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**THE CANADIAN INVESTMENT CLIMATE:
FOREIGN INVESTORS' EXPERIENCES AND PERCEPTIONS**

by

RITOO D'SOUZA, MBA

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirement for the degree of

Master of Management Studies

School of Business

Carleton University

Ottawa, Ontario

June 14, 1993

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FOREIGN INVESTORS' EXPERIENCES AND PERCEPTIONS"**

**submitted by Ritoo D'Souza, MBA
in partial fulfilment of the requirements for
the degree of Masters of Management Studies**

Thesis Supervisor

Chair, School of Business

Carleton University

July 21, 1993

ABSTRACT

Senior foreign and Canadian executives of 22 non-U.S., foreign owned Canadian companies were surveyed in order to determine foreign investors' perceptions of the Canadian investment climate, their investment experiences, information sources used and objectives for making the investment. Foreign investors with investment in new businesses had comparatively more positive experiences and perceptions of the Canadian investment climate as compared to foreign investors with investment in acquisitions. Market-related and social and political factors were the most important categories influencing the investment decision. Business visits by foreign executives from the parent company was the most important source of information. The acquired company was the important source of information when making an acquisition, while federal or provincial governments were important sources of information for investors in new businesses. Information gathered through personal sources and personal experiences played an important role in influencing the investment decision. The most important objectives for making investments were market related. Canadian executives had almost similar responses to those of foreign executives and had an overall positive experience of working for a foreign owned company.

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INTRODUCTION

Foreign Direct Investment (FDI) is gaining global importance among countries because of the benefits it offers to the host country in the form of increased Research and Development intensity, gains in productivity and the generation of employment (Investment Canada, working paper # 9, 1992). This makes FDI indisputably very important for the country's future competitiveness.

In order to attract FDI, it is necessary for a country to effectively promote itself to the investor. This can be done by providing sufficient and relevant information which may influence the decision on location selection. The host country should also be aware of its image in the eyes of outside investors since many studies reveal that FDI decisions are affected, to a large extent, by the investing company's perception of prevailing conditions and long term prospects in the target country. With the inception of the Free Trade Agreement between U.S. and Canada and the possibility of a North American Free Trade Agreement becoming a reality, Canada has to compete with U.S. and Mexico for future foreign investments.

A study of the investors presently in Canada becomes relevant since it might be expected that their opinions and views are transmitted back to potential investors from their native countries. This information flow partially forms the basis for development of the perceptions of potential investors and the resultant decisions on selection of location for foreign investment.

This research seeks to study the experiences of foreign investors who already operate within Canada and their perceptions of Canada's investment climate. The findings from the study may then be used as an input to efforts towards ensuring that potential investors develop positive perceptions about Canada and, therefore, increase the likelihood of such investment.

LITERATURE REVIEW

Foreign Direct Investment

The trend towards globalization of corporations is on the rise, as indicated by the rapid increase in world trade and foreign direct investment (FDI) in the last few years. The global stock of FDI has increased during the last two decades from just over U.S. \$112 billion in 1967, to U.S. \$1 trillion in 1987. In fact, the growth rate of FDI during the 1980s was more than that of world trade. A shift can also be observed in the source of investment. The United States, traditionally the dominant source of FDI with 50% of the world stock in direct foreign investment in 1967 had declined to 31.5% in 1987. West Germany had increased its investment from 5.3% to 9.8% and Japan from 1.3% to 7.5% during the same time period (Investment Canada, 1990).

FDI in Canada has increased more or less in line with the overall global trend. The stock of FDI in Canada has increased from \$48.3 billion in 1978 to \$109.1 billion in 1988, an average annual growth of 8.4%. Since the inception of Investment Canada in 1985, the gross inflow of investment has increased from \$3.9 billion to \$11.4 billion in 1989. The net inflow of FDI into Canada has also shown a significant change, in the era following the demise of the Foreign Investment Review Agency (FIRA). While the net inflow of FDI was negative during the first half of the 1980s, it is now positive. The sources of foreign investment in Canada

have followed a trend similar to those of other countries. While the U.S. stock of foreign investment in Canada has declined from 80% to 70%, the United Kingdom, Japan, West Germany and Hong Kong have all increased their shares over the same period (Investment Canada 1990). Table 1A gives a summary of FDI in Canada.

