains to showcasing locational resources and capabilities, an additional, and equally important, dimension of this interaction relates to the initiation, development and maintenance of positive, reciprocal relationships. In fact, significant reference was made to the unique dimension of “relationship-building” inherent within subnational actors in relation to engaging with FDI. In fact, subnational actors are intent on forming a link with potential investors from the first meeting, and therefore a significant dimension of this relationship is initiated and established long before formal investment to a location is secured.

“Personalities play a big part in it. With these guys when you start your relationship, you start to talk off the record as well about things that you don’t want to commit to paper. It is personal relationships really and it is down to how good and how strong that is... Keeping the existing guys happy and sweet would involve a lot of things that wouldn’t be written down in the rulebook. I have said from the outset that a lot of this revolves around relationships...With the likes of that software company, we were five years courting them before they came here. Different companies play in different
ways. *We have been about a year and a half courting this new digital media company*”

*Subnational Director, Inward Investment Agency*

While institution-MNE networking occurs across stages of FDI attraction and retention, a key feature of this dynamic relates to the sporadic nature of interaction, which is often project dependent, “*dynamic*” and “*goes in waves and cycles*”. For example, there was evidence of a recent intense period of collaboration and subnational institutional-MNE interaction due to the decision of an Irish airline to remove an international route from the local airport. Senior executives of local MNEs had actively used this route to connect with clients and corporate abroad while, subnational actors were highly cognisant of the need for greater connectivity between the subnational region and mainland Europe. As this flight represented a source of international connectivity, in addition to the economic activity it brought to the subnational region, there was a substantial alliance of actors, both institutional and industrial, in seeking for the return of this resource. While many established MNEs noted that they were reluctant to publicly react to this national decision, they clearly supported the activity and response of subnational actors. For example, a US Financial Services MNE noted how they sent a strong letter to national government calling for the restoration of this route while a German Manufacturing MNE highlighted their direct involvement within subnational action groups. As such, this reflects the high concentration of engagement between subnational actors and MNEs in attempting to lobby national government and the airline to reinstate the flight route. However, this example is just one of a few to demonstrate deep phases of interaction. SNA visualisations can illustrate the more typical levels of engagement between subnational actors and MNEs.

Figures 5.4 and 5.5 generate an ego-network image of one of the subnational offices of a national development agency (NDA2a) with that of an MNE subsidiary (MNC2a). An ego-network describes the set of alters or related actors, who have direct ties to one identified focal actor (Wasserman and Faust 1994; Scott 1999). While the choice of subnational actor was made at random, these comparative ego-networks illustrate the alternative networks of a subnational actor and a foreign
investor, highlighting the asymmetry of relations, and perspectives, between these two actors.
Figure 5.4: Ego-network of Inward Investment Agency (NDA2a: Region 2)

Figure 5.5: Ego-network of Swedish Manufacturing MNE (MNE2a: Region 2)
From the two images it is clear that the ego-network of NDA2a is quite densely populated with direct ties to 13 subnational actors. As extensively discussed in the early section on networking amongst subnational actors, most of these connections relate to other subnational actors. Comparatively however, the ego-network of MNC2a is much lighter and sparse, with a relatively different set of alters. This, again, is premised on the alternative remits of the two actors selected, whereby subnational offices of national development agencies are charged with attracting, retaining and embedding FDI within a location, while MNEs maintain a primary focus on business related relationships.

“We are seen to be a successful flagship for the local region... rather than the [regional development agency] helping us, it was more we helping them and we were happy to do it... So there were good relationships in that sense but it wasn’t that we were seeking anything from them”

CEO, US Financial Services MNE

A key example of the benefits of informal networking between subnational actors and MNEs is illustrated by the ease with which political actors, such as ministers and local representatives, are accessible to foreign investors within Ireland. Several specific anecdotes were provided by both MNEs and subnational actors to illustrate the availability and openness of political representatives on issues pertaining to FDI within the subnational environment, which are believed to significantly enhance the attraction and retention of investment.

“Part of that too is access to influence and decision making. For whatever reason, we [Irish agencies] seem to be particularly good at it relative to other countries. So if there is a major problem that is an obstacle to a project, or something that is happening of critical importance, you don’t necessarily have to wait days and weeks and months on end to get access to some senior politician or someone in a state agency to look at it and make a decision or whatever it is. That is also an important part of our political arsenal, which requires that there are effective networks”

Subnational Director, Employer Association

Established MNEs are also innately aware of the political astuteness in relation to FDI.
“The sense I get, and especially with the more senior guys you are dealing with, is that if you can avoid talking to second or third tier guanos and if they can talk to the national inward investment agency, government department’s or even a Minister that is where they will go. If you are big enough and you have the muscle to ensure you can do it, that is the route to go”

HR Director, US Pharmaceutical MNE

These three aspects of informal networking characterise an essential feature of how subnational actors interact with FDI, reflecting a shared sense of unity amongst subnational actors in their engagement with each other and with MNEs. In considering the alternative mechanisms and processes of informal networking, it appears that there are significant benefits for both subnational actors and FDI. However, there are also a number of potential localised hazards to the interaction of subnational actors with FDI. In particular, a direct and tangible implication for the role of personalities in attracting and retaining FDI relates to the potential for knowledge deficiency due to institutional density and actor turnover.

**Institutional Density**

While the informal activities of subnational actors in both attracting and retaining FDI are evident, an inherent weakness of this dynamic exchange relates to an overlap in roles, remits and functions amongst subnational actors. As illustrated in the social network maps (Figure 5.1 and Figure 5.2), there is considerable institutional density within the subnational network and many MNEs spoke of the negative effects of “institutional proliferation”. While these actors were initially established with a particular functional remit, it appears that there is now considerable complexity within the subnational ecosystem.

“I find it difficult to understand and explain... But from their [corporate] point of view, they want to deal with one agency and let that be it. But they get confused and it muddies the water. I think any ideas that are there at the moment in terms of amalgamating them all to a single agency, or reporting them all under one agency, or calling them all the same name, would definitely be a move forward”
The difficulties associated with institutional density were noted by MNEs in relation to a number of practical issues, including the auditing and reporting of capital grants, access to information, availability of subsidies and planning requests. For example, a US Manufacturing MNE expressed some dissatisfaction in the complexity of subnational engagement when they received a capital grant from the inward investment agency but had to have this audited by the regional development agency. Equally, and an interesting outcome of this research, was the awareness and acknowledgement by subnational actors themselves that this complexity was impeding the development of industry and complicating the identification of relevant and necessary actors within the subnational network.

“When you have more than one agency, it may complicate the situation because one of the things that I am finding - and it frustrates me – is where things are unnecessarily complicated. Particularly when you are dealing with industrial clients, you have to keep it simple”

Technical Executive, Indigenous Development Agency

This data demonstrates a growing need to clarify, simplify and organise all FDI-related agencies and institutions. In terms of engagement in both attracting and retaining FDI, there is an inherent need to structure and align the subnational actors which engage with FDI at particular stages. As outlined in Chapter 3, significant structural changes have occurred in relation to the national and regional development agencies in the previous twelve months. While this data was collected prior to these institutional renovations, it now appears that a more streamlined approach may enhance the capacity of subnational actors to activity facilitate and foster an environment in which leadership, growth and innovation can flourish.

Actor Turnover

In addition to the limitations imposed by the density of FDI-related institutions, agencies and organisations, the knowledge and specific information accumulated by individual representatives and executives of these subnational actors also represents an inherent hazard for FDI when roles or remits change. The implications of this
institutional destruction are keenly noted within MNEs where their experience of this issue is well versed.

“I could give you a list of names [of personnel we deal with], but the guy that used to be our primary contact moved on recently. It is challenging enough, we don’t have enough interaction to build a good relationship. Like a year into it and someone has moved on, so it is a different face... [That was a disadvantage to us] because we spent a year or two years interacting in the same way, through table conversations like this, and then we had to have them all again. Longevity in a role is a useful thing, because you don’t have to repeat the stuff”

Research Engineer, US Manufacturing MNE

Equally, there was substantial evidence to suggest that subnational actors with more experience within their specific role over time were considered a significant advantage to engaging with FDI.

“I think it really is because he has been here for so long. He just knows so many people over such a long period of time.... He is the first port of call here in Region 2”

Subnational Director, Employer Association

As such, the experiential knowledge acquired over time by subnational actors can greatly facilitate foreign investors but it can also be a cause for concern if individuals or institutions, agencies or organisations were to change.

These incidents of informal networking reflect the agility and flexibility of subnational actors to respond to the needs and demands of investment. While the potential limitations of informal networking are also highlighted, it is apparent that subnational actors actively explore the extensive capacity of their resources to provide a range of possible solutions, strategies and suggestions for the MNE.
“The best relationships are formed down at the regional level”

The analysis of relational patterns of engagement between subnational actors and FDI demonstrate the utility of specific mechanisms of engagement in order to both attract and retain FDI. These mechanisms can be summarised as formal and informal in which there is a fundamental focus on the transfer of locational, relational and knowledge capabilities. The formal mechanisms are largely structural and relate to the hierarchical architecture of subnational actors in attracting and retaining investment. Moreover, there is also significant evidence to suggest that informal mechanisms offer a substantial route for subnational actors to engage with FDI alongside their formal protocol. In many instances, subnational actors engage on a more localised and personal platform with incoming and established MNEs. In so doing, their informality generates a unique sense of subnational empathy amongst both MNE subsidiaries and subnational actors whereby there is a concerted appreciation for the role and activity of each institution, agency and organisation in shaping and enhancing the subnational environment. However, the complexity associated with subnational institutional density and turnover has been found to generate localised hazards and largely impede this process. Nevertheless, there is substantial evidence to demonstrate the contribution of formal and informal mechanisms of engagement between subnational actors and FDI which occurs across the dimensions of attracting, developing and retaining FDI.

Conclusions

This chapter provided extensive information on the role and interaction of subnational actors with FDI. The structural configuration of the subnational network facilitates a unique profile of the relative role of these actors with FDI. The clear distinction between core and periphery actors provides substantial insights on the direct and indirect engagement of subnational actors within this space. Furthermore, the blend of formal and informal, personal and professional engagement patterns between subnational actors and FDI generates a fresh and innovative perspective on the specific mechanisms by which actors and FDI interact at a subnational level. In particular, these findings demonstrate that subnational actors engage with FDI in order to attract, develop and retain investment. While the overall implications of these findings will be further evaluated and discussed in Chapter 7, information on the variation of this interaction and the distinctive patterns of the subnational
infrastructure across two subnational regions in Ireland serve to enhance our understanding of subnational actors in relation to the attraction and retention of FDI.
CHAPTER SIX - SUBNATIONAL ACTORS AND FDI: VARIATION

Introduction
Following on from the previous chapter, in which significant insights were provided on the key subnational actors involved with FDI within Ireland, and the specific mechanisms by which they engage, this chapter seeks to enhance understanding of the alternative approaches of institutional-FDI engagement at a subnational level by particularly exploring variation, if any, across two subnational regions within a single country context.

A cross-regional comparison is employed to account for the similarities, and differences, in how subnational actors engage with FDI. Akin to previous findings, a combination of SNA and qualitative interviews are used to fully explore the interaction and implications of subnational interaction with MNEs within their subnational jurisdiction. As outlined in the earlier contextual section, subnational regions in Ireland vary significantly in terms of their industrial heritage and institutional infrastructure. However, more innate variances between the two subnational regions under study are now explored in relation to the processes by which subnational actors engage with FDI.

Structural Variation between two subnational regions
The first aspect of analysing subnational differences in relation to FDI relates to comparing and contrasting the configuration of subnational engagement across both regions. Returning to SNA, a comparative analysis was employed to generate a visual map of subnational interaction within both regions (See Figure 6.1). As such, significant insights on the structural composition of subnational actors across both subnational regions is identified.

Using MDS (Wasserman and Faust 1994), the actors were computationally positioned based on their overall similarities to one another – as in Figure 5.1 - where
those subnational actors who are more involved with FDI appear closer together within the centre of the map, while those less engaged with FDI operate on the periphery of the network structure. The tighter positioning of nodes and more direct formation of linkages in Region 2, compared to relatively less congruent interaction patterns in Region 1, initially suggests a greater level of complexity in this region relative to Region 2.
Figure 6.1: Comparative social network analysis of the two subnational regions

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To further demonstrate subnational interaction, density figures for both regions are drawn upon to illustrate inter- and intra-regional activity. Density relates to the existent linkages between actors within a network, as a proportion of the maximum potential linkages (Scott 1999; Wasserman and Faust 1994), and is reflective of interaction patterns within a network. Despite being the most widely cited index of group level interaction, density scores within SNA are highly contested as a representative measure of network cohesion, particularly with large networks, and it is advised that they should not be interpreted independently (Friedkin 1981; Scott 1999; Wasserman and Faust 1994). However, given the small network size and the utility of these figures as empirical illustrations of the activity within, and across, subnational regions, density is used to measure, and substantiate the preliminary insights derived from the network visualisations. As such, these density figures basically calculate the number of times an FDI-related actor within a region engaged with an actor within the same region, or the comparative region.

Table 6.1: Inter- and intra-regional density

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<tr>
<td><strong>Region 1</strong></td>
<td>244</td>
<td>39</td>
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<tr>
<td><strong>Region 2</strong></td>
<td>23</td>
<td>198</td>
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As this measure of actor-level density isolates interactions within and between each region, it significantly demonstrates the patterns of inter- and intra-regional engagement amongst subnational actors in relation to FDI. First of all, it is evident that while there is some inter-regional interaction, it is relatively low, with 23 links from Region 1 to Region 2 and 39 connections from Region 2 to Region 1. These figures demonstrate that the primary engagement in relation to FDI occurs within a regional unit. Notwithstanding this, there are a greater number of ties within Region 1, with 244 active interactions compared to 198 in Region 2. While this may be explained by the inclusion of an additional agency (A Private Interest Group) in Region 1 (15 subnational actors) compared to Region 2 (14 subnational actors), it also highlights a greater level of complexity within Region 1.
Although SNA can strongly substantiate the structural configuration of interaction patterns between subnational actors with FDI, greater information is required on the relational interaction within subnational regions, and amongst subnational actors, in terms of their engagement with FDI in order to fully address the third research question. As such, the SNA maps and density figures are significantly enhanced with qualitative data, thus increasing analytical rigour of this study. From this, a number of key themes emerge relating primarily to administrative issues and colloquial concerns.

**Administrative Issues**
In comparing the role and interaction of subnational actors across two subnational regions within Ireland, some distinctive differences were identified in terms of the influence of macro-level effects on the capacity of subnational actors to attract and retain FDI. In particular, the ambiguous role of the regional development agency, sectoral concentration of MNEs and financial aid for investment emerged as key administrative issues in the variation between the two subnational regions.

**Regional Development Agency**
A fundamental administrative concern relates to the ambiguous role of the regional development agency within both regions, which, as noted in Chapter 5, has had a pronounced effect on the attraction and retention of FDI across both regions. While both regions had an active and functioning regional development agency at the time of this study, significant differences were apparent in their contribution to and interaction with FDI. In fact, a comparative analysis of the two regions illustrated that the regional development agency in Region 1 has been strongly consigned with impeding the attraction of FDI, while the regional development agency in Region 2 had minimal engagement with FDI within the region.

The presence of a regional development agency in Region 1 has been widely cited as contributing a greater level of complexity to engaging with FDI, creating an
ambiguity of roles and resulting in an overall “messy interplay” to the location. As the remit for industrial promotion and development was effectively shared between the national and regional agency, the attraction, location and development of FDI to Region 1 has been significantly negated. Despite an outward display of collaboration between the regional development agency and the national development agency within Region 1, other actors refer to a sentiment of fragmentation.

“The inward investment agency office in Region 2 is probably stronger because they have always been there... It has always been the main contact in Region 2 whereas here [Region 1], for some time, it was hard to know who was the organisation – was it the regional development agency, was it the national development agency and there was that ambiguity and tension between them. In its heyday, the regional development agency was very good, then you had this slow decline – in terms of its influence – and we [Region 1] lost out on a lot of itineraries and even if they were coming from the inward investment agency, they weren’t coming with the same support or vigour than if they were going elsewhere.”

