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The utility, or otherwise, of models found in international business research

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Abstract

It is argued that an adherence to the use of 'hard', applied mathematical models is a major factor in achieving publication of papers on international business topics in top rated journals. However one may readily find examples of papers which meet this test but which are less than reliable in terms of what their models tell us about the real world of international business. As such, these sorts of papers and models fail a key test of accessibility and utility for the practitioner. On the other hand there are papers with models which are apparently less theoretically complex but which fully meet the accessibility and utility criterion. Such papers are quite likely to appear in 'lower ranked' journals. The argument is illustrated by examining twenty papers as evidence cases. This critique should assist the improvement of research methods used in international business and management research.

Keywords: Models, applied mathematics, utility, accessibility, IB, practitioners

Biography

M. John Foster is an Emeritus Fellow of the Kingston Business School at Kingston University, in London; before that he was the Associate Dean of the then Faculty of Business and Law for a decade. Current research interests embrace: the effectiveness of strategic planning; evaluation processes for FDI; and business in China and South East Asia. He has published in a wide range of journals of international standing. He has been a Visiting Professor at universities in China, Thailand and Malaysia and has undertaken consulting assignments for major firms in the private sector, the UK's Audit Commission and educational establishments in the UK and overseas. He was an Associate Professor at the City University of Hong Kong 1990 - 1993 while on leave of absence from Kingston.

1. Introduction

It seems obvious that papers written about international business (IB) should be perceived by practising managers in that realm to be directly applicable to their work contexts. This truism resonates with the dictum offered by the renowned, heterodox economist E.F. Schumacher that, “an ounce of practice is generally worth more than a ton of theory” BBC (2016). Given this initial thought, it seems surprising then that so many models found in IB papers may not meet this simple applicability test. Why might this be? Our suggestion will be that what IB journals publish are often papers which exhibit what they deem to be ‘suitably’ analytical pieces, meaning that they revolve around a non-trivial econometric (or other applied mathematical) model, applied to a substantial data set. By contrast, ‘simpler’ models which are applied to smaller data sets tend to be dismissed out of hand by those same journals, alleging a lack of theoretical insight and lack of reliability or that the results are undermined by the modestly scaled data set, even if the modest data set includes rich, detailed interview data. However, these ‘simpler’ models may have the virtues of being obviously applicable by and being comprehensible to practising IB managers. Put another way, if we were to construct a utility function to assess the applied utility of the differing model types, might it be that the simple models spurned by so-called category 1 (US) or 4* (UK) journals are in fact more valuable to those working in the real world of international business? We say ‘yes’. Moreover, neither novel, discursive papers nor summarising type papers tend to be well received by “big” journals, unless perhaps they are penned by one of their inner circle. Again such papers may be precisely what practitioners might find useful from the slew of academic endeavour, not least because they are able to comprehend what the author is trying to say.

The propensity of many leading IB journals, and indeed management journals more generally, to favour papers whose character is as previously described is all part of a deeper problem of excessive adherence to the pursuit and reward, academically speaking, of papers rooted in an empirical positivist paradigm, see for example Bryman and Bell (2003), Collis and Hussey (2003). This problem has been noted before by Flyvbjerg (2001) and Jackson and Aycan (2006). This adherence is driven Flyvbjerg (2001: 166) argued by the fact that ‘scientism’ or ‘the tendency to believe that science holds a reliable method of reaching the truth about the nature of things’ continued to dominate thinking in the social sciences, including in the major international management journals, at the point at which he wrote. Unfortunately, note Jackson and Aycan (2006), such pseudo science largely fails to incorporate context, values, power and

intuitive action. These are factors with which softer approaches to business research would be better able to cope. It may be almost 20 years since Flyvbjerg wrote his book but it seems that the IB research community has not yet heeded his warning. Lee (2014) makes a similar point, namely that statistical analysis is only as good as the underlying theory (encapsulated in the model being examined) upon which it relies. Statistical analysis does **not** make a determination as to whether the theory is true, a point to which we shall return.

The objective of this paper is to examine the relative utility to the world of IB practice of the type of complex modelling papers which find favour with top journals as compared with papers which employ simpler but more transparent models or even rely on soft approaches to research such as synthetic discourse – making useful summaries of works in a field – or enlightening storytelling. There is a further problem with the complex models which often find favour in the big-name journals, namely the models are not good representations of the reality which they are alleged to model. This problem can have two parts. First, there is the problem of poor specification; the model structure is not really appropriate. The second part is the use of inappropriate proxies.

Bearing in mind some early feedback, we should make clear at this juncture that it is not the generic mathematical model types with which we shall find fault but rather their misuse by business researchers. One suspects that the problem they have may be that they lack inherent mathematical understanding of the applied maths tools they seek to use. Regression for example is a well known and entirely proper modelling tool but only if it is used correctly. Sadly it is all too common in business research to find that adequate care has not been taken to ensure that the underlying assumptions of the technique, concerning the data set to which it will be applied, are met. If the model specified for analysis is not a good model then the outputs and conclusions may be dubious. If, for example, there is a proposed causal link between the y (dependent) variable and the x_i (independent variables) which relies on a dubious premise, then no amount of data crunching or statistical testing of the model parts or the whole will make the outputs more believable as representations of the real world being modelled.

