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The Role of Decision-Making Process on Strategic Foreign Direct Investment

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By

Hussam Al Halbusi

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To my beloved parents

APPROVAL PAGE

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I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Arts.

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This is to certify that I have read this thesis and that in my opinion; it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts.

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AUTHOR DECLARATIONS

The material included in this thesis has not been submitted wholly or in part of any academic award or qualification other than that for which it is now submitted.

1. The program of advanced study, of which this thesis is part has consisted of:

i) Research Methods course during the undergraduate study

ii) Examination of several thesis guides of particular universities, both in Turkey and abroad as well as a professional book on this subject.

Hussam Al Halbusi

April, 2015

ABSTRACT

Hussam Al Halbusi **April, 2015**

The role of Decision-Making Process on Strategic Foreign Direct Investment

This thesis is to uniquely explore the global competition in foreign direct investment [FDI] decision-making processes of Northern Iraq. The Global Competition in Strategic (GCS) in the northern Iraq is uncertain in a global context. GCS is huge in the world and often do not have sufficient resources to fully investigate a major FDI decision. If learning to gain contextual competence is necessary for successful FDI decision-making, how do these firms manage their learning and competencies to invest successfully in the northern Iraq? The main objective of this study addresses the decision-making processes of Global Competition and Strategies for FDI in northern Iraq, how this takes place and how needed competencies are developed and managed.

Two main research questions, addressing areas of managerial interest, are investigated in depth in northern Iraq, namely: What is the decision-making process for foreign direct investment by Global Competition in Strategies? How do owners' managers of Global Competition in Strategies make such decision-making? A multiple case study approach, based on case studies in depth interviews, shows the decision-making process for foreign direct investment develops in phases. The findings support a decision-making model that proposes and the marketing process is divided into phases.

These phases are of differing lengths and depths, largely depending on the type of management, and the decision-making speed can vary greatly between individual companies. The results indicate a distinction between Global Competition in Strategic managed directly by owners-managers and those managed by a board .The findings show current foreign direct investment and decision-making theory is at a watershed. Previously well-established theories are challenged as emerging markets, such as "Turkey, Iran, northern Iraq, China, America, Abu-Dhabi, and so on", require different approaches and market-entry must be considered as a developmental process, which is individual to a company. Overall the decision-making type can also vary within the same company and among decision-makers. Knowledge available beds, and influences ,competencies and results in "decision-making" and "global competition in strategic foreign direct investment" based on rationality or experience.

Keywords: Decision-Making, Foreign Direct Investment, FDI, Global Competition Strategic, GCS, World, Market- Entry, Ethical Business, Role Leaders, Leaders.

KISA ÖZET

Hussam Al Halbusi April, 2015

Kuzey Irak'ta Doğrudan Yabancı Yatırım Stratejik Karar Alma da Global Rekabet.

Bu tezde Kuzey Irak yabancı doğrudan yatırım [YDY] karar verme süreçlerinde küresel rekabet açısından incelemektedir. Kuzey Irak piyasasının Stratejik Küresel Rekabet (SKR) içindeki konumu belirsizdir.

Kuzey Irak'ta yabancı firmalar kendi yetkinliklerini kullanarak nasıl başarıyla yatırım yapabilirler? Bu çalışmanın temel amacı stratreik küresel rekabetin doğrudan yabancı yaıtırımların K.Irak bağlamında gelişitirilen stratejileri araştırmaktır.

Stratejiler Küresel Rekabet K.Irak'ta doğrudan yabancı yatırım için nasıl karar vermektedir ve hangi süreçleri izlemektedir? Bu stratejiler şirketden şirkete değişim göstermektedir. Şirketin merkezini K.Irak'ta kurgulayanlarla ülke dışından yönetenler arasında ciddi farklılar olabiliyor.

Derinlemesine görüşmeler ve anket çalışmaları dayalı olarak araştırmalar yapılmış ve stratejiler incelenmiştir. Bulgularla önerileri ve pazarlama süreci evreleri karar alma modelini destekler.

Bu aşamalar büyük oranda yönetim türüne bağlı olarak, zamanlamada, karar verme hızında değişmeler göstermektedir.

Bulgular mevcut doğrudan yabancı yatırım karar alma teorisi ile çatışmaktadır. Daha önce ki köklü teorilerin Türkiye, İran, Kuzey Irak, Çin, Güney Amerika, Abu-Dhabi gibi gelişmekte olan ülkelere uygulandığında cevap verememektedir.

Pazara giriş stratejileri sadece firmadan firmaya değil aynı firmadaki yöneticiler açısından değişmektedir. Akılcılık ya da deneyime dayalı stratejiler farklı sonuçlar doğurduğunu bu çalışmamızda ortaya koyuyoruz

Anahtar Kelimeler: Küresel tamamlama, strateji, yabancı doğrudan yatırım, karar alma, süreç

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LIST OF ABBREVIATIONS

FDI	Foreign Direct Investment
FDIMO	Foreign Direct Investment, Marketing Operation
FDIPO	Foreign Direct Investment Production, Operation
FPEI	Foreign Portfolio Equity Investment
GCS	Global Competition in Strategic
GDP	Gross Domestic Product
IMF	International Monetary Fund
JV	Joint Ventures
KRG	Kurdistan Regional Government
M&A	Mergers and Acquisitions
MBA	Master Business Administration
MEB	Ministry of the Environment and Bioresearches
MNE	Multinational Enterprises
OA	Ownership Advantages

OECD Organization for Economic Co-operation and Development

PSA Production Sharing Agreement

R&D Research and Development

UNCTAD United Nations Conference on Trade and Development

WFOE Wholly Foreign Owned Enterprises

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And finally, it is not easy to express my deep gratitude towards my beloved parents, and my brothers and my sisters on a piece of paper. I owe them everything.

I thank them with all my heart for their love and friendship, for their endless support and confidence in me. Without them, neither this, nor many other projects in my life would have been possible the way they were.

CHAPTER 1

INTRODUCTION

1 Background

The global competition in strategic foreign direct investment decision-making process in northern Iraq, in which the research took place, offers a scene to allow new insights into the decision-making processes in north of Iraq in a dynamic environment. This study is motivated on the grounds that there is no similar research on market-entry decisions for Kurdistan region and the global competition in strategic foreign direct investment, which underlines its academic contribution and value for practitioners. Two main areas are investigated: the process and type of decision for foreign direct investment, which are found to be strongly related.

The type of decision-making process by owners-managers largely determine the decision process and the empirical findings helped uncover a series of determinants that propel strategic foreign direct investment into a market entry. These determinants reveal appreciable variations between the motivation for setting up a foreign direct investment, and the time span to reach a final decision for foreign direct investment, which cannot readily be compared between companies.

The case studies reveal the importance of the role of global competition in strategic foreign direct investment decision-making process in Northern Iraq owners-managers, mostly highly committed individuals, who have reached a point where entering an emerging market in the form of a foreign direct investment is a real option; a point of no return. The initial phases of business involvement or market exposure are informal but important; learning phases that clearly shape the concept of the entry mode to be pursued. This phase helps foster capabilities that speed up decision-making in subsequent phases

Overall Northern of Iraq owners' managers follows a route of risk management, with the objective of keeping control over their activities; materialized in undertaking a foreign direct investment. The findings of the field research show there are two groups of global competition. The first group consists of strategic foreign direct investment decision-making where the owners are directly involved in managing the business and are shown to mostly be quick decisive-makers without the need for further approval of decisions.

The second group includes larger decision-making where managers have to consult a non-executive board for decision approval. The research results show that in the first group decisions, as a tendency, are faster with the added observation that information gathering is less formal, whereas in the second group a more formal information gathering and decision-making style takes place. This largely explains why strategic foreign direct investment in the decision-making process set themselves broader guidelines for the implementation phase of the venture, thus giving room for reacting and adjusting during implementation.

In Chapter 2 Literature Review, it was deduced that different components of uncertainties shape the market entry decisions of firms. The environment and context setting of the world motivates the assumption that such an environment is loaded with various uncertainties Northern of Iraq and strategic foreign direct investment will have to face, which influences the type of decision-making. The empirical observations show that owners-managers in practice are trying to make analytical decisions that are well grounded. Despite the initial assumption owners-managers do not feel there are many uncertainties that will threaten their investments. The attitude of least risk is reflected in the way owners-managers make their investments; not at a maximum business risk which may endanger the whole company if the foreign direct investment fails. Expert views on market-entry to the global are considered at the outset of this research project. Reflecting now on these views there is a gap between the planned and the actual market-entry. The empirical findings mark considerable differences on how planned and actual market-entry is perceived and materialized. Firms and individuals planning their market-entry to the world approach this task quite carefully. The overall learning effects are shown after the actual decision process takes place and the type of decision-making, develops from an analytical approach into an experienced-based approach.

In Chapter 3, was that the case study method is the most suitable research method for this thesis. During the progress of the investigation it became obvious that the chosen method is indeed a more suitable approach; a method that is especially appropriate for a novel and contemporary topics as dealt with in this research. An important aspect of the research findings is that the ten question cases do not allow for broad generalization, albeit they allowed the development of the understanding that there are certain tendencies in how a global competition in strategic foreign direct investment decision-making process takes place in practice. Only the research method applied to allow the author to revisit each single case in an orderly manner, reflect on the findings, build and rebuild clusters of information and produce links between research findings in a cognitive way. This was only possible as each in-depth question was transcribed and stored for replication, thanks to the use of the SPSS program software.

The actual field study in Chapter 4 has conceptually and empirically examined the foreign direct investment decision-making process of global competition in strategic. Despite the field research being based on a given decision-making framework, it allowed for the broad guidelines during the questionnaire process. The case study findings were consistently used to improve the study technique for subsequent questions. The early field findings on why an individual company materializes a venture into the world reveal the rationale for the “Foreign Direct Investment” FDI of Northern of Iraq, global competition in strategic differs greatly between the cases and, as a result, the individual development of the decision processes.

1.1 Problem statement

The globalization of markets is taking place and business is increasingly becoming international. Organizations are faced with the influence of global markets, whether or not they sell or produce internationally. Emerging markets, in the world, have a considerable role in this change of environment and the world mainland is expected to become the locomotive of the world economy. Northern Iraq attracted US$ 70 billion foreign direct investment [FDI] in 2006, and indications are that this will increase. The Gross Domestic Product (GDP) development of the northern Iraq region has been strong over recent years; between 7.1 % and 9.4% growth over the last seven years, which elevates. The significance of the northern Iraq market is also important for Northern Iraq region businesses – exports from Northern Iraq to the world reached 4.1 billion in 2012, an increase of more than 18 %over 2010-2011, with an 11 % increase between 2009 and 2010. Confidence in the Northern Iraq market is based on two main factors:

- With a population of over 1.3 billion, the emerging world market has an extremely high potential for future expansion.
- Northern Iraq is believed to offer a low production cost structure in the long term, particularly for labor costs due to the seemingly unlimited availability of labor.

These reasons have led to a concentration of production-focused investment in northern Iraq since the 1980s (The Economist Intelligence Unit, 2004; Northern Iraq, 2006), while the apparent success of some companies in this market has encouraged others to consider launching their own Northern Iraq region activities.

Northern of Iraq today not only attracts large companies, but has also become a target for Global Competition in Strategic Enterprises [GCS] from Europe (Bulk, 1997; Haeusgen 1997, Kline, 2000). Kukovetz (2002) has shown that GCS from the world can quickly and successfully enter the global market and a recent survey shows GCS from Northern Iraq region are also attracted by the seemingly high potential of the world (KWS [north of Iraq in Northern Iraq Survey], 2012).

For Northern of Iraq GCS entering a new market, looks like a world, this often means expanding into a culturally new and unrelated country or marketplace, which has several consequences for a firm (Hofstede, 1980, 2001; Daniels and Radebaugh, 1998 .(Most literature on the globalization of firms discusses the theoretical concepts of internationalization that lead to a firm's FDI in a host country. Often the literature aligns itself with the internationalization, development of large firms, without explicitly relating to small firms. Various researchers contend that large firm experience in the internationalization of business operations does not necessarily represent an easily transferable model for smaller firms (Coviello and McAuley, 1999; Brauchlin and Pichler, 2000; Dunning, 2002). The complexity of different market-entry modes and inherent characteristics, and GCS own characteristics, can increase management stress and confusion. Early research on German GCS (Stahr, 1979) identifies a gap between theoretical and practical approaches to GCS internationalization, and, according to Stahr, 'The theoretical market selection approach appears to be complicated for the practitioner and seems to be too accurate'.

A view which does not seem to have changed much, and, a survey (2014) shows, although GCS appears to be aware of strategic issues in the internationalization process and the high importance of planning, in practice firms do not necessarily follow available knowledge during implementation.

Various definitions emphasize the importance of strategic and centralized decision-making and their relationship to the long-term focus of an organization, often understood as a non-routine activity.

While FDI is important, as are the resources it can profit, FDI is not always a strategic process, accompanied by, or evolving from, a decision-making process (Kukovetz, 2002). FDI decisions are important for any size of company and can undoubtedly be strategic, which means the FDI decision-making process is important. This dissertation specifically analyses the FDI decision-making process that takes place in GCS, and considers the decision-making processes of the Northern Iraq region GCS that have expanded into the global competition in strategic marketing in the world.

1.2 Objectives and Research Questions

There are numerous publications about market entry into northern Iraq, and about market-entry into the world. The pros and cons of different forms of FDI are often analyzed and discussed, thereby expanding the internationalization theory, especially in the case of northern Iraq. The authors elaborate on the complexity of market-entry into the world and highlight the obstacles to be met, but seldom is an in depth analysis of different conditions made, or the development of an institutional framework discussed or how an individual firm finds its way through the maze. The environment context is largely ignored, and how a firm fits into this context, based on the individuality of the firm and its own investment decision-making processes for market entry, is not given any attention, while major market-entry decisions are often generalized. The aim of this thesis is exploratory in nature and provides a theoretical contribution to research on internationalization and decision-making, underlined by two main assumptions:

- Current internationalization theory can fail to explain the accelerated internationalization processes of companies, especially for GCS where firms do not have much international experience, yet directly engage in FDI activities.
- The decision-making process for market-entry into an emerging market deals with uncertainties.

The behavioral and organizational decision-making theories can benefit from the findings of this project on how firms, and their own managers, make their decisions under uncertainty; possibly even a decision by a single person in a firm. In this thesis and in the global competition in the strategic decision-making model development, individual and firm-level decision-making is integrated to include the entrepreneurial aspect of single managers or traders that contribute to the market entry of a company. To this author's knowledge there is, as yet, no similar research on FDI decision-making processes in GCS. This study supports the global competition in strategic decision-making theory on internationalization, and this project not only has theoretical relevance but is also of practical value. It investigates the processes of market-entry into an emerging global market, and its results can be applied in similar market places, while it also describes how individual decision-making can be developed.

From this preliminary exploration potential area of interest in Northern Iraq, global competition in strategic market development is deduced. As a result the primary objective of this dissertation is to investigate the FDI decision-making processes of Northern Iraq region GCS in the marketing of the world. The secondary purpose is to understand how owners-managers of GCS undertake such markets. The literature review in Chapter 2 focuses on the areas of interest identified, which are relevant for the FDI decision-making process of a GCS. The analysis guides in understanding of the literature on the dissertation topic and final research questions are deduced. Research questions are:

- Do foreign investors invest in Northern Iraq?
- Is northern of Iraq successful foreign multinational Oil & Gas companies in their country?
- Are the Prospects of foreign direct investment policy in Northern of Iraq for the Future?
- Can be done to improve the investment strategy of foreign investors in Northern Iraq?
- What determines whether a firm decides to establish production facilities abroad rather than export its product or license overseas entrepreneurs to produce instead?