Educational Institutional Actor (Region 1)

The legacy of this regional development agency can be compared to the relatively smoother functioning of subnational actors within Region 2, in which the regional development agency primarily focuses on linguistic and socioeconomic development. As such, subnational offices of national development agencies in Region 2 are the predominant subnational actor to engage with foreign enterprise, resulting in a more well-defined and straightforward process.

“The inward investment agency have done well for this region”

Director, Local Governance (Region 2)

Comparatively, the overlap in industrial development activities between subnational offices of national development agencies and the regional development agency in Region 1 has created a more strained environment for FDI.

“I think we have suffered from having the regional development agency looking after us. I’ve heard anecdotal stories of going over to the States and the national inward investment agency presentation having a big black mark in the North and a big black mark around Region 1”
This issue relates to the *Institutional Density* highlighted in the previous chapter, and resonates with an ambiguity at national level on the modern role, and contribution of regional development agencies to subnational locations in Ireland.

> “But coldly from an FDI perspective, there is no case to be made for having regional agencies in a small country like Ireland, dealing with foreign direct investment”

*Subnational Director, Inward Investment Agency (Region 1)*

As illustrated in an earlier chapter, substantial changes have been made at national level regarding the role and activity of regional development agencies in recent years. Nevertheless, the complexities generated from the long-established presence and activity of regional development agencies engaging with FDI has emerged as a significantly sensitive issue amongst subnational actors, and serves as an important difference in the subnational location of FDI.

**Sectoral Concentration**

A second administrative distinction between the two subnational regions relates to the relatively symmetrical patterns of sectoral distribution within Ireland, which has had significantly different implications for both regions. While there is no evidence of a deliberate policy to strategically produce clusters in Ireland, the natural and organic growth of particular sectors in particular locations has been identified by actors as a substantial source of comparative advantage to a region in both initially attracting FDI, but equally retaining investment.

> “In some ways, there is an opinion by leaders higher up the level, who are seeing Ireland as a knowledge map. The south is Pharmaceutical, the west is Medical Devices, some financial services and software in the east as well... I think a lot of it is very organic... The idea is that if you get enough companies in there, they will attract other companies in and then they are trying to get clustering going”

*Educational Institutional Actor (Region 1)*
As such, clustering in Ireland was initially serendipitous – associated with financial subsidies or the availability of resources, such as a deep water port – but the presence of a cluster within a location is now considered as an important strategic tool to attract and retain FDI. In recent times, significant attempts have been made by subnational and national institutions to insulate, foster and enhance the early developments of a cluster. In particular, subnational actors are seeking to identify potential clusters and engage more actively with them. An evident aspect of this is the stronger integration and alignment of educational institutions with companies, where third level educational institutions are now cultivating specialised research links with local industry to enhance expert research capabilities and skills development. Also, local indigenous industry is becoming cultivated to create a sub-supply network for FDI in the region.

“In terms of continuing to develop clusters though, it is something that the inward investment agency looks at all of the time. With a lot of big companies, you need them to be more involved with, for instance, the academic institutions in terms of research. Also in terms of their courses - to make sure that the cluster continues to develop and becomes stronger and stronger. So we need the colleges, for instance, in Region 2 to be running courses that are suitable for the Medical Devices companies. You also need the colleges to have research going forward that will get collaboration from these same companies”

International Office, Inward Investment Agency

Region 2 has attracted and nurtured two substantial clusters in recent times, with a significant drive to sustain this industry and continue to attract new investment (Giblin 2011). In so doing, there is now an active academic support network for these clusters within the region. For example, the local educational institution in Region 2 has three strong research institutes designated and aligned with these current, and emergent, clusters. In particular, the prevalence and success of the technology and biomedical companies in Region 2 has a largely serendipitous origin, believed to have been initially instigated by the closure of a large US Manufacturing MNE - referred to as MNE Omega in the following quote - in 1993. This critical incident generated a response from a range of national and regional bodies aimed at reducing the impact on the region. Equally, this company, which was strongly engaged in ICT, cultivated a strong entrepreneurial culture amongst its staff which appears to have
stimulated a proliferation of start-up and spin-out companies during the 1990s and 2000s. Since this time, it is evident that Region 2 has been particularly successful in building upon their sectoral strengths and upgrading from their previous regional economic depression.

“Region 2 is very good at marketing that and it is seen to be associated with the demise of MNE Omega to some extent. A lot of entrepreneurs came out of that. It was very good time in one sense - MNE Omega went at the time of an advent in the biomedical industry and the inward investment agency starting pushing other large MNE companies into that area. They got contraction. Really the inward investment agency were trying to put back into Region 2 and that worked very effectively”

Strategic Project Manager, Regional Development Agency (Region 1)

“Our strongest clusters are – as you know – medical devices, medical technology, biosciences and all that kind of space. So did it happened by accident, or has it happened by design? There are probably elements of both in it. Why did a large US Medical Device MNE come in? Well they were probably happy to hear that another US Medical Device MNE were here already, and that would have been a statement in itself. Evidentially it has developed a critical mass and now, that is an industry that is currently recruiting and can’t get enough labour in certain fields”

Subnational Director, Employer Association (Region 2)

Comparatively, Region 1 does not appear to have any strong industrial clusters, but rather promotes the “largest multi-sectoral business park in the country here in Region 1, with an enormous range of skill-sets across both manufacturing and international services and that’s what makes our product here as unique as it is” (Project Executive, Regional Development Agency, Region 1). An interesting dimension of this difference between the two regions is the relatively positive perspective which subnational actors within Region 1 have adopted regarding their lack of sectoral concentration.

“If you were to look at this region and ask what are its strengths at the moment in relation to industry, it is exceptionally hard to do; it is a bit of
everything... But actually, we are very fortunate to have such a wide variety and such strong companies in the region, as I always say, to try and propel us along the way into the next wave of success”

CEO, Private Interest Group (Region 1)

In fact, the comparative advantage arising from a lack of clusters has been highly proclaimed by FDI actors, who note benefits such as less competitive pay rates, availability of staff, less traffic and congestion within the region and greater tendency of “stickiness... turnover tends to be less in locations like Region 1” (Subnational Director, Inward Investment Agency, Region 1).

“I think that it has been useful that we are the only medical devices company in this region because then there is a certain attraction to working here. I don’t think we could afford to operate in the south of the country because you are competing against the Pharmaceutical sector and there is no doubt that they pay premium rates... when you are drawing from a population, you don’t want to have to go in to a place like the south and draw from a population that is already overpriced because they are working in companies that are...”

HR Director, US Manufacturing MNE (Region 1)

Overall, the issue of sectoral distribution appears to be a relatively defined concept – and advantage - with actors in Region 2 highlighting the integral contribution of clusters and sectoral concentration to their economic success. Comparatively, subnational actors and established FDI within Region 1 identify the significant benefits from sectoral variation. A final administrative issue pertains to the influence of financial subsidies on the capacity for subnational actors to engage with FDI.

Financial Aid

As illustrated previously, economic and fiscal policies are executed at a national level in Ireland and therefore, subnational governance in Ireland is limited in their financial capacity and decision-making power. More recently, however, the establishment of regional structures to monitor, control and coordinate the implementation of EU structural funds accorded a route for financial sovereignty to subnational governance actors. Nevertheless, this development has caused
considerable inter-regional complexities, particularly as different subnational regions have access to different rates and funds.

Within this study, the two subnational regions fall under different designated categories according to the EU NUTS II system. The primary effect of this lies in the alternative amount of funding allocated to the regions, whereby a ‘Phasing-In’ region is awarded significantly greater funding from the EU Structural Funds, given its status as a less developed location, than a ‘Regional Competitiveness and Employment’ region. This, in turn, directly impacts the level of regional grant aid available to FDI, insofar that Region 2 has significantly more grant aid to offer FDI than that available in Region 1. A number of respondents noted the difference in subsidy grants available to FDI within their respective region as a key detriment to the attraction and retention process.

“This year, we lost our total support for any business above SME size. So for any company above 250, we couldn’t get any support or grant aid in Region 1, whereas Region 2 was still attractive because they could get 20%. Our 10% was gone for about 12 months. It was part of the staging out of State aid support and with the region that we were in, as it was defined, that was due to go. We were no longer as attractive because if you landed in the airport and you went to Region 2, you got 20% but if you went to Region 1 you got nothing. So there was a fairly distinct offering. It is now down from 20% to 10% in Region 2 which will disappear by 2015 so it is a little bit more level of a playing field”

Subnational Director, Indigenous Development Agency (Region 1)

This outcome is strongly supported by research on the role of EU policy on location choices of MNEs, which demonstrates that Objective 1 status (now considered ‘Phasing-In’ region), and their subsequent funding privileges, are strong deterrents of FDI location across Europe (Basile et al 2008). The ability to offer capital grant aid to investment provides a significant resource for subnational actors in engaging with foreign investors. Nevertheless, the relative advantage of this financial assistance differs significantly depending on the region. Respondents in Region 1 highlighted this as a substantial comparative disadvantage in their capacity to engage
with investment while actors in Region 2 were more likely to discount the importance of this factor.

“No [regional financial grant] is not a factor. It would have been a factor in influencing labour intensive businesses to locate in a rural area for example - grants played a big part in that effort. But I think, increasingly now, industry is not labour intensive, it is knowledge and skill intensive”

Subnational Director, Inward Investment Agency (Region 2)

Nevertheless, when FDI compares two similar regions, in terms of geographical position and size, the additional provision of financial assistance can offer “a sweetener at the start for the initial costs” (Financial Director, US Manufacturing MNE, Region 1). As the financial competence of both regions is substantially different, it is evident that this represents a significant distinction in the capacity of subnational actors to engage with FDI.

While these characteristics are determined at a national and supranational (European) level, and therefore largely beyond the remit of subnational actors, it is clear that the administrative distinction between the two subnational regions exerts a pronounced effect on how they engage with FDI. Building upon this, there were substantial colloquial concerns amongst subnational actors across the two regions which created distinctive differences in the subnational institutional capacity to interact with FDI.

**Colloquial Concerns**

In addition to administrative factors, non-economic features of a location – which significantly encapsulate subnational activity – also influence the role and interaction of subnational actors in attracting and retaining FDI. From this study, three colloquial concerns emerge as substantially shaping subnational variation. These include subnational industrial identity, regional image and subnational cohesion.
**Subnational Industrial Identity**

Developed over time, a location can become associated with the institutions, organisations and individuals which have been traditionally located in the region (Essletzbichler and Rigby 2007). Pre-existing institutions and their influence on the creation, preservation and maintenance of regional identity has been found to exert a strong mediating effect on the location and activity of FDI within a single country context (Mackinnon and Phelps 2001). As regional identity can be shaped by industrial heritage, subnational actors can become entrenched within specific activities, roles and principles which are influenced by, but also influence, the regional environment and individuality of the region. As such, the role of subnational industrial identity emerged as one of the key distinctive differences between the two subnational regions within Ireland.

First and foremost, considerable debate on the definition and delineation of Irish regions has an important influence on regional identity. As illustrated and discussed in the methodology, network boundary specification served as a significant limitation to the SNA. However, the implication of regional boundaries also appeared as an inherent and pervasive effect on the overall process by which subnational actors engage with inward investment. In particular, it demonstrates that within Ireland a subnational region is an elusive construct and one that apparently has significant implications and constraints on the subnational identity of institutional and industrial actors.

“*Irish regions don’t really have an identity. Like even in Region 1 the connections between neighbouring counties are very limited. So regions are very much an administrative entity and I think it is wrong to try and promote or force an identity on something that doesn’t necessarily deserve an identity*”

*Senior Policy Advisor, Regional Development Agency (Region 1)*

Furthermore, this lack of clearly designated regional boundaries has real, tangible repercussions on the role and interaction of subnational actors with FDI.

“I would argue that we don’t have a regional approach to FDI - we’re a regional development agency by accident rather than by design... You have
all of these layers and you are not going to get a clean solution, there is no mapped solution”

CEO, Regional Development Agency (Region 2)

“If we are confused and there is a misunderstanding about what the region refers to, you can imagine how [FDI] feel! This uncertainty about the region and what are the boundaries to the region are very real. If we are trying to promote a region, we all need to know what the region is”

Educational Institutional Actor (Region 1)

Furthermore, the two regions under study were deeply steeped within unique industrial and institutional heritage which has significantly shaped their capacity to attract and retain FDI. As extensively discussed in Chapter 3, one region has a long industrial tradition, originating from the establishment of a special industrial zone with a syndicate of financial and regulatory incentives for industry during the late 1960s. In particular, the large cohort of MNEs which located in this region at this time were generally manufacturing and engineering companies who availed of the positive climate for industrial development. Comparatively, the other region has predominantly been associated with tourism and cultural activities, due to the geographic landscape of the region, the proximity of the Atlantic Ocean and its traditional role as a rural market town. In fact, the cultural and creative identity of the urban centre of Region 2 is believed to be “born, not out of a ‘culture-led strategy’, but out of economic malaise” (Collins and Fahy 2010, p.32). As such, Region 2 reported little industrial activity until the location of two large US MNEs in the late 1970s and early 1980s which significant contributed to the industrialisation of the region (Das and Ryan 2010; Giblin and Ryan 2012; Green et al 2001; Tulum 2010).

“We by-passed the recession of the 1980s. We had a new industry - it was a business park rather than an industrial estate model. In comparison to Region 1, which would have been seen as a traditional industrial base, Region 2 kind of came to it late and hence, tended to attract new industries”

Subnational Director, Employer Association (Region 2)

There is a strong awareness of the distinctive industrial identity inherent within both regions and all subnational actors were highly cognisant of how their region is
perceived internally and externally. For example, Region 1 recognises the effects and implications of industrial stagnation which has occurred within the region over the previous decades. This stagnation has been attributed to a confluence of events, "a whole series of factors pushing the region into a downward cycle" (Senior Policy Advisor, Regional Development Agency, Region 1), including strong industrial conditions, socioeconomic issues, uncoordinated governance system and national level changes. Recently, there has been a proactive and concerted attempt to facilitate an industrial transformation, as a means of renewing its industrial identity and attracting a relatively unique catchment of FDI. This has resulted in a more focused strategy amongst subnational actors in the last few years intent on attracting and engaging high-potential FDI. Furthermore, there has been a recent announcement of a national level strategy aimed at renovating and improving the urban centre of this region which resonates with the substantially proactive industrial development within this region.

“So they now have devised an offer with a distinct focus on smaller companies who would have about 200 people employed in Europe or in the States, and are looking at expanding their operations... It gets at the guys who are emerging MNEs as opposed to established MNEs. It is a relatively distinct offer, in that perspective, and Region 1 was picked as a pilot region for that offer”

Subnational Director, Indigenous Development Agency (Region 1)

This feature of industrial identity demonstrates that subnational units of location are not static entities of spatial landscape, but rather dynamic economic components, which have the inherent potential to shape, and be shaped, by institutional, industrial and individual activities. Related to this, considerable variance in this industrial and institutional trajectory has contributed strongly towards the current regional image of both subnational regions.

**Regional Image**

A subsequent finding relates to a largely intangible, yet intrinsically pervasive, effect of the image of both regions. Regional image significantly influences the capacity of subnational actors to engage with foreign investment. Given the effects of industrial
stagnation, in addition to a number of social, economic and industrial issues, Region 1 has been associated with a more industrial image and is effectively considered an ‘industrial rustbelt’ within Ireland. The longer legacy of industrialisation within Region 1 has significantly shaped their regional image. Comparatively, the absence of an industrial legacy has had a paradoxical effect on Region 2, whereby it has enabled subnational actors to portray to inward investment a more modern image as a place to live, work and play.

“Now if the two locations are tied, you have the choice to go to Region 2, which is perceived as a nice bohemian place to be and there is a good quality of life, or to go to Region 1, which is perceived as rough”

Subnational Director, Indigenous Development Agency (Region 1)

The implications of this are strongly reverberated amongst FDI, which is a significant concern and issue for subnational actors as they seek to attract, retain and engage with FDI.

“I was quite taken aback by the strength of feeling amongst some of the chief executives about the state of the city. Like there were direct comments such as ‘If my parent company were over, I would not take them into [the urban centre of Region 1]. I will avoid the city and take them to the outlying villages around the region to entertain them, but not the city. Now that, of course, is a worry”

Subnational Director, Employer Association (Region 1)

Region 2 was traditionally a rural market region and has effectively nurtured a more cultural environment.