The research method used in this paper is one of contemplative discussion of a small, but carefully selected, sample of published research papers (some 20 in total). Thus the data used are secondary data being, as they are, published works. In the discussion of the sample papers each is crucially assessed against the important criteria of comprehensibility to the reader and

applicability for the IB practitioner. We illustrate our argument by considering some models which have featured in published papers: of the four examined in some detail there are three with ‘complex’ models, with one ‘simpler’ model as a counterpoint. A key point is perhaps that the simpler model, although the product of academic research, was so designed as to also meet a need for IB practitioners, whose work requires them to assess potential foreign direct investment (FDI) projects under consideration by their firms.

2. Examples of very different types of models

The first three examples are all papers which have appeared in the *Journal of International Business Studies (JIBS)*. From the point of view of aspiring academics or managerial assessors who are impressed by journal rankings and impact factors, the very fact of this being the publication location will commonly be taken to mean they are high quality papers. [For example, I recently read an advert for academic positions at an East Asian business school. In the advert they boasted about their staff’s propensity to get published in *JIBS*.] But what is the true worth of such papers? Are they providing insights and advice of importance to those engaged in the real business of international business: strategic decision makers in MNCs and government policy makers in the area of trade and investment? Our assessment of them will suggest that there is, at the least, doubt as to the answer to this last question. Having said that, one should add that the first paper strikes us as intrinsically more useful than the second and third, albeit there are still technical problems as will be explained.

We should also pause to note that our intention is not to pick on *JIBS* as such and they deserve some credit for having published two editorial papers in the past five years whose aim is broadly to help would be authors to improve the quality of modelling in their papers, Beugelsdijk et al (2018) and Cuervo-Cazurra et al (2016). The first is a rather better than the second in our judgement: it does a decent job of the task described in the title, ‘Conceptualizing and measuring distance in international business research: Recurring questions and best practice guidelines’. The second poses the question, ‘Can I trust your findings? Ruling out alternative explanations in international business research’. Its limitation is that it focuses its attention largely on how to avoid pitfalls related to and within the deployment of particular statistical techniques. It fails to address the more fundamental issues we are raising of plausibility of posited models and eventually the practical applicability of a piece of IB

research. One can also readily find conflicted papers published in other journals but our argument might be seen as diminished because those other journals are perceived to be ‘of lesser rank’ by self appointed arbiters of worth. After looking at the three chosen examples in some detail, we shall present a summary of some more examples culled from other journals. I should add here that it is my experience that it is quite possible to find extremely interesting and useful papers in so-called “lesser journals”, of which more later.

2.1 First example – a complex regression model, with good intent but blighted by ‘proxyism’

‘The determinants of Chinese outward foreign direct investment’ by Buckley et al (2007) appeared in *JIBS* in 2007.

Based on a detailed discussion of the nature of FDI activity of MNCs and certain, potential special influences in the Chinese case, the authors posit the following log-linear model, aimed to explain China’s outward FDIs:

$$\begin{aligned} \text{Eq.1 } \text{LFDI} = & \alpha + \beta_1 \text{LGDP} + \beta_2 \text{LGDPP} + \beta_3 \text{LGGDP} + \beta_4 \text{LORE} + \beta_5 \text{LPATENT} + \beta_6 \text{LPOLI} \\ & + \beta_7 \text{CP} + \beta_8 \text{TD92} + \beta_9 \text{LERATE} + \beta_{10} \text{LINF} + \beta_{11} \text{LEXP} + \beta_{12} \text{LIMP} + \beta_{13} \text{LDIS} \\ & + \beta_{14} \text{LINFDI} + \varepsilon_{it} \end{aligned}$$

where the variables are as described in Table 1 below and capital L is taken to mean the natural logarithm, in lieu of the more mathematically usual ln.

We use the heading ‘proxy’ in column 2 of this table because that is how Buckley et al labelled their original table. Of course one can readily see that a minority of the independent variables have real measures rather than proxies but the clear majority are indeed proxies. Not only that but some of the proxies can be thought to be pretty poor proxies for their associated variables in the model, e.g. those representing the asset seeking nature of the FDI undertaken (LPATENT) and a host country’s cultural proximity to China (CP). One understands why authors use proxies: data for the true variables are either hard to obtain if they exist in principle or it is very hard to measure the variables at all. But, when there is such a preponderance of proxies in a model and some of them are weak proxies, one has to question how reliable

conclusions drawn from such models are going to be, whereas authors typically assume they are talking about the assumed variables rather than the proxies when they come to explaining their results. That said, one can at least see intuitively where the model is trying to go in this case and hence what it might mean if the sort of measurement problems described were not in play.

However, from the perspective of the editors of learned journals such as *JIBS*, such issues are apparently far outweighed by the complexity (hence assumed ‘completeness’ in some sense) of the model used and the large size of the data set used. Even then another potential problem arises in this instance because each model run included data from multiple years in the same model: this is not ideal from a modelling perspective.