Earning higher profit	Earning lower profit
Loses higher risk	Loses lower risk

- Do these firms manage their learning and competencies to invest successfully in the world?
- Is the decision-making process for foreign direct investment by global competition in strategic?
- Do owners-managers of global competition in strategic make such decisions?
- Does Northern of Iraq Global competition choose to enter the world? Or can the decision-making process for international of northern of Iraq, global competition in the world be explained?
- Does decision process matter?

1.3 Qualitative and Quantitative

As a result of behavioral global competition in strategic foreign direct investment decision-making can be grouped, according to different characteristics, into qualitative and quantitative approaches, noting that there are programmed, routine or more rational decisions and non-routine decisions. Researchers have also challenged the traditional principles on the grounds that they fail to explain the speed in global competition in strategic foreign direct investment decision-making (Eisenhardt, 1989a; Judge and Miller, 1991). It is argued that speed in decision-making is crucial and that the more successful companies are capable of making faster decisions in high-velocity environments.

Such research results could not have been developed under consideration of purely rational decision-making models, as the traditional models consider the availability of unlimited time and emphasize the need to accumulate information and develop decision-making alternatives rather than limiting such necessities (Mintzberg, 1973; Nutt, 1976; Fredrickson and Mitchell, 1984). Similarly, other researchers have criticized the fact that traditional decision-making principles do not explain performance and quality in global competition in strategic foreign direct investment decision-making processes (Fredrickson and Mitchell, 1984; Dean and Sharfman, 1993; Majocchi and Zucchella, 2003), whereas it is seen as necessary to fully understand the decision-making problem and its context and formulation to materialize good decision-making (Caroll and Johnson, 1990: p19; Heller, 1992: p59).

Paramount is the recognition that rational decision-making models alone cannot explain the rational processes of a firm. It is more and more accepted that both qualitative and quantitative viewpoints enhance a stronger foundation for better decision-making (Gregory, 2000). As a consequence both theory frameworks are important to this study as they deal with the decision-making process of GCS and where individuals, most likely the owner-manager, can make isolated decision-making, but also where the wider context of the organization is apparent. A global competition in strategic foreign direct investment decision-making process depends on rich and intensive information and communication, and qualitative and quantitative data.

The time frame and variety of influencing factors frequently make it possible for decision-makers to manipulate risk and outcomes of strategic marketing. In addressing these premises, the results need to be described in words rather than figures to answer the stated theoretical propositions. As the subject of this study is novel, exploratory and explanatory in nature, it makes a qualitative rather than a quantitative research method more appropriate. According to Miles and Huberman (1994) consider qualitative data is likely to produce serendipitous findings and new integrations, by forcing the researcher to go beyond preconceptions. Qualitative data are not only a source of well-grounded, abundant descriptions and narratives; they may also be used as a means to determine which events have led to specific consequences and to derive plausible explanations. The case study approach for gathering qualitative data forms the general framework for this study, and an open approach is used as the method for collecting and analyzing the data, with the findings, we can detect patterns across the cases. According to Yin (1998) the case study approach has major advantages:

- It deals with contextual situations, and the reality of many social and contemporary phenomena is that phenomena and context are not precisely distinguishable.
- A pure quantitative method requires a larger sample size if statistical interpretation is sought. There is widespread acknowledgement of the qualitative method as a valuable and valid research approach (Eisenhardt, 1989b; Cassell and Redman, 2001; Weber, 2004; Cepeda and Martin, 2005).

In the first part of this Chapter the open approach to data collection is described, followed by a discussion of the case study approach. The research cycle is discussed in a separate section, and emphasis is given to case study analysis, limitations and quality of research. The rationale is developed as to why a qualitative research methodology, in the form of multiple case study approach, is adopted in this thesis.

It is concluded that the case study approach is most appropriate to deal with the contemporary phenomenon of global competition in strategic foreign direct investment decision-making processes in northern Iraq for market-entry into emerging market. The process an individual company experience conceptualizes a phenomenon that underlines the need for longitudinal research, where quantitative research approaches are less suitable.

1.4 Research Methodology

The semi-structured interview method was selected to approach interviewees. The aim being to explore the topic in a narrative way, so interviewees would express their views, guided by several main questions. Interviews usually started with a broad entry question, such as ‘Why does Northern of Iraq, global competition in strategic foreign direct investment decision-making enter into the world? Subsequent questions followed, eventually leading to a core question, such as ‘How can the decision-making process of internationalization of the Northern Iraq region global competition in strategic foreign direct investment decision-making into the world are explained?’ This approach held certain advantages.

Firstly, the narrative approach allowed interviewees to tell their own story. Secondly, specific research questions are addressed based on the individual interviewee's own experience. All selected experts were required to have a profound knowledge about the world, to understand the circumstances of global competition in strategic direct foreign investment decision-making and further preference were given to experience in production in the industrial sector.

The owners-managers had an individual experience of either having gone through all the stages of establishing a company in the world or were in the process of doing so. The consultants, advisors are mostly directly involved or supportive in an early phase of market-entry or decision-making, often when their clients have asked for initial advice.

1.5 Research Design

The thesis is divided into three main sections to guide the research process:

- **Section one,** in Chapter One gives the foundation for this project Includes preliminary study with 25 experts wile in Chapter Two reviews the multi-disciplinary literature review on decision-making processes and foreign direct investment, concluding with a critical review.
- **Section Two,** in chapter three methodologies Exploring most suitable research methodology and formulating potential research questions
- **Section Three,** in chapter four results and conclusion.

1.6 Data collection methods

The empirical literature discusses that investment decision-makers apply methods of decision-making that are affected by the decision-makers own conceptualization of risk and uncertainty (Grandori, 1984; Milliken, 1987; Butler, 1991; Lipshitz and Strauss, 1997). Such literature reflects the difficulties in explaining and separating the notions of risk and uncertainty, while the difficulties are seen as: (i) scale, (ii) the position of a particular player in particular situations and (iii) the problem of strategic interpretation.

As a consequence the assignment of probabilities is difficult (Douglas and Wildavsky, 1982). Glaser and Strauss (1967) discuss that the researcher should approach data collection with as little existing theory as possible in mind, later somewhat moderated by Strauss and Corbin (1990) in that it is recognized that existing theories must not be disregarded and can guide the research and data collection (Laudan, 1977; Kelle and Kluge, 1999). It is also debated whether empirical data can be the base for scientific recognition, as theories cannot simply consider the collection of data, but should rather offer an explanation of data. Empirical observations and methods are always embedded in a theoretical context. Logical consequences that lead to the formulation of new insights are therefore not solely inductive or deductive in nature. New scientific knowledge evolves from a combination of old and new experiences (Anderson, 1987: p47). Within this study the position is taken that the existing theories are important and act as useful guides. The real strength of using an open approach, however, and the main reason it is chosen, is the fact that large volumes of qualitative data can be analyzed. The rigor of collecting and examining data, analyzing its meaning and coding helps detect relevant concepts, their properties and dimensions (Urwyler, 2006). Theory building is not the intention in this thesis, and the open approach must not be misinterpreted as a method of grounded theory.

The case study approach is recognized as a valuable research strategy in business and entrepreneurship research (Chetty, 1996; 1999; Cope and Watts, 2000; Perren and Ram, 2004). This research strategy is preferred to answering how and why type research questions where the research problem is an explanatory type. The case study method is a comprehensive research strategy that relies on a multiplicity of data sources as an evidence collection method. Data need to corroborate other data by triangulation and combining different data collection methods, such as archival research, interviews, questionnaires, document scanning and observations (Yin, 1994; Zheng, 2006). Evidence collecting can incorporate more than one type of interview within one single case study. Whereas the overall aim is to use in-depth interviews to explore a theme and find common patterns, semi structure interviews can be considered, especially in situations where it is the aim to explain patterns that have decision-making (Wass and Wells, 1994; Healey and Rawlinson, 1994; Yin, 1998). The combination of the in depth and semi structure interview methods utilizes the advantages of both methods.

1.7 Interviewing

In most cases analyzed some time had passed since the original idea of marketing and the current stage. Recalling the global competition in strategic foreign direct investment decision-making process from the interviewee's memory brings challenges. Although every effort was made to apply a multiple level approach within one case, and the interviewing technique requested at least two decision-makers from each company, this circumstance must be kept in mind. It must be accepted that certain details on the decision-making process may not be fully memorized. To overcome this weakness a longitudinal research method might be applied, with the researcher occupying an observer position and closely following a real time decision--making process. Two main research questions, addressing areas of managerial interest, are investigated in-depth namely:

- What is the decision-making process for foreign direct investment by global competition in strategic?
- How do owners-managers of GCS make decision-making on foreign direct investment in Northern Iraq?

A multiple case study approach, based on eight case studies with in-depth interviews, shows the decision-making process for foreign direct investment develops in phases. The findings support a decision-making model that proposes the decision process is divided into phases. These phases are of differing lengths and depths, largely depending on the type of management, and the decision-making speed can vary greatly between individual companies. The results indicate a distinction between GCS managed directly by owners-managers and those managed by a board. And also the findings show current foreign direct investment and decision-making theory is at a watershed. Previous well-established theories are challenged as emerging markets, such as Korea, Britain, America, China, Europe, require different approaches and market entry must be considered as a developmental decision-making process, which is individual to a company. The Overall decision-making type can also vary within the same company and among decision-makers. Knowledge available beds, and influences, competencies and results in decision-making based on rationality or experience. For this study preliminary interviews with several experts were conducted during the autumn of 2014, aimed at gaining a deeper understanding of the market-entry process and underlying decision-making for Northern of Iraq firms entering into the world. The objectives being to:

- Understand the state-of-the-art in this field.
- Set boundaries for the literature review.
- Gain a preliminary idea of the important features of the decision-making process for FDI and how to develop a possible research framework**.**
- Reach an observer position and understand the context of the research and boundaries.

This preliminary research stage helped develop a clear focus on the final research process. Many firms enter new markets simply because of the senior managers' personal experiences and vision, family ties, gut feelings or anecdotal feelings (Shrader et al. 2000: Volery, 2003: Acedo and Florin, 2006: p49). Sometimes firms follow key customers or rivals into emerging markets. According to Khanna (2005) note that firms often target the wrong countries or deploy inappropriate global competition in strategies for entry.

Country portfolio analysis and political risk assessment, often used for new market assessment, chiefly focus on the potential of profits from business in developing countries, but leave out essential information on a possible soft infrastructure, or how to conduct business. According to Shrader et al. (2000) note that new ventures undertaking internationalization in a single foreign country to manage risks by determining tradeoffs among three risk factors: economic and political risk in the host country, degree of commitment in the foreign location indicated by the entry mode employed and the percentage of foreign revenue exposure in that country. The important role of intermediaries for reliable information gathering, as pointed out by Khanna et al. (2005: p64), underlines that poor information can result in the underestimation, or even neglect, of accounting transparency, liquidity, corruption, volatility, governance, taxes and transaction costs (Bruner et al. 2002: p311).

The valuation of future business partners in many markets relies on the availability of accurate, reliable information that not only addresses current assets but also future prospects. Whereas reliable capital markets should give sound information about a partner firm, this may not be useful for smaller companies dealing with smaller firms in an emerging host country where a lack of transparency can be expected. Bruner et al. (2002: p319) discuss that single institutional factors, as in global markets, do not justify decision-making for investment as country facts and comparison alone lose significance and an overall judgment is needed. Institutional capacity of a nation is, however, and continues to be, the key for attracting inward FDI (Rondinelli, 1998: p9; Hoskisson et al. 2000: p252) and the level of development must be known to an investor.

While gathering information about the institutional capacity of a particular country assists decision-making, the quality and volume of such information may still not be at the level used in the home country, and decision-making is thus based on less information (Hooke, 2001: p260). Perceived strategic uncertainty increases and risk tradeoffs are found when internationalization into emerging markets takes place (Shrader et al. 2000: p124).

CHAPTER 2

LITERATURE REVIEW

2.1 Theoretical Frameworks

This study analyses decision-making processes for Foreign Direct Investment [FDI] into the world. This resembles a firm's development into any new territory; in this case an emerging market that appears to be risky and uncertain due partly to its novelty. The aim of the literature review is to deepen the understanding of the decision-making processes for global competition in strategic foreign direct investment in northern Iraq and subsequently to draft the final research questions for this thesis.

The literature review is also the basis for the development of a conceptual, theoretical research framework, which is then used to analyze Northern of Iraq that has entered into global competition in strategic direct investment decision-making process. In chronological order the first section discusses decision-making theories. The second section elaborates on investment theories, in particular those on foreign direct investment. As sub-groups the literature view discusses global competition in strategic foreign direct investment decision-making and environment factors met in the internationalization process. In essence the literature review reflects the condition of entrepreneurial activities in the context of a firm's development.

2.2 Analysis and New Decision-Making Problems

As various decision models have developed, knowing their differences is important when analyzing new decision problems; decision problems in environments shaped by uncertainty. The selection of an appropriate decision strategy is important and such selection must not detach the decision problem from the latter process. It is argued that strategic decisions by companies are not normally only based on one process, but can depend on a number of processes. Normative, descriptive and prescriptive aspects of decision-making are simultaneously relevant within a decision process. Mintzberg et al's. (1976) strategic decision-making process, sub-divided into identification, development and selection phases, shows the process contains rational as well as less rational elements.

Explicitly the model includes feedback loops based on learning by doing, building an increasing stock of inherent knowledge and assisting a possible rational approach to decision-making. Implicitly the model shows the decision process is an involvement over time built on information needs. In earlier times explicit formulation of information under time constraints was not common. Rather, strategic behavior was shaped by rational approaches and based on unlimited resources such as information and time. The continued appreciation of new information in the decision process is crucial to revalidate the process on the way forward. This helps measure the decision-making performance while an incremental development allows corrections to the process.

The implementation of final decisions has been largely ignored in most decision models, but decisions have a significant implementation phase over time, which touches on the point that authorization, modeled after Mintzberg et al. (1976), and implementation must not be detached from the decision process. The context in which the decision process takes place, such as in a dynamic environment of an emerging market, must be considered and only proof that a decision taken is accepted by its agents, and is workable, renders the process acceptable. Most decision models are thus static and rather descriptive in nature, and fail to explain how decision processes are performing. These findings bear relevance for further research. The characteristics of strategic management relate strongly to decisions by groups of people, and although the aspect of individual decision-making is discussed, many different individuals or groups are actively involved in, or influence, strategic decision-making.

Global competition in the strategic decision-making process in particular, where levels of management may not even exist, sometimes with only one decision-maker, who is the owner/manager, and where firms might have limited resources, have not been the broad focus of investigation. Pertinent characteristics of global strategic in decision-making must be considered in further research. The decision makers' characteristics, including past experience, knowledge, attitude, motivation and cognitive ability, play a key role in international decision-making of a firm. The attitudes of owner managers in Global strategic in the decision-making process rather than environmental factors only, propel them into international. To attain international success, a firm must not only have the appropriate product and strategy, but its decision-makers must also have appropriate attitudes.

These attitudes determine how decision-makers perceive the benefits, costs and risks of international strategy. International strategy, and thus its process, rests heavily on leadership styles and an understanding of decision-making theories. It is recommended that a holistic analysis model for decision-making processes, especially for global strategy in decision-making, must be developed. The model must be applied from several viewpoints, for example, dynamic and unstable environments, small firms and their resources, owner-manager characteristics and learning ability. The model must consider that the decision process can have an incremental development. The wider context should include the decision pre-phase and implementation phase, and a decision process must have the capability of evolving, with learning and cognition taking place, to develop an effective decision process.