“The type of society that Region 2 is, and delivers, in being an attractive place to live and work is also very important. Certainly, when some of the MNEs would come and are making a selection, a lot of it is around third level education and quality of life in the area. Things like the Arts sector are an important feature of the region, and that unique culture that we have, we would see that as also being an attraction in the context of encouraging foreign direct investment”

Local Governance Manager (Region 2)
As such, there is considerable evidence that subnational actors within Region 2 are clearly cognisant of their strengths and comparative advantage. In fact, subnational actors within Region 2 actively engage to ensure this positive image is continually fostered and promoted. Experiential evidence illustrates that subnational actors within Region 2 draw on the positive features of their region as a strong attraction tool for foreign investors;

“I think it has been cultivated. I do see [the city’s image] as being constantly rebranded and I think that is the answer, Region 2 is being rebranded – it hasn’t been allowed to grow stale. They have just kept it on the agenda. If you look at Region 2 from the beginning of June until August, there is a festival after festival and it is just a constant churning within the city. During the year, the students form such a population and they keep the place churning but then when the students go, the festivals kick in and it is a very active city from that point of view. I would say it is evolving, that is probably the word I would use. The city is never allowed to stagnate”

Subnational Director, Indigenous Development Agency (Region 2)

Within this, a significant difference between the two regions relates to the level and extent of cohesion amongst subnational actors in attracting and retaining FDI, which significantly underlies both their industrial identity and regional image.

**Subnational Cohesion**

Fundamentally grounded within their relative image and identity, the capacity of subnational actors to effectively collaborate, coalesce and cooperate in attracting and retaining FDI signifies a unique distinction between the two subnational regions. Despite similarities in institutional structure, recurrent references were made to a “unified purpose” and “close relationship with institutions” within Region 2 which operates in stark contrast to Region 1, identified in terms of a “failure in institutional coalition”, “factionist relationship” and “desperate number of boundaries, agencies and authorities”. This collaborative dynamic within Region 2 was enthusiastically demonstrated by most subnational actors.

“But certainly, informal contact and networking is part and parcel of what we do and I suppose a place like Region 2 is fairly small and a lot of events
would be going on where you would meet people. So there are informal networking arrangements, whether it is the Chamber of Commerce or the University or our own events, in fact. We have quite open communication with others in the region”

*Local Governance Manager (Region 2)*

While a number of socioeconomic, industrial and institutional complexities within Region 1 were used to justify this lack of collaboration, there was little doubt that the “Team Region 2” and “Region 2 Brand” features of Region 2 are distinctly absent. As such, subnational actors within Region 2 appear to be significantly focused on the cultivation and promotion of a unique, positive image, while this activity and interaction is distinctly absent from Region 1. This is also visually evident in the comparative SNA (Figure 6.1), from which a more congruent engagement pattern emerges from Region 2 in comparison to the more dispersed interaction of the subnational actors in Region 1.

“Region 1 has been in self-destruct mode for a long time. I think there has been a failure of all the components of the eco-system to get together... There is a case for someone grabbing them by the neck and bringing all the key actors down there [Region 1] together”

*Subnational Director, Inward Investment Agency (Region 2)*

Cohesive subnational institutional capacity can substantially enrich interaction with FDI, where coordinated interaction reduces communication barriers, enhances engagement with FDI and ensures a strong and strategic subnational alignment with FDI. Higher incongruence amongst subnational actors in Region 2 has resulted in significant complexities in attracting and retaining FDI than those of Region 1.

Given their organic development from historical and natural features of the subnational region, industrial identity, regional image and subnational cohesion reflect three colloquial concerns which generate subnational variation in attracting and retaining FDI.
“If you take Region 1 versus Region 2…”

Despite significant similarities in terms of physical size, geographical location and institutional infrastructure, inherent differences exist between two subnational regions within Ireland. In particular, these differences reflect administrative issues and colloquial concerns which have evolved from traditional, political, institutional and locational attributes. Nevertheless, these distinctive contrasting features serve to demonstrate the unique aspects of subnational variation across two subnational regions within a single country context.

Conclusions

These findings demonstrate that the capacity of subnational actors to engage with FDI varies significantly across two subnational regions within a single country context. While traditional differences in institutional infrastructure and industrial heritage were explicitly noted from the offset, it appears that these differences, in addition to more administrative and colloquial factors, have substantially cultivated an idiosyncratic subnational environment. In turn, this subnational variation has also had a significant impact on the capacity of subnational actors to attract and retain FDI. The following chapter combines these findings with the empirical evidence on the role and interaction of subnational actors with FDI and presents a more holistic analysis of the overall findings of this study.
CHAPTER SEVEN - ANALYSIS AND DISCUSSION

Introduction
The empirical findings indicate that unique aspects of subnational institutional capacity – the role, interaction and variation of subnational actors - substantially shape engagement with FDI during both attraction and retention phases of investment. Furthermore, differences were evident amongst subnational actors across two subnational regions within a single country context. This chapter illustrates how these empirical findings map onto the overall research aim of this study. To begin with, the initial research aim and questions of the thesis are revisited. From here, the empirical findings are synhesised to facilitate explication of the overall contribution of the study. Following this, the chapter moves to discuss the specific contribution under four distinct headings – conceptual, empirical, methodological and practical.

Underlying Research Questions
As with most studies of this nature, the findings and contribution are significantly preordained by the overall research aim and specific research questions employed at the outset. This thesis opened with a clear and distinctive focus on the increasing importance of subnational actors to international business activity. From here, the key research aim was articulated as a comprehensive analysis of the capacity of subnational actors to engage with FDI within a small, highly globalised economy. This allowed the prescription of three research questions.

1. Who are the key subnational actors involved with FDI within an advanced economy?

2. How do subnational actors engage with FDI within an advanced economy?

3. Does this interaction vary between subnational locations within a single advanced country context?

These three research questions were fundamentally reduced to advancing understanding of ‘who, how and why’ subnational actors engage with FDI. Given the substance of the overall research aim, it is important to analyse, discuss and evaluate
how the qualitative and quantitative findings from this empirical study informs knowledge and enhances understanding of subnational institutional capacity with FDI within an advanced economy context. The following section therefore provides a deeper analysis of the findings which in turn, facilitates a more detailed discussion on the contribution of this study to IB further in the chapter.

**Role, Interaction and Variation of Subnational Actors with FDI**

Across the three dimensions of subnational institutional capacity – their role, interaction and variation of subnational actors – to engage with FDI, there is substantial evidence of concurrent formal and informal activities. These activities are inherently related to and important for MNEs, who actively engage with subnational actors during attraction, development and retention of investment to a location. This section seeks to review and synthesise the comprehensive empirical evidence presented in the preceding two chapters, and introduce the potential for these findings to contribute to knowledge on multinational activity within a subnational context. Following this unifying review of the empirical findings, a visual diagram is presented to link the findings to the overall research questions and associate these findings to contemporary research within IB.

Firstly, in terms of the role of subnational actors to engage with FDI, a clear FDI-related remit considerably shapes the activity of subnational actors with MNEs. In fact, the fusion of direct and indirect activity of subnational actors significantly strengthens their capacity to engage with FDI. Premised on their core or peripheral engagement, the configuration of subnational actors is manifest as customised coalitions for FDI. In terms of the composition of these coalitions, subnational offices of national development agencies and educational institutions are evidently the most important actors to engage with FDI, and these subnational actors appear as fixed components of the coalitions. In particular, subnational offices of the national inward investment agency typically act as the fundamental coordinator and driver of these coalitions, and are primarily responsible for engaging other subnational actors to comprise the subnational coalition of FDI-related actors. Given their particular resources in skills and research, educational institutions are also heavily involved with FDI and work alongside subnational offices of national development agencies to
engage directly with FDI. Subnational offices of national development agencies also draw upon the knowledge and experience of intermediate subnational actors, such as regional development agencies and local government, who represent more flexible and variable components. Training agencies and trade unions, identified as peripheral actors, are less involved with inward investment and rarely feature within these subnational consortiums. Moreover, the inclusion of established MNEs and local firms further enhance the capacity of these coalitions as they strongly endorse both the activity and arsenal of subnational coalitions. In particular, these customised coalitions appear particularly active with investment at the initial phase of attracting FDI, as they organise to showcase and promote the local environment to potential investors.

Evidence from the second research question illustrated that the interaction of subnational actors with FDI is effectively dichotomised into formal and informal activities. Relating quite closely to the role and organisation of customised coalitions of subnational actors outlined above, formal interaction between subnational actors and FDI appears to be structured via an effective hierarchical system. Within this hierarchical structure, central and directly engaged subnational actors draw upon the localised knowledge of indirect subnational actors as required, in order to secure investment to a location. This hierarchical arrangement was significantly endorsed by informal patterns of networking with FDI, which include internal engagement amongst subnational actors, institutional-MNE interaction and a distinctive managerial and institutional capacity to engage with FDI. While localised hazards were identified as a potential threat for FDI, such networking was found to facilitate a more informal mechanism of engagement between subnational actors and FDI. As such, personal relationships, localised linkages and associations were often employed alongside the hierarchical structure of formal engagement to cultivate and foster a sense of subnational empathy amongst FDI. Characterised by localised resources and relationships, this subnational empathy was primarily executed as a means of securing MNE investment.

In response to the third research question, subnational variation was most acutely identified in terms of administrative and colloquial differences in the capacity of
subnational actors to engage with FDI. While administrative issues – such as financial aid, sectoral concentration and the remit of regional development agencies - are often imposed by national and supranational policies, their influence on the subnational region and subnational actors is explicitly evident when comparing the capacity of subnational actors to engage with FDI. Furthermore, colloquial concerns, such as regional image, subnational cohesion and industrial identity, have transpired from traditional political, industrial, social and locational differences which exert a tangible effect on subnational actors seeking to attract and retain FDI. As such, these administrative and colloquial variations across two subnational regions within a single country context have generated significant spatial heterogeneities which inform and shape subnational institutional capacity. In particular, subnational spatial heterogeneities are shaped by and have shaped the capacity for subnational actors to accelerate investment, including initiatives such as cluster development, attracting new investment and enhancing current subsidiary mandates, whereby attributes of the location align with the strategy of the MNE.

Thus, the empirical findings demonstrate that subnational actors strategically operate within the local environment employing a number of mechanisms to advance their role with FDI and enhance their engagement with MNE subsidiaries. In fact, when considered as a whole, there is evidence to suggest that subnational actors effectively mediate the national and local, professional and personal to generate three unique activities – customised coalitions, subnational empathy and spatial heterogeneity – which provide substantial processes for subnational actors to initiate, secure and accelerate FDI within the subnational environment. In order to provide a holistic picture of where this research sits in relation to previous work, the principal insights from the empirical analysis are collated and presented in Figure 7.1.
Figure 7.1: Summary of findings

Subnational Institutional Capacity with FDI

Role
- Core: Direct Role
  - Customised Coalitions
- Periphery: Indirect Role
  - Subnational Empathy

Interaction
- Formal: Hierarchical Structure
  - Localised Hazards
- Informal: Institutional Networking
  - Regional Development Agency
- Administrative: Financial Aid
  - Sectoral Concentration

Variation
- Colloquial: Industrial Identity
  - Regional Image
  - Subnational Cohesion

Initiating Investment
Securing Investment
Accelerating Investment
This visual representation links the findings back to the research questions and the overall research aim, equally identifying how the empirical evidence on subnational actors maps to the alternative investment activities of FDI. Each of these activities will now be discussed in order to situate the findings within the context of current theoretical shifts in IB.

**The key role of Customised Coalitions in Initiating Investment**

While the remit of subnational actors is well defined, it is evident that there is greater localised engagement of subnational actors with FDI as a result of their relative positioning within customised coalitions - a strategy which has both direct and indirect dimensions. The organisation of customised coalitions of subnational actors was generally characterised by an enthusiastic, proactive and consolidated alliance amongst subnational towards attracting and retaining FDI. In particular, the activity of customised coalitions of subnational actors bears distinct similarities to the literature on LEDNs (Wood 1993, 1996) and ‘inward investment regimes’ (Phelps and Wood 2006), whereby unique combinations of subnational actors engage with inward investment. However, while the fundamental focus of LEDNs and ‘inward investment regimes’ relates to the attraction of FDI for the purpose of local economic development, the findings on customised coalitions of subnational actors indicate their primary motivation is on meeting the needs and demands of FDI and alleviating the difficulties associated with locating within a host country. Consequently, the activity of customised coalitions of subnational actors align more closely with the insights of Shi et al. (2012) who highlight the key role of subnational institutional contingencies in shaping a location for foreign firms. Shi et al. (2012) note the capacity for subnational contingencies – including formal and informal institutions – to influence and enhance the attractiveness of different network attributes for inward investment. As such, the role of subnational actors, and their formation as customised coalitions, is significantly shaped by and premised on the needs and demands of FDI. Heretofore, the activity of subnational actors as a distinct body of actors with a unifying consensus on engaging with FDI – in this case defined as customised coalitions - has not been clearly articulated or explored.
While the composition of these coalitions varies depending on the nature, type and stage of investment (also illustrated by Wood 1996), their specialised configuration affords a uniquely heterogeneous exchange with FDI. In particular, the dialogue between subnational actors and FDI is fundamentally focused on negating the difficulties associated with locating to a foreign market for FDI. In fact, it appears that while subnational actors organise via customised coalitions to engage with FDI during stages of both attraction and retention, their activities are more central to the initial stage of attracting investment. This activity aligns with the assertion of Fuller et al. (2003, p.2025) that “Inward investment is thus an important area in which to explore inter-institutional relations between agents operating along diverse spatial boundaries and with different responsibilities”. As such, the role and activity of customised coalitions of subnational actors may contribute to advancing the parameters of the Uppsala internationalisation process model, which conceptualises foreign market entry as the development of substantial functional relationships with foreign business actors to mediate and facilitate internationalisation (Johanson and Vahlne 2009; Santangelo and Meyer 2011). Heretofore, explication of the Uppsala internationalisation process model has focused on business actors, such as customers, suppliers and business partners, yet evidence on customised coalitions of subnational actors demonstrates that they too represent an important component of the internationalisation process (Monaghan et al 2014).

The specific contribution of customised coalitions of subnational actors to FDI can be identified through their capacity to initiate the internationalisation process by showcasing local resources, circumventing host locational issues and presenting a proactive, resilient team of subnational actors for FDI (Cantwell and Mudambi 2000; Loewendahl 2001; Phelps 2000; Young et al 1994). For example, these coalitions of subnational actors were actively present in initiating inward investment, reflected in their capacity to organise and execute itinerary ‘tours’ for foreign investor delegations across subnational locations within Ireland. In so doing, customised coalitions of subnational actors were quickly assembled and mobilised in direct response to the particular needs of inward investors, as a means of communicating the positive features and resources of a location. The role of customised coalitions in showcasing local resources and circumventing host locational issues can also be compared to their capacity to operate as localised bridges for FDI. This is similar to
the processes outlined by McDermott et al. (2009), where local infrastructural, knowledge and social attributes are shared and communicated to inward investors by subnational actors. The coordination of customised coalitions of subnational actors relates to the findings of Meyer and Nguyen (2005) on the trilateral agreements amongst local governance actors, foreign investors and local institutions during foreign market entry. The localised experience and knowledge of subnational actors, particularly when operationalized as customised coalitions, can significantly enhance and advance the process of internationalisation for FDI insofar as local features are exhibited and promoted by relevant subnational actors, while also providing a forum for FDI to voice their concerns and potential issues with the host location (Monaghan et al 2014).