TABLE 1A
SUMMARY OF FOREIGN DIRECT INVESTMENTS IN CANADA

	<u>Number</u>		<u>Cumulative Total 85/06/30-92/03/31</u>	
	90-91	91-92	Number	%
Acquisitions	685	589	4,409	70.2
New Business	214	245	1,869	29.8
From				
United States	494	467	3,679	58.6
Japan	62	35	299	4.8
European community	227	202	1,448	23.1
Other countries	116	130	852	13.6
To				
Atlantic Provinces	16	23	149	2.4
Quebec	119	136	865	13.8
Ontario	494	442	3,616	57.6
Prairie Provinces	156	136	884	14.1
B. C. & Northern Canada	114	97	764	12.2

Source: Investment Canada Annual Report, 1991-1992.

FDI has been acknowledged by governments to be stimulating and beneficial for the economic development and the growth of the host country. Multi-national corporations have been known to bring with them capital, technology, employment, management expertise and market development. FDI also helps in improving the trade balance by increasing exports of newly produced goods and by replacing imports with domestic production (Tsurutani 1990). The importance of FDI has been recognized by countries around the world. Therefore, given the

advantages, it is not surprising that many countries have begun to market themselves to potential investors (Wee, Lim and Tan 1990).

As above, within Canada, the benefits of FDI have also been widely recognized. Alan Nymark, the Executive Vice-President of Investment Canada, stated,

The fundamental is that in Canada the relatively poor record of technology development is often laid at the door of the foreign multi-national, but the evidence has tended to show just the opposite- that access to the technology possessed by the multinational and the productivity gains bring major benefits to the host country.

These benefits encouraged the formulation of the Investment Canada Act which came into effect on June 30, 1985 and replaced the Foreign Investment Review Agency Act. The change was made with a view to creating a more welcome climate in Canada for foreign investment.

Recognizing that increased capital and technology would benefit Canada, the purpose of this Act is to encourage investment in Canada by Canadians and non-Canadians that contributes to economic growth and employment opportunities and to provide for the review of significant investments in Canada by non-Canadians in order to ensure such benefits to Canada.

Investment Canada Act,
Section 2, June 1985.

The Act significantly loosened restrictions on foreign investment making it easy to establish almost any new business. Any acquisition of control of a Canadian business by a non-Canadian requires either notification or an application to Investment Canada for approval. The Investment Development Division is designed to promote Canada as an attractive place in which to invest. It works in co-ordination with companies, in Canada and abroad, to generate beneficial investment in Canada.

As Canada competes to attract foreign capital, technology and expertise, it becomes important to understand how companies take the decision to select a country for the purposes of FDI, what the relevant perceptions of the investors are, and how they are formed.

For this study the literature reviewed will encompass the following areas:

1. Selection of a country for the purpose of FDI,
2. Perceptions and their effect on management decision making, and
3. Country image and stereotyping.

Selection of a country

Studies show that, traditionally, the decision to invest abroad and the selection of a country for the purpose of FDI may be based on various macro and micro factors. These factors could be broadly categorized as home country related, host country related, and product or firm related.

The host country related variables examined by various studies are:

1. A positive view of the country's investment climate. Two factors, the country's willingness and its ability to offer a good investment climate, may positively influence the investment decisions of potential investors. Since these factors are rather abstract they are quite difficult to measure (Stobaugh 1969;

2. **The size of the market or market growth.** Actual or potential market size have often been the most frequently cited reason by managers for FDI in a country (Green and Cunningham 1975, Ajami and Ricks 1981). Once a country's market is perceived to be large enough to sustain a profitable operation, there may be sufficient incentive for the exporter/manufacturer to build a plant within the country, rather than export from another country (Stobaugh 1969).
3. **Attractiveness of the local technology and know-how.** This factor was found to be useful in explaining the investment behavior of the foreign owned firms (Ajami and Ricks 1981). The availability of local technology is apt to encourage earlier production rather than export to a country (Stobaugh 1969).
4. **Geographic proximity to the home country.** Close proximity would help explain the reason for location in a country in many cases (Davidson 1980). The importance of this factor was supported by the high level of activity of U.S. firms in Canada, Mexico, and Colombia.
5. **Cultural similarity to the home country.** Such similarity does encourage direct investment. Managerial familiarity with the language and culture results in relatively lower ignorance of, or uncertainty about, the local conditions (Davidson 1980).
6. **Political stability of a country.** A stable country is more likely to be favorably linked with FDI (MacLayton, Smith & Hair 1980, Ajami and Ricks 1981).
7. **Negative attitude towards foreign investments by the host society.** Such attitudes are linked to legislated and administrative regulations directed towards

restricting foreign investments (Hampton 1985), and thus creating negative perceptions among investors.