A decision process should be acknowledged as open-ended, and not be limited to the immediate debate on whether the decision-making process is more rational or more intuitive. More importantly, it must incorporate the different strands of theories without limiting itself to only a few concepts.

2.2.1 Motivational studies and Risk in Decision process

Motivational studies and Risk in Decision process affects motivation and to understand the full impact of risk it is necessary to consider the concept of risk. The decision-making behavior of individuals in the presence of motivational studies and risk in the decision process is influenced by their attitude to risk. Risk and decision process are inherent in all decision-making (Radford, 1989; Caroll and Johnson, 1990; Hammond, 1999). These aspects have received considerable attention in academic decision-making literature (Knight, 1921; Arrow, 1953; Borsch and Mossin, 1968; Murtha, 1997; March, 1997; Atrill, 2000; Buckley, 2000).

There is much confusion in the decision-making literature over the definitions of risk and decision (Davidson, 1982 and 1991; Murtha, 1997; Simpson *et al.* 1999 and 2000; Macmillan, 2000), and there is no conceptual basis for agreement on clear definitions of ‘risk’ and ‘decision’ (Brunsson, 2000; Dwyer and Minnegal, 2006). In the management literature, many authors often use the terms risk and decision interchangeably (Thurner, 2005: p41). The empirical literature argues that investment decision-makers apply methods of decision-making that are affected by the decision-makers own conceptualization of risk and decision (Grandori, 1984; Milliken, 1987; Butler, 1991; Lipshitz and Strauss, 1997). Such literature reflects the difficulties in explaining and separating the notions of risk and decision, while the difficulties are seen as:

(i) Scale,

(ii) The position of a particular player is-à-this particular situations and.

The problem of strategic interpretation. As a consequence the assignment of probabilities is difficult (Douglas and Wildavsky, 1982).

2.2.2 Risk theories

Risk theories may be quantified and it applies to contexts in which players are able to assess the likelihood that events will occur. In estimating risk, the estimation of risk is systematically biased by the experience decision-makers have in the organization. Risk reduces the motivation for a given action by providing a 'contra motivation', that is a motivation to not undertake the action (Brunsson, 2000). Individuals can be elevated to positions of decision-making authority by virtue of their past success (March, 1997). As decision-makers have difficulty in recognizing the successful role of luck in past incidents, current and future events often ignore risks encountered in previous decision-making situations (Langer, 1975; Taylor and Brown, 1988).

Risk-averse decision-makers may thus actually be risk-seeking in behavior (Keyes, 1985; March and Shapira, 1987; Kahneman and Lovallo, 1993). The relationship between risk and return has received considerable attention from researchers (Fiegenbaum and Howard, 1988; March, 1988; March and Shapira, 1992; Shapira, 1995; Payne, 1997) and affects the market-entry mode into a new market. It is discussed that a firm's risk attitudes influence risk-return profiles, and most troubled firms may take greater risks. Companies might be risky-seeking when they experience losses or are below target aspiration levels. Conversely, they will tend to be risk-averse following achievement of aspirations and targets (Payne1980 and 1981; Singh, 1986; Bromiley, 1991; March 1997). For an individual decision-maker it is shown that in practice most individuals exhibit a mixture of risk-seeking and risk-averse behavior and that the sought level of return largely influences the amount of risk-taking.

The findings are not conclusive since variations in risk behavior can be observed. It must be questioned how risk is conceptualized and in what organizational context decisions are made; whether based on individual or group decision-making. However, it can be deduced that the available resource level can lead to apparent and variable risk preferences and ‘risk-shift’ in a particular situation. This is best illustrated in the case of market-entry, and the different stages of internationalization a firm passes through, which highlights that an increasing international engagement shows an increased orientation to success and can be related to learning effects (Johanson and Vahlne, 1977; Bamberger and Evers, 1994; Haeusgen, 1997; Shraderet al. 2000).

2.2.3 Econometric studies on Influence of Tax Policy on Investment

Many theories of the decision-making process as the key to understand how organizations function. From strategy literature, strategy is characterized by long-term planning and an integrative pattern of decisions. Various analytical frameworks have been developed that describe decision-making as rational or sequential, while others describe it as random and anarchical (Eisenhardt and Zbaracki, 1992; Butler, 1997; Nilsson and Jiliberto, 2004). A focus on human problem solving, such as rationality and its different degrees, is found. Butler et al. (1993) argue that those decisions which manage to achieve an interaction between computation, bargaining, judgment and inspiration are the most effective in terms of objectives attainment and learning. This study focuses on strategic foreign direct investment market entry into the world and the decision-making processes for foreign direct investment; the processes which must be included consideration of human nature and how people make choices in different contextual settings.

This is even more relevant in the particular situation of small firms when considering the development of organizations and the incidence of single decision-makers, in contrast to organizations where decision-making can be made by a group of people.

2.2.4 Intuition

This study is talking about the researchers present a fairly common view on intuition and intuitive events that originate beyond consciousness. Holistic and automated information processing takes place and intuitive perceptions are frequently accompanied by emotion (Parikh et al. 1994; Shapiro and Spence, 1997; Ben-Ze've, 2000; Miller and Ireland, 2005). However, there is little research on intuition in strategic decision-making processes, and only recently has it been taken up by researchers (Simon, 1987; Parikh et al. 1994; Epstein et al. 1996; Khatriand Ng, 2000; Kukovetz, 2002; Klein, 2003; Sinclair and Ashkanasy, 2005).

The current level of research shows some confusion on the conceptualization, and, as a result, the measurement of intuition, while there are substantial differences between research approaches (Khatri and Ng, 2000;

Sinclair and Ashkanasy, 2005). The earliest research was conducted with a qualitative orientation (Landry, 1991; Little, 1991; Ferguson, 1999; Petitmengin-Peugeot, 1999) and later approaches began to take on an exploratory approach in quantitative form (Parikh et al. 1994; Burke and Miller, 1999). Khatri and Ng (2000) show various relationships between the uses of intuition in decision-making and organizational performance. Remarkably, their research, to this author's knowledge, is the first that differentiates between stable and unstable environments, within different industries, and between financial and non-financial performance outcomes. Other research shows that intuition is positively associated with faster decisions and managers who react more quickly (Eisenhardt, 1989a; Wally and Baum, 1994). Management scientists more often adopt the psychological model of intuition and primarily deal with the aspects of the process, experience and prerequisites for intuitive information processing. But field research in a management context is basically nonexistent, albeit intuitive synthesis is assuming an important strategic process factor which managers often use in strategic decision-making.

Some researchers consider the theory of strategic decision-making has to take both rational and intuitive processes into account (Pondy, 1983; Simon, 1987; Kukovetz, 2002). Advances in cognitive science and artificial intelligence to support the value of intuition and note that intuitive processes stem from long experience and learning, and the mass of facts, patterns, concepts, techniques, abstractions and what can be called formal knowledge or beliefs, which are impressed on our minds (Prietula and Simon, 1989; Agor, 1990; Harung, 1993; Seebo, 1993; Khatri and Ng, 2000; Hüllermeier, 2001). Although there are some contradictory research results, which make it difficult to compare and replicate the findings, intuition appears to have substantial face validity and can be considered relevant for strategic decision-making and solving ill-defined problems.

2.2.5 Eclectic Paradigm

Critics consider Hymer focuses too much on the market-power approach – control over activities – and ignores the Coase's transaction costs and how a firm operates efficiently in other countries (Dunning and Rugman, 1985; Yamin, 2000; Cantwell, 2000). According to Hymer elaborates on large companies and the main goal of achieving profits through expansion and gaining size, rather than through ownership advantages. But today not only oligopolistic firms invest abroad and increasingly strategic foreign direct investment decision-making process is entering the international arena. It is thought that scale, or market power, as the objective for strategy is outdated and ownership advantages are the keys to the creation of a successful man. Dunning (1979; 1980), influenced by the theories of Coase, Hymer and Vernon, proposes the eclectic paradigm of foreign direct investment. The proposal integrates several strands of cross-border business activities with international trade theory, with a resource-based view and the transaction cost theory as its main pillars. The resulting eclectic theory paradigm can be considered as a bridge to the macro-level view on ownership advantages:

- (O) addresses why companies go abroad; the ownership advantages,
- (L) where to go and the micro-level view of internalization advantages, and
- (I) Addresses how foreign direct investment is being carried out.

Dunning's eclectic paradigm of foreign direct investment states that a firm will only directly invest in a foreign country if it fulfills the three OLI conditions. The eclectic paradigm process a holistic framework to explain export and foreign direct investment behavior. Its strengths, compared to other theories, are in looking at the specific location, host country and factors of the foreign direct investment. Dunning and others have continuously refined the eclectic paradigm over recent years and more recently expanded it with a cultural component and strategy considerations (Woodcock.1994; Jones, 1996; Dunning and Bansal, 1997). The strengths of the eclectic paradigm are characterized by its richness and creativity.

The strengths also, however, represent potential weaknesses since the basic theories can provide complementary but also overlapping explanations. It can be argued that a focus on internalization and location factors only can be sufficient. Ownership Advantages "OA" are derived from the possession of intangible assets and from internalization itself (Itaki, 1991). For Casson (1987) the possession of intangible assets is not a necessary condition while the second type of advantage, as an own advantage, is tautological. The creation of core competencies requires a focus on ownership advantages as a key element of competitive success (Cantwell, 2000). A narrow concentration on single advantages, for example, on firm-specific advantages, seen as the most important requirement to be successful in a foreign country, can prevent trade-offs between other location factors. This can result in a situation where a less appropriate market-entry mode will be selected. As a consequence the eclectic paradigm, to be fully utilized, means careful consideration of all the OLI factors, which increases the complexity of the analysis.

2.2.6 Behavioral and Organizational Decision-Making

Contributions to decision-making theory come from philosophy, economics, political theory, sociology and psychology disciplines (Dunn, 1994; Keeney and Raiffa, 1993; Sexton et al. 1999; Nilsson and Jiliberto, 2004). Behavioral decision-making is to understand how decision-makers, individual or unit, make decisions in an uncertain environment and how they can make the decision-making process more effective and efficient. Behavioral theories focus on the assumed behavior of the decision-maker in an organizational context, and originate from the organizational theory of Weber and findings of behavioral decision theory by Simon (Weber, 1947; Simon, 1957).

The development of heuristics and bias paradigms in the study of judgment under uncertainty and pursuit of prospect theory and framing in individual choice behavior greatly contributes to the development of behavioral decision-making theory (Kahneman et al. 1982; Kahneman and Tversky, 1984; Kahneman, 1991). Individual and organizational decision-making overlap greatly because many decisions in organizations are made by individual managers. In this sense, the reference is to decisions made in organizational contexts. Behavioral decision theory, by contrast, deals primarily with judgment and decision processes of individuals, but not in an organizational or other context (Shapira, 1995: p4). Researchers of organization theory question the validity and relevance of behavioral decision theory to real life situations. As managers are not immune to judgmental biases and cognitive implications of organizational behavior this is relevant to strategic decision-making (Schwenk, 1984; Zajac and Bazerman, 1991; Bazerman, 1994).

Paramount is the recognition that rational decision-making models alone cannot explain the decision-making processes of a firm. It is more and more accepted that both qualitative and quantitative viewpoints enhance a stronger foundation for better decision-making (Gregory, 2000). As a consequence both theory frameworks are important to this thesis as they deal with the decision-making process of global competition in strategic decision-making and where individuals, most likely the owner-manager, can make isolated decisions, but also where the wider context of the organization is apparent.

2.2.7 Foreign direct investment as a strategic decision of the firm

There is a wide discuss in foreign direct investment as a strategic decision of the firm research if, and how, according to Nippa, strategic decision-making is differ from ordinary decisions. For the main categories of strategic research are a different into context, content and process of strategy as said Kitchen and Albania. Strategic decision-making has attracted considerable research attention and different models of decision-making have developed by (Ireland and Miller). The earlier models tend to be normative and prescriptive. Normative theories of decision-making, such as classical firm theory, propose that decision-makers follow a highly hierarchical and rational procedure for making-decision distinguished by different levels of decision-making (Von Neumann and Morgenstern). The normative models of management science have a significant influence on the routine work of the lower and middle levels of firms and almost no influence on the highest levels. On the premise that a model links the theoretical world of our minds with the empirical world of our senses, different decision-making models have developed. They are the result of differing perceptions and the application of these perceptions to diverse decision-making situations.

The later models of decision-making are of a descriptive nature and characteristic levels of decision-making as more closely related to each other claiming rationality cannot be assumed in every decision-making strategic situation. Thus a generic view of the decision-making process has developed an understanding that strategic decision-making processes are not necessarily deterministic or programmable as a whole and take place indistinctive phases or intervals (Witte, Mintzberg, Gore, Nippa). Strategic decision-making has the notion of being at the discretion of top management, often with a long-term effect, affecting the application of the firm’s resources to secure the survival of the firm. Strategic decision-making reflects the interaction between a firm and it's an environmental, often with a high level of uncertainty, and show how a firm manages this relationship (Mintzberg, Ginsberg, Pettigrew, Dean and Sharfman, Nippa, Wilson). Elaborating on the notion of uncertainty Harrison discuss that strategic decision-making is not a textbook, decision-making under uncertainty where alternatives are given even if their consequences are not, but decision-making under ambiguity where almost nothing is given or easily determined.

2.2.8 Conclusion on Decision-Making

As various decision models have developed, knowing their differences is important when analyzing new decision problems; decision problems in environments shaped by uncertainty. The selection of an appropriate decision strategy is important and such selection must not detach the decision problem from the latter process. It is argued that strategic decisions by companies are not normally only based on one process, but can depend on a number of processes. Normative, descriptive and prescriptive aspects of decision-making are simultaneously relevant within a decision process. Mintzberg et al’s. (1976) strategic decision-making process, sub-divided into identification, development and selection phases, shows the process contains rational as well as less rational elements. Explicitly the model includes feedback loops based on learning by doing, building an increasing stock of inherent knowledge and assisting a possible rational approach to decision-making. Implicitly the model shows the decision process is an involvement over time built on information needs. In earlier times explicit formulation of information under time constraints was not common. Rather, strategic behavior was shaped by rational approaches and based on unlimited resources such as information and time. The continued appreciation of new information in the decision process is crucial to revalidate the process on the way forward. This helps measure the decision-making performance while an incremental development allows corrections to the process.

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To attain international success, a firm must not only have the appropriate product and strategy, but its decision-makers must also have appropriate attitudes. These attitudes determine how decision-makers perceive the benefits, costs and risks of international. International strategy, and thus its process, rests heavily on leadership styles and an understanding of decision-making theories. It is recommended that a holistic analysis model for decision-making processes, especially for strategic decision-making, must be developed. The model must be applied from several viewpoints, for example, dynamic and unstable environments, small firms and their resources, owner-manager characteristics and learning ability. The model must consider that the decision process can have an incremental development. The wider context should include the decision pre-phase and implementation phase, and a decision process must have the capability of evolving, with learning and cognition taking place, to develop an effective decision process. A decision process should be acknowledged as open-ended, and not be limited to the immediate debate on whether the decision-making process is more rational or more intuitive. More importantly, it must incorporate the different strands of theories without limiting itself to only a few concepts.