Table 1 Model variables and their proxies

Variable (hypotheses)	Proxy
FDI (dependent variable)	Annual outflow of China’s FDI
Host market characteristics – absolute market size (H1a)	LGDP: Host country GDP
Host market characteristics – relative market size (H1b)	LGDPP: Host country GDP per capita
Host market characteristics – market growth (H1c)	LGGDP: Annual percentage increase in GDP
Natural resource endowment (H2)	LORE: the ratio of ore and metal exports to merchandise exports of host country
Asset seeking FDI (H3)	LPATENT: Total (resident plus non-resident) annual patent registrations in host country
Political risk (H4)	LPOLI: Host country’s political risk rating (higher values indicate greater stability)
Cultural proximity to China (H5)	CP: var=1 when percentage of ethnic Chinese in total population is >1%, else 0
Policy liberalisation (H6)	TD92: Influence of Deng’s South China tour (1992)
Exchange rate (H7)	

Host country inflation rate (H8)	LERATE: Host country official annual average exchange rate against RMB (fixed to dollar)
Exports (H9)	LINF: Host country annual inflation rate
Imports (H10)	LEXP: China's exports to the host country
Geographic distance from China (H11)	LIMP: China's imports from the host country
Openness to FDI (H12)	LDIS: Geographic distance between host and home country (capital)
	LINFDI: Ratio of inward FDI stock to host GDP

Source: Information abstracted from original paper's Table 3

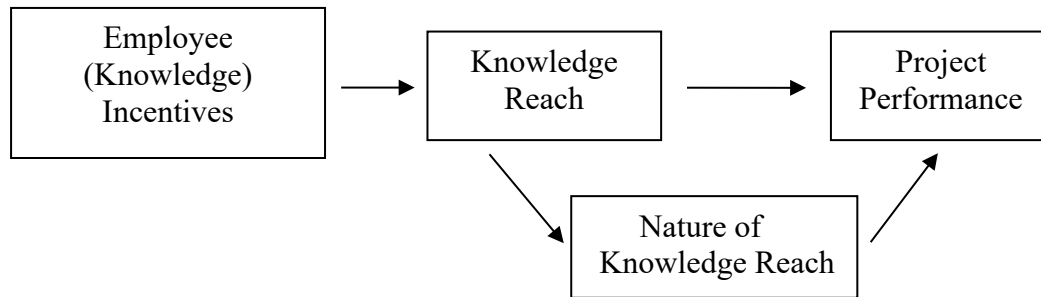
2.2 Second example – an example of structural equation modelling with a key variable which may be hard to interpret

Our second example is the paper by Morris et al (2015) entitled 'Going the distance: the pros and cons of expanding employees' global knowledge reach', which appeared in *JIBS* in 2015. The issue is examined using a fairly simple model to which a structural equation modelling (SEM) approach is applied. As is not untypical of such modelling, the variables are measured using subjective assessment scales. One of our key concerns, from a modelling perspective, is the nature of the variable proxy used to assess actors' 'knowledge reach'.

More precisely, in the words of Morris et al (2015: 554), "[We develop and test] a model that highlights the critical role of organisational incentives in enhancing employees' internal search and use of knowledge..... We [also] demonstrate that expanded reach also increases the likelihood of accessing more codifiable knowledge, which can hurt performance."

The basic model is as shown in Figure 1 below:

Figure 1 The Initial Model of Morris et al



The derived model into which data were entered for the actual SEM modelling, Morris et al's Figure 3, reflected two modifications. The knowledge incentives factor was subdivided into 'extent of process based incentives' and 'extent of outcome based incentives'. The 'nature of knowledge reach' meanwhile was replaced by 'codifiable knowledge accessed'. As is clear the variable at the centre of the model remains 'knowledge reach'. This construct measures 'the relative geographical distance and scope from which employees accessed internal knowledge.' It was operationalised as:

$$\text{Eq. 2} \quad \text{KR} = \Sigma w_i Q_i / \Sigma w_i$$

where Q_i is the Likert scale score for question i for knowledge accessed in location i ; and w_i is the weight given to knowledge accessed in location i .

The key findings the authors reach are that the two following hypotheses were supported by their analysis:

H2: The more employees expand their knowledge reach within the MNE, the higher their project performance (intuitively indicated, *author's comment*).

H3b: The more codifiable knowledge a project team draws upon, the lower its project performance.

This is interesting one may say but the issue which may cause concern is the ‘soft’ nature of the key variables. For example, at first sight, KR’s definition might appear to be a cardinal number but then one considers the input data and discovers that all its elements are subjective ratings. Hence, the final sum of ratios is what might be described in mathematical terms as an upgraded ordinal number.

Once one turns to the implications of and hence applications of the results, one is tempted to ask how convinced an MNC’s board might be if these findings were presented to them. As we shall see later, there is nothing wrong in principle with using rating data provided strategic decision makers (SDMs) understand what the ratings are about and believe them to be meaningful to them in their role as SDMs. Here though, we have an apparently detailed mathematical model which typical SDMs would probably see as a bit of a black box anyway and into which all data entered are fairly soft data. This brings to mind an acronym coined elsewhere (Foster, 2015): SIHO, standing for ‘soft in, hard out’ - this acronym may be thought of as a descendant of the famous GIGO from the computing world. Once our SDMs see this truth, if indeed such comes to pass, our view is that they might be extremely cautious of acting on the model’s results. It would fail the applicability test.

2.3 Third example – an econometric model with metaphorical inputs and ‘hopeful recommendations’

The third example from *JIBS* is a paper by Liu et al (2015), entitled ‘Fit, misfit, and beyond fit: relational metaphors and semantic fit in international joint ventures’. This example is by far the most problematic when measured against the test of how much credence a company’s SDMs might afford to the results of the paper.

The authors’ key proposition is, broadly, that metaphorical descriptions of newly made international joint ventures IJVs (e.g. we are basically a loving, mixed marriage) lead to knowledge of how the JV will operate and perform. Or to put it another way, such metaphors can serve as a plausible diagnostic of future IJV success.