As the attributes, composition and activity of these coalitions vary, the articulation of a universal definition or typology of subnational actors who engage with FDI may not be as straightforward as initially considered. Rather it appears that a more naturally organic classification of subnational actors may be required, premised on the type of investment, their stage of internationalisation and their global strategy, in addition to the direct and indirect mandate of subnational actors within their geographical and administrative parameters. Thus, the definition of subnational actors, such as those offered previously by Chan et al (2010) and Phelps (2000), may in fact be relatively determined by the nature and stage of investment, in addition to the research context. For example, Phelps and Wood (2006) identify inward investment regimes as a variegated body of agencies and organisations involved with inward investment for the primary purpose of local economic development, but fail to present a definition or representative sample of who these actors are. Furthermore, the application of an institutional typology to a subnational context by many authors within IB (Meyer and Nguyen 2005; Nguyen et al 2013; Shi et al 2012) does not acknowledge the nuances of the subnational infrastructure (Beugelsdijk and Mudambi 2013). As a result of these findings, it may be more appropriate to identify and tailor the definition of subnational actors to the particular context and nature of the research study.
While this activity is most prominent at the stage of attracting investment, there is evidence to suggest that the organisation and engagement of these customised coalitions with FDI is a sustained process, whereby subnational actors commence engagement with inward investment well in advance of formal location, and continue to develop and foster relationships for the duration of their attraction and investment within a subnational location (Monaghan et al 2014). Thus, the role of subnational actors in forming, employing and adapting the composition of customised coalitions to meet the needs of inward investment substantially underpins the mechanisms by which subnational actors interact with FDI.

**The utility of Subnational Empathy in Securing Investment**

The importance and influence of formal and informal engagement patterns of subnational actors were found to strongly shape FDI location, particularly by cultivating and instilling a sense of subnational empathy amongst foreign investors. Effectively generated via formal and informal patterns of interaction, subnational empathy was characterised by more localised engagement and personalised relationships of subnational actors with MNEs within the subnational location. For example, positive interaction amongst subnational actors was employed to foster an environment conducive to investment, whereby constructive and reliable communication and activity between subnational actors and MNEs facilitated a more personal commitment from FDI which, in turn, substantially nurtured the capacity of subnational actors to facilitate securing investment.

In many instances, the manifestation of subnational empathy via formal and informal networking – both with and amongst subnational actors - mutually reinforced and supported the subsidiary mandate, insofar as subnational actors could facilitate access to local knowledge and relational capabilities for FDI. Equally, the role of subnational actors in mediating the local environment was effectively employed and maximised for the benefit of MNE subsidiaries by identifying locational resources – both physical and relational - available to them and responding to the unique needs of investors. Given that subnational actors effectively showcase substantial physical, socioeconomic, knowledge and industrial capabilities of a subnational location to incoming FDI, they also present a viable route for MNEs to internalise these
resources by actively linking and aligning these resources to the needs and strategic orientation of the MNE subsidiary (Zaheer and Nachum 2011; Hymer 1976).

The significance of subnational empathy for FDI can be clearly explicated in the capacity of subnational actors to advance the location portfolio of an MNE. The empirical findings illustrate that MNE engagement with a location may be substantially buttressed by the activity of subnational actors, particularly by enabling the sourcing and internalisation of external knowledge and resources from the host location (Beugelsdijk and Mudambi 2013; Rugman and Verbeke 2001; Zaheer and Nachum 2011). For instance, MNE actors could identify and associate their operating unit with the positive externalities of the subnational environment in which physical and relational location resources were more readily available and accessible, and could be easily assimilated by the firm (Cantwell 2009). As such, the relational engagement of subnational actors with FDI may assist in the transformation of generic locational resources to more specific locational capital for MNEs (Zaheer and Nachum 2011). In so doing, subnational actors enabled the identification and assimilation of unique locational resources by the MNE, whereby the subsidiary unit could potentially harness these subnational resources to develop, enhance or diffuse subsidiary specific advantages and competences (Rugman and Verbeke 2001). Furthermore, the experiential knowledge of subnational actors, in addition to their concerted engagement with MNE subsidiaries, enhanced the development and diffusion of knowledge spillovers between subnational actors and inward investment (Cantwell and Piscitello 2005). As such, subnational actors may be considered effective conduits in the transfer of locational, knowledge and relational capabilities (Cantwell and Mudambi 2011; Monaghan et al 2014).

Equally, the consensus of institutions in Ireland, at both national and subnational level, on the importance of attracting and retaining foreign investment also strengthens the presence and potential of subnational empathy (Barry 2004, 2007). For example, informal networking supports the activities of MNEs in Ireland and encourages greater commitment from FDI, whereby Irish subsidiaries are keen to collaborate and exchange information and insights amongst one another. As this process is both recognised and advocated by subnational actors, it demonstrates that
the political acumen of Irish MNE subsidiaries is both endorsed and enhanced by multiple forms of networking with, and amongst subnational actors. While this evidence demonstrates that subnational empathy is cultivated and nurtured by subnational actors, primarily for the purpose of securing investment to the host location, different subnational locations within a single country context may also present alternative resources for the attraction and retention of investment.

**Spatial Heterogeneities in Accelerating Investment**

A key contemporary trend within IB is the awareness that spatial heterogeneities can significantly drive MNE strategy, insofar that location decisions of a firm are premised on their investment needs (Beugelsdijk and Mudambi 2013). The findings of this study correlate with this emerging perspective, as they illustrate that within a single advanced country context, subnational differences are evident and can substantially shape the capacity of subnational actors to engage with FDI. In addition to traditional differences in industrial heritage and institutional infrastructure, administrative and colloquial idiosyncrasies across two subnational regions within Ireland were found to exert a considerable influence on the initial location, but also the subsequent retention and growth of FDI. Moreover, the capacity of subnational actors to engage with FDI was significantly determined by the physical, social and cultural attributes of their spatial environment, whereby particular spatial heterogeneities were found to accelerate, enhance and embed foreign investment. This communicates an additional dimension to the understanding of subsidiary embeddedness, whereby subnational institutional attributes can shape the retention and development of a MNE subsidiary within a host location.

Research on subsidiary embeddedness has substantially enhanced understanding of how the structural and relational networks external to an MNE subsidiary offer a strategic resource for performance and competence development (Andersson et al 2002, 2007; Mudambi et al 2013). However, the majority of this literature identifies the external network of a subsidiary unit as business partners, customers and suppliers and therefore, the capacity of subnational actors to operate within the external network of the MNE subsidiary has not received sufficient attention (Monaghan et al 2014). The empirical evidence from this study suggests that
particular features of a subnational location, as captured and utilised by subnational actors, were considered more attractive for foreign investors. For example, positive subnational engagement, desirable locational image, financial subsidies and an established industrial presence were perceived as attractive and important features for an MNE subsidiary and therefore, actively identified and promoted by subnational actors as a means of engaging investment. As significantly outlined and discussed in existing literature, the embeddedness of an MNE subsidiary within its local environment can offer extensive advantages, and potential disadvantages, to the MNE network (Andersson and Forsgren 1996; Andersson and Holm, 2010; Mudambi et al 2013; Nell and Ambos 2013). Thus, as “carriers of history” (Martin 2000, p.80), the influence of subnational institutions, agencies and organisations in generating and facilitating relational embeddedness for the MNE subsidiary within the host location - significantly derived from the spatial heterogeneities within the location - represents a substantial component of differentiation for the MNE.

Furthermore, the competitive advantage generated from these subnational characteristics was strongly accredited to the traditional activity of the subnational region, and thus considered to be largely irreversible. This relates to the insights of Cantwell and Mudambi (2005), who note the substantial role of specific locational attributes in attracting and fostering competence-creating MNE subsidiaries. As effective conduits to the subnational location and locational attributes, the activity of subnational actors in identifying and promoting positive administrative factors and supportive colloquial collaborations over time can significantly accelerate investment within a location and enhance the activity of localised MNE subsidiaries. While Barry (2007) provides evidence of MNE-institutional co-evolution at a national level within Ireland, these findings explicitly demonstrate the active evolution of subnational actors with MNE within their local environment and contribute evidence of MNE-institutional co-evolution at a subnational level (Boschma and Martin 2010; Essletzbichler and Rigby 2007; Martin 2000). In particular, the empirical evidence suggests that these spatial heterogeneities are intrinsically shaped by the structural and relational evolutionary activities of subnational actors over time and these findings offer the potential to extend research on subsidiary embeddedness by including non-business subnational actors to the external MNE network (Monaghan et al 2014).
As previously outlined, the majority of research on subnational actors has been conducted within an emerging economy context given the inherent subnational variation, institutional instability and uneven economic development within these countries (Meyer and Gelbuda 2006; Monaghan et al 2014). While this research has significantly enlightened the contribution of subnational variation on MNE performance, strategy and entry mode of FDI (Chan et al 2010; Ma et al 2013; Meyer and Nguyen 2005; Nguyen et al 2013; Shi et al 2012), it has also intensified the need to explore the influence of subnational variation on FDI within an advanced economy setting. The findings of this research study demonstrate a relatively novel perspective on the attraction and retention of FDI across two subnational regions within a single advanced country context, highlighting the potential for spatial heterogeneity to significantly shape, and potentially accelerate, inward investment.

A comprehensive analysis and discussion of the empirical findings highlight the significant capacity of subnational actors to engage with FDI across different stages of international activity. Overall, the key findings from this study pertain to the customised coalitions of subnational actors, the intervening role of subnational empathy and the presence of significant spatial heterogeneities. In particular, these three overarching findings are systematically linked to three processes of international investment, namely initiating, securing and accelerating investment and significantly communicate with a number of seminal theories on the MNE within IB. Moreover, this study directly engages with the most contemporary definition of the MNE by Cantwell et al. (2010, p.569) insofar as it enhances the interpretation of “cross-border value-creating activities” to account for the potential of subnational actors to contribute towards “informal social ties or contractual relationships” which characterise its existence. As such, there is substantial empirical evidence to suggest that subnational actors represent an important exogenous facet of the MNE. In so doing, this research also advocates for the return to locational attributes of the eclectic paradigm (Dunning 2009) and significantly engages in “opening the black box containing the organisational and knowledge relationships which mediate and facilitate the links between place and space, and between multilocalational and multinational firm behaviour” (Beugelsdijk et al 2010, p.491). Furthermore, this
research makes a number of significant contributions to existing knowledge and research within IB. As such, the conceptual contribution, empirical contribution, methodological contribution and practical contribution of this research are now discussed in turn.

Research Contributions

Conceptual Contribution
Adopting a subnational level of analysis, the conceptual underpinnings of this thesis are premised on the integration of socio-spatial concepts from EG to more established theories of FDI within IB. The subnational perspective is increasingly considered an important unit of analysis within IB (Beugelsdijk and Mudambi 2013; Chan et al 2010; Meyer and Nguyen 2005; Nguyen et al 2013; Shi et al 2012). Of late, this shift in perspective has been considerably buttressed by the development of a unique IB-EG theoretical model (Beugelsdijk et al 2010) which has been successfully applied to numerous contemporary studies (Dai et al 2013; Ma et al 2013). Premised on the reconceptualization of Dunning’s OLI paradigm to focus on place, space and organisation, this model stipulates that the diverse features of location – space and place – must receive greater attention when considered alongside elements of the organisation – ownership and internalisation (Beugelsdijk et al 2010). As this approach advocates the interdisciplinary linkages between IB and EG, it has substantially endorsed the subnational perspective and enhanced the cross-fertilization of concepts from EG to IB research (Beugelsdijk and Mudambi 2013; Dai et al 2013; Dunning 2009; Goerzen et al 2013; Ma et al 2013). This thesis is situated within this developing research agenda, where the study is aligned with the progressive theoretical insights of Sjoerd Beugelsdijk (Beugelsdijk and Mudambi 2013; Beugelsdijk et al 2010) and respond to John H. Dunning’s call for greater locational research within IB (Dunning 2009). Therefore, a fundamental conceptual contribution of this thesis is the application of a nascent interdisciplinary IB-EG framework to explore the potential for subnational actors to engage with FDI.

In order to adequately explore the engagement of subnational actors with FDI, it was important to identify a number of dimensions of this interaction. Within EG, a substantially established body of research has focused on the concept of subnational
institutional capacity, defined by the cohesive activities of subnational institutions, agencies and organisations towards a shared objective (Amin and Thrift 1994; Fuller and Phelps 2004; Fuller et al 2003; Healey 1998; Phelps 2000). In particular, subnational institutional capacity has been extensively explored within EG in relation to inward investment (Fuller et al 2003). Central to this is the interaction of agents and “ associative bodies” with a similar function who engage under a specific framework (Fuller and Phelps 2004, p.785). However, the primary execution of this concept to date has been in relation to local economic development and economic activity (Phelps 2000). In order to explicitly explore the engagement of subnational actors with FDI – in terms of their role, interaction and variation - this thesis applied the concept of subnational institutional capacity to the unfolding definition of FDI location within IB.

Furthermore, this research instigated considerable correspondence with seminal theories within IB by effectively exploring the potential for subnational institutional capacity to relate to FDI. With regards to the role of subnational actors, this research provided significant insights to recent advancements in the Uppsala internationalisation process model (Johanson and Vahlne 2009), whereby subnational actors were identified as key relational conduits in initiating and attracting foreign investment. Furthermore, the relational engagement of subnational actors with FDI was explored within the parameters of internalisation theory, whereby there was evidence of subnational actors facilitating the development of unique MNE subsidiary specific advantages (Rugman and Verbeke 2001). Finally, this research specifically speaks to the current model of the surrounding business network of the MNE. To date, substantial evidence suggests that the MNE network is limited to business relationships, such as customers, suppliers and business partners (Andersson et al 2002, 2007). However, this research demonstrates the potential for spatial heterogeneities to shape, and be shaped by the capacity for subnational actors to engage and accelerate foreign investment within the subnational location. Overall, this study specifically engages with contemporary academic discourse within IB by illustrating the capacity of subnational actors to operate as a significant exogenous resource for FDI within a small, advanced economy.
Finally, extensive empirical evidence is provided to enlighten the contemporary theoretical insights on MNE-institutional co-evolution. In addition to the cross-fertilization of locational constructs and concepts from EG with IB, MNE-institutional co-evolution also represents another area of research in which there are important parallels and concurrent theoretical developments within EG and IB. As such, this research equally contributes empirical insights to the theory of evolutionary economic geography (Boschma and Martin 2009) and institutional-MNE co-evolution (Cantwell et al 2010) at a subnational level and presents an additional interdisciplinary approach to spatial heterogeneities.

**Empirical Contribution**

As previously noted, while significant data is offered on national-level institutions and actors which pertain to FDI, substantially less information is available on the subnational unit of analysis (Almond 2011; Beugelsdijk and Mudambi 2013; Monaghan 2012). This study seeks to address this chasm by enriching understanding of the role, interaction and variation of subnational actors with FDI within a small, highly globalised economy.

With regards to their *role*, the functional remit of subnational actors with FDI has been thoroughly profiled within this study. First and foremost, a comprehensive database was generated on the official role and mandate of all FDI-related actors at a subnational level within Ireland using both primary and secondary data. As demonstrated, in Chapter 4, the database of subnational actors involved in economic development identified nine different subnational institutions and agencies and also included indigenous and foreign enterprise (Cantwell and Mudambi 2011; Chan et al 2010; Monaghan 2012; Phelps 2000). Following this, computational analysis was employed to delineate the relative role of these subnational actors with regards to their engagement with FDI. Substantively rigorous analysis ensured that all aspects of the structural configuration of subnational actors with FDI was identified and categorised. In effect, a distinction was presented between the direct and indirect role of subnational actors, thus illustrating the composition of customised coalitions involved in the attraction and retention of FDI, particularly during initial investment.
Secondly, strong empirical evidence was generated on the patterns of relational interaction between subnational actors and MNEs. While preliminary analysis identified a number of important interactive processes, a more concerted analysis of these findings served to enrich understanding of the potential for subnational actors to engage, both formally and informally, with foreign investment across alternative dimensions of investment. In particular, subnational actors represent a significant vehicle for FDI to identify, explore and internalise locational resources, including physical infrastructure, localised skills and knowledge capabilities, industrial and institutional innovation and relational resources. As such, there is evidence to suggest that the relationships of subnational actors with foreign investors extend far beyond their functional role and tend to be sustained over time, generating a strong sentiment of subnational empathy on which investment is secured.

Finally, exploration of subnational variation provides significant and relevant data to the current focus on spatial heterogeneities (Beugelsdijk and Mudambi 2013). In particular, the cross-regional comparison of two subnational regions within a single country context illuminates substantial within-country differences to the process by which subnational actors attract and retain FDI (Chan et al 2010; Zhou et al 2002). While initial differences in industrial heritage and institutional infrastructure are outlined from the outset, a deeper analysis of the role and activity of subnational actors across both regions demonstrate the unique processes which shape the attraction and retention of FDI to the subnational location. Governed by administrative and colloquial mechanisms, the resources and capacity of subnational actors are substantially shaped by the self-propagation of subnational features which align quite closely to the acceleration of investment within the subnational location.