2.3 Major foreign direct investment theories

According to Hymer, he claims the expansion of a firm beyond its boundaries and into a new country does result in internal movement of finance and resources, specifically from the mother company to its new subsidiary; which was not considered in earlier theories. Global competition in strategic direct investment decision-making process in northern Iraq is where the investor wishes to gain control over the production activities of the foreign enterprise, which is the basis of Hymer’s theory. A stronger focus on organizational theory and a firm’s development must be considered on the micro-economic level. Since earlier foreign direct investment decision-making process concepts stem from a macro-economic view, this is the initial position the following sections are based on, with a subsequent shift into discussing the micro-theories and macro-economic theory's level of global competition in strategic direct investment decision-making process in northern of Iraq.

2.3.1 Explanation of foreign direct investment

Globalization increases cross-border commercial activities, with these activities encompassing investment, international trade, capital flows and the migration of labor (Nicholas and Maitland, 2002; Jones and Wren, 2006). Consequently the worldwide flow of foreign direct investment has increased tremendously, with the largest part of foreign direct investment in developing economies. Foreign direct investments, according to the International Monetary Fund [IMF], are divided into Foreign Direct Investment [FDI] and Foreign Portfolio Equity Investment [FPEI]. Until the 1960’s economic theory did not differentiate much between FDI and FPEI and considered international companies as mere arbitrageurs of capital seeking to maximize their returns internationally (Ronge, 2001).

Then a new point of view developed based on Hymer’s findings (Hymer, 1960) that asserted Multinational Enterprises [MNE] transferred an entire bundle of resources across borders rather than just capital, which can only be explained by considering firm-specific characteristics. As a consequence today the internationalization process of firms is mostly explained in terms of economics (Buckley, 1996). If the current OECD’s definition of foreign direct investment is considered, it is understood that the target of the investor is to gain part or all of control in the invested company in the host country. Hence the OECD's definition is synonymous with Hymer's definition (Hymer, 1960). As the foreign direct investment process reflects the strategic direction of the firm, an understanding of foreign direct investment must pre-suppose an understanding of internationalization as a strategic process (Edwards, Kukovetz) and thus how to place a firm in its host environment. It is thus appropriate to consider foreign direct investment on a macro-economic and micro-economic level.

2.3.2 Types of investment

This study is taking a more practical view of global competition in strategic foreign direct investment decision-making process of northern Iraq; it is possible to distinguish various kinds of investment types based on such issues as the target market, strategic motives, internal structure, industry, the way of growth, ownership, and others. The types are partly overlapping reflecting the multidimensional nature of the investment decision. The following, types will be over viewed. The basic division of direct investment into two is made according to the final market for the produced item or service. The global market-oriented investment refers to the case in which the output of the production site in the host country is directed to fulfill the demand in the host country. Seriously, the global market-oriented investment refers to the case in which the host country is used as an export platform and the final product is directed at the global market.

The latter is also called export-oriented investment. It is obvious that a firm makes its investment decision-making to meet the general motives of corporate strategy, especially economic performance. Investment literature has studied global competition in strategic foreign direct investment motivation to invest abroad widely from different viewpoints: different firms, different industries, different host countries, and different periods. As a result, greater numbers of type's motives have been listed. Nevertheless, investment literature (e.g. Behrman 1981; Buckley 1988; Dunning 1993) has been able to define the five main types of direct investment in terms of strategic motives, although investment is usually not engaged due to the one single specific motive, but a combination of various motives (Eiteman et al. 1992).

1. Resources of seeking investment are based on tradition allocation advantages, such as costs of inputs, and transaction costs. This type of investment usually extracts raw material for export or for further processing and sale in the host country. Typical representatives of this kind of investment are the extractive industries.
2. Market seeking investment is based on strategic location advantages in order to increase a company's market power. The aim is to find better opportunities to enter and expand new markets either by satisfying local demand or by exporting to third markets. The investment is usually motivated by such reasons as market size, growth prospects of the market, market share, or competitive situation. This type of investment is nowadays the most common type of investment. In it, engagement with the host market is the greatest. A typical example is foodstuffs, which cannot be exported but have to be produced on the spot.
3. Production efficiency seeking investment aims to find the product factor that is cheap relative to their productivity. The investment may be motivated by labor cost advantages, low raw-material cost, low transportation cost, low energy cost, or the availability of a skilled labor force. It refers often to offshore production, which uses the special economic zones of the host countries. Typical representative is thus the sourcing industries.

4. Knowledge seeking investment (strategic asset seeking investment) aims to gain access to technology or managerial expertise in the host country. It has specific vocational needs (e.g. Technical knowledge, learning experiences, management expertise, and organizational competence) and is mainly concentrated in advancing industrial economy. The increase of mergers and acquisitions (M&A) emphasize the increasing role of knowledge seeking investment. (Dunning 1998)
5. Political safety seeking investment aims to minimize expropriation risks and is undertaken either in the form of investment in countries unlikely to interfere with global competition in strategic foreign direct investment process of operations, or in the form of divestment from politically unsafe countries. (Behrman 1981; Buckley 1988; Dunning 1993, Eiteman 1992)Different types of investments can also be classified according to the investor's internal structure. This classification distinguishes between horizontal, vertical, conglomerate and concentric investments.

In horizontal investment, which is the most common type of investment, a company duplicates the whole production decision-making process, except the headquarter activities, in its subsidiary location in the host country. Through the local production, the investor is able to penetrate the global market and increase its reputation with customers as products can be modified for the special requirements of a particular market. Differently, the vertical types of investment refer to the establishment of a subsidiary in the host country to serve at different stages of the value added serious of the investor, notably the next stage forward or backward in production and sales. (Larimo 1993)Concentric investment, in its turn, involves foreign units serving the same customers as the investing company through different production methods and research and development (R&D).

It may also involve foreign direct investment units serving different customers through the same production methods and R&D. (Larimo 1993) concentric investments may also be called horizontal diversification. This is still different from the conglomerate investment, which occurs when a company manufactures an internationally diversified range of products so that the foreign unit differs from the investing firm in terms of all major characteristics, including production, technology, customers and distribution channels (Larimo 1993). Discuss to the differences, conglomerate investment usually takes place by acquisition. In the case of mergers and acquisitions (M&A) the above-mentioned terms get a slightly different content.

In addition, it is possible to divide investment simply into related and unrelated types of investments. Related types of investments include horizontal and vertical types, which are related to the investor's industry or customers, while unrelated types include conglomerate and concentric types of investments, which are driven by a firm's risk dispersion. Basically, unrelated types of investment cause more risk for the investor as the field of industry or target market are unfamiliar for it (Larimo 1993). Therefore, firms engaged in related types of investment more often than unrelated types (ibid.). Moreover, they tend to engage in unrelated investment in a familiar market and remain in related investment in a more distant and unfamiliar market (Borsos-Torstila 1999). Investment can be seen either as an internal or external process depending on the firm's way of growth. Internal growth, or green field investment, means investment in a new plant and equipment, which builds up knowledge and capability inside the firm, while external investment means the acquisition of existing plant and equipment. (Luostarinen & Welch1997).

The green field strategy is applicable if the product or the production process demands unique technology, which forms the company's competitive edge and thus, cannot be endangered by technology transfer to global firms in the host country. The green field strategy is also applicable if the host government's incentives are valid in a particular geographic area where suitable partners are not available. Consequently, a particular environment may be the process somehow important production factors, which results in a foreign direct investment to adapt the green field strategy if there is no suitable partners, (ibid., 166) Greenfield investment is a dominating way of foreign direct investment in developing countries (UNCTAD 2004). Buying an existing company in the host economy, or cross-border M&A, is the most rapid way to enter a new market.

It may solve the difficulties of hiring global personnel and penetrating global distribution channels, and it brings a readily-built market share and customer group with it. Based on these facts, the time needed to pay back the investment is relatively short. However, acquisitions usually face serious problems in integrating two previously separate organizations together. (Route 1994, Luostarinen & Welch 1997) M&A is the most common type of foreign direct investment in the developed countries (UNCTAD 2004). With regard to ownership, a global competition in the strategic decision-making process may set a wholly-owned subsidiary or a joint venture. The advantages of a wholly-owned subsidiary include the total control of operations, decision-making, profits, management and production decisions, and the security over the technology assets and knowhow. The constraints are mainly related to the capital requirements and the shortage of management personnel with international experience. Success in a distant market without a global partner may also be difficult to discuss the different cultural backgrounds, different corporate or industry cultures, not to mention different legal, economic and political aspects (ElKahal2001).

In the form of a joint venture, the investor has access to global partners' special skills, knowledge of a global market, and government contacts. Thus, a joint venture with a well-connected global partner is often considered as the best way of investment. In many cases, however, the contribution of partners has been disproportionate, as the global partner has provided only labor and global facilities while the investor has to provide capital, training, technology, equipment, and know-how, (ibid., 227) A joint venture can be set with one or more global partners. Sometimes, the partner or one of the partners are from the home country or a third country. If at least one of the partners is a government's owned firm, the joint venture is called a mixed venture.

A strategic foreign direct investment may set a majority joint mixed venture, or a minority joint mixed venture (Luostarinen & Welch 1997). The entry mode is not always possible to decide according to the global competition in strategic foreign direct investment decision making's own will, but may be regulated by the host country. Investment can be classified by its function as a foreign direct investment, production operation (FDIPO), which include assembling and manufacturing subsidiaries, or a foreign direct investment marketing operation (FDIMO), which includes sales promotion subsidiaries, warehousing units, service units, and sales subsidiaries (Luostarinen 1979). Again, the functions are overlapping and can be utilized separately but also together. In addition to the above mentioned classifications, the size and industry of the investment firm, as well as its earlier experience in internationalization are factors which can be used to make a difference between foreign direct investment situations. Among them, the size of the firm is usually measured by the turnover and number of employees.

According to Harvard criteria, a multinational enterprise (MNE) is a firm that has a turnover of more than USD 200 million and at least six production units abroad (Vaupel&Curhan 1969), while the smaller firms can be classified as strategic foreign direct investment decision-making process of Northern Iraq. These two groups differ in their investment behavior in a sense that MNE have much larger resources than strategic foreign direct investment to fulfill their strategies in the host economy (Larimo 1993). Similarly, firms having broad earlier international experience have better starting points to operate in the host economy than firms without such experience (ibid.). Finally, FDI experiences may be different between firms representing different industries.

2.3.3 The Nature of Foreign Direct Investment

The extant literature on the reasons why foreign direct investment occurs is explanatory in nature, and takes a macro-economic view when the impact of foreign direct investment is explained, with foreign direct investment attributed to several factors:

- Increased levels and changes in technology,
- Greater liberalization of trade and changing trade flows,
- Effects of exchange rates and taxes,
- Investment,
- Ownership and de-regulation, and
- Privatization of markets in many countries (Strange, 1997; Blonigen, 2005).

Yet international of a firm, which can lead to equity participation in a foreign country, is a process of increased involvement in international operations; which requires adapting a firm's strategy, resources, structure and organization in an international environment (Graham, 1978; Welch and Luostarinen, 1988; Calof and Beamish, 1995; Dunning, 2002). Early international business scholars argued that international diversification for firms is important because it is based on exploiting foreign market opportunities; international increases the firm's competitive position (Ansoff, 1965; Rugman, 1979; Mintzberg, 1987) and expands a firm's development beyond its local boundaries.

These factors have led to increased competition between firms; in turn leading to cross border mergers and acquisitions, joint agreements and establishment of new companies as firms seek to reduce costs and increase competitiveness in the global economy. This has supported the phenomenon of internationally-active companies, with the term multinational enterprise [MNE] traditionally used to describe larger companies or other entities established in more than one country, and so linked that they can co-ordinate their operations in various ways (OECD, 2000: p17; Dunning, 2002: p2; Bora, 2002: p8).

Although multinational enterprise is a commonly accepted term to describe larger firms, it is not explicitly related to the effective size of a company, albeit some scholars treat multinational enterprises and foreign direct investment, related to larger firms, as one and the same thing (Dunning and Pearce, 1995; John et al. 1997). A significant stream of research on macro-level foreign direct investment focuses on host and home country impact and country development, and on institutional development of the countries involved (Peng, 2000; Child and Tse, 2001; Meyer, 2001; Xu and Shenkar, 2002; Trevino and Mixon, 2004). Topics on technology transfer and impact, development of legal systems, trade and employment and the effects on industrials are widely discussed. A common belief is that the attraction and settlement of foreign companies in host countries bring an increase in capital income and skilled labor, higher technology and greater productivity (Hanson, 2001).

At the same time productivity and market-access 'spill-over' can take place (Markusen, 1998). Such a spill-over has a positive impact on the host economy and should be taken into account during investment decisions (George and Greenway, 2004). Recent research on spill-over effects is not conclusive as it is more and more evident that negative spill-over, or reverse spill-over, surfaces, as in the case of 'technology sourcing' of foreign firms in a host country (Jones and Wren, 2006: p89). Foreign direct investment brings dynamic institutional framework conditions that may be acceptable for larger and stronger firms, but may have a bigger, less acceptable, impact on firms. The phenomenon of why foreign direct investment occurs is of significance for the individual firm and for environment development in the host country. It is imperative this be considered in the environmental analysis of any firm and its influence in the decision-making process.

2.3.4 Strategic Approach and Type of Foreign Direct Investment

There are two broad issues of relevance in foreign market-entry decisions:

1. The motivation for firms, or why enter a foreign market, i.e. the entry decision itself. Broadly speaking, entry into a particular product-market is to either exploit an advantage a firm possesses; to strengthen an existing product-market; or to develop a new, though normally related, product-market.
2. The means by which firms choose to participate in the particular product-market, or how to enter a foreign market, i.e. The decision regarding the mode of entry. Theoretical contributions are more advanced in the area of foreign entry mode than in other topics on a firm's international process (Kim and Hwang, 1992; Andersen, 1997; Kumar and Subramanian, 1997; Bradley, 1995). The choice of entry mode is a key strategic decision in a firm's international process.

Using a seemingly safe, or convenient, way of market development will not automatically be the most suitable strategy (Root, 1994). As an entry mode is a core component of the international concept; the choice of the correct entry mode for a particular foreign market is a critical decision for firms. Not surprisingly, there has been considerable research into the patterns and determinants of foreign market-entry. Some researchers have focused on ownership and control issues, implied by various modes of entry (Davidson and McFetridge, 1984, 1985; Gomes-Casseres, 1989; Contractor, 1990; Agarwal and Ramaswami, 1992, Hennart and Park, 1993; Hennart and Reddy, 1997; Chang and Rosenzweig, 2001).

An extensive stream of research has included cultural (Kogut and Singh, 1988; Gatignon and Anderson, 1988; Chou and Radmanabhan, 1995; Ghemawat, 2001) and performance aspects (Ghoshal, 1987; Kogut, 1989; Arni, 2003; Ruigrok and Wagner, 2003). The entry mode choice is contextual in the sense that the intention to enter a given host country can already limit the choice of the entry mode. Restrictions can apply in terms of the size of equity and the industrial field, whereas the two can also be in combination. Sets out three broad categories of factors on the host country determinants of foreign direct investment, namely

i) Policies of host countries,
ii) Proactive measures countries adopt to promote and facilitate investment, and
iii) The characteristics of their economies.