In the regression based model used, metaphors are allocated to one of two classes (a $\{0,1\}$ function). Outcomes are ‘achievement of strategic goals’ and ‘quality of relationship’ measured by ‘observed citation frequency’ in company reports/documents. In other words IJVs

are assumed to be successful if written discourse, from company reports, contains affirmative statements – no intrinsically quantifiable outcome items were used to measure success. Using these variables with other applied constraints, regressions were run. Hence, impressionistic inputs (crucially verbally based, emotional metaphors) are linked to subjectively assessed outcomes. The fact that a ‘hard’ applied mathematics model is used in the middle of the process is frankly incidental. But its presence does suggest that these authors are also adherents of the SIHO notion.

From the discussion by Liu et al (2015: 846), we have the following comment, “Our research also raises some cautions for majority and minority equity holders because ownership controls may shape cognitions and behaviors, potentially leading partners to overemphasize legal/economic parameters of the alliance and ignore a more socialized understanding of their relationship.” Personally, I find this sentence impenetrable at best, so what chance is there that busy SDMs in an MNC will believe that it really means something; not a lot I warrant. However, this paper like the first two examples made it into the hallowed pages of *JIBS*. That was of course very good news for the authors but its utility in the real world of international business is a very moot point.

2.4 Some more ‘problematic’ examples from other journals

In this table we list fifteen further papers, from a range of different journals, only one more from *JIBS*, and the key shortcomings identified in respect of the applied mathematics essayed. All of the journals are reputable in our view albeit not carrying the apparent kudos of *JIBS* or *Strategic Management Journal*. Frankly speaking one could make a very long list of this type. That is not to say that IB researchers are not sincere in their attempts to explore the issues in which they conduct research. Rather the problem is that it is too easy to collect data which can be entered into one of the big statistics/applied mathematics modelling packages which will then compute outputs even if the input data is less than solid in terms of the modelling approach attempted or where it may even be that some of the underlying assumptions of the model type are violated.

Author names and title of paper	Modelling problem/s identified
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Bahoo et al (2020), 'Corruption in international business: A review and research agenda', in <i>International Business Review</i>	This paper uses a soft maths technique, a so-called citation map, (maps or mappings being a mathematical concept).The map shown as a result shows a complex web of linkages but the conclusions are anodyne, they may very well have been available from simple observation and thought. Was the use of the maps simply to add 'kudos'?
Cho et al (2013), 'To be or not to be green: Exploring individualism and collectivism as antecedents of environmental behavior', in <i>Journal of Business Research</i>	A mixed sample of 726 US and Korean undergrad students were used to generate the soft, rating data for variables which fed into an SEM model. How representative of their wider societies can such respondents be? E.g. the bosses of big potentially polluting firms? This paper is simply an example of what might be called 'abusive, convenience sampling'.
Debellis and Pinelli (2020), 'Board interlocks in SMEs and the formation of international joint ventures', in <i>Rivista Piccola Impresa/Small Business</i>	Probit regressions are used with IJVs as a {0,1} dependent variable; 'board interlocks' the key independent variable is ordinal as are several controls, they say; also have dummies and a continuous variable. This makes it hard to see the model as a reflection of real life. All model versions have modest pseudo-R ² s but no mention of this in their limitations comments.
Estrin and Meyer (2011), 'Brownfield acquisitions: a reconceptualization and extension', in <i>Management International Review</i>	The independent/control variables in their regression models include a {0,1} variable for 'conglomerate or not'; institutional variables including freedom from corruption are book values; quality of local firms assessed by Likert score based on a Q'aire answers; control variables include more

	{0,1} vars and proxies. How like reality can this fairly complicated model be, especially as the R^2 s were low, the largest was only 0.3.
Fan et al (2009), 'Institutions and Foreign Direct Investment: China versus the Rest of the World', in <i>World Development</i>	The authors themselves admit that the proxies used for various, governance based independent variables, in their regression models, vary in their ability to fairly reflect the actual variables cited as relevant drivers for their dependent variable (ability to attract FDI).
Fu et al (2020), 'The growth impact of Chinese direct investment on host developing countries', in <i>International Business Review</i>	Tries to evaluate the effects Chinese OFDIs on factors such as productivity enhancement, job creation and development finance in the host countries of the FDIs. The models are carefully specified but even so there are issues: one set of models has weak R^2 s, others strong; as far as one can see, data from 9 years are used together in a single model; there are some strange multiplicative, 'interaction' variables; and, some of the proxies used are less than convincing, e.g. the labour skills variable is proxied by the % of children enrolled in secondary schools.
Krishnan (2021), 'Mindfulness as a Strategy for Sustainable Competitive Advantage', in <i>Business Horizons</i>	This paper does not actually contain maths models but the discourse suggests that may be the direction of travel, with mindfulness as a key driver. The author suggests attributes of the mindfulness concept can be developed and measured. Ratings seem likely to be used for that measurement, so an eventual model will likely have soft inputs 'driving' a hard output such as increased