8. **Trade barriers.** FDI has also been undertaken to overcome trade barriers in the form of tariffs and import restrictions (Kramer 1964, Mayer 1988).

9. **Lower economies of scale.** In countries where the manufacturing process has lower economies of scale as compared to the size of the home market, there are chances of earlier investment in manufacturing facilities (Stobaugh 1969).

10. **Availability of natural resources.** Countries with an abundance of natural resources may attract investment from countries in need of these resources (Kramer 1964). In addition to the raw materials of industrialization, availability of an economically feasible energy supply is a factor of importance while making an investment decision (Cateora 1987).

11. **Availability of labor.** Countries with cheaper labor (Cateora 1987) or skilled labor (Oechler 1989) are viewed as attractive sites for investment.

Some of the firm or product related variables are:

1. **Prior corporate experience in a host country.** Such experience is found to increase the firm's priority for projects in that country relative to other investment options (Davidson 1980).

2. **Higher managerial orientation towards overseas markets.** Such orientation leads to higher probabilities of foreign dealing (Cavusgil & Nevin 1981).

3. **High freight costs.** These costs make a plant built in a consuming country more profitable than the plant in another country originally producing the product for export (Stobaugh 1969).

5. **Nature of product.** Products viewed as necessities in a host country have earlier local production than ones not considered so essential (Stobaugh 1969).

Some of the home country related factors examined in studies are:

1. **Fear of making further investments at home.** Political unrest, labor problems, high taxes, high costs, or saturation of home markets (Ajami and Ricks 1981, Tallman 1988) lead companies to seek investment opportunities outside the domestic market.

2. **Bilateral international political relationships.** Such formal relationships are also important in determining the level of FDI from a source nation into a given host country (Tallman 1988).

The home country, host country and product or firm related factors help explain why a company decides to invest abroad and why a particular country is selected for FDI.

Litvak and Banting (1968) developed a classification system for market selection and entry decisions based on the seven leading host country related factors of political stability, market opportunity, economic development and performance, cultural unity, legal barriers, psychographic barriers and geo-cultural distance. Based on these factors, countries were rated along an environmental "temperature gradient". For example, "hot" countries were those that received high rating on factors such as political stability, market opportunity, economic development and

performance and cultural unity, and low ratings on factors such as legal barriers, psychographic barriers and geo-cultural distance.

Goodnow and Hanz (1972) used the Litvak and Banting classification to grade one hundred countries. The variables in this instance were measured by gathering country environmental indicators, each having equal weighting. In reality, firms deciding on where to invest may weigh these variables differently depending upon their resources and objectives. A similar study by Jansen (1992) also suggests that more attractive countries receive higher proportion of direct foreign investment as compared to less attractive countries where entry through indirect methods, such as exporting via intermediaries, is more popular.

Piper (1971), in his study of twenty-one U.S. corporations identified thirty-eight decision variables considered by these corporations during their study of investment markets. He grouped these variables into the broad categories of financial, technical and engineering feasibility, marketing, economic and legal, and political and social considerations. He also studied the extent to which these variables are considered by the corporations making investment decisions. The results showed that, with very few exceptions, political and social considerations were reported as receiving little attention, while technical-engineering and financial considerations were reported as receiving primary attention, followed by economic and legal considerations, with marketing considerations following a distant fourth.

On the other hand, in a study by Ajami and Ricks (1981) designed to assess the motives for foreign investment, non-American corporate decision makers were asked to rate twenty-five reasons for their firm's investment. Marketing factors were the predominantly cited reasons. The results showed that the large size of the

U.S. market, the desire to enter new markets, the need to preserve markets established by exporting, a favorable U.S. political climate and favorable attitude towards foreign investors were the most frequently cited reasons for investing in the U.S. However, factor analysis determined U.S. technology and innovation as the group of variables most useful in explaining their investment behavior.

Review of the research shows that there have been many studies directed towards evaluating the attractiveness of a country for FDI using concrete, quantitative data (Davidson 1980, Ehrman and Hamburg 1986, Tallman 1988).