To find certain host-country criteria, and the characteristics of the host-country economy, dunning (1993, 2001) identifies four main strategic types of foreign direct investment for firms, namely: Market-seeking, efficiency-seeking, knowledge-seeking and risk-reduction seeking. The policy framework of the host-country will offer different types of equity entities for foreign direct investment to the investment firm, and, as a consequence, the foreign company is often limited in its choice. Considering such framework conditions several studies have taken on a particular country focus on foreign direct investment entry mode selection, such as for global. For the world an extensive stream of research on Joint Ventures [JV] and Wholly Foreign Owned Enterprises [WFOE] can be identified. A major research stream covers the choice of entry mode (Tse et al. 1997; Vanhonacker, 1997; Pan and Tse, 2000; Chen and Hu; 2002) whereas another stream of research looks at operational and performance factors for such equity entry (Beamish, 1988; Yan and Warner, 2001; Yang and Lee, 2002).

It is concluded that the decision on the type of entry mode, in particular for the world, is a decision that must not be made in isolation. For such a strategic decision an overall alignment with the firm's strategy is necessary (Tahir and Larimo, 2005). These insights help support further research as they give the necessary information founder standing the vehicles for foreign direct investment in the world. Although this is not the core of this dissertation, since the intention is to show the decision-making process of global strategic in foreign direct investment decision-making, the research mentioned on the world entry modes support this study project.

2.3.5 Theories of Foreign Direct Investment

Decision-making theory as an academic discipline has attracted continuing interest in the literature on business and management. In earlier times business and management emphasized the rational processes of decision-making (Simon, 1957; March and Simon, 1958; Lindblom, 1959). The more or less formal economic decision-theory that forms the foundation of the firm, that is transaction cost or principal agent theory, inspired this development. The traditional decision-making perspectives maintain that uncertainty leads executives to search for additional relevant information to increase certainty (George, 1980; Milliken, 1987; Simon, 1987; Eisenhardt, 1989a).

As decision-making has more and more been seen as a central management activity, the center of this activity is the problem of choosing a course of action under conditions of ambiguity and uncertainty and in the process reducing these (Mintzberg et al. 1976; Janis and Mann, 1977; Gore et al. 1992). According to Cyert and March (1963) establish a strong link between the psychological theory of the decision-making and the economic and organizational theories of how organizations, as opposed to individuals, learn and adapt to changing conditions. Behavioral sciences – sociology and psychology – contribute to this body of knowledge. Further contributions come from philosophy and political theories.

The different paradigms all make up decision-making and there is no clear and distinct set of criteria that defines an overall theory (Harrison, 1987: p8; Brauchlin and Heene, 1995: p24; Butler, 1997: p308; Nilsson and Jiliberto, 2004: p27). The combination of the different theoretical contributions includes consideration of human nature and how people make choices, taking into account contextual setting (Mintzberg, 1975; Mintzberg et al. 1976; Hickson et al. 1986; Butler et al. 1993).

Such complexity gives rise to substantial implications on how managerial decision-making is characterized and how it can be developed. As noted by Bell et al. (1988), to prescribe procedures and rules for decision-making, in the interest of improving organizational decision-making, one needs to simultaneously consider normative, descriptive and prescriptive aspects of decision-making (Nilsson and Jiliberto, 2004: p26). If decision-making is viewed from a ‘procedural’ aspect then automatically it becomes the notion of being normative and quantified; tending to be rather mathematical. The descriptive view attempts to explain how decisions are actually made in practice, which may substantially differ from the norm type. As a result behavioral decision-making can be grouped, according to different characteristics, into qualitative and quantitative approaches, noting that there are programmed, routine or more rational decisions and non-routine decisions.

Researchers have also challenged the traditional principles on the grounds that they fail to explain speed in decision-making (Eisenhardt, 1989a; Judge and Miller, 1991). It is argued that speed in decision-making is crucial and that the more successful companies are capable of making faster decisions in high-velocity environments. Such research results could not have been developed under consideration of purely rational decision-making models, as the traditional models consider the availability of unlimited time and emphasize the need to accumulate information and develop decision alternatives rather than limiting such necessities (Mintzberg, 1973; Nutt, 1976; Fredrickson and Mitchell, 1984). Similarly, other researchers have criticized the fact that traditional decision principles do not explain performance and quality in decision-making processes (Fredrickson and Mitchell, 1984; Dean and Sharfman, 1993; Majocchi and Zucchella, 2003), whereas it is seen as necessary to fully understand the decision problem and its context and formulation to materialize good decision-making (Caroll and Johnson, 1990: p19; Heller, 1992: p59).

2.3.5.1 Macroeconomic theories

The macro-economic aspects of foreign direct investment motivated various researchers in understanding the Export-FDI relationship (Kojima 1975; Mark

Essen 1995; Egger and Pfaffermayr 2000; Markusen 2002; Helpman 2006). The interrelation between foreign direct investment and trade, and, as a consequence, the change of trade flow patterns are an early objective of research on the macro-level of foreign direct investment. Depending on individual country characteristics foreign direct investment can support, or even substitute, trade. Initially a country focuses on its comparative cost advantages. But these factors do not stay constant over time, influenced by transfer of capital, technology and management resources (Kojima, 1975). Establishing international divisions gives rise to patterns of international trade flow (Daniels and Radebaugh; Heiduk and Prinz1999).

The product cycle of international trade (Vernon, 1966) combines the view of how products mature with the evolution in a firm's international activity, and shows patterns of trade and investment change over time. This explains why macro-level foreign direct investment and host country production is established as lower factor costs can be utilized, for example, in developing countries. Vernon's life cycle theory helps one understand the different stages a product occupies and, as such, indicates when production in another location is less costly. Vernon's product cycle theory, similar to the Uppsala model, seeks to focus on the long-term development of the firm and its environment.

The serious of establishment, or Uppsala model, is one of the earliest schools of thought sand draws on the assumption that market-entry into new markets is the result of a series of incremental decision-making. It theorizes the staged development of sales and export, to the subsidiary, and into production/manufacturing plants (Johanson and Wiedersheim, 1975; Johanson and Vahlne, 1977). The Uppsala model is mainly characterized as a firm's development over time from one phase into another, with progression through the stages driven by experiential knowledge accumulation. It explains why foreign direct investment happens as a logical development for the firm in incremental steps and as complementary to export. It has been discussed that if the chain of establishment is not too deterministic its own logic leads to incorrect predictions of the firm's development. Three exceptions to the incremental process (Johanson and Vahlne, 1990; Andersen, 1993) are:

(i) Large firms can take bigger internationalization steps,

(ii) When markets are stable, knowledge can be gained in ways other than through experience,

(iii) Experience in similar markets may allow a firm to generalize this experience.

More recently the model has been challenged when firm's started to leapfrog certain stages of the internationalization serious and showed an accelerated internationalization process (Rennie, 1993; Oviatt and McDougall, 1994; Madsen and Servais, 1997; Shrader, 2000; Andersson and Wictor, 2003). Under these circumstances foreign direct investment need not necessarily be viewed as complementary but can rather be considered as a substitute for export.

2.3.5.2 Micro-Theories

The internalization theory of foreign direct investment is based on Coase's theory of the firm (Coase, 1937), which examines the role transaction costs play in the formation of organizations and which have to be optimized due to market imperfections. Specific assets, the frequency of economic exchange of resources, represent the core dimensions of the transactions. The composition of these dimensions is decisive for the way in which cost efficient governance models are assigned to the transaction (Andersen, 1997; Coviello and McAuley, 1999; Dunning, 2002) and, more importantly, how they can create a competitive advantage. The process of internalization is developed to explain the international production and foreign direct investment (Buckley and Casson, 1976; Hennart, 1982; Dunning, 1988; Ietto-Gillies, 2005). BuckleyandCasson takes the approach that the subsidiary of the mother company takes on two roles:

- **i)** The production of goods and services,
- **ii)** The activities of marketing, training, research and development, management techniques and involvement with financial markets.

These activities are independent and connected by intermediate products, taking the form of material, products or knowledge and expertise. If the markets for the intermediary products are imperfect an incentive arises for the firm to internalize these, provided the benefits exceed the costs. When it occurs across national boundaries of a company global competition in strategic foreign direct investment decision-making process of northern Iraq most likely occurs. According to Caves (1971), who made the link between industrial organization theory and Hymer's theory, a distinction between horizontal and vertical foreign direct investment has to be made:

- The horizontal foreign direct investment takes place when the firm possesses unique or intangible assets which others do not have, such as superior knowledge or information about its products and its markets. But horizontal foreign direct investment also takes place when profits in the host country depend on successful global production. Horizontal integration can be understood as substituting export into global production and explains international development over stages (Johanson and Vahlne, 1977; Kamm, 2001).

- Vertical foreign direct investment occurs at different stages of production within the same industry and results in a high dependency between stages, often at high investment costs. Such dependency can be for technological and quality reasons, but is also influenced by cost reasons; such as transfer pricing or general factor costs (Bora, 2002; Jones and Wren, 2006). The existence of vertical foreign direct investment can be explained by the integration of intangible assets and imperfections of the market.

Additional safeguarding is needed to secure such vertical integration over time. The study into the differences between horizontal and vertical foreign direct investment is not yet conclusive (Bora, 2002) but an understanding of the differences is of great importance since it is also thought to be a matter of available resources.

2.3.6 Market-Entry and Foreign Direct Investment

The dynamics of today's market-entry and foreign direct investment and the trade foreign direct investment balance shows foreign direct investment is of increasing interest to firms. The theory of foreign direct investment developed from the viewpoint that larger firms with extensive resources to participate in international markets. Historically, these industries were largely characterized as being oligopolistic in nature. For global strategic in foreign direct investment decision-making process in Northern Iraq and their entrepreneurial and environment embodiment, as well as today’s fragmentation of markets, expressed in product and market characteristics, the condition of oligopoly can no longer be supported.

Various researchers contend that large firm experience on the international of business operations does not necessarily represent an easily transferable model for the firm (Tse et al. 1997; Karagozoglu and Lindell, 1998; Coviello and McAuley, 1999; Brauchlin and Pichler, 2000; Dunning, 2002). Specific research on foreign direct investment by global strategic in foreign direct investment decision-making process is limited, but confirms that approaches by larger firms cannot readily be transferred to global strategic (Oviatt and McDougall, 1995; Kohn, 1997; Apfelthaler, 2000; Lu and Beamish, 2006). Global strategy, international research has concentrated on management characteristics, such as knowledge, attitudes and motivation127 (Cavusgil, 1984; Blood good et al. 1996; Chetty, 1999), and underlines the importance of the past experience of managers for successful internationalization (Welch and Luostarinen, 1988; Zahra et al. 2000; Holbrook et al. 2000).

Another stream of research investigates the decision-making processes for the international of global strategy. The findings emphasis the difficulties of compiling and analyzing data from host countries and indicates a concentration on decision-making ability of managers, sometimes characterized by limited cognitive abilities (Luostarinen, 1979; Coviello and McAuley, 1999; Chetty and Campbell, 2003; Collinson and Houlden, 2005).Two streams of research explain more recent internationalization patterns for global strategy, namely organizational (Itami and Roehl, 1987; Peteraf, 1993; Madhok, 1997) and network capabilities of the firm (Axelsson and Easton, 1992; Sharma, 1992; Coviello and McAuley, 1999; Dunning, 2002). Both these research streams, identify that foreign direct investment decisions of firms cannot be explained in economic terms only, but are rather based on available resources, and, as a result, organizational capabilities and internal external network capabilities.

This is strongly supported by the findings on the significance of the preparation phase for international and the handling of experiential learning-commitment mechanisms of markets and relationships (Knight, 2000; Yip et al. 2000; Johanson and Vahlne, 2003). There is little research on global competitive strategy and their struggle to overcome a lack of resources and financial (Woodcock et al. 1994; Yeoh and Jeong, 1995; Coviello and McAuley, 1999; Bell et al. 2003). This bears some relevance since the resourcefulness of large firms, in contrast to firms, has been widely discussed as having an influence on market-entry mode decisions. It is shown that large firms can, by themselves, have an environmental impact, which smaller firms often do not have, which, in turn, influences the acceptance of investment risks (Calof, 1993; Westhead, 1995; Shraderetal. 2000).

2.3.7 Conclusions on Foreign Direct Investment

Studies on the international activities of firms tend to concentrate on the internationalization process (Barringer and Greening, 1998; Oviatt and McDougall, 1997; Wolff and Pett, 2000). Internationalization of a firm, that can finally lead to equity participation in a foreign country, has been argued by some researchers to be a process of incremental, increasing involvement in international operations (Johanson and Vahlne, 1977 and 1990; Root, 1994; Kumar and Subramaniam, 1997). This tendency is reflected in the underlying foreign direct investment and capital investment decision-making models, which largely indicate a linear pattern over time that shows risk minimization characteristics accompanied by learning effects (Aharoni, 1966; Bower, 1972; King, 1975; Wei and Christodoulou, 1997; Sykianakis and Bellas, 2005) Some researchers challenge the incremental development of international, and the involvement of a new research stream focuses on 'born global', where accelerated international of firms has been found. It is shown firms can quickly and successfully enter international markets by taking on an equity form of foreign market involvement, even at an early stage of the firm; often driven by the entrepreneurial spirit of decision-makers (Rennie, 1993; Oviatt and McDougall, 1994; Madsen and Servais, 1997; Shrader et al. 2000; Andersson and Wictor, 2003; Bell et al. 2003; Evangelista, 2005). Despite the environment constraints any firm can meet on its way forward and the importance of today's investment activities, foreign direct investment decision processes have attracted considerably less attention from researchers than have domestic investments (Boddewyn, 1983; Wilson, 1990; Larimo, 1995; Sykianakis and Bellas, 2005). This comes as a Surprise as empirical studies have revealed a gap between capital investment theory and the understanding of practice (Northcott, 1992; Pike, 1996; Arnold and Hatzopoulos, 2000; Sofian et al. 2004). Knowledge-intensive firms can ignore home markets altogether (Bell, 1995; Boter and Holmquist, 1996; Coviello and Munro, 1997; Madsen and Servais, 1997) and 'leap-frog' certain stages of the international process, which may indicate a missing, but important knowledge element. As stated by Al Halbusi, H., & Tehseen, S. (2017), Many organizations in the world continue to release their reports relevant to corporate social responsibilities in addition to the annual reports, or sometimes even as a separate report (e.g., Nestle, Unilever etc.) Corporateregister.com, for example, there was a time when it was offering almost 15,000 non-financial reports on sustainability, corporate social responsibility (CSR), and environmental initiatives from almost 4,000 companies.

International theory needs a broader base and trends show recognition of this aspect. One prominent approach to foreign direct investment, the OLI paradigm, criticized by some for its richness, is able to conceptualize different and relevant aspects. The OLI approach elaborates on different advantages, but the negative side is that ‘disadvantages’ are noted to a lesser degree. The concentration of advantages can be questioned as the OLI approach elaborates on the exploitation of advantages – a characteristic of the transaction cost approach – rather than on developing competencies. The focus on firm-specific advantages must be broadened to conceptualize the relevant competencies of the firm for international.

While foreign direct investment approaches via organization capabilities, collaboration building and networks shed new light on the international processes of firms, and give the opportunity to include organizational behavior and social theories, they must not neglect the negative sides of these paradigms. Increased complexity of information finding, dealing with intangible assets, an understanding of values and not explicitly of costs, means the decision process can be lengthened. Overlapping issues can arise and, as a consequence, result in more confusion than anticipated. A general drawback in foreign direct investment theories is that they do not, as yet, explicitly conceptualize the factors of distance and country. An understanding of the concept of institutional distance between different companies and countries will help develop needed competencies. As noted by Johanson and Vahlne (2003: p98) the notion of distance can change due to experiential learning and trust building. A strong resemblance between the development of the foreign direct investment theory and global competition strategy market development is noted. Both need the acknowledgment of organizational behavior theory required for further research on decision-making for the international of firms.