	corporate performance. This seems less than ideal.
Lee et al (2020), ‘Moderating Effects of Informal Institutions on Social Entrepreneurship Activity’, in <i>Journal of Social Entrepreneurship</i>	The paper basically explores the possible impact of stigma of business failure (a Likert scale) on a pair of social enterprise strategy variables (one for NFP and one for Profit): both are {0,1}. Other variables are cardinal and categorical and dummies, with proxies in evidence so a multi-level logit regression was used. We found it hard to see how well the models really worked.
Lee et al (2020a), ‘Ambidextrous knowledge sharing within R&D teams and multinational enterprise performance: the moderating effects of cultural distance in uncertainty avoidance’, <i>Management International Review</i>	Looks at relationship between ambidexterity (so called) of R&D teams and company profitability (MNEs in China). A big sample: 4037 teams in 1468 companies, in 24 Provinces., with suitably complex model specification but the adjusted R ² ’s were only in range [0.3, 0.4] but no attempt to explain what may be missing from the models (or inappropriately present). The authors admit that just a two year time lag in the data may barely allow R&D time to influence results.
Liu et al (2012a), ‘Determinants of regional distribution of FDI inflows across China’s four regions’, in <i>International Business Research</i> .	The model here is intuitively believable but once again some proxies are rather weak representations of the underlying variables, e.g. the proxy for government incentives for FDI is the number of special zones in a given region of China.
Nippa et al (2021), ‘MNE responses to carbon pricing regulations: theory and evidence’, in <i>Journal of International Business Studies</i>	This paper tries to model a potentially important question. At the heart of the modelling are several regressions. Across the suite of models estimated not a single R ² has a value over 0.1: in other words the models

	fail explain most of the variance in the dependent variable, making coherent policy development difficult.
Papageorgiadis et al (2019), ‘The effect of European intellectual property institutions on Chinese outward foreign direct investment’, in <i>Management and Organization Review</i> .	The authors talk in their theory development of IP strength (or not) in a host country but the proxy in their regression model is an index of patents systems for the country. It might have been better surely if they simply declared the patent variable as their independent variable. They also include a multiplicative variable on the RHS ($x_i * x_j$) which may be problematic given the causal thinking pervading the model.
Sun et al (2002) ‘Determinants of foreign direct investment across China’, in <i>Journal of International Money and Finance</i> .	There seems to be a potential circularity in the posited regression model.
Suzuki et al (2010), ‘Does foreign investment matter? Effects of foreign investment on the institutionalisation of corporate social responsibility by Japanese firms’, in <i>Asian Business & Management</i> .	In one sense the authors have tried to be very careful but so many of their variables are either dichotomous or essentially ordinal that we find it hard to be sure that the model output is truly interpretable in terms of the pre modelling discourse. Also as the authors themselves write (p.390) of their three regression models, “...their R^2 s are relatively low.” In fact they are all < 0.2 so that the posited independent variables fail to explain most of the variance in the dependent variable (institutionalisation of CSR).
Zhang and Roelfsema (2014), ‘Unravelling the complex motivations behind China's outward FDI’, in <i>Journal of the Asia Pacific Economy</i> .	Among their independent variables the authors include Market Potential (MP) and Ethnicity (E) of a target economy. The actual data used are not the potential of a specific target market but a more complex weighted,

	distance related average. This may be a driver of PRC OFDI but it is not ‘what it said on the tin’. The proxy for E is very weak in my opinion – a {0,1} variable based on whether 5% of a target population speak Chinese. There are some multiplicative compound variables of dubious character essayed.
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As we can see, these are fifteen more examples from a variety of different journals, unified by queries about the soundness of the (mainly regression) models essayed to make their conclusions, and hence their credibility with and applicability for IB practitioners. Our purpose is not to suggest that there is no value or interest in the content of these papers – especially the fifth, sixth and fifteenth vis á vis our own interests - only that their believability would have been greater if the modelling had been tighter. Perhaps one key thing is to try not to ‘over-complexify’ the specification in search of apparently ‘good’ statistics for tests of the models’ components. If the believability of the modelling were greater viewed through an academic lens, it might then be possible that the pictures drawn would be of interest to IB practitioners in the corporate world.

2.5 The fourth major example – a simpler but very practical model.

Thus far we have looked at three examples of attempts at serious modelling in the pursuit of IB knowledge. They used what are normally seen as ‘hard’ model types in the setting of social science research, regression and SEM, but these papers were not quite what they seemed at first sight when one looked carefully at what went in to the hard models.

We turn now to an admittedly softer model but one which it is argued has real believability and applicability for SDMs in MNCs, not least because the author designed it precisely with a view to providing a usable tool for SDMs and their technical helpers. The model is a screening device for use, in conjunction with standard financial tools, in the assessment of potential FDI projects, Foster (2002). Unfortunately for its author, we may infer, or assume, that the very highest ranking journals were not interested in publishing the paper, although one should say that its

eventual home, the *International Journal of Management and Decision Making*, is a perfectly reputable journal.

The origins of the paper were a study which investigated potential and actual, UK corporate behaviour in the matter of assessing or evaluating potential Foreign Direct Investments (FDIs). This is an increasingly important question for the generality of corporate citizens as an ever greater proportion of companies, and indeed other types of organisations (e.g. universities), invest overseas as well as in their domestic economies. More precisely, the study aimed to answer the question, '*how should (such) FDIs be evaluated or assessed: what kind of models are/should be employed in [this] evaluation process?*' A key motivation for undertaking an empirical study was the sparse nature of the literature positing an *holistic*, evaluative approach to the assessment of FDIs, as is explained in the paper.