Methodological Contribution
In order to address the overall research aim, a multi-method research design combining SNA with semi-structured interviews was executed. The combination of quantitative SNA with qualitative semi-structured interviews represents a significant methodological contribution for a number of reasons. Firstly, SNA provides an
important means of visually presenting the structural configuration of subnational actors. Recently, the contribution of SNA to management research has been critiqued, with Conway (2012, p.1) observing that the “seductive power of the network graphic has distracted attention away from a variety of emerging and long recognised concerns in SNA”. These particular concerns with regard to network visualisations draw attention to the implicit role of researchers’ and viewers’ interpretation of a network, in addition to the conflict between these two positions – “from researcher generated aggregated network maps to individualised ‘cognitive maps’” (Conway 2012, p.10). However, this study addresses these critiques and concerns with SNA by demonstrating that rather than disguise or negate the true picture of relational engagement, SNA can greatly enhance understanding of interaction patterns especially with integrated computational and empirical analysis.

Furthermore, the results of this thesis demonstrate that the efficacy and viability of SNA as a methodological tool greatly increases when it forms part of an integrated research design where qualitative interactive exchange reduces the confabulation associated with SNA and enlightens the network visualisation. The addition of qualitative data contributed significant anecdotal and personal recollections on how this structural configuration occurs and is operationalized. In fact, while the initial SNA maps present a particularly distinct illustration of the central, core actors and the surrounding peripheral actors, supplementary qualitative insights enabled a more rigorous and comprehensive exploration of the detailed nuances of this structural configuration. For example, in reviewing the SNA maps alongside the qualitative data, a more extensive interpretation of the capacity of subnational actors to engage with FDI was provided. As such, the combination of SNA and qualitative semi-structured interviews presented a more holistic illustration of the role, interaction and variation of subnational actors with FDI, where considerable congruence of quantitative and qualitative findings strongly supports the utility of SNA as a methodological tool for contemporary management research and thereby serves to refute the claims of Conway (2012). As such, an initial methodological contribution rests on the unique structural and relational evidence offered within this study.
Finally, while previous researchers have offered significant information on the use and application of SNA (Carpenter et al. 2012; Conway 2012; Marsden 1990, 2005), this study provides an evidence-based review on the issues and challenges associated with collecting and analysing SNA data for contemporary management research. Significant information and practical discussion is offered on the collection, handling and analysis of SNA data. As such, the application of SNA within this thesis endorses the need for researchers and practitioners to be cognisant of the potential for insufficient attention on features such as network boundary specification, data reliability and context of enquiry to contaminate the data and subsequent findings. Overall, the combination of qualitative data with quantitative SNA within a single research design substantially contributes to enhancing the utility and application of SNA within management research.

**Practical Contribution**

As outlined and discussed in the opening chapters of this thesis, the majority of research on subnational actors has transpired from an emerging economy perspective (Bevan et al. 2004; Hoskisson et al. 2012; Ma et al. 2013; McDermott et al. 2009; Meyer and Gelbuda 2006; Meyer and Nguyen 2005; Zhou et al. 2002). Heretofore, with the exception of Chan et al. (2010) and Fallon and Cook (2010), analysis of institutional engagement with FDI within an advanced economy was generally confined to a national-level dimension (Barry 2004, 2007; Beugelsdijk and Mudambi 2013). As such, this research presents a more nuanced exploration of subnational institutions, agencies and organisations within Ireland, a small, but highly globalised, advanced market economy. Given the nature of this research on profiling and exploring the role, interaction and variation of subnational actors within a single country context, considerable practical policy implications emerge.

First and foremost, the evidence contributes to the contemporary debate on the need to restructure and streamline the subnational ecosystem within Ireland. Both subnational actors and MNE respondents highlighted that the current structure of FDI-related subnational actors had the potential to impede investment decisions and strategy, as the complexity of the structure created ambiguity for foreign investors. While coherence is evident amongst national level institutions in regard to FDI
attraction and retention, the situation is more patchy at subnational level particularly with regards to the significant overlap and confusion surrounding subnational institutional remit. These findings illustrate that there is an opportunity to revisit the subnational infrastructure relating to economic development in Ireland. While national level institutions strongly shape the subnational and national economy, there is evidence to suggest that subnational actors may benefit from a more concerted authority to contribute, communicate and coordinate with national level institutions. While the current activities identified within this study are premised largely on their traditional role and mandate, as initially established in the late 1950s, there may be potential in to reshape and formalise some of the more informal activities of subnational actors within Ireland. Equally, as outlined in Chapter 3, there are significant on-going shifts in the governance system within Ireland, particularly with the restructuring of regional development agencies and the centralisation of industrial development activities to national level institutions.

Secondly, a key finding of this research relates to the essential role of networking on a number of levels – including formal and informal, personal and professional, institutional and organisational. As this research demonstrates the importance of localised networking activity for subnational actors to engage with FDI, a significant policy recommendation rests in the formalisation of these activities to generate a more direct route to engagement amongst institutions, agencies and organisations at a subnational level (Fuller and Phelps 2004). For example, with evidence of the effects of subnational variation on FDI, there is merit in facilitating a programme in which subnational locations can identify, develop and promote their localised differences as a means of distinguishing their location from others. The 2009 Regional Competitiveness Agenda published by Forfás (2009) advocated the identification and promotion of regional strengths within Ireland, however there have been little significant policy changes to date to support these proposals. Given the findings of this study, greater subnational engagement may represent an important and potentially fruitful opportunity for enhancing and sustaining the attraction and retention of FDI to Ireland.
Finally, this study identifies important insights for MNEs. For example, significant information is provided on the potential for subnational actors to operate as localised conduits to the unique resources and capabilities inherent within the local environment. The findings of this research demonstrates that subnational actors represent an important exogenous resource for MNEs, as they are proxy to the locational, knowledge and relational capabilities of a location. The implications of this are two-fold. Firstly, subnational actors may substantially reduce the liability of outsidership for MNEs on entering, or advancing, within a foreign market as they offer a vehicle to localised knowledge, a broker to new, innovative relationships and a conduit to local resources for inward investment (Johanson and Vahlne 2009; Monaghan et al 2014; Santangelo and Meyer 2011). In so doing, subnational actors may accelerate and enhance the appropriation of locational capital (Zaheer and Nachum 2011) and significantly augment the locational portfolio of an MNE (Cantwell 2009). Secondly, for the MNE subsidiary, relational engagement with subnational actors can enrich subsidiary embeddedness and may increase their influence within the overall MNE network (Andersson et al 2002, 2007). In fact, this research signifies the important contribution of these subnational actors in formulating and accelerating the strategic objectives of an MNE, which has been overlooked in previous research.

Conclusions
The primary aim of this chapter was to unite the research aim and questions with the ensuing empirical findings. As such, a succinct discussion of the empirical findings was provided, with a particular focus on the overall research aim and the three research findings outlined at the beginning of the study. In particular, the overall findings of this study, and how they relate to, address and answer the overarching research aim and questions were explicitly discussed. In so doing, the contributions of the thesis were outlined and reviewed under the headings of conceptual, empirical, methodological and practical contributions. Following on from this discussion, the final chapter presents a review of the limitations and future avenues of research from this study in addition to a brief outline of the key learning and development activities attained.
CHAPTER EIGHT - CONCLUSIONS

Introduction
This concluding chapter seeks to finalise the thesis by summarising this doctoral study, reviewing the technical and contextual limitations of the thesis and outlining the potential areas for future research. Furthermore, a personalised summary of the learning and development experienced during the PhD journey is discussed. In particular, this chapter is presented as an overarching roadmap of how the technical and research skills have shaped my personal and professional development over the previous four years.

Synergistic Networks between Multinational Subsidiaries and Subnational Actors
Adopting an interdisciplinary perspective, this thesis explored the capacity of subnational actors to engage with FDI within a small, highly globalised economy. Drawing on quantitative SNA and qualitative semi-structured interviews, extensive information was offered on the role, interaction and variation of subnational actors in their engagement with FDI. In particular, the formation of customised coalitions of subnational actors was identified as the initial platform on which subnational actors attracted investment to a subnational location. Following this, there was evidence of formal and informal mechanisms of engagement between subnational actors and FDI in cultivating a sentiment of subnational empathy which served to secure investment. Finally, exploration of the FDI-related network across two subnational regions within a single country context illustrated that spatial heterogeneity was shaped by substantial subnational variation. In turn, this spatial heterogeneity was seen to significantly influence the capacity of subnational actors to accelerate, or in fact impede, investment within the subnational location. Across the three dimensions of subnational institutional capacity – their role, interaction and variation – there was a distinct focus on the potential for positive, collaborative and synergistic engagement to generate more fruitful developments at the subnational level. Therefore, it appears that synergistic networks between subnational actors and MNE subsidiaries are largely premised on the subnational institutional capacity to engage with FDI.
Reaffirming the in-depth discussion provided in the previous chapter, this thesis makes a conceptual contribution to the growing IB-EG literature by isolating the concept of subnational institutional capacity from EG and demonstrating its utility within IB research in exploring the attraction and retention of FDI to a host location. Furthermore, the empirical findings significantly contribute to the specific role, interaction and variation of subnational actors in how they engage with FDI. Given the unique methodological combination of SNA and qualitative data, this study also presents a more comprehensive and holistic analysis of subnational actors within a small, highly globalised economy than offered heretofore. Equally, it substantially endorses the utility and application of SNA as a constructive research tool within management research and practice. Finally, the thesis allows for important policy recommendations and practical implications to be discussed at both subnational and national levels. Thus, it is evident that this research presents a significantly fruitful platform on which to further explore and analyse the capacity of subnational actors with FDI across a number of theoretical, empirical and practical domains. Nevertheless, there were a number of limitations inherent within this research study which must be outlined and addressed, before outlining the potential for future avenues of research.

Limitations
While careful consideration was assigned to the selection of research methods and analysis of the data, there are a number of limitations within the current research design which require attention. These will now be identified and discussed.

Research Context
This study employs a cross-sectional research design, which adopted both contemporary and retrospective insights from subnational actors and MNE subsidiaries to garner information on the capacity of subnational actors to engage with FDI. While the findings of this study depict an accurate and innovative perspective on the role, interaction and variation of subnational actors with FDI, a longitudinal dataset might have better facilitated a more comprehensive, evolutionary
illustration of the process by which subnational actors engage with FDI. Nevertheless, with a rich database of quantitative and qualitative data, this thesis represents a platform on which to initiate a longitudinal study from this point forward.

Equally, case study analysis is fraught with a number of technical limitations (Yin 2009). For this particular research, issues such as the objectivity of the researcher and the extent to which case studies are generalizable may be considered as substantial impediments to the utility of case study analysis. In terms of research objectivity, the decision to use a case-study design in this research study was substantially driven by and ingrained within the final research question. Within this research question, case study analysis was primarily considered a vehicle through which the SNA and qualitative semi-structured interviews could be effectively, and representatively, administered. In conducting this analysis, every effort was made by the researcher to conduct informative case study analysis by adhering closely to the advised guidelines. Additionally, in order to enhance the generalizability of the study, a multi-case approach was used rather than relying on a single case study to provide a greater level of detailed data and to compare and contrast the findings from different case units. In fact, as previously outlined in the methodological contribution, the fusion of SNA and qualitative research methodologies significantly enhanced the authenticity and reliability of the data.

**Multinational Enterprise Data**

On review of the data, it is evident that greater insights from MNEs would have substantially enhanced the findings of this study. In particular, a more extensive exploration of the MNE network, additional perspectives of corporate headquarters, identification of key subsidiary units and the current mandate of the respondent MNE would have provided an interesting, and supplementary, dimension to the research. However, the constraints of the PhD programme in terms of time and finance restricted the capacity to collect more extensive data. Equally, the challenges facing MNEs in light of the current economic environment also impeded more investigative MNE research.
Unanticipated Issues

As outlined in the third chapter on the research context, there were a number of contextual features which greatly influenced this study. In particular, the onset and severity of the GFC was a substantially pervasive issue during data collection which was significantly outside of the researcher’s control. However, rather than inhibit the data, in hindsight, this issue enabled a more thorough exploration of interaction between subnational actors and FDI in addition to providing important contextual insights on the environment surrounding the study.

Equally, and of more importance to the specific nature of this study, the previous four years have seen significant changes to the subnational governance system in Ireland which were primarily implemented in response to the growing challenges confronting national government in light of the GFC. As such, the subnational governance structure was changing, almost as rapidly as data collection was taking place. However, similar to the influence of the GFC, this contextual issue also served to enhance the research as a highly robust and rigorous data collection process was followed. All information regarding the changing subnational institutional environment was collected and recorded as it occurred. Equally, despite their changing remit, all subnational agencies identified in the original subnational network of economic development database were invited to participate.

Competence of the Author as a Researcher

Prior to embarking on this PhD study, my research background was predominantly of a quantitative orientation. While I had received significant formal training in qualitative research methods, my primary research strengths were in quantitative data collection and analysis. As such, my competence with qualitative data represented a potentially significant weakness to this study. Cognisant of this, extensive training was sought to enhance and refine my capabilities. For example, from the first year of my study, I attended a number of graduate courses within the University of Limerick particularly targeting qualitative research skills, including a week long intensive workshop on Qualitative Research Methods. Furthermore, I participated in several
specialised international training courses to supplement my growing knowledge and skill with SNA, including the 44th and 45th Essex Summer School in Social Science Data Analysis (Introduction to Social Network Analysis, July 2011 and Advanced Social Network Analysis I – Selection Mechanisms and Social Structure, July 2012) and a 10 day Network Dynamics seminar at the University of Groningen, The Netherlands (August 2012). This was consistently buttressed by continued reference to contemporary textbooks on the matter of qualitative research. Finally, I actively engaged with my supervisors and other professionals on these issues.

Equally, when I initially commenced this research, I was a relative novice in the field of IB and EG with my academic background being in industrial and organisational psychology. In order to develop my knowledge of these fields of research, I was particularly proactive in attending and participating in a number of specialised research conferences, symposiums and seminars. Furthermore, I established and developed a strong rapport with a number of leading scholars in the field, both national and international, which significantly supported and accelerated my learning. Given my keen interest in this area and the extent to which I have immersed myself in the literature over the last four years, I feel confident that I now have a strong proficiency within IB. This is evidently expressed in my capacity to recognise the potential evolution and development of this research area.

Future Avenues for Research
A natural progression from the inherent limitations of a research design is to highlight the potential future directions for this body of research. Given the substantial conceptual, empirical and methodological contributions from this thesis, it is apparent that there are a number of recommendations for future research.

First and foremost, the nature and activity of subnational actors with FDI is an area of research which is in its infancy with IB. Having become popularised by the extent of subnational volatility in emerging economies, this thesis demonstrates the opportunities available in exploring the capacity of subnational actors in relation to FDI within advanced market economies. While this research is contained within a
small, highly globalised economy, there is substantial merit in extending the research
parameters of this study to consider other country contexts. This may follow the
work of Chan et al. (2010) in comparing the effects of subnational institutional
capacity within an emerging economy with that of an advanced market economy or
equally, of Fallon and Cook (2010) where a number of subnational locations within a
single advanced economy are explored in relation to FDI. As similar research on the
interaction of subnational actors with FDI is on-going in the UK (Almond et al 2012),
Spain, Germany and Canada, there is extensive potential for international
research collaboration on the capacity for subnational actors to engage with FDI
across national borders.

The proposed extension of research boundaries within IB to adopt a greater
interdisciplinary approach has been extensively discussed and applied in previously
literature (Cantwell and Brannen 2011). This thesis responds to this call by
specifically integrating a socio-spatial concept, subnational institutional capacity, to a
contemporary research agenda within IB. In so doing, this body of work aligns
closely with the recommendations of imminent scholars, notably Cantwell (2009),
Beugelsdijk et al. (2010), Beugelsdijk and Mudambi (2013) and Dunning (2009) in
which it is suggested that more extensive thought be assigned to the role of
geography within IB. However, rather than merely present interdisciplinary research,
this thesis demonstrates the potential for greater insights to be generated and
explored from a more nuanced EG approach to IB research. In fact, it is advocated
that this IB-EG research trajectory must be accelerated in order to facilitate a more
comprehensive understanding of socio-spatiality within IB.