2.4 Summary of the Literature review

Only a small number of researchers focus on the foreign investment decision-making process for firms. Global strategy in foreign direct investment decision-making processes for foreign direct investment needs to be carefully analyzed and it is not appropriate to adapt the decision models of large firms. Earlier researchers argue certain factors in the foreign direct investment decision-making process, rather than the decision-making process itself, are important (Aharoni, 1966; Pike and Dobbins, 1981), and emphasis must be laid on strategic analysis rather than following a normative and linear models of decision-making. This underlines the importance of the behavioral approach to decision-making (Aharoni, 1966; Larimo, 1995; Wei and Christodoulou, 1997; Kukovetz, 2002). Both the factors and the process of decision-making are important:

- Firstly, because of the nature of the decision problem,
- Secondly from the uniqueness of global strategy compared to their larger counterparts, and
- Thirdly the influence of the decision-making environment, which in the case of emerging markets, has many uncertainties as it evolves.

In contrast to normative decision-making models that see goal formulation and implementation as being outside the decision-making process (Hofer and Schendel, 1978)it is argued that any dichotomy between decision-making process, formulation and implementation is a false one (Sykianakis and Bellas, 2005; Elbanna, 2006). There is compelling evidence that the decision-making process of market-entry by global strategy must be more holistically analyzed. Traditional theories of trade, investment and internalization are of great value to explain the mechanisms that determine, and trigger, international business activities, but they fail to explain how to enter international markets.

They list reasons why firms eventually develop beyond their boundaries, with approaches which are normally quite rational. The author argues that although traditional models capture the dynamics of the markets they are rather static in acceptance of a firm’s internationalization process. Organizational behavior and social aspects are issues that have not been fully considered within traditional internationalization theories, but are of increasing relevance for global strategy. It must be assumed that recognition of this will allow the consideration of less rational approaches to foreign direct investment and advance the decision-making theory. The inherent characteristics of global strategy, such as the owners-managers contexts, and network and organizational capabilities, have to be considered. Such characteristics are fundamental for an analysis as some researchers, specifically in the world context, show extremely successful and rapid cross-border venturing by local companies. Rapid strategy adjustment, as the outcome of a series of decisions in response to external motivations and environment changes, is fundamental for successful market-entry (Mintzberg, 1987; Huy and Mintzberg, 2003; Sykianakis and Bellas, 2005). The presumable easement Hong Kong or Taiwanese global strategy show in entering into the world may not be replicated by every firm (Wei and Christodoulou, 1997; Kukovetz, 2002), but the same unstructured external environment of the world can be used to analyze and compare the decision-making processes of Northern Iraq, and their decision behavior for market-entry.

CHAPTER 3

METHODOLOGY PROCESS

3.1 Background of Northern Iraq

In Northern Iraq, fewer than 10 million people populate an arid swath of Central Asia; it consists of four parts according to size of East, West, North and South. In the East is Kurdistan-Iran, in West is Kurdistan-Syria, in North is Kurdistan-Turkey, and in the South is Kurdistan-Iraq. But according to Iraq country, it becomes Northern of Iraq, and also it calls Kurdistan Region Government (KRG). And it's also greater than the whole parts it included five cities like "Erbil, Kirkuk, Sulaimania, Duhok, and Halabja". It's a land of harsh winters and parched summers, expansive deserts and remote mountains. It's also a land rich in natural resources: Crude Oil “CO” to gaining independence in 1970, Northern of Iraq and also produced seventy percent, 70% of the Iraq country's lead vegetables, crop; and 30% considerable amounts of its gold, uranium, and coal.

Today, Northern of Iraq's most precious asset is its oil. Though it developed petroleum resources throughout the Kurdistan region era, Kurdistan retains a significant quantity of both proven and potential reserves. It produces more oil - over half a million barrels per day - than any other former Kurdistan republic except Iraq. Nearly half comes from three major onshore fields: Shiwashok, Beji, and Khurmala. Estimated at upward to one million barrels, with proven reserves of over 0.5 million barrels.

Though many uncertainties remain, oil development is certain to generate substantial wealth for Kurdistan. AshtyHawrami, the former Prime Minister and current chief of Kurdistan oil, has estimated that offshore oil and gas revenues alone could total $800 billion over the next 10 years. Kurdistan has much in common with Iraq. It too is in the midst of an oil boom and looks to multinational oil companies to participate in developing its resources. Yet, like Iraq, Kurdistan has only partially established representative government, respect for human rights, and the rule of law. President MasoodBarzany largely controls the judicial and legislative branches, ruling at times by decree. His term in office was extended in January of 1991 by an election that fell short of international standards.

3.1.1 Environmental Issues

Iraq's oil operates in Kurdistan under terms spelled out in its Production Sharing Agreement (PSA) with the Kurdistan government. According to Iraq's Manager of Government Relations, the consortium operates under a Conduct that is "basically the same as it is everywhere - protecting people and the environment". Environmental standards are included in the consortium's PSA. While Iraq oil will not disclose the contents of the agreement, it claims the environmental standards follow the standards set forth in Kurdistan's environmental legislation. Northern of Iraq, environmental law relevant to oil production is found in three main sources: the Law on Environmental Impact Assessment, the Law on Specially Protected Natural Territories, and the Law on Environmental Protection. The "central executive organ for state control of the environment and natural resource use" is the Ministry of the Environment and Bioresearches (MEB). Environmentalists note that while MEB is allowed broad jurisdiction in environmental inspection, it has the exact same status as other ministries in the Republic; the MEB can inspect, but not enforce. The current status significantly reduces the effectiveness of the MEB's activities and permits influential ministries, departments, local authorities and private businessmen to ignore its decisions and requirements to a significant degree.

The principal legislation guiding oil development is the 1991 Code of the Republic of Kurdistan on Subsoil Resources and Processing of Minerals (hereafter "Subsoil Law"), as amended in 1999, and the amended Edict of the President of the Republic of Kurdistan Concerning Petroleum (hereafter "Petroleum Law"). The Subsoil Law "shows signs of having been drafted from an economic perspective," especially in defining subsoil as "a part of the natural environment which can be used for satisfying economic and other needs through the separation of its components or for the location of underground installations, confinement of toxic substances and wastes of industry, and the discharge of sewer waters."

Recent amendments to the Petroleum Law's place most oversight of foreign oil companies directly in the hands of Kurdistan oil, the state oil company formed in 2003. Specifically, Kurdistan oil has the right to:

- Participate in the development of a strategy for increasing petroleum production;
- Represent the State in petroleum operations by means of mandatory share participation in PSA's;
- Participate in organizing tenders for petroleum operations in Northern Iraq, including sectors of the Iran and Turkey; and
- Prepare and implement new projects related to petroleum operations.

The amendments eliminate license requirements in favor of contract provisions that state agreed-upon terms. Foreign oil companies therefore no longer have to separately negotiate both a license and a contract. The introduction of new procedures regulating commercial discoveries, compensation for exploration costs, requirements for work programs, and contractor claim resolutions place Kurdistan oil at the center of oil operation management in Northern Iraq.

The presence of foreign companies such as Qaiwan, Iraq Oil may ultimately help to create a more effective and accountable framework for environmental stewardship, but this has not yet happened.

3.2 Background of the Thesis

This study has two major objectives:

- The global competition in strategic process in Northern of Iraq; in particular their foreign direct investment decision-making process in the case of the world.
- To support and develop the decision-making process model that led to such foreign direct investment.

In addressing these premises, the results need to be described in words rather than figures to answer the stated theoretical propositions. As the subject of this thesis is novel, exploratory and explanatory in nature, it makes a quantitative rather than a qualitative research method more appropriate. Consider a qualitative data is likely to produce serendipitous findings and new integration, by forcing the researcher to go beyond preconceptions. Qualitative data are not only a source of well-grounded, abundant descriptions and narratives; they may also be used as a means to determine which events have led to specific consequences and to derive plausible explanations.

The case study approach for gathering quantitative data forms the general framework for this study, and an open approach is used as the method for collecting and analyzing the data, with the findings used to detect patterns across the cases. According to Yin (1998) the case study approach has major advantages:

- It deals with contextual situations, and the reality of many social and contemporary phenomena is that phenomena and context are not precisely distinguishable.
- A pure quantitative method requires a larger sample size if statistical interpretation is sought.
- There is widespread acknowledgement of the quantitative method as a valuable and valid research approach (Eisenhardt, 1989b; Cassell and Redman, 2001; Weber, 2004; Cepeda and Martin, 2005).

In the first part of this chapter the open approach to data collection is described, followed by a discussion of the case study approach. The research cycle is discussed and emphasis is given to case study analysis, limitations and quality of research.

3.2.1 Open Approach to Research

Qualitative social research is not based on broad hypotheses deduced from theory, but rather begins with data. It is conceptualized as an inductive process. Ideally the researcher should not have preconceived ideas on the research problem or have previous knowledge of the theory. These principles are based on the initial monograph of according to Glaser and Strauss (1967) who considers researchers must not impose theoretical concepts on data as theoretical concepts must emerge. One main reason to select an open approach in this project is that the method can deal with large volumes of quantitative data, and is a method that supports the generation or discovery of new insights and theory (Cresswell, 1998). Such insights and theory are derived from systematic gathering and analysis of data throughout the whole research process. Data collection, analysis and theorizing stand in close relationship to one another and the final theory or insights developed are solidly grounded in the data.

Glaser and Strauss (1967) argue that the researcher should approach data with as little existing theory as possible in mind, later somewhat moderated by Strauss and Corbin (1990) in that it is recognized that existing theories must not be disregarded and can guide the research and data collection (Laudan, 1977; Kelle and Kluge, 1999). It is also debated whether empirical data can be the base for scientific recognition, as theories cannot simply consider the collection of data, but should rather offer an explanation of data. Empirical observations and methods are always embedded in a theoretical context. Logical issues that lead to the formulation of new insights are therefore not solely inductive or deductive in nature.

New scientific knowledge involves from a combination of old and new experiences (Anderson, 1987). Within this dissertation the position is taken that the existing theories are important and act as useful guides. The real strength of using an open approach, however, and the main reason it is chosen, in the fact that large volumes of quantitative data can be analyzed. The rigor of collecting and examining data, analyzing its meaning and coding helps detect relevant concepts, their properties and dimensions (Urwyler, 2006). Theory building is not the intention in this dissertation, and the open approach must not be misinterpreted as a method of grounded theory.

3.2.2 The Case Study Approach

The case study approach is recognized as a valuable research strategy in small business and entrepreneurship research (Chetty, 1996; Hitt*et al.* 1999; Cope and Watts, 2000; Perren and Ram, 2004). This research strategy is preferred to answering *how* and *why* type research questions where the research problem is an explanatory nature. The case study method is a comprehensive research strategy that relies on a multiplicity of data sources as an evidence collection method. Data need to corroborate other data by triangulation and combining different data collection methods, such as archival research, interviews, questionnaires, document scanning and observations (Yin, 1994; Zheng, 2006).

Such research situations deal with operational links that need to be traced over time, rather than mere frequencies or incidences. A relevant aspect in favor of the case study in the context of this thesis is that the method is especially pertinent to investigate exploratory types of *what* questions, where the purpose is to develop hypotheses or propositions for further probing (Yin, 1994; Maugain, 2003). The possibility of generating novel theory is supported, with high testability and strong empirical evidence underlined; advantages of the case study method (Eisenhardt, 1989b).

Case study research is argued to be particularly appropriate for research questions in which the research problem and theory are at their early, formative stages, often contemporary events, where the experiences of the players are important, but there is little or no control over behavioral events (Roethlisberger, 1977; Yin, 1981, 1994; Bonoma, 1983; Benbasat*et al.* 1987; Eisenhardt, 1989b). Based on current definitions of the concept of 'case study' a fuzzy and blurred perception among researchers exists on what can be defined as a case study, although there is some consensus on the following:

- Firstly, the case study can be used as a pedagogic device for illustration,
- Secondly, the case study can develop a framework for the collection of evidence, and
- Finally, it can be used as a research tactic (Remenyi*et al.* 1998: p163).

3.2.3 The Research Cycle

A theoretical understanding of the decision-making process for foreign direct investment, and in the particular case of global competition in strategic foreign direct investment decision-making Process in Northern Iraq, has been established during the literature review in chapter two. Further understanding will be accumulated through the cycles of research. These research cycles, according to Cepeda and Martin (2005) consist of four stages, namely planning, data collection, analysis and reflection, while the stages can also overlap.

3.2.4 Planning and Case Selection

The research framework, the basis for the field research on decision-making process in Northern of Iraq, is developed to broadly set the unit of analysis, and the research method chosen is the holistic multiple case study design constructs. This design allows several cases, the decision-making process of different global competition in strategic foreign direct investment decision-making process in northern of Iraq, to be included in the research where each individual case study consists of a whole study (Yin, 1994). The rationale behind this is to obtain more robust findings, replication logic, literal and theoretical, and external validity.

Care has been taken in selecting the single cases so they either predict similar results to the other cases, which is literal replication, or they are for predictable reasons, produce constraining results, as a theoretical replication. As noted by "Eisenhardt 1989, Yin 1994" the cases are chosen, for theoretical not statistical reasons, to replicate previous cases and extend the emerging theory, or are chosen to complete theoretical categories and provide samples for polar types. The limited number of cases that can, in such a way, be studied directing the research strategy to select cases that are categorized as extreme situations or polar types in which the process of interest under review is transparently observable (Pettigrew, 1988).

The number of cases replications both literal and theoretical, is a matter of discretionary and judge's choice and is determined by the certainty about the multiple case results needed. An important step in all these replication procedures is the development of a rich, theoretical framework. This framework needs to state the conditions under which a particular phenomenon is likely to be found as well as conditions when it is not likely to be found. The theoretical framework later becomes the vehicle for generalizing to new cases (Yin, 1994). Global competition can be taken to distinguish between polar types of cases.

The research opportunity is taken to contrast strategic foreign direct investment decision-making for firms, presumably most entrepreneurial companies. For the reasons for firms to be active in the world, it was decided on a sample focus on firms that have established a production platform in the world. From this perspective the sample selection, although opportunistic, is limited to eight cases that are: (1) producing/manufacturing, global competition in strategic foreign direct investment, (2) Bear in mind the selected companies are chosen for their ability to contribute to evolving insights (Creswell, 1998; Kukovetz, 2002).

3.3 The Global Competition in Strategic Foreign Direct Investment Decision-Making Process in Northern Iraq Analysis:

To get a comprehensive sense of the global competition in strategic foreign direct investment decision-making process in northern Iraq needs, our study has done quantitative and qualitative research. In chapter one the study is to explain the qualitative research and the following the study is explained about the quantitative research.

3.3.1 Quantitative Research

The global competition in strategic foreign direct investment decision-making process in northern Iraq conducted a survey in Northern of Iraq for the purpose of gathering information from respondents using a questionnaire. Which was directed to a sample of 200 individuals and also directed to companies operating in Northern Iraq? From questionnaire only 92 individuals 80 of them female and only 12 of the others are male and 52 companies have filled and returned the questionnaire, 34 of them are female and only 18 of the others are male as the timing constraints due to the beginning of ISIS attaching from Iraq country, especially in Northern Iraq in one hand, and in addition to that most of the international staff those are working with companies were on leave.

We used SPSS computer program for entering and analyzing of the data. The following is a brief conclusion of the questionnaire.
Please note that the figures in this report are our study’s questionnaire analysis results.