Johansson and Moinpour (1977) have shown that major discrepancies may exist between objective and perceived reality in assessing market opportunities. Objective reality was measured by gathering hard facts from available secondary sources and clustering countries based on socio-economic variables. Perceived reality was measured by sampling the opinions of people familiar with international affairs such as students, academicians and bankers. The findings, therefore suggest that the attractiveness or unattractiveness of a country cannot be accurately predicted by sole use of concrete secondary data.

Lee and Lo (1988), in their study on American business people's perceptions of marketing and negotiating in the People's Republic of China have shown that correct perceptions by the Americans, where they exist, are one of the factors aiding increased business opportunities between the U.S. and China. The findings bring out the importance of knowing investors' perception of a country's investment climate to increase investment into the country. However, there is a lack of research on managerial perceptions of a country for FDI purposes. This gap is more obvious on reviewing the limited studies concerning Canada.

Of the few Canadian studies undertaken, a study done by McDowall for the Conference Board of Canada (1984) examined foreign investors' perceptions of the investment conditions in Canada. A questionnaire was sent to 7,450 potential investors in nine countries. Twenty-one investment factors were identified and broadly categorized as competitive, environmental, and market factors. The respondents rated expected profitability of investment, market growth, potential market share, and diversification into new markets as the most important factors strongly influencing their decision to invest or not to invest in Canada. The overall picture that emerges from the report is that the market factors are perceived to be most important by the potential investors, followed by controls and regulations, availability of resources and skills, and financing and infrastructure. Labor and union-related factors were of least concern to the respondents. This pattern is consistent with the belief that foreign investments in Canada are market-oriented and resource-oriented but not labour-oriented (Hung, 1985). The study had limitations in terms of low response rate (9%), and arbitrary categorization and unsuitable selection of investment factors (Hung, 1985). Market factors were given disproportionate representation in the questionnaire, while factors like domestic economic stability were ignored.

While the Conference Board report dealt with responses from potential investors, Oechler (1989) and Mayer (1989) directed their studies towards German investors already in Canada. Oechler (1989), in an unstructured qualitative study, chose a sample of German subsidiaries already in Canada with the view of collecting their experiences with regard to the legal environment, industrial relations system and the management of new technologies. The study brought to light certain attractive and unattractive factors that the German subsidiaries had to deal with in

the Canadian business environment. Lack of appropriate human resources and their development emerged as the most common problems for all industries, with the exception of the service sector. The other lesser problems listed by these investors were health and safety legislation, level of bureaucracy, unfamiliarity with the legal system, the short-sighted mentality of customers, and inflation. On the positive side were the high productivity which offset higher labor cost; a more familiar atmosphere than in the U.S., since Canada was perceived to be more influenced by European traditions; and fewer problems with industrial relations.

While Oechler's study focused on the experiences of German companies, Mayer's (1989) study retrospectively dealt with German companies' motives for investing in Canada. Mayer, in a more structured study of motives for German direct investment in Canada, chose for her sample fifteen German companies that had engaged in direct investment in Canada between 1985 and 1988. From the thirty possible motives presented to respondents in a questionnaire, it was found that the main motives for foreign investment were market-related, while cost-related factors played a minor role. The interviews conducted with 11 executives of the German owned companies suggested a difference in motivation for FDI in Canada between companies that became involved through acquisition and the companies that built-up a new business. For acquisitions, the main reasons for investment were cited as ensuring supply of resources and technology and to overcome country specific barriers like tariffs and exchange rates. For building up a new business, the most important motive stated was the desire to expand to the North-American market. Since the sample distribution was very small, i.e., three acquisitions and eight new business investments, the findings can not be taken as conclusive. In both Oechler's and Mayer's studies, the sample consisted of only German companies

therefore, the importance of cultural differences in influencing the experiences, perceptions and motives could not be evaluated.

Therefore, the literature review points towards a gap in the knowledge regarding investors' experiences, their motives for investing in Canada, and their perceptions of the Canadian investment climate specifically when compared to that of the U.S. The importance of perceptions in influencing the investment decision can be assessed by reviewing literature pertaining to managerial perceptions and their effect on the information search and assessment of a country.

Managerial Perceptions

Decision makers involved in international decision-making have to assess countries for various purposes, such as political decisions regarding international relations; or social decisions regarding grants, protection of human rights; or business decisions regarding export, FDI, supplier sourcing, etc. Most of the cases from the field of international relations have demonstrated that these assessments are usually the result of prior beliefs and perceptions. However, little research has been conducted in this area in the business context. Notwithstanding, the examples from the political context are relevant in providing an explanation of how assessments may be made in the business context.