Additionally, this thesis has illuminated a number of more specific aspects of the
research agenda within IB which may profit from a more explicit analysis. The role
and importance of power relations within the MNE network has featured heavily
within IB across a number of domains including, for example, the federative MNE
model (Andersson et al 2007), the transfer of employment practices within the MNE
network (Ferner et al 2011) and the complexities of corporate-subsidiary relations
(Mudambi et al 2013; Vahlne et al 2012). This research contributes an additional
dimension to the concerns of power relations within the MNE network, as it
highlights the potential contributory role of subnational actors within this bargaining relationship. Considerable advances on the nature of institutional capture has been provided by Nicholas Phelps (2000) within EG, where evidence suggests that FDI exerts a considerably more powerful presence within the local economy than subnational actors. Given the findings of this study, a notable gap exists within IB on the role and influence of subnational actors on the power potential of the MNE subsidiary unit. Insights of this nature would considerably advance and enhance understanding of the mechanisms, and implications, of subnational engagement with MNE subsidiaries.

In this regard, the current findings demonstrate the integral role of subnational actors in attracting and retaining FDI, providing significant evidence on who, how and why subnational actors engage with FDI across the different dimensions of internationalisation. Nevertheless, there is considerable opportunity to further explore the role and capacity of subnational actors on subsidiary embeddedness (Andersson et al 2002, 2007). Empirical evidence suggests that subsidiary external embeddedness can strongly empower the subsidiary unit within the MNE network (Andersson et al 2007), while also enhancing the value creation of headquarters (Nell and Ambos 2013). While insights of this nature emerged during this research, there was insufficient data to further explore subnational engagement with MNE subsidiary embeddedness. However, given the challenges to, and potential merit of subsidiary embeddedness (Andersson et al 2002, 2007; Meyer et al 2011; Nell and Ambos 2013), the influence of subnational actors within this process warrants more explicit further research.

Furthermore, the role of subnational actors in shaping the human resource capacity of a local environment offers an important avenue for future research (Almond 2011; Ferner et al 2011; Fuller and Phelps 2004; Monaghan 2012). Given the significance of MNEs to the local environment in terms of employment, transmission of skills and knowledge and local economic development (Almond 2011; Beugelsdijk and Mudambi 2013; Phelps 2000), there is considerable opportunity to further explore and assess the reciprocity of engagement between subnational actors and FDI in terms of skills development. Again, this has significant roots within both IB and EG,
and so a more concerted interdisciplinary analysis may strongly enhance knowledge of these processes and activities.

At a more nuanced level, this thesis identifies significant opportunities to engage in a deeper analysis of the role and activity of two significant members of the customised coalitions of subnational actors. Firstly, while the role of local firms and established MNEs has received substantial research attention in relation to cluster development and industrial agglomeration (Cantwell and Mudambi 2011; Cantwell and Piscitello 2005), relatively less attention has been assigned to their capacity to engage with other local actors. The findings presented above demonstrate that local firms and established MNEs comprise a significant component of the customised coalitions of subnational actors which engage with inward investment. More in-depth analysis is required on the specific aspects of their role to further illuminate their capacity to balance local interests with a more global business focus. Furthermore, significant research has highlighted the specific nature and activity of regional development agencies with regards to FDI (Almond et al 2012; Cantwell and Mudambi 2000). This thesis facilitates the potential to engage in a more detailed analysis of the perception of regional development agencies with internationalisation, in addition to their value add within this process.

Finally, given the substantial focus on spatial heterogeneity and subnational variation within this thesis, a viable avenue for future research is evident on the MNE-institutional co-evolution at a subnational level. As Beugelsdijk and Mudambi (2013) discuss the role of spatial heterogeneities, I foresee two potential areas of interest within this research agenda. Firstly, as the above findings illustrate significant differences in the capacity of two subnational regions within a single-country context to engage with FDI, it is worth pursuing a line of argument as to the origins and evolution of these differences. Thus, adopting an evolutionary economic geography theoretical lens, there is considerable merit in exploring the MNE-institutional co-evolution of two subnational regions within a single country context over time. Additionally, FDI has been found to be either competence-creating or competence-exploiting (Cantwell and Mudambi 2005) and a key factor within this dichotomy is the qualities of the subsidiary location. As such, there is a potential to explore how
subnational actors can shape, influence or support activities of the subsidiary unit in shaping their mandate (Cantwell and Mudambi 2005).

In addition to these areas of research potential, undertaking this thesis also facilitated substantial learning for me, as a student, a researcher and an author. These are now briefly discussed.

Learning Outcomes
The PhD journey is, by definition, a test of patience and perseverance and my experience has been no different than those gone before. A key dimension of a research doctorate involves the substantial capacity for a student to develop on both a personal and professional level. In concluding this thesis, it is important to reflect on some particular instances of learning which may support future researchers in identifying the potential obstacles, but also the significant rewards, involved in the multifaceted task of empirical research particularly doctoral research. This section seeks to highlight the challenges and opportunities which I have encountered as a researcher and are categorised as empirical challenges and professional development.

Empirical Challenges

Research Population Development
While the key focus of this research was subnational actors, a deficiency of information on these local actors within an Irish context proved a significant challenge in the initial collection of data. Given the extent of national level institutional engagement with FDI within Ireland, there was limited evidence and awareness of the remit of subnational actors with FDI (Monaghan 2012). As such, an initial task involved collecting, compiling and categorising the population of subnational actors in Ireland, particularly those with an FDI-related remit. The inherent difficulties with this task have been extensively outlined throughout the thesis, in relation to the overlapping roles of subnational actors, the complexity of the subnational geographical space and the contemporary process of institutional churning and institutional destruction within Ireland. Suffice to say that during the
early stages of this PhD, the researcher became evidently aware of the importance of generating a substantial, comprehensive and accurate database from which to execute the data collection. Therefore, for future reference, I advise that significant time and effort is invested in formalising the boundaries of research in terms of the population, respondents and audience of the research study before engaging in empirical research.

\textit{Administration of the Research Instrument}

Secondly, there were numerous issues concerning the administration of the SNA questionnaire to respondents, including ambiguity surrounding the dimensions of the SNA questionnaire, queries on the participant subnational actors and difficulty in quantifying the level of interaction. While these concerns were minimised by greater communication and the use of a visual showcard for the respondents, the process of administering the SNA questionnaire and handling these difficulties clearly illustrated the importance of being familiar with all aspects of the research instrument and considering, in advance, the potential anxieties of respondents.

Furthermore, a key lesson from this phase of research related to the skills required to formally conduct, direct and manage an interview during data collection. In many cases, there was considerable deviation from the semi-structured interview guide during the conversation as respondents were eager to share more general insights or information on the role of FDI within the local community, the difficulties with the institutional infrastructure and their own personal engagement with MNE actors. Given the focus of the interview, at times it was important to balance these personal anecdotes with the information required to address and answer the research questions. Therefore, it is strongly suggested that researchers familiarise themselves with the key topics of the research study and try to manage the interview as closely as possible while equally, engaging fully with the respondent.

\textit{Data Analysis}

As with any empirical research study of this nature, analysis of empirical data represents both a significant challenge and an enlightening learning experience. As
highlighted earlier in the limitations section, I had no previous experience of collecting or handling qualitative interview data. Equally, I was also deficient in knowledge of administrating and analysing SNA. In order to address these deficiencies, I was significantly proactive in gaining the necessary knowledge and skills to understand, execute and analyse both qualitative and SNA data. This was achieved via participation in a number of national and international research skills programmes to enhance my competence with SNA and qualitative research methodologies. For example, these training courses included a two week summer school at the University of Essex (University of Essex Summer School in Social Science Research), an intensive workshop on the utility of Nvivo© to analyse qualitative data, and a short session organised by the Graduate Centre for Research, University of Limerick on Working with Long Documents. These programmes allowed me to return to the classroom and engage with other students in learning, applying and testing the tools to analyse my data. While these programmes significantly improved my proficiency with SNA and qualitative data, they also provided an opportunity to engage with leading research scholars within the field, attend specialised research centres in the UK, Canada and Spain and participate in international research symposiums. Furthermore, these courses activated an opportunity to link in with a cluster of researchers from a range of academic fields and benefit from participating in collaborative training, discussion and network building. The opportunity to engage with a core cluster of researchers has significantly enhanced my capacity to discuss and verify my research findings, avail of support in the analysis of my data and learn from other researchers both nationally and internationally.

Furthermore, the process of transcribing the qualitative data was a comprehensive, lengthy and, at times, arduous exercise. In contrast to my experience with the relative swiftness of imputing quantitative data, the handling of qualitative data requires greater contribution from the researcher in terms of transcribing the interviews verbatim, reading the interview transcripts, identifying and codifying themes. However, in retrospect, I believe the process of repeating the audio qualitative interviews, in addition to the task of manually transcribing the interview, greatly enhanced by knowledge and familiarity with the data. Therefore, during the analysis
of the data, I felt I had a more ingrained and indeed a more intimate knowledge and awareness of the themes, issues and general insights generated from all interviews.

**Professional Development**

*Independent Research Voice*

Over the course of this doctoral programme, I feel I have significantly developed and honed my research skills and knowledge, particularly my knowledge of IB and my capacity to engage in self-directed learning. Prior to this, my experience of learning and education has been within a taught - and therefore highly prescribed - academic programme, where my skills and interests have been steered and stimulated by others. However, over the last four years, I have increasingly assumed greater control over my own learning trajectory and explored areas and topics which interest me. While this has at times resulted in tangential digression, it has also captivated my curiosity and accelerated my understanding of IB and EG, in addition to areas such as international human resource management, comparative capitalism and network theory. In particular, thorough exploration of seminal theories, general textbooks, new publications and conference papers have significantly shaped and sharpened the focus of my research. Moreover, this rigorous period of autonomous research enabled me to develop my own research voice and identify a number of tangible gaps in the current literature. While this process has always been closely governed and facilitated by my research supervisors, I believe that the PhD process has provided a fruitful opportunity to fully identify my research interests and equip me with the knowledge, skills and competence to engage in contemporary academic discourse.

**Teamworking**

The opportunity to work under two established and esteemed research scholars has allowed me to significantly develop an aptitude for working as part of a team. Both of my research supervisors were actively involved throughout the PhD and available for weekly meetings, regular progression reviews, informal advice and social support. One of the earliest examples of working as part of a research team was the offer to collaborate with my supervisors on a paper for the *International Journal of Manpower* (Special Issue, Volume 34: 3) in the first year of my PhD. While I found
this experience slightly overwhelming, as it was my first attempt at collaborating with experienced researcher scholars, in addition to my first research paper, it significantly accelerated my knowledge and proficiency of research publications. Moreover, this experience also presented an opportunity to work as part of a proactive and progressive research team.

Additionally, given that my PhD is part of a larger international project, I gained considerable experience on international collaborations from the beginning of my studies. In particular, I learned the importance of open communication, clear instructions, protocols and boundaries, realistic timelines and effective feedback. Also, the project included a number of international meetings, both prior to and during the course of the project, which included discussion on the development of the research instrument, timelines for the collection of data, reporting strategies on the progression of data collection and the pooling of comparative data. At present, interaction with the international research partners is also centred on plans for internationally collaborative publications.

Publication Skills
An integral component of my doctorate has been the development of research skills aimed at publishing academic research. As illustrated above, I was first introduced to publishing on a collaborative research paper with my research supervisors in early 2010. From this time, I quickly familiarised myself with the publication process and early in my second year, I submitted a sole authored paper to the Irish Journal of Management (31: 2) on the conceptual and contextual framework of my thesis. During the course of my studies, I have prepared a number of research papers aimed at publication across a number of academic journals – three of which have been accepted for publication (see Appendix G). However, this process has also significantly endowed me with the skills and knowledge of submitting a paper such as tailoring a paper to the philosophical ethos of a journal, developing a research idea through academic conferences and symposiums and meeting the specific formatting criteria and guidelines for submission. Furthermore, I have had the opportunity to gain experience in the ‘revise and resubmit’ process. Additionally, I have developed a distinct publication plan for the remainder of my study whereby I intend to develop
a methodologically-orientated paper and draft a paper for an economic geography audience over the coming months.

**Conference Participation**

Finally, a strong component of my PhD has involved the attendance and participation at national and international conferences, symposiums and research meetings. In particular, I have presented my research to distinguished scholars in IB, EG, comparative capitalism and international human resource management over the course of my studies. The activity of attending annual research meetings, such as the *Academy of International Business (AIB-UK)*, *Irish Academy of Management* and *American Association of Geographers*, strongly stimulated the development of research papers and has encouraged further publications. Equally, active participation within the academic community has also allowed me to gain international recognition for my work and in 2012 I was awarded the *Neil Hood and Stephen Young Prize for the Most Original New Work* at the *Academy of International Business (UK and Ireland Chapter)* Conference in Liverpool. Thus, while attendance at conference proceedings has substantially enhanced my interest, understanding and participation in contemporary trends in IB and EG, the primary merit of this experience has been the professional and personal relationships I have fostered. In addition to sharing feedback and suggestions regarding my research, attendance at national and international conferences has allowed me to become more involved within the academic community.

**Conclusion**

In concluding this doctorate study, I have reflected on the fundamental principle of my thesis and illustrated how the overall research aim and three research questions posed at the offset were addressed. In so doing, the research limitations were succinctly reviewed before exploring the potential avenues for future research. Furthermore, I have presented a personal reflective profile on the significant skills I have acquired over the last four years. In particular, the primary aspects of professional and personal learning and development experienced during the course of my studies have been illustrated. In so doing, this chapter demonstrates the
significant contribution of this research to knowledge within the field of IB, while also highlighting the considerable personal and professional development achieved.
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APPENDICES

Appendix A: Interview Guide for Subnational Actors

History of the Respondent
- Structure and functioning of the institution, agency or organisation – general/in relation to FDI
- General responsibilities of the institution/authority which the respondent represents
- Role of the institution, agency or organisation within the wider region
- Specific responsibilities of the individual
- Does the respondent have any other roles (including board membership etc.) on any other local or regional body?

Multinational Enterprises
- Identification of most strategically important foreign investors within the region
- Why they are perceived strategically important
- Local/regional ‘clusters’ in which MNEs play a substantial role

Interaction with MNEs
- Interaction of subnational actors with local/national/international MNEs
- Extent to which this interaction is direct/indirect

Direct Interaction
- Potential involvement in attracting investment
- Potential involvement in subsidiary unit’s bids for new and replacement investment
- Provision of ‘infrastructure’ (Human Resources, Physical Infrastructure)
- Regulation (IR, other…)

Indirect Interaction
- Bringing together MNE actors with other local businesses (what for?)
Bringing together MNE actors with other actors in the region (e.g. education institutions, research bodies, social partners)

Characteristics of Relationship
- Who is involved/type of relationship?
- Is relationship mainly formal/informal/direct/indirect/functional/social
- Level of interaction within the MNE – functions/workforce representatives/senior executives/corporate/national subsidiary/local subsidiary
- Intensity/frequency of contact

Subnational Strategy
- Extent to which there is a strategy for FDI engagement within the wider region
- Evidence of/Perception of clusters
- Collaboration of subnational actors specifically in relation to FDI
- Interaction with national-level institutions
Appendix B: *Interview Guide for Multinational Enterprise*

**Introduction**

- Job title(s) and functions of respondent
- Relevant background of individual, inc. career, any relevant external positions held

**Background on the MNEs regional operations**

- Year and Type of establishment
- Initial reason for establishment
- Information on evolution and growth of firm
- Functional mandate of local subsidiary unit
- Main products/services of local operations
- Position within the MNE network
- Business relationships within the region – customers, suppliers etc
- Activity internal/external to MNE network

**Relationship within the region**

- Extent to which the MNE subsidiary interacts with subnational actors
- Intensity/frequency of interaction
- Importance of relationships with subnational actors
- Representation on local/subnational boards/bodies
- Nature of engagement – typical issues/extraordinary issues
- Interaction within the local business community
Appendix C: Social Network Analysis Questionnaire

Introduction

We would like to find out more about collaborations between your organisation, multinational companies and other key bodies/organisations (e.g. governance actors, skills agencies, universities, training providers, trade unions, etc) that improve the competitive advantage of foreign companies investing in this region. We are interested both in activities aimed at multinationals directly and at those aimed at multinationals’ suppliers.