3.3.2 Sample of the questionnaire

Last Name: ……………………………
First Name: …………………………
Date of Birth (…………….. / ………../ …………..) Male □ Female □

Q.1/ Do foreign investors invest in Northern Iraq? Yes □ No □

Q.2. / Is northern of Iraq successful foreign multinational Oil & Gas companies in their country? Yes □ No □

Q.3/ Is the Prospects of foreign direct investment policy in Northern of Iraq for the Future? Yes □ No □

Q.4/ Can be done to improve the investment strategy of foreign investors in Northern Iraq? Yes □ No □

Q.5/ what determines whether a firm decides to establish production facilities abroad rather than export its product or license overseas entrepreneurs to produce instead?

Earning higher profit □ Earning lower profit □
Loses higher risk □ Loses lower risk □

Q.6/ Do these firms manage their learning and competencies to invest successfully in the world? Yes □ No □

Q.7/ is the decision-making process for foreign direct investment by global competition in strategic? Yes □ No □

Q.8/ Do owners-managers of global competition in strategic make such decisions? Yes □ No □

Q.9/ Do Northern of Iraq Global competition choose to enter the world? Or can the decision-making process for international of northern of Iraq, global competition in the world be explained? Yes □ No □

Q.10/ Does decision process matter? Yes □ No □

3.3.3 Individual Questionnaire Analysis

Q.1/ Do foreign investors invest in Northern Iraq?

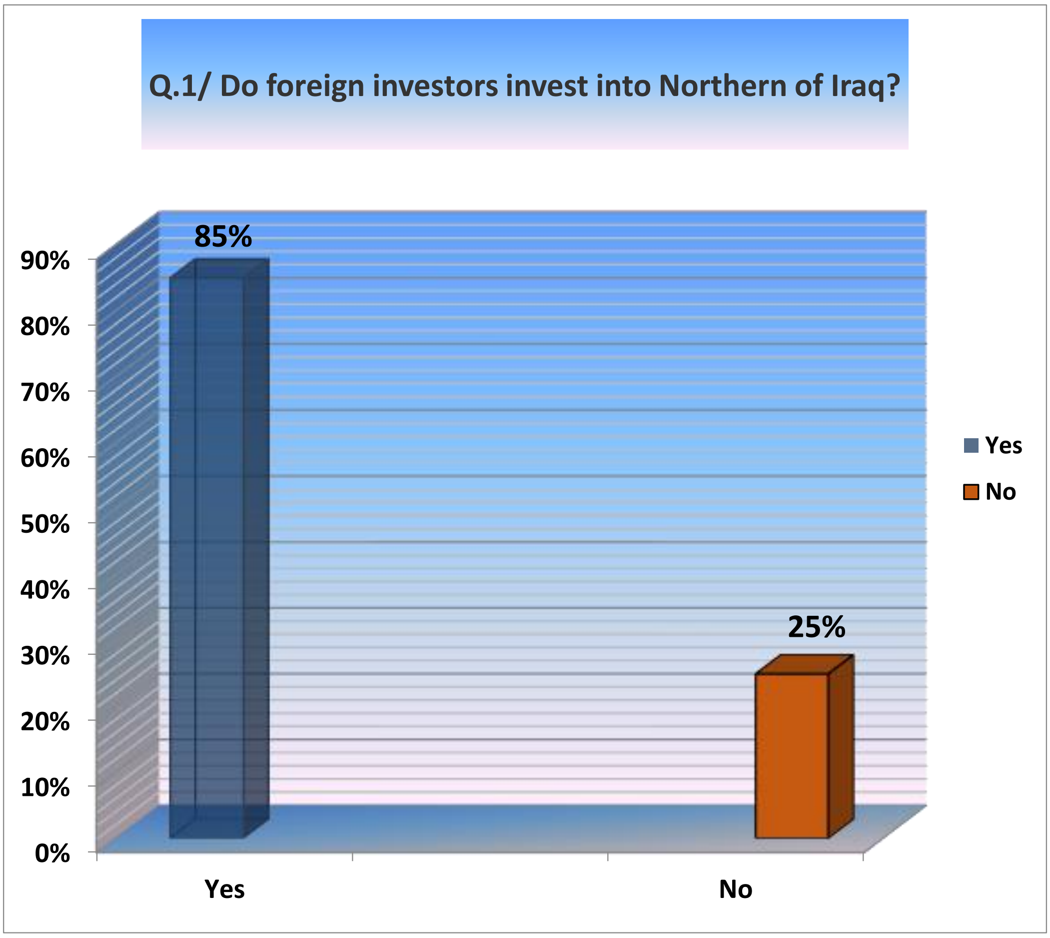

Figure 1: Question One

In a response to this question "Do foreign investors invest in Northern in Iraq?" Figure 1 shows that 85% of the people have selected yes and only 15% of the people selected No, out of 144 people.

Q.2. / Is northern of Iraq successful foreign multinational Oil & Gas companies in their country?

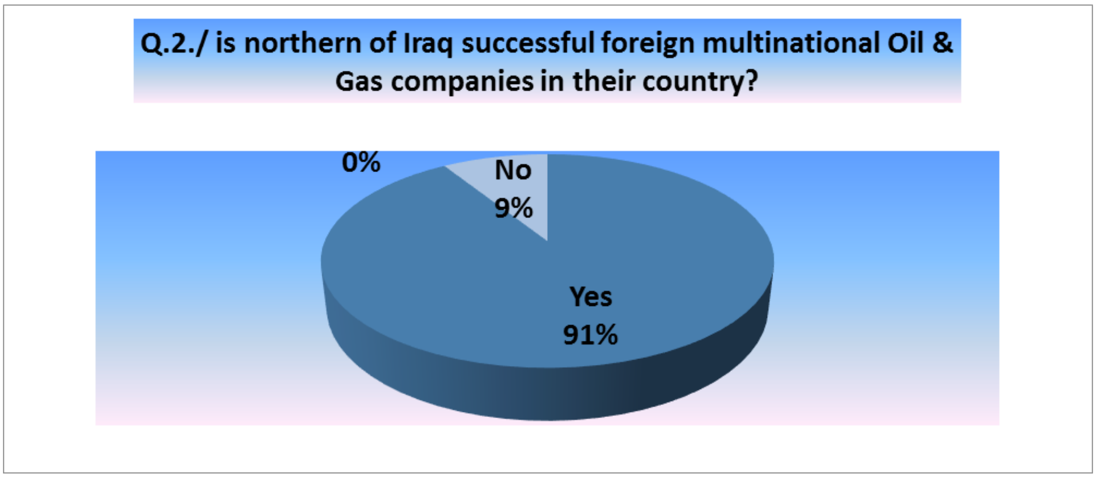

Figure 2: Question Two

In a response of this question "Is northern of Iraq successful foreign multinational Oil & Gas companies in their country?" Figure 2 shows that 91% of the people have selected yes and only 9% of the people selected No, out of 144 people.

Q.3/ Is the Prospects of foreign direct investment policy in Northern of Iraq for the Future?

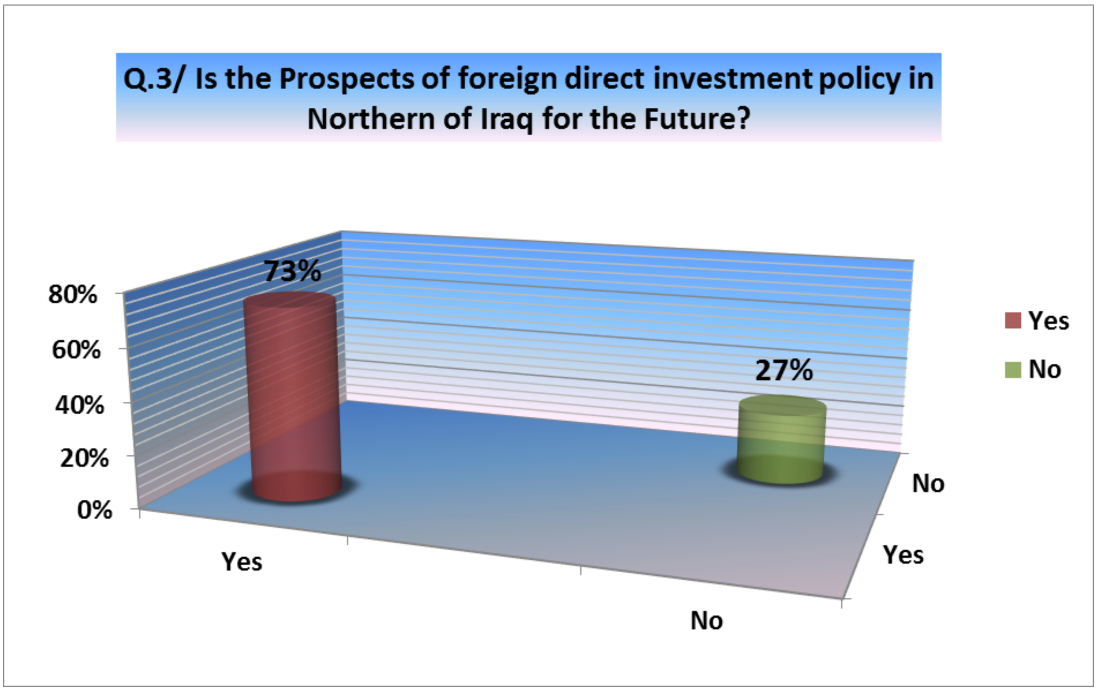

Figure 3: Question Three

In a response of this question "Is the Prospects of foreign direct investment policy in Northern of Iraq for the Future?" Figure 3 shows that 73% of the people has selected yes and only 27% of the people selected No, out of 144 people.

Q.4/ Can be done to improve the investment strategy of foreign investors in Northern Iraq?

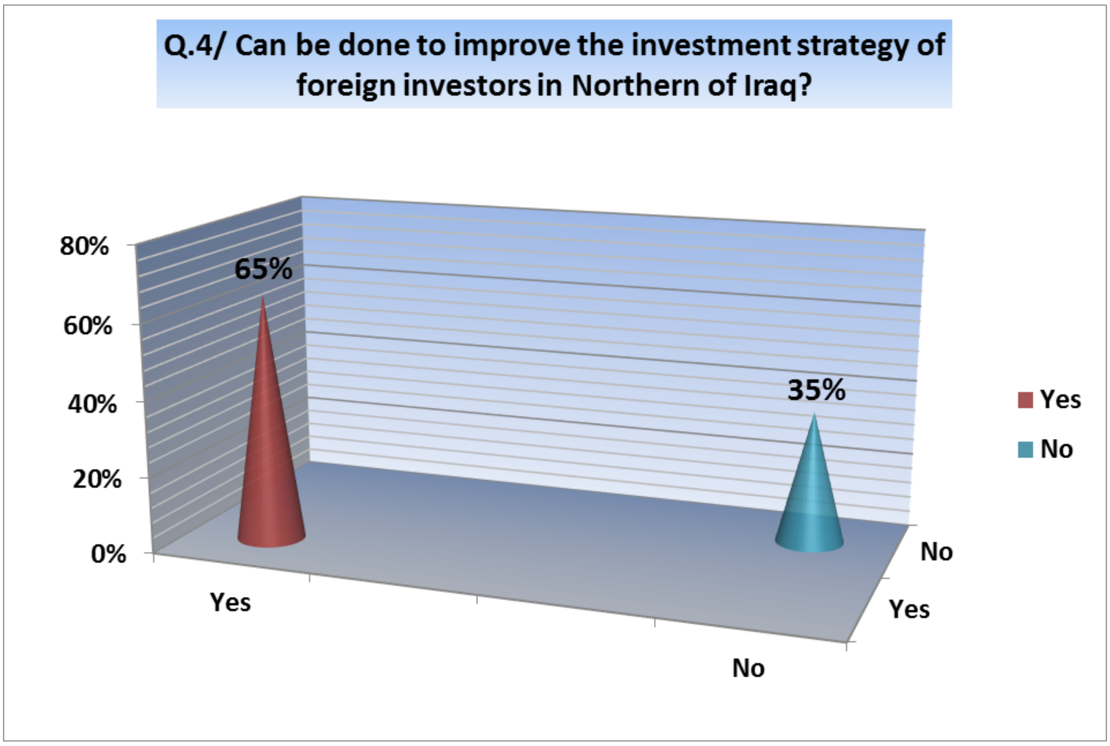

Figure 4: Question Four

In a response of this question "Can be done to improve the investment strategy of foreign investors in Northern of Iraq?" Figure 4 shows that 65% of the people has selected yes and only 35% of the people selected No, out of 144 people.

Q.5/ what determines whether a firm decides to establish production facilities abroad rather than export its product or license overseas entrepreneurs to produce instead?

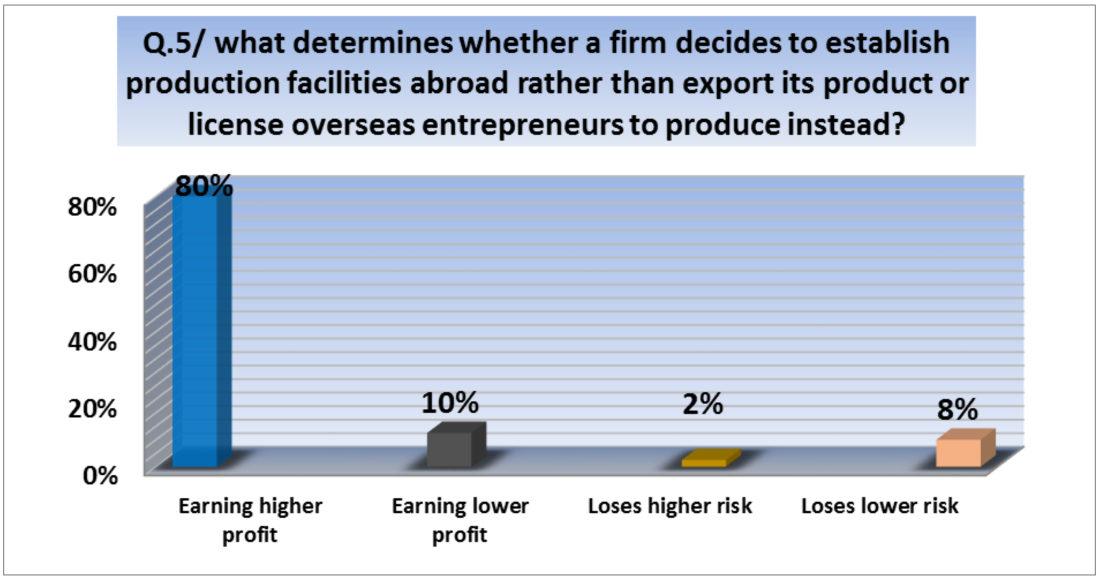

Figure 5: Question Five

In a response of this question "What determines whether a firm decides to establish production facilities abroad rather than export its product or license overseas entrepreneurs to produce instead?" Figure 5 shows that 80% of the people have selected Earning higher profit, 10% of the people has selected Earning lower profit, 2% of the people has selected Loses higher risk and only 8% of the people selected Loses lower risk, out of 144 people.

Q.6/ Do these firms manage their learning and competencies to invest successfully in the world?