Numerous examples from international relations cited by Jervis (1976) show that decision-makers tend to accept and seek information which conforms to existing expectations and beliefs. John Foster Dulles readily accepted any information about the U.S.S.R. that conformed to his image of it (e.g., evidence of economic failings) but required overwhelming evidence before he would take

seriously information that contradicted his views. In many cases, discrepant information is simply not noticed. Intelligence analysts, not expecting the Soviets to bring large but light-weight offensive missiles into Cuba, did not give particular notice to the arrival of ships with a wide hatch. Keeping the above in view, collection of quantitative concrete data for rating the attractiveness of a country may be a fruitless exercise if the decision making executive has preconceived biases against or in favor of that country. Miles, Snow and Pfeffer (1974) report that actions taken by the organization in responding to its environment are consistent with managerial perceptions rather than with the objective characteristics of the environment. While selecting a country for FDI, the investor will not only participate in selective information gathering but will also give low weighting to the information which goes against his or her existing perceptions.

Research on strategic decision making has shown that prior biases and beliefs tend to influence the decision-maker's actions (Schwenk 1984, 1988). Further, managers seek and use information conforming to their biases rather than non-confirming information. In strategic planning, the hard facts are only used to some extent, and ultimately it is human judgment which is used to interpret information and determine its relevance to the future (Barnes 1984). These subjective judgments are a major component in any strategy formulation process. Since FDI decisions can be seen as strategic decisions, a study of the beliefs, biases and judgments affecting these decisions becomes relevant.

Executives are usually bound by the limitations of available human and financial resources and by the inability to carry out and interpret the results of complex statistical analyses. They, therefore, often succumb to the alternative of intuitively selecting target markets (Papadopoulos & Denis 1988). Most companies

do not make use of large scale, rational screening processes to identify foreign investment opportunities. Lack of suitable methods, inadequacy of information, shortage of time, and costs of evaluation work against extensive screening. So, most international investments may be made out of fear that a market may be lost, as a reaction to a deal offered by an outsider, or sometimes simply as a hunch (Stobaugh 1969). It is not uncommon for firms to narrow down a range of investment choices to a single country based on popular magazine articles and hearsay from friends (Piper 1971). Sheridan (1988), in his study of the information sources solicited for international market selection, found that 88% of his sample firms selected their initial international market in an intuitive manner, that is, as a response to an unsolicited order. Therefore, their two decisions of internationalization and international market selection were collapsed into one. Of the top five information sources ranked, four were personal contacts where the information was not only gathered but also assimilated in a subjective manner.

Hard facts for evaluation of a country may be utilized only in the stages prior to the final round of the selection or elimination process. In the final round, where the choice has to be made among locations quite similar or equal on the various critical factors, it is past experience that management will draw from for their decision-making

This can be seen in the case of 3M's selection of the location for their new tape plant (Globe and Mail Nov.27, 1991). After scouting potential sites in Canada, the U.S. and Mexico, three sites, one from each country, were chosen for final analysis. Four cost factors were critical to the location decision: the transportation of raw material in and finished goods out, energy, property taxes and compensation, including wages and benefits. Transportation costs filtered out the Mexico site,

despite its advantage in labor cost. That left the Canadian (Brockville) and the U.S. candidate which were very close, with one having a minor economic advantage over the other. The final deciding factor in this case was the track record and the ability of the senior management of 3M Canada to influence the decision-making through their initiative and timely presence. The Canadian manufacturing organization had built an excellent reputation for continuous improvement and responsiveness to the needs of the customers, and they drove this reputation home to their head office through regular visits and by promoting themselves. Based on this, a \$30 million decision to build a new industrial tape plant in Brockville, Ontario was made in March 1991. Managerial perceptions created through personal contacts with those living and working in a country, are therefore, very important influencers of the country selection decision.

The literature highlights as shown in this review, the importance of managerial perceptions on influencing the selection of country for the purpose of investment.

Country Image and Stereotyping

Stereotyping results from a need for simplicity, coherence and predictability when dealing with complex environments (Tajfel 1981). Stereotyped images have an effect on decision making and information processing. Bodenhausen and Wyer (1985) in their study give evidence that stereotypes function as "judgmental heuristics" and are used despite the fact that other judgment-relevant information is available. People tend to remember information better when it is consistent with stereotypes they have formed. In a study of Chinese managers' perceptions of

different foreign investors (Wee and Paloheimo cited in Wee, Lim and Tan 1990), managers' perceptions of the other party's country image influenced the selection of a joint venture (investment) partner.