Actor attributes
(Note: this information is solely used for the purposes of analysis. All participating organisations will be appropriately anonymised and results will only be reported in aggregate terms)

1. Name of the organisation

2. When did this organisation come into existence in its current form?

    ____________year

3. How long have you worked for this organisation? ____________years
Thinking specifically about collaborations aimed at improving the competitive advantage for foreign direct investors in this region:

1) Over the past 12 months, approximately how frequently on average has your organisation been in contact with each organisation on the list below?

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**Top 3 MNE skills investors:**

1. MNE 1 (name)

2. MNE 2 (name)

3. MNE 3 (name)

4. Other MNEs

*Note: these are not necessarily the most important multinational companies in the region but those with whom you have had most intensive contact over the skills, training and development issues referred to above.*
Appendix D: Visual SNA Showcard

Thinking specifically about collaborations aimed at improving the competitive advantage for foreign direct investors in this region:

1) Using the scale below, over the past 12 months, approximately how frequently on average has your organisation been in contact with the following organisations?

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### Appendix E: Sociomatrix

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### Appendix F: Additional Qualitative Quotes

#### RESEARCH QUESTION 1 – WHO?

**Core Actors vis-à-vis Peripheral Actors**

“Yes, national development agencies would be our conduit... on one or two occasions, you kind of entice the company because that company might not have been coming here at all, and then you put the idea into their head and you have this fantastic package that you can give them”

*Educational Institution (Region 2)*

“The university is very strong for organisations locating around here and the reputation it has, which no doubt is being built on. I think the university has taken huge steps forward in recent years to develop links with industry and I think that can go further. There are some very good examples of companies who have established links with the university and I think the success of those links can be used even further with smaller companies. Now they are not as big and they don’t have as much money to spend, but an awful lot more can be done to strengthen the links between industry and the university”

*Subnational Director, Employer Association (Region 1)*

“Definitely, the inward investment agency is the direct line support to a multinational and we roll in behind them. We don’t have any direct line [to MNEs]... so anything I can do in terms of support for the inward investment agency, we will do it. They are in pole position and if I am going into a multinational, I will go through them”

*Regional Director, Indigenous Development Agency (Region 2)*

“The inward investment agency is very good at rowing in behind you; they are very good at listening to your pitch and understanding the angle you are coming at and then reinforcing that. When you see them in action in the States... Obviously a lot of work that people see is more the up-front, new companies coming in, knocking on doors and convincing people to come to Ireland. But they do a lot of follow-up stuff. They are in our corporate headquarters probably once every two years.”

*CEO, US Manufacturing MNE (Region 1)*

“The national development agencies has been pushing more on the university stuff and on the collaboration between industry and universities”

*Research Engineer, US Manufacturing MNE (Region 1)*
**Intermediary Actors**

“At one stage I ended up acting like a negotiator, not quite a negotiator, but acting as a peacemaker between a very strong client, with the MNE wanting minimal rent, and a very strong developer on the other hand, who wanted maximum rent”

*Ex-CEO, Regional Development Agency (Region 1)*

“So we like to see ourselves as being proactive with clients, we talk strategically with clients and out of that comes the training needs and then we interact as appropriate to try and pull all parties together in a framework of what can the state do here to help you guys”

*Project Executive, Regional Development Agency (Region 1)*

**MNEs and Local Firms**

“…We have worked with [subnational actors] because of the company’s manufacturing footprint review. We actually just closed a plant in Germany and moved it here so it was a very big win for us… When this project came here, R&D in Germany had struggled with it for six to eight months… The first guys we spoke to were a shop here in town to have a look at their equipment… This is where we sent our technical people, not to any hot glue type factory or any of this fancy glue stuff or anything. We sent them into a local shop and they came out with this small instrument they bought on eBay for €2,000. Corporate management thought it is great – our plant, which doesn’t even have an R&D team, had this project sorted within four weeks”

*CEO, Swedish Manufacturing MNE (Region 2)*

“But they do form part of the Track Record. I mean if you are selling, it doesn’t matter who comes in, it is the supply chain… When we sell track record, it is not just the track record of FDI in the region but the sub-structure and sub-supply and capability of Irish companies is also part of that track record story”

*Subnational Director, Inward Investment Agency (Region 1)*

“We in LOC1 and other supplier companies in Ireland have learned the dynamic of handling FDI – how you partner with them, how you become their supplier and how you deal with the complex decision making process. We have that skillset”

*CEO, Indigenous Manufacturing Firm (Region 2)*

“We do a lot with RegDev2 and we are probably getting more embedded into that area than what we were – outside of employing local people – we do a lot of sponsorship for local soccer teams, national schools, golf and hurling teams, that kind of stuff. And we are trying to bring the factory a bit closer to the city as well by doing different things in the city that
traditionally we wouldn’t have done before. So we are getting there, I think it will improve our company”

CEO, Swedish Manufacturing MNE (Region 2)

“There is a significant FDI base in the region – and I think that is an attraction in itself”

Director, Local Governance (Region 1)
## RESEARCH QUESTION 2 – HOW?

### Hierarchical Structure for FDI

“I think the way the inward investment agency here see it is that we have a third level university, we have a training organisation and we have an Institute of Technology, so I think what they are doing is embracing the whole range [of subnational actors] and when they have these people in they are giving them the benefit of showing them what each organisation has to offer. I suspect maybe over the years, too, we have developed a good relationship with the companies as well in attempting to respond to their needs and the training that would be relevant”

*Subnational Director, Training Agency (Region 2)*

“I would say we are a follower of what is happening with the national development agencies – we are coming in behind them. I don’t see us going beyond that… We are a follower to ensure that when they [FDI] come that they have the skills, in the areas that we can supply them, available to them in the right quantities”

*Subnational Director, Training Agency (Region 2)*

“In fairness, I think in the FDI space it is the national development agencies who are the leaders from our point of view but what they do have is support from everybody else around the table or anybody they need. So for me, that is their core job – it is not my core job, it is a small part of my job – but if they aren’t leading on it and bringing in the right people or delivering, then it wouldn’t work. They certainly seem to be good sales people for the area and they are very well networked into the local society. In fact, that really helps them to do their job. It isn’t that there is any other individual playing that role, I believe it is really down to the work the national development agencies are doing themselves”

*Local Governance Manager (Region 1)*

“Yes, our interaction with them [FDI] would be driven, very much, by the national development agencies. When the inward investment agency would be visiting and bringing companies to Ireland and to this region, we are nearly always part of the site visit into the university to see what we can bring to the table – to see the equipment we have, to see the skill set we have…”

*Educational Institution (Region 2)*

“Definitely the national development agencies would be the dominant agency involved… when they have a particular need or whatever they would come to us”

*Subnational Director, Training Agency (Region 1)*

“The central machine in terms of FDI is the inward investment agency and they have a huge influence that can really be brought to bear on locating in any part of the country. There is a central machine there and that would win it [FDI]”

*CEO, Private Service Provider (Region 2)*
Networking amongst Subnational Actors

“Well it would normally be personal relationships between the researcher or the head of the research institute and their colleague or contact in the MNE, where you [give the MNE] the idea and you have this fantastic [funding] package to give them”

*Educational Institution (Region 2)*

“Well they [corporate] want a return on their investment so it is very important that we get continued help from the different bodies within Ireland. In both the financial sense and also the approval of licenses, it is important and corporate are very aware of it absolutely”

*CEO, Norwegian Aquaculture MNE (Region 2)*

“We see our relationships with our clients as long-term and it is not single faceted. We would have a relationship”

*Subnational Director, Inward Investment Agency (Region 1)*

“Because the company has been here since 1979, there are good relations built up with people within local government so there are people who want to know our problems or can sense weaknesses and that type of thing. So yes, it would be fairly smooth”

*CEO, Norwegian Aquaculture MNE (Region 2)*

“I think a company that’s here as long as this, there are a lot of ad hoc relationships, like when you go to the university. I think there is talk of formalising these relationships again as a conduit of that interaction. So when you think of it, the people here would have very strong links into individuals within those other organisations”

*CEO, Regional Development Agency (Region 1)*

“So all of those things I suppose build up over the years from talking to different people in different departments in the university. You do build up a bit of credibility with each other. I suppose that is more important than the labour supply because graduates come from all over”

*CEO, US Manufacturing MNE (Region 1)*

“I sit on the economic development subgroup of the city and country development boards. On the economic elements of that, enterprise agencies and development agencies would be there to meet with the local authorities. In that forum we would meet every month, or every two months, depending on the issues”

*Subnational Director, Indigenous Development Agency (Region 1)*

“We would have infrequent interaction. I just happen to know Mr X here but we wouldn’t speak often. We would never talk about FDI or anything like that. I talk a little bit to him because I know him personally and he has a feel for what I am doing, but he wouldn’t be able to be on the paper next week to say that the inward investment agency have conferred with some small companies interested in the
“There is a whole network thing at play. We are all on boards of different development boards and enterprise boards and you are meeting all those people at those as well. Similarly with the indigenous development agency, we would all meet. We are on the same boards but we are from different agencies and whatever”

Subnational Director, Training Agency (Region 1)

“The subnational director of the inward investment agency will pick up the phone and ask ‘Are you free next week, I’ve two American’s – or whoever they are – coming through?’ They could come in here or we could go down to meet them, whatever is most convenient. It is down to the personal relationship between us and the local inward investment agency man… it is fundamental in a sense. If I didn’t know the subnational director, or if we didn’t get on, then those visits wouldn’t happen – I’ll put it that way”

Subnational Director, Employer Association (Region 2)

“Well, I would have quite a strong working relationship with the subnational director of the inward investment agency, historically it has been a strong working relationship built up over the years…”

Subnational Director, Training Agency (Region 2)

“We would have a very strong relationship with the senior executives and project officers within the regional development agency. We tend to operate in a way that a project officer out there can ring me directly, they don’t need to go through any formal procedures. Again because we are local, we can sort it out and then move on. Yes, we would have the same type of relationship as with the inward investment agency… So the subnational director and myself, we would constantly be talking about where we can help”

Subnational Director, Indigenous Development Agency (Region 2)

“There are so many simple steps that could be taken. You look at the inward investment agency and they don’t have a representative in this area – maybe not one who is from this area – but someone who knows this area, has been in this area, drives this area, has a vested interest in this area”

CEO, Private Service Provider (Region 1)

“We went down to a US MNE in the south of the country and we talked to their shared service people, we went around Ireland. The inward investment agency opened a lot of doors for us into other companies. Not in our sector but…”

CEO, US Manufacturing MNE (Region 2)

“I’ve been in the multinational business for years and I’ve seen them come and go!”

CEO, US Manufacturing MNE (Region 1)
“I have been in business for 25 years. I started out in construction; cut my teeth in apprenticeship and all of that, both throughout Ireland and in the UK and I spent some time in Germany in the early 1990s. So I have a long strong knowledge of the industry through all sectors… I have a long knowledge of business there”

CEO, Private Interest Group (Region 1)

“There is a great pool of experience in Ireland and it is highly regarded. Ireland is regarded as the centre, worldwide, of aviation financial services activity… I think it is mostly about reputation, people’s reputation, individually and within the industry collectively in Ireland.”

Ex-CEO, US Financial Services MNE (Region 1)

“.... because we’ve had MNEs investing in Ireland for a long period, we also have experienced managers. So there is a depth of experience in the management of MNEs in Ireland, which you might not find in other locations.”

International Executive, Inward Investment Agency

“I suppose the first time I experienced that, personally, was almost the first job I had. Everybody was conscious of needing to improve our game, and not just be hands and feet and eyes of the company but that we have to try and contribute. I think that is an individualistic thing, rather than following any policy”

Research Engineer, US Manufacturing MNE (Region 1)

“I had come through various engineering type jobs, like aircraft materials at the airport that kind of stuff but I had moved to management at that stage because I almost had twenty years of experience. Although I was responsible for technical aircrafts, I had never physically worked on an airplane. … So they wanted somebody to put together a technical organisation really in their new subsidiary, so I came in as head of technical”

EX-CEO, US Financial Services MNE (Region 1)

“The other thing we did was - very early on – we started building our links with corporate. Each of us – my management team here – identified who the key people were and we took one each and basically said that every time you go to the States, I don’t care what you go for, you go and talk to this person, you bring him for dinner, you bring him drinking if they are willing to go drinking. You find an excuse, you get in there and you talk to them. So we built up a lot of links with the corporate headquarters”

CEO, US Manufacturing MNE (Region 1)

“Here is this thing, we just do the social thing right and it allows us to get in doors that a lot of people will fail to get through. There is almost a sense of mischief or that with the Irish, that anything could happen. I know that sounds a little bit loose and immature for big business but there is just a draw to the Irish. You have to beat people away who want to come and constantly visit the site here. They want to go out and they want to be brought everywhere and they come in the following day with the same blarney, ‘I was brought for a pint of Guinness!’ You have to
wonder does this actually work? But they believe it and they actually buy into this type of a thing. I know this is the greatest cliché ever but they buy into it...I don’t know are we just naturally gregarious. I think you see it more when you contrast it against other nationalities and especially when you are involved in international events. There is just always a buzz when the Irish are in the room!”

HR Director, US Pharmaceutical MNE

“I think most companies, no matter where they are in the world would recognise that we need to have some kind of a relationship with our corporate headquarters. I think if I look at the Danes operating, they tend to operate much more formally. They go over and they have a meeting, they present their plans and it will all be done in perfect PowerPoint’s, they will have handouts for everybody. Then they consider that as being it and they go back to the hotel. Whereas, the Irish will go in and have a much less formal presentation, but all of the business will be done that night in getting to know the people. It’s just a different way of doing it. Again, I would say to the people here if you are over in corporate headquarters, say on for the weekend, get to know these people. Take Monday and Tuesday off when you get back here if you want, I don’t care what you do but just stay over there and get the relationship deepened as much as you can. The Australians, I think, are good at it too, but they are so far away!”

CEO, US Manufacturing MNE (Region 1)

“Confidentially, corporate wouldn’t be told everything. I think it is fair to say that if we had a Barney about issues, there would be an unspoken agreement that those issues would be kept in-house unless there was an obvious need to tell people. That seems, certainly from the Irish management in the HR roles, it seems to be very important to them that [corporate] don’t get the wrong impression”

Trade Union (Region 1)

“Personally, I put a lot of effort into building and maintaining a very strong work culture, very strong morale and a very strong team… I think there was a little bit of Irishness about it… How do I express this really? We didn’t actually tell them [corporate] exactly how we did everything. We were very successful in what we were doing and we managed to impress them. Now I talked to you about how at senior level there was this constant movement of people… In the technical area, they didn’t have any parallel in any other company. So guys who came across from corporate and they just said, ‘Wow, how do they manage to keep this stuff going, just let them at it’ It was almost like a joking point, that we weren’t getting caught by them [corporate]. So as long as I and several of my colleagues could keep the image right they [corporate] tended not to question us… they were too busy with other things basically. And we were very lucky in that sense, I was able to maintain certain independence and as long as I kept things running the way they wanted it and I was able to keep going”

Ex-CEO, US Financial Services MNE (Region 1)

“We would have the tier one suppliers of those companies and because of the fact we are here 50 years, we would have a very fine tuned and very high-tech sub-
supply infrastructure”

*Project Executive, Regional Development Agency (Region 1)*

**Localised Hazards**

“Well from an FDI perspective - again between these walls – one of our big advantages is that we are a single entity”

*Subnational Director, Inward Investment Agency (Region 1)*

“At an international level, that didn’t really work in my view and this is a personal view, to some extent, in that if you are selling Ireland as a location for FDI, there has to be one agency doing it. You don’t want to confuse your clients and have one person selling Ireland and another person selling a region within Ireland. But on the other hand, when the clients come into the country, anything of a positive nature that makes a region attractive is a plus. If there is a regional agency that has done certain things that makes their region better, clients notice these things when we bring them into it the region. Just in terms of the welcome they receive and the extra business support that might be in the local area”

*International Executive, Inward Investment Agency*

“I mean it is ridiculous to have a situation where you have three local authorities dealing with the greater urban area… Administratively, that’s nuts!! And you can’t explain that to an investor!”