One can make another point here. Many journals, including *JIBS*, ask that papers should make a theoretical contribution. This model, simple as it may be in one sense, does indeed deliver a theoretical contribution: it filled a gap, the lack hitherto of an appropriate model which, in tandem with standard financial appraisal tools, offers an holistic evaluation tool.

From a priori thinking and the responses from the subject SDMs, who either completed a questionnaire or gave a more detailed interview, emerged a six factor framework, as follows.

Figure 2 The Foster FDI screen

F1: Infrastructure Adequacy
F2: Power Availability (a special case of F1)
F3: Labour Adequacy
F4: Cultural Aspects of Projected Host
F5: Market Potential
F6: Country Risk

As noted before, the proposal was that this framework, together with normal financial appraisal techniques, would provide an holistic approach to evaluating potential FDI projects.

The paper further proposes that, when using the screen, one could attempt to score or rate each variable on a subjective, Likert type scale (probably a 7-point or a 5-point scale), the scores supported by appropriate data measuring the factors. Hence, on completion of the analysis for a given project (project_j let us say), ABC Plc's SDMs would have had in front of them a six-tuple of scores plus say an NPV value for the project (or range of NPVs depending on varying assumptions). A six-tuple means that you have an array thus: (F_{1j}, F_{2j}, F_{3j}, F_{4j}, F_{5j}, F_{6j}) where the index, j, indicates the project scored. One should also note that for factors F₄ and F₆ one may wish to present the scores for the complement of the factor (with a reverse oriented scale) so that all scores adhere to the principle that a score near 1 is poor and a score near 7 is good, assuming we use a 7-point scale. Hence, if for project j, the SDMs see an NPV of £n million where n is a large number and a screen output 6-tuple of (6, 6, 6, 5, 7, 5) then one would feel pretty confident in the project's worth. If the NPV was the same but the screen 6-tuple were to be (3, 2, 4, 2, 6, 2) then more careful thought would be indicated before making an affirmative decision.

The whole idea of this model or framework is to offer SDMs a tool which they can readily understand and use. Given that idea, how might one generate the screen scoring profiles? It could be done by 'technical support' staff in strategic planning or it could be done by the SDMs themselves guided by the strategic planning manager or by a combination of the two groups. A question which some may ask of the screen is whether it may be a trifle over-simple in its design. If that is a concern then it is not very hard to elaborate the screen, as we show next. Moreover, this can again be done by 'an expert' or by a decision making group (DMG) collectively. The good part of the latter approach is of course that if the DMG undertakes the work themselves they are more likely to be committed to the refined screen's outputs. They will have a sense of ownership. This is very important when one moves on from decision taking to implementation.

One possible challenge to this model might be its very simplicity. In fact that very simplicity may be a strength rather than a weakness, since it may help to enable the busy senior executive at ABC plc or XYZ Inc to quickly grasp the sense of the model. If this strikes them as a helpful tool, it can then be developed in a more detailed way, which can be customised to their own

needs, as demonstrated in Foster (2014), see the Appendix for the example shown in that paper. As is also explained in that paper, the screen can be readily modified to assess a location for potential FDIs rather than its original purpose of looking at the individual, outbound FDI by a firm. In fact no material change to the screen is required; rather it is a question of scoring and interpreting from a different standpoint.

The key benefit from developing an elaborated form of the model is that one can build up those elements which are of particular importance or concern to oneself as a SDM; hence the use of the indefinite article in the title of the Appendix. If one builds a customised version of the screen and then applies it to the projects or locations under assessment then the expectation will be that the SDM team will have learnt much from the process, as well as from seeing the output profiles generated. Hence, in terms of the theme of the current paper, this model is valuable precisely because it has accessibility and utility for SDMs. This strikes us as being of greater value to the world of IB than some technically clever, abstruse model which few understand and hence few practitioners are likely to trust and use. The idea that SDMs will benefit from the learning gained in enacting the process is one famously approved by Russ Ackoff fifty years ago but is no less true today, Ackoff (1970).

An issue raised with us by a reader was possible evidence of the use and hence utility of the FDI-screen. A search of the literature shows it has been used in several academic papers (Foster and Wang, 2007; Foster and Song, 2011; Foster, 2014) and our understanding is that it has been used by quite a large number of postgraduate students in pursuit of their dissertations. In the business arena, our enquires reveal that it has been used in several consultancy exercises, including one in China and one in India, which must necessarily remain confidential. In addition, the screen's creator has told us that several major companies, who took part in the research leading to the development of the screen expressed interest in adopting the ideas, if not necessarily the exact format (a power generating company, a tobacco firm and a listed international trader/distributor), as did a consultant with the consulting arm of one of the big six accountancy firms.

2.6 Another example of a 'soft model'

The last model (or framework) described is but one example of its type and one can fairly readily find other similarly useful papers – but perhaps less so in the 'Category 1' journals

ironically. One such example is a fairly recent paper by Silvanto and Ryan (2014) whose overt aim was to produce a framework which is of potential use to practitioners in the IB arena: this commends it to us. In their structured abstract they state their purpose to be as follows (p.102):

“The global migration and movement of talent plays an important role in the economic growth and competitiveness of many nations. In coming decades, it is anticipated that there will be increased competition between countries to attract the best and brightest. The World Economic Forum (2011) has recommended using nation branding strategies to attract talent. In response to this recommendation, the purpose of this paper is to propose a strategic framework and terminology for branding nations to attract highly skilled workers. Based on a review of the literature, it recommends five strategic vision drivers that can help countries brand themselves in an appealing and compelling way to talented professionals. This paper also recommends the term “relocation branding” to describe the practice of branding nations, regions and cities to attract talent.”