Specifically in evaluating countries, for whatever reasons, people do not look at the world in an objective, rational and unbiased manner but according to personal values, interests and the norms of the culture (Forgas and O'Driscoll 1984). These factors may lead to biased stereotyping of the various nations. These stereotyped images may change with an increase in awareness and information (Scott 1965), or travel to the host country (Pool 1965, Papadopoulos and Heslop 1986).

There has been a substantial amount of research on country image at the product level (Cattin, Jolibert & Lohnes 1982, Papadopoulos, Heslop, Graby, and Avlonitis 1987, Wall & Heslop 1986). The issue of country as a product though has rarely been examined. Considering that various nations are trying to promote their country as a potential investment site, it becomes more relevant to extend the studies to the 'country-as-a-product' level. In fact, Wells and Wint (1988) base their study of marketing by countries for the purpose of attracting foreign investment on the hypothesis that firms investing abroad go through the same decision process as the corporations making industrial purchases.

Review of the country of origin research indicates that there is conclusive evidence of the existence of differential evaluation of products based solely on their country of origin (Han and Terpstra 1988, Khera 1988). Perceptions regarding a product based on its country of origin exist, even for industrial buyers (White 1979). This has important managerial implications for the multinational firms interested in

moving locations for economic or strategic reasons (Papadopoulos, Heslop & Bamossy, 1990). It would encourage the multinational companies to lean towards a country with a more positive image in order to take advantage of the 'halo effect' being passed on to the product manufactured there. This halo effect operates in such a way that positive or negative views of the country are carried over to affect attitudes of the product.

Various questions regarding country image may have to be dealt with before selecting a country for manufacturing. For example: Will the country image positively or negatively influence the buyer towards the product? As can be seen from the study by Chassin & Jaffe (1979), industrial buyers had a negative attitude towards goods made in Eastern Europe. Since less than 30 percent of the sample of executives involved in the purchasing decision had any business dealing with these countries, the results could only be attributed to the respondents' attitudes towards these countries, drawn from non-business dealings, e.g. press, travel or friends. Therefore, the negative image of some countries may deter a manufacturer from directly investing in production facilities in that country in order to avoid lowering the 'prestige' of the product.

Is the product/brand compatible enough with the country image of the new location to enhance its own image? Johansson and Nebenzahl (1986), in their study on the effect of multinational production on the brand value of a car, concluded that brand value of a product could go up (for West Germany) or down (for the Philippines) depending upon where it was manufactured. Therefore, while a country may be seen positively as a producer of one kind product, it may be seen in a negative light in relation to another. If such divergent perceptions exist there may, as a result, be an influx of foreign investment in one sector and a dearth in another.

Along with the implications of varied country images formed in buyers' minds, the study of the cross-cultural differences in the formation of a country image is equally important. Cattin, Jolibert & Lohnes (1982) in their cross-cultural study of the "made-in" concept selected a sample of purchasing managers from England and France. The respondents were asked to review products from five different countries. A significant difference in perceptions of French respondents vs. English respondents was found. This implies that the same country may be viewed in a different light by people from different countries. This information is important in that it suggests a possible need to design different marketing strategies for different countries when promoting a country.

The review thus shows that, out of the factors which affect the selection of a country, the perception of the country by the firm is of significance, since people tend to make judgments on the basis of personal theories rather than on the basis of data alone (Lord, Ross, & Lepper 1979). A good understanding of the investors' perceptions, preferences, and decision making processes concerning the selection of investment location is essential for the success of any program aimed at increasing the flow of inward FDI. Unfortunately, studies on investors' views about Canada's investment climate are very limited in number and scope. This creates a need which this research will address.

RESEARCH OBJECTIVES

The overall objective of the study was to assess recent foreign investors' experiences and perceptions about Canada as an investment location. The specific objectives listed in order of the centrality to the overall objective are:

- a. To identify points of satisfaction and/or dissatisfaction with the Canadian investment experience, especially in relation to the expectations that these investors had and the benefits that they expected when they decided to invest in Canada**
- b. To directly and indirectly assess current perceptions and attitudes of presently active investors concerning the economic, political and social climate for investment in Canada**
- c. To identify sources of information that were used in arriving at the decision to invest in Canada**
- d. To identify the motives for investing in Canada**
- e. To identify corporate and individual factors that correlate with the experiences and perceptions of foreign executives in Canada.**

RESEARCH METHODOLOGY

1. Research Design

Keeping in mind the exploratory nature of the study, the research design is a descriptive research survey and follows an *ex post facto* survey design format.