*Subnational Director, Inward Investment Agency (Region 1)*

“I think it varies by region but I think one of the criticisms, from the point of view of multinationals, would be about red tape, and the difficulties in getting decisions taken. The Chinese say, you tell me where you want it [a building], you tell me how you want it and we will start tomorrow… You are competing with that kind of stuff rather than here, where you have to go through planning – and it is only right that you should have to go through planning – and all of the other things. But at the end of the day, it is hard to get a quick decision here…”

*Trade Union (Region 2)*

“We are getting proliferation on everything. All of that proliferation is counterproductive, it is a waste of money and you are not getting the professionalism or hitting the right boxes with that”

*Educational Institution (Region 2)*

“...There was a huge desperate of boundaries and agencies and authorities. You need to obliterate that or come above it and create something that has a macro approach”

*CEO, Private Interest Group (Region 1)*

“There are a lot of different organisations now doing different things but there is no leadership thinking within the region around that. We are not doing it and whether we should or we shouldn’t that’s a different issue…”

*CEO, Regional Development Agency (Region 1)*
“I think equally the inward investment agency, regional development agency and service providers that will come in, I think there is a significant need to focus on a couple of key ones and for the good of the region to bring these people in on a taskforce – or whatever it might be – so that we get a type of community... there would be huge momentum from something like that. Suddenly you could get innovation, new ideas and have huge spin-off and benefits from something like that”

CEO, Private Service Provider (Region 1)

“What you have is three agencies trying to avoid talking to each other. They are very disconnected as actors on the one stage in my opinion and that is, I believe, to the detriment of what was traditionally recognised as this region. The national development agencies are trying to drive the region out of the vernacular of the Irish sector”

Educational Institution (Region 1)
**RESEARCH QUESTION 3 – WHY?**

### Administrative Issues

#### Financial Aid

“Under the Regional Aid guidelines in December 2008, we [Region 1] lost the ability to grant aid to MNEs... The reason is that it is based on GDP per head. So that is a significant competitive disadvantage... If you compare the two regions, Region 2 is a nice place too. We can compete with them [Region 2] on a level playing field but if a guy can get grant aid in Region 2, it is very very difficult to compete with that... So there is internal competition between here and Region 2. All else being equal, why wouldn’t you take a couple of million quid if you were given it? Internally, as a region, to me that is a key competitive disadvantage that we have”

*Subnational Director, Inward Investment Agency (Region 1)*

“It may depend on the company, but the grants don’t just swing it. Certainly for bigger MNEs it is probably less critical to them than it is for the smaller companies. I think, on its own it is not a critical factor. Yes, it is a factor but if you don’t have the sites and you don’t have the critical mass on which to draw employees of a necessary qualification, or if we didn’t have the university, then all of the subsidies in the world wouldn’t attract in the companies. So it is part of the picture but it is not the critical factor of why a company locates. If you take all of the other things out of it, then it couldn’t compensate for them”

*Director, Local Governance (Region 2)*

“Maybe it is deemed to be a disadvantage to the areas that don’t have it more than an advantage to the ones that do”

*Subnational Director, Training Agency (Region 2)*

“The financial grant incentive has fallen down the pecking order. In fact, it’s a funny kind of thing, because you don’t want a company coming to you saying they are coming because of the financial incentive. You prefer a company to say something relevant, that they are coming for quality of people ….”

*CEO, Regional Development Agency (Region 2)*

“In Region 2, inward investment has been slow and I would say a primary driver of that, until recently was European legislation in terms of the regional status”

*CEO, Private Service Provider (Region 2)*
“The second thing I think is that Region 1, versus the Region 2, don’t have the grant levels available. So if you land in the airport, and you go left you will get grants of a higher rate than if you go right into the heart of this region. So, where are you going to go?”

*Technical Executive, Indigenous Development Agency (Region 1)*

“The grant rates has probably helped us as well”

*Local Governance Manager (Region 2)*

“I would be one of those who believe that [regional financial aid] is not really the number one priority with a lot of companies. It certainly wouldn’t be the number one priority. The areas like skills, access to people, infrastructure and those things would come ahead of that. In this day and age, I think they come before money”

*Subnational Director, Indigenous Development Agency (Region 2)*

“Region 2 are at a distinct disadvantage to what they can do because of the grant rates”

*CEO, Regional Development Agency (Region 2)*

“The current support in this region is 10% and that is based on the European regions classification. Region 2 still retains 20% and it would have been as high as 50% at one point, so it was quite attractive”

*Subnational Director, Indigenous Development Agency (Region 1)*

“They have decided on Ireland as a location but if it is between Region 2 and here [Region 1], Region 2 probably have an edge in that they can give better grants”

*Educational Institution (Region 1)*

### Sectoral Concentration

“If you define clusters as the greatest number of employers and companies in a particular sector, then there would be two in this region – medical devices and technology”

*Director, Local Governance (Region 2)*

“No I would say, initially, the development of these clusters was maybe to some degree accidental when the first companies came here. When you think here of this region, they came for cheap labour – and loads of it – they came for tax, there was 0% tax rates and then, they had worked out that there was a reasonable amount of education and the preoccupation with education had started”

*Subnational Director, Inward Investment Agency (Region 2)*
“I get the feeling that it was probably more politically driven and that [national development agencies] needed to get a company in for Region 2. You will notice the pattern - Pharmaceuticals are in the south, medical devices are in Region 2, so they do tend to locate companies by sector and then plug it into the infrastructure that is there. You don’t get companies willy nilly, they are always due to the expertise in this region and therefore these are the companies you get in”

_Educational Institution (Region 2)_

“Yes, Region 2 has kind of been ear marked for that and you would rarely get something outside of that coming in. I think politically there might be a map up at national level where regions have been drawn off – so companies are basically asked ‘What is your sector? Pharmaceuticals - then, you are in the South’”

_Educational Institution (Region 2)_

“I think the general view is that Ireland is a very small place. I think the example of Region 1 shows the dangers of sectoral concentration to one place. Two or three large ICT hardware companies exposed the city to major risks and we have seen that… Ireland is such a small place that we don’t need to concentrate all of the firms in one area”

_National Policy Advisor_

“Within that, the south has a concentration of Pharmaceuticals and the West has Medical Devices, so if they think they can benefit from that they will certainly go there. But with the inward investment agency in general, we don’t have strong policies to say all Pharmaceuticals to the south and all Medical Devices to the west, or all Software in the east… I think it is more practical for companies to decide on what they want”

_National Policy Advisor_

“If you are in the Pharmaceutical space, there is a cluster effect of companies in the south already that makes that a more attractive location because if you wanted to attract staff, there was ten or fifteen companies already there. So there is two elements in relation to location – there is the cluster effect in relation to the expertise that is available around you, making it easier to attract staff and there is the perception of where is a good place to live, socialise and have educational structures there”

_Subnational Director, Indigenous Development Agency (Region 2)_

“In my view, you can find and plan for clusters but it doesn’t actually work like that. It is a more dynamic process in that it is much more of an iterative, it is not actually something specific…. Everybody will tell you around the world that they planned their cluster; that they got all the bits together and then there it is, it just happened. I don’t believe it works like that”
“I think we are probably not master of one [sector], but jack of all trades really. If you can see that and promote a diverse complex but are still able to attract a sustainable business going forward on a number of different levels, I think that is actually a better advantage than saying we are Medical Devices like Region 2”

CEO, Private Service Provider (Region 1)

“Personally, I think we were very fortunate to have a regional development company and I think it was a pioneering attribute for the region in its time. It is said now, quite frequently, that instead of acting as a positive for the region, the fact that the inward investment agency don’t have jurisdiction over the full property portfolio in the region has made it is easier for them to drive past it”

Director, Local Governance (Region 1)

“The other one is that the national inward investment agency do nothing for this region, they don’t bring any business into the region and they haven’t done so for the last five, six or seven years and therefore, we are at a disadvantage, full stop… there is a lack of understanding between both sides of what needs to be done. There is a fractionist relationship and both sides need to start to work on this”

CEO, Private Interest Group (Region 1)

“There was a lot of competition between RegDev1 and the inward investment agency”

HR Director, US Manufacturing MNE (Region 1)

“It [RegDev1] was seen to be the example of best practice in terms of regional development and we were the region to be looked at, to be pointed to. We have lost that… but then you have the question of whether we are in a competitive or collaborative mode. I don’t know if the country can tolerate really strong regional development authorities and still function?”

Educational Institution (Region 1)

“If you were to look at Ireland today, the principal reason for the regional development agency to exist as a separate entity has disappeared frankly. The principal reason for the origins of the regional development agency was the industrial zone and the differential tax rate. Ireland now has a 12½% corporate rate of tax so a company locating in Region 1 has exactly the same rate as a company locating anywhere else. So the rationale for having a development agency dealing with Region 1, from an FDI perspective, is gone. I think there should just be a single entity. Region 2 is different with the language dimension to it and all of that. In other words, internally to preserve Irish and develop it separately makes a lot of sense but from an
FDI perspective, looking at it from outside, it is important that a single entity exists….”

Subnational Director, Inward Investment Agency (Region 1)

“I think my view at this point of time is that RegDev1 is actually a disadvantage to the region. Some wonder if it is a poorer area because these guys are here. I think it has just got to a situation where the value added from RegDev1 to the process is very hard to see and in fact, the value negative to the process is a lot more obvious”

Subnational Director, Indigenous Development Agency (Region 1)

“In my previous job, I found the inward investment agency a lot more proactive in terms of coming out and offering what they could do to help, where I don’t see that level of involvement coming from the RegDev2. While the individuals we deal with there are excellent when we get them focused on board here, but – coming back to your question – it does involve actually having to ask, us going out and having to ask them what is actually out there. They are not proactive in terms of approaching us or offering”

CEO, Swedish Manufacturing MNE (Region 2)

“What you have is three agencies trying to avoid talking to each other, now that is in my humble opinion. You may find facts to counter that and it would be interesting if you get a different picture. But they are very disconnected as actors on the one stage in my opinion and that is, I believe, to the detriment of what was normally traditionally known of as Region 1. The national development agencies are now trying to drive this region out of the vernacular of the Irish sector”

Educational Institution (Region 1)

Colloquial Concerns

Subnational Industrial Identity

“From the outset, at the regions level, there aren’t strong governance structures at regional level. It depends on what your definition of region is, I’m not sure what way you are approaching this in terms of the regional context… If you look at the enterprise agencies, while they do, at one level, have a regional mandate, I suppose from a policy and strategic point of view, it would be more approached from a sectoral development point of view rather than a regional development point of view. The regional structures within national development agencies are mainly to support the promotion of certain locations and then the development of itineraries and marketing… So the approach isn’t regional as such, it is more the attraction of FDI, where is the best location and it kind of works from there”

National Policy Advisor

“We don’t seem to have an identity that would attract in other companies.”
We have a couple of medical device companies, we have a couple of chip makers and we have a large manufacturing MNE but there is no identity in the region as such, and I think we have suffered from that. That has been a downside”

_Educational Institution (Region 1)_

“There have been smaller start-ups in this region and I think that has been a result of the inward investment agency here concentrating on smaller, emerging business… There has been three or four of them so far…”

_CEO, Private Service Provider (Region 1)_

“Coming back up to where we are at this moment with this region, from attracting FDI in, we would recognise that there are a couple of fundamental problems – leaving aside the parochialism and the turf war history that is there”

_Senior Executive, Private Interest Group (Region 1)_

“The other thing that we are doing which is different, is to focus on emerging businesses, emerging companies…. we have a small unit set up which is looking at companies globally who employ less than 200 people and have a turnover of less than 20 million. We are putting specific effort into this. They are businesses we wouldn’t have been looking at before… To make it simple, we are trying to find the next Facebook before it becomes big and share prices go big. Companies are internationalising much earlier now, in fact some companies are born international now because of the internet and that. So the emerging markets is one but also the emerging companies, we are putting a focus on”

_Subnational Director, Inward Investment Agency (Region 1)_

“There are some key managers who would consider themselves as key players in the region. It is not the FDI they work for, it is their interest in the region”

_Senior Executive, Private Interest Group (Region 1)_

<table>
<thead>
<tr>
<th><strong>Regional Image</strong></th>
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<tbody>
<tr>
<td>“This region is a good place to live, we have a positive lifestyle element, there is good education provision here and good infrastructure”</td>
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_Educational Institution (Region 2)_

“They can point to existing organisations that have relocated in the last two or three years and brought this swell of people in to Region 2 and have put the region on the map. Region 2 also has that bohemian sense… You walk down the main street and it has that young, festival atmosphere”

_CEO, Private Service Provider (Region 1)_

“The city has a terrible image, which is a big problem… I sincerely believe that the negative image of the city is a detractor to FDI”
Technical Executive, Indigenous Development Agency (Region 1)

“I think it is really around a creativity culture and a sense of people wanted to have a good time…”

Local Governance Manager (Region 2)

“We have a young vibrant city, with a young student population. There is very much a can-do attitude… The Region 2 brand!”

Educational Institution (Region 2)

“If you look at the profiling in the press – regionally, nationally or globally – [Region 1] has a bad reputation. But we can work around those, because many other cities and areas around the world have problems… We, as a region, need to do work to ensure that the problems that manifest themselves in this region don’t work against us in relation to any industry coming here”

CEO, Private Interest Group (Region 1)

“In comparison to Region 1, which would have been seen as a traditional industrial base, Region 2 kind of came to it late and hence, tended to attract new industries”

Subnational Director, Employer Association (Region 2)

“One of the differences between the two regions, in my view, is that we seem to do a better job on being less vocal about adverse things in town. Region 2 has its hard spots, I can tell you! Absolutely! But it gets very little public profile whereas someone squeaks at someone else in Region 1 and it makes national headlines”

Subnational Director, Inward Investment Agency (Region 2)

“That [promoting an image] is something that regional actors buy into… What we are trying to do and to identify for the region, not just for the city but for the region, is something that is over and above”

Director, Local Governance (Region 2)

“Now it might not be the same in Region 1 but quite a few of the regional managers of the different organisations would be based in [the urban centre of Region 2], live and socialise and now that may be intangible but....”

Local Governance Manager (Region 2)

Subnational Cohesion

“One thing in this region, once a good idea comes up people do tend to row in behind it. So it is more endemic in our regional society to come up with the bright idea and move forward with it, I think”

Local Governance Manager (Region 2)

“Yes, whenever I talk to those other organisations and we talk about FDI, everyone is saying the same thing and they are all singing off the same
“There is a failure of institutional coalition in Region 1”

Subnational Director, Inward Investment Agency (Region 2)

“Certainly there is a sense of a unified purpose in this region around investment… There is a sense of one purpose and even though there is a city council and a county council and we all have our separate remits and work, there still is a sense that we have a common purpose around the banner of the region. Whether the factory locates inside or outside of that boundary is irrelevant because it is people from the county that are going to come in and work in it anyway. We would work very closely together and support one another even in terms of infrastructure provision”

Local Governance Manager (Region 2)

“It is both formal and informal – he might pop in to have a chat informally maybe once every quarter but if there was a specific issue that he needed help with, he would ring us and we would only be at the end of the phone. Also, we have a formal structure in place that meets with inward investment agency, indigenous development agency and regional development agency about once a quarter so that if there are any issues coming up, they can be aired that way”

Local Governance Manager (Region 2)

“I would say networking is extremely strong in this region and I would use that word very strongly. I would say that is definitely one… The networking is very very strong, both as formal organisations and as informal organisations”

Subnational Director, Indigenous Development Agency (Region 2)
# Appendix G: Publications Emanating from this Thesis

## Accepted Publications

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<thead>
<tr>
<th>Title</th>
<th>“Attraction and Retention of Foreign Direct Investment (FDI): The role of subnational institutions in a small highly globalised economy”</th>
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<td>Irish Journal of Management</td>
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<td>Journal</td>
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**Papers under Review**

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<td><strong>Journal</strong></td>
<td>Journal of World Business</td>
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