As a result of their searches and reflection, they identified five strategic vision drivers to underpin a strategic vision for a relocation brand, which were:

- Employment economic dynamism and opportunity
- Cultural diversity and inclusiveness
- Clear immigration policies and effective governance
- Concentration of talent and ethnic networks, and
- Quality of life and lifestyle.

Silvanto and Ryan (2014) do not discuss scoring schemes to apply to their quintet of factors but it seems fairly obvious that one could readily attach Likert type scales to the five factors and thereby create either a scoring profile, as was done with the Foster FDI screen, or a composite score derived from the individual factor scores (simple addition or with some kind of weighting, see for example Keeney and Raiffa (1993).) In a later paper, with an additional author, they deploy their framework to assess a large sample of secondary data across multiple nations, Silvanto et al (2015). In essence the results validate their framework as useful.

3. Discussion and Conclusion

In this paper we have looked at the curious paradox between the type of content which seems to deliver high ratings of IB papers by ‘top’ journals as compared with accessibility and utility of content from the perspective of actual strategic decision makers. To do this we examined four papers in detail: three which had apparently non-trivial applied mathematical models in them and a fourth with a fairly simple and intuitive model, plus sixteen others in less detail to support our argument. The irony is that the first three papers, which appeared in a journal often claimed to be the top IB journal in the world, all came up short when tested against a key benchmark: the plausibility of the models in terms of the real world believability as representations of the real, complex IB world, or playing arena. The fourth major paper only achieved appearance in a worthy, mid-ranking journal but, it was argued, had obvious and immediate utility or usefulness for practitioners in the IB field.

It is noteworthy if a little ironic that the author of one of our four papers examined in detail, Buckley, wrote along with others, Buckley et al (2007b), that models of FDI decision making and activity do not well reflect the actions of real strategic decision makers (SDMs) in that arena. This is of course precisely one of the defects we noted about the work of ‘academic IB scholars’. Buckley et al (2007b) seem to try to suggest that the deficiency may be with the SDMs for not ‘following academic theories’ rather than grasping that the flaw lies in the work of the academics. Put simply many academic models in IB are not good models because they do not accurately reflect real life activity.

Since business research generally and hence IB research in particular is necessarily an applied field of endeavour, it seems obvious that a key measure of the worth of any IB paper should be its immediate applicability and utility for practitioners. From our case examples here and a more general screening of ‘top journals’, it seems clear that they are not using this critical benchmark. Given this, it is important to note that we are not opposing the *JIBS* position set out in their statement of editorial policy that “[they] do not publish manuscripts aimed solely at a practitioner audience.” What we are saying is that good IB papers should not only be of specific interest to and be perceived to have utility by academics but their output, including underlying models, should also be of interest to IB practitioners in terms of their applicability. The issue is not one of the either-or type but of the both-and variety.

We think that we can draw three conclusions. First, if you want to have a paper published in a top-ranked journal such as *JIBS* your chances are much greater if you include an apparently non-trivial, applied mathematical model but applicability and utility for practitioners are optional at most. The second point is that, if you produce simpler but obviously useful models or frameworks with which SDMs are likely to be able to empathise, then lower ranked journals are likely to have to be your target. We argue that this is indeed paradoxical behaviour by the top rated journals. The third conclusion is that, although models used in papers in top rated journals may look impressive, they may well be being misused in terms of modelling theory, by the use of excessive numbers of or inappropriate proxies (examples one or two) or by attempting to ‘model’ soft variables which don’t really belong in the kind of applied mathematical models in which they have been used (examples two, partly, and three). It is not that the applied mathematical models deployed are themselves flawed rather that many of those essaying business research are not using those models appropriately, very possibly because they lack an adequate mathematical understanding of the models they try to use.

These three conclusions focus specifically on the nature of modelling employed in IB research papers. Beyond that, as initially mentioned in the Introduction, there is the wider issue of the potential for very useful summarising papers and acts of storytelling which uncover useful pieces of advice for the practitioner and also the academic who dares to open their mind to the real world. This is part of a wider argument that soft research methods **should** have their place, although one might begin to doubt that truth, if one scrutinises the abstracts of top journals’ contents. Summarising papers as I have called them are synoptic papers which draw together and explain for the reader work undertaken in a particular field. For the busy executive with an enquiring mind and a willingness to learn these are potentially very useful additions to the literature. Dare one say it but they may also have much to teach some of the self appointed, academic ‘theory experts’. To have maximum utility, we have in mind that such synoptic works should focus on succinct précis of key pieces of applicable research, rather than a drawn out and hard to read literature review, admirable though the latter may be in its own terms. Interestingly, since this paper was first conceived, sparked by the covid-19 crisis, the *Strategic Management Journal* published an example of just such a paper, Wenzel et al (2020). The authors review key papers from the journals of the Strategic Management Society to try to see what help they offer in providing insights into firms’ potential strategic responses to crisis. The conclusions are a touch mundane but the mere fact of such a paper in a big name journal seems to me to be progress.

As for the other suggestion, that of storytelling: this can work because the narrative style flows and hence may engage the reader who might otherwise eschew reading (dry) academic journals. It can be seen as a useful way to highlight important lessons that the author has learnt and may therefore also be useful to others, including academics. For some references to the approach, see for example, Remenyi (2005), Yanow and Schwartz-Shea (2006), Flicker and MacEntee (2019), while Liu et al (2012) provide an example of the approach at work.