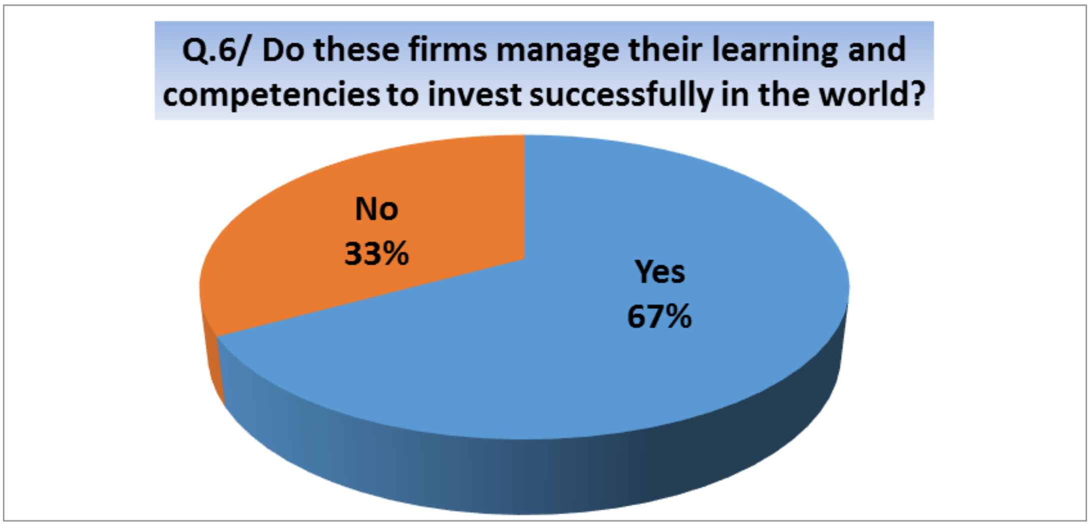

Figure 6: Question Six

In a response to this question “Do these firms manage their learning and competencies to invest successfully in the world?" Figure 6 shows that 67% of the people have selected yes and only 33% of the people selected No, out of 144 people.

Q.7/ is the decision-making process for foreign direct investment change to global competition in strategic?

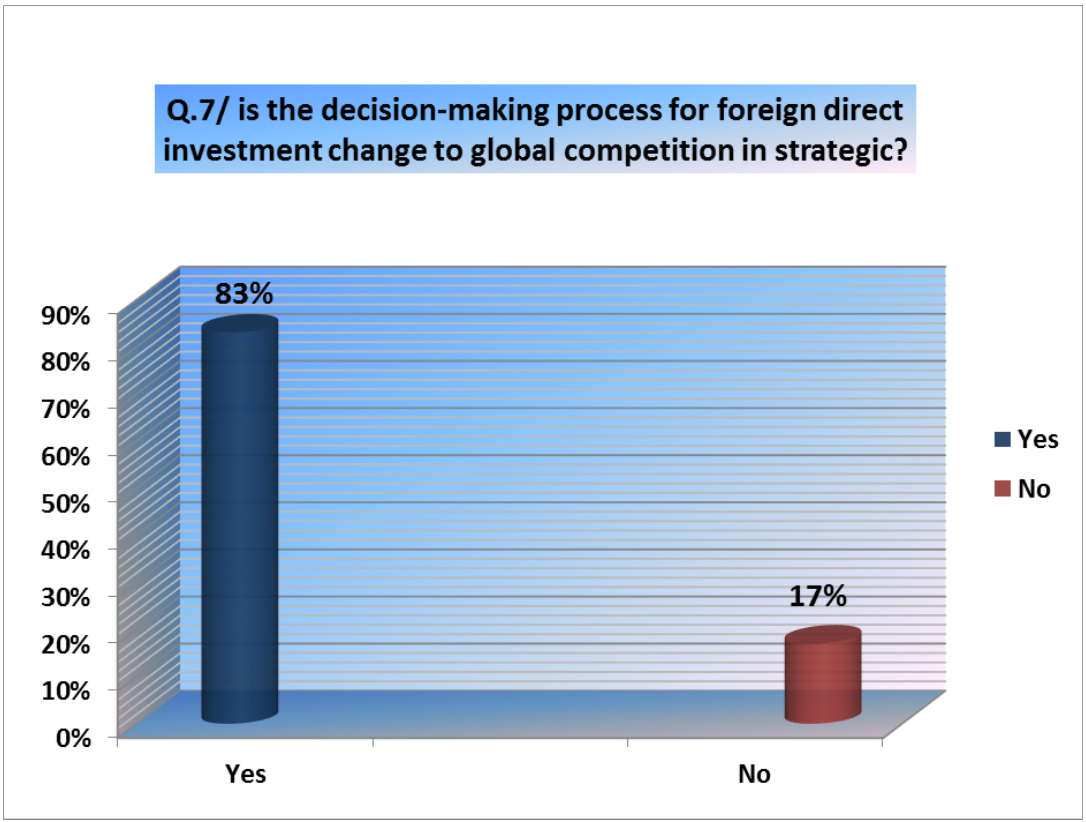

Figure 7: Question Seven

In a response to this question "Is the decision-making process for foreign direct investment change to global competition in strategic?" Figure 7 shows that 83% of the people have selected yes and only 17% of the people selected No, out of 144 people.

Q.8/ Do owners-managers of global competition in strategic make such decisions?

Figure 8: Question Eight

In a response to this question "Do owners-managers of global competition in strategic make such decisions?" Figure 8 shows that 63% of the people have selected yes and only 37% of the people selected No, out of 144 people.

Q.9/ Do Northern of Iraq Global competition choose to enter the world? Or can the decision-making process for international of northern of Iraq, global competition in the world be explained?

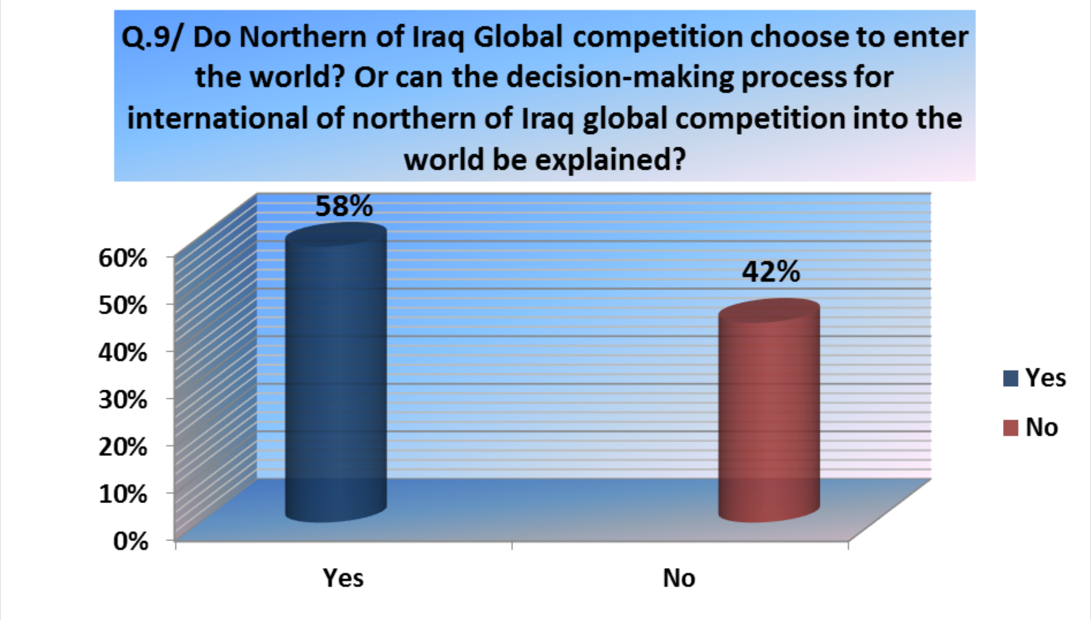

Figure 9: Question Nine

In a response to this question "Do Northern of Iraq Global competition choose to enter the world? Or can the decision-making process for international of northern of Iraq, global competition in the world be explained?" Figure 9 shows that 58% of the people have selected yes and only 42% of the people selected No, out of 144 people.

Q.10/ Does decision process matter?

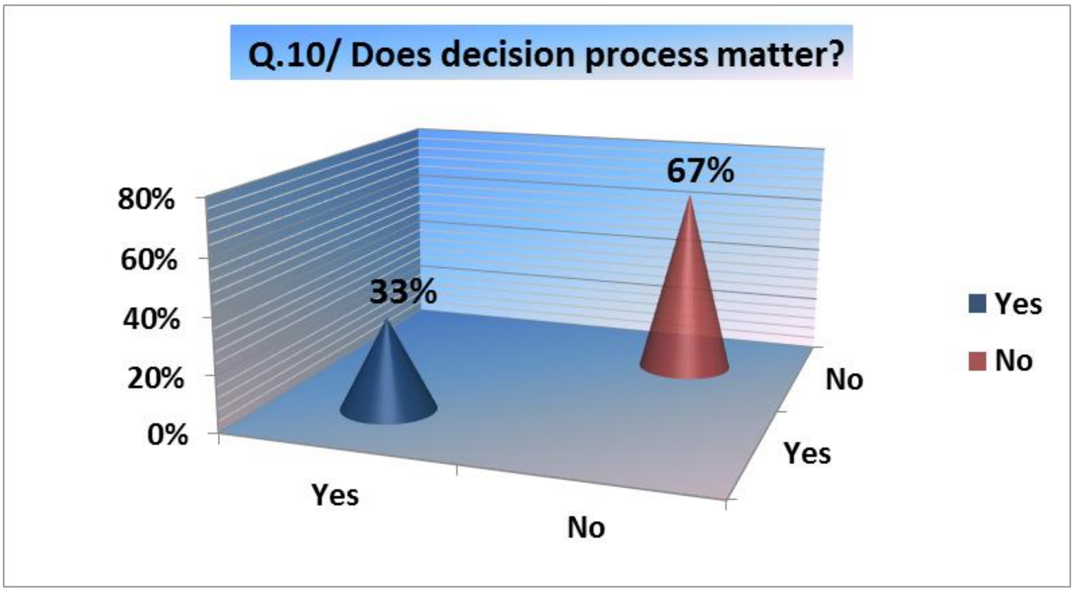

Figure 10: Question Ten

In a response of this question "Does decision process matter?" Figure 9 shows that 33% of the people have selected yes and only 67% of the people selected No, out of 144 people.

3.4 Data Collection and Analysis

Data collection and analysis in quantitative research are closely interrelated, and may be viewed as overlapping (Eisenhardt, 1989; Maxwell, 1998). Data collection could be flexible and opportunities, which opens up new areas for exploration and incorporates issues that emerge during the research process. Adjustments are encouraged because inductive theory is built on deeper understanding, rather than statistical comparisons between the data collected through standardized protocols (Cepeda and Martin, 2005). Although data collection and analysis may overlap the two must at a later stage clearly be separated to realize when data collection has ceased and to understand that data analyzing is the heart of theory building (Eisenhardt, 1989b). A broad categorization into reasoning (Toulmin, 1988) or coding (Miles and Huberman, 1994) of the data can help categorize the data. It must be ensured that each single case is understood as a stand-alone entity and familiarization with each case is obtained. The research framework supports categorization, as data can be judged according to their face validity and soundness within a specific field or context, and in being linked to the research objectives.

3.5 Summary

The rationale is developed as to why a quantitative research methodology, in the form of a multiple case study approach, is adopted in this study. It is concluded that the case study approach is most appropriate to deal with the contemporary phenomenon of decision-making processes for global competition in strategic foreign direct investment decision-making process in northern Iraq. The process an individual company experience conceptualizes a phenomenon that underlines the need for longitudinal research, where quantitative research approaches are less suitable. The case study design includes a conceptual framework, research questions and propositions, and the selection of appropriate cases. These cases determine the unit of analysis, the logic linking the data to the propositions and the criteria for interpreting the findings, leading to exploration and inductive reasoning.

Great care must be taken that the unit of analysis is clear throughout the process; which in this study is the decision-making process. The analysis of the data involves the ongoing iterative processing of transcripts and data, reviewing the whole process and the conceptual framework, to establish patterns within these data and as a base for identifying opportunities and finding new insights in the decision-making process. The explorative nature of this study yields the grounded approach as an ideal method for data collection and evaluation.

The selection of different and contrasting cases allows for challenging the propositions and is only possible when using a holistic multiple case study approach. The application of such a holistic multiple case study approach does not only help foster external validity, most prominently replication logic, but also to overcome the overall problem of obtaining a suitable database. The main case study approach strength is the likelihood of generating novel and testable theories or insights, with the resultant theory likely to be empirically valid. The main weakness is that intensive use of empirical evidence can yield theory which is overly complex and which tries to capture everything. But the overall advantage of the quantitative approach, and a major contribution to this study, is that it does not lack sample representation and the resulting danger of reductionism (Collis and Hussey, 2003).

CHAPTER 4

RESULTS AND CONCLUSION

4.1 Results

A number of criteria have to be resulted for the chosen research methodology to be proven appropriate, but also to ensure the ongoing research process quality. Design tests proposed by several authors constitute a classical quality criterion in my positivist research study (Lincoln and Guba; 1985; Denzin and Lincoln, 1994; Miles and Huberman, 1994; Hirschheim, *et al.* 1995; Yin, 1998; Robson, 2002).

The design tests in positivist case studies construct validity, internal validity, external validity and reliability. These tests are recommended as a means to improve and evaluate the validity and reliability in case study research (Riege, 2003; Cepeda and Martin, 2005). Adherence to these criteria is necessary not only in the design stage but also as controlling mechanisms throughout the research process (Yin, 1994).

The benefits in utilizing different sources of evidence can be maximized if three principles are followed, namely multiple sources of evidence, creating a case study database and maintaining a chain of evidence. The first has to do with the research design; the others with the process and the rigor of management of the research process. Case studies can, for example, be entirely based on quantitative research (Yin, 1994: p91).

Only the use of multiple sources of evidence can challenge the real strength of the case study research methodology, namely a combination of different data sources and the development of converging lines of inquiry; a process of data triangulation. With triangulation potential problems of construct validity and reliability can be addressed. The grounded approach for evaluation of data, helps revisit the source of data and question the findings; in doing so the emergence of a new category of data can be continuously monitored and judged whether of significance to the study.

The limits of doing research in the field of global competition in strategic management for foreign direct investment decision-making process in Northern Iraq, and most of the time, non-public companies, must be addressed as the collection of any information can pose a major problem for an investigator. The analytical strategy of this thesis considers these quality criteria.

4.2 Conclusion

This phase is considered a milestone in the process of decision-making. The previous and more formal process now turns into a phase where a company's own experience is created. Many Companies reported that they considered themselves fully operative at the time of this research. These companies have already entered a stage where substantial experience has been obtained, and have even realized which of their initial plans were correct and where adjustments were needed. The remaining three companies have just entered the first year of operation and are optimistic that their decision-making can develop as planned. In all the cases the implementation time appears to take longer than planned; not because of administrative issues or the actual founding of the company, but in achieving stable working conditions and quality. As noted in one case '… Our positive approach we had at decision-marking faded away. Now we realize that we were too optimistic at the beginning. We underestimated the time needed to implement our project'. It was reported in all cases that running a company in China needs flexibility as it is not possible to control the world venture from northern of Iraq or through a Kurdistan management system. A degree of autonomy is needed. The planned business processes or concepts used elsewhere cannot just be transferred to the world. One has to adapt the venture to the people of the world working mentality and business environment. Practically all companies emphasized that if a company cannot quickly adapt to the business environment in the world it may fail. The faster the adjustments are made, the more efficient the company will be and the quicker positive business results can be expected.

As expressed during one of the major problems we study wants to settle down the whole companies in the world. We do have to adjust ourselves to the local circumstances, not the world to ours. It is not possible to change the world for the benefit of oneself and to insist on our own Northern of Iraq way of thinking'. Problems that arise during implementation are of a different nature with the major problems in factory construction issues, human resource management and staff situation, product quality, intellectual property, management and business processes.

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