Before moving to the managerial implications which may be drawn from our conclusions, we should add a comment which may explain in part why authors, who are not mathematicians, are seduced by the lure of complex looking, applied mathematical models at the heart of their work. Quite simply pressure is imposed by the editorial policies and consequent refereeing actions of many journals where great play is made of ‘novelty’ or ‘originality’. This may cause authors to try something different, more complex, in order to show the required novelty. *JIBS* goes so far as to say in its editorial policy that it will not entertain replication studies but this is not a policy rooted in good science and empirical work in IB is, or should be, part of a proper (social) scientific effort. In empirical science, replication studies which seek to try to confirm, or deny, initial empirical findings or theoretically derived conjectures form a key part of a programme of good science. Never has that been more apparent than in 2020 as scientists urgently sought to find a vaccine against the covid-19 virus. Those who doubt the importance of replication work should look at the work of Karl Popper (1959), a renowned philosopher of science, and the recent article by van Witteloostuijn (2016) which reviews Popper’s thinking as it relates to contemporary business research; see also Walker et al (2019) whose theme in summary is that replication, appropriately deployed, is an important tool in the area of social science research. Of course there is a world of difference between well aimed, indeed necessary, replicatory studies and what may be termed ‘pot-boiler’ studies, where an author uses an existing, established model with some fresh data in order to get a quick publication to keep the Faculty committee off their backs by appearing to be ‘active’. Relative to this latter type of paper, *JIBS*, and others, can be argued to have a legitimate point.

Finally, we examine what may be the managerial implications to emerge from our analysis. We have argued that a key measure of the worth of any IB paper should be its immediate applicability and utility for practitioners; if this is to become a reality, it requires that business journals should add such applicability and utility to their standard list of assessment criteria. A

second policy point for journals to reflect on is being genuinely open to considering papers which make use of a range of research methods; qualitative or reflective pieces really should not be assumed to be inferior to papers centred round the use of an applied mathematical model. Where mathematically based models are essayed, careful scrutiny must be made to ensure that the character of the data entered into a model used fully meet the assumptions of the model deployed. This should help to avoid the SIHO problem noted earlier.

We believe that the ‘proxy problem’ is sufficiently serious and widespread that journals should give specific advice to authors concerning the issue. Such advice would counsel authors to beware the dangers of excessive use of proxy variables in models they construct; and, where the use of a proxy seems unavoidable, the advice should be to seek a proxy which truly reflects the underlying conceptual variable rather than a crude proxy for which data are readily at hand.

Turning to researchers themselves, when econometric type models are used, they should be cautioned to avoid spurious ‘over-specification’. Sometimes the best model may have a sparser specification, especially if it means all its variables are well defined.

If some or all of these changes can emerge as a result of this critique we shall truly have achieved some advance in educational methodology as it applies to international business and management.

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Appendix - An elaborated form of the Foster FDI-screen

F1: Infrastructure adequacy (of proposed host venue, ‘hard’ and ‘soft’ in order)

- Road system
- Rail System
- Air transport
- Internal waterways
- Ports – sea and river
- Intermodality transfer hubs
- Telecoms/IT networks
- Water supply
- Healthcare: general and hospitals
- Banking
- Regulatory regime
- Legal system/rule of law/IPR protection

- Government incentives
- Tax regime

F2: Power supply adequacy

- Electricity generation and/or distribution
- Power supply available yes/no
- Power supply reliability
- Power rating reliability
- Availability of feedstock if own generation required
- Access to standard tariff where a drawn-down supply yes/no
- Gas supply

F3: Labour adequacy

- Availability of:
 - elementary educated workers
 - high school educated workers
 - relevant graduates (engineers, accountants etc.)
- Availability of good managers
- Availability of technically competent labour
- Perceived willingness to learn/adapt on job of:
 - workers
 - managers
- Degree managers willing to be responsible for decisions
- Diligence of workforce
- Honesty of workforce (all levels)
- Degree of unionisation and/or willingness for flexibility
- Attitudes to foreigners (e.g. UK 'masters' or third party customers).

F4: Culture Difference/Distance from investor's home culture

- Rules of behaviour/cultural mores
- Hostility to Foreigners (see also under Labour)
- Transparency
- Power distance/'respect' for superiors

- Uncertainty avoidance
- Masculinity/femininity balance
- Collectivism/Individualism (latter four sub-factors being those of Hofstede, 2001)

F5: Market potential

- General GDP etc Trends
- Proportion of population with non-trivial disposable income (if rel. to product)
- Demand trends in relevant industries
- Does host government allow incursion into ‘our’ industry/ies?

F6: Country (i.e. Political and Social) Risk,

- Risk of government interference including appropriation of assets
- Risk of change of government
- Risk of internal political upheaval, short of civil war
- Internal unrest emanating from class or economic gaps or religious differences, short of civil war
- Risk of civil war
- Risk of external interference in sovereign matters, e.g. VN, Libya, Iraq, Syria
- Corruption, in Government and more widely

(alternatively, for F6 one could use a proprietary elaboration such as the Economist’s 10 factor, with 67-point maximum, weighted score, see *Economist*, 1986, plus perhaps the *Corruption Perceptions Index*, see Transparency International, 2019)

Source: Foster (2014)