2. Sampling Process

The population consisted of senior-level foreign and local executives of Canadian-based, non-holding and non-resource-based firms owned by non-U.S. foreign companies, who had invested in Canada through acquisitions or new business start-ups in the time period June 30, 1985 to March 31, 1991 and with investment of more than \$ 5,000,000.

The two factors which defined the sampling units were:

1. Location: Only the senior-level executives of companies in Ontario and Montreal area in Quebec were considered as a choice for the sampling unit. This restriction was made to increase their accessibility for data collection. Of the 589 companies acquired in Canada, 357 (about 61 %) are in the targeted location. In new businesses, the total population is 90 of which 32 (about 36 %) companies fall in the targeted location.

2. Nature of business: Holding or resource-based companies were excluded from the sampling units. Holding companies were excluded because they may hold passive portfolio interest in other companies. The resource-based companies were excluded because the decisions to invest in these companies by a foreign parent involve decisions based on non-transferable indigenous characteristics of the physical environment rather than alterable social and economic characteristics

A list of the companies was obtained from Investment Canada. Out of this list only those companies that met the above requirement were selected. The list contained 267 acquisitions and 29 new businesses. These companies' addresses and phone numbers were located through various directories. The search resulted in dropping additional 71 acquisitions and 15 new business investments because the company had been sold to Canadian or U.S. investor or could not be located. The reason for not being able to locate companies could be due to change in the name or the closing down of the operations. This list of companies i.e. 176 acquisitions (some foreign investors acquired more than one company), and 14 new business investments, were contacted to identify companies which have a senior foreign executive based in Canada. This final list formed the population to be studied. The population consisted of 25 companies. Since this final population was limited in size, a census was taken by contacting all the companies in the final list. Of the 25 companies, 23 agreed to participate in the study. One company had to be dropped later because of the unavailability of the foreign executive within the time frame required. A high response rate of 92% can be attributed at least partially to the interest expressed by the respondents in the topic of the study. Therefore, the offer

of a summary of the findings on the completion of the study, in the letter requesting their participation (Appendix I), promoted participation.

3. Data Collection

The data was collected through in-depth interviews and through self-administered questionnaires. Firms were contacted to confirm or obtain their addresses and the names of the most senior Canadian and foreign executives to be interviewed. Participation of the senior-most executives was solicited in order to ensure the validity of the responses as they would represent their parent firms and may also have knowledge of the FDI experience. A letter requesting executives' participation was mailed to each company. A telephone follow-up requesting executives' participation was made, and a face-to-face interview was scheduled and conducted at each executive's convenience in all cases except one. In that one case, a Canadian executive had to be interviewed over the telephone due to his busy schedule and the time constraint. The face-to-face interviews were taped and transcribed in all instances except one where the executive preferred not to be interviewed on tape. In this case, extensive notes were made during the interview. The executives were asked to complete a self-administered questionnaire immediately following the end of the interview. Therefore, a total of 44 interviews and 44 self-administered questionnaires were compiled.

4. Research Instrument

A different research instrument was administered depending upon whether the executive was a foreigner or a Canadian.

4.1. Foreign Executive

4.1.1. Interview

The interview schedule (Appendix II) involved open-ended as well as close-ended questions and dealt with the following topics:

- a. Personal history in relation to the parent company and the particular investment
- b. Parent company's history regarding overall foreign investment activities and specifically pertaining to Canada
- c. Parent company's objectives for making this investment in Canada
- d. Parent company's activities and experience prior, during, and after making the investment decision
- e. Canadian investment climate, as perceived by the foreign executive, the parent company and other investors
- f. Investment climate in the United States as compared to Canada
- g. The effect of personal contacts in investment decision making

4.1.2. Self-Administered Questionnaire

The self-administered questionnaire (Appendix IV) involved nominal scale demographic questions, as well as ordinal level rating scales, such as semantic differential and Likert scales. It dealt with the following topics;

- a. Company information
- b. Personal information
- c. Information sources used and their importance in influencing the decision to invest

- d. Rating the importance of the objectives for making the decision to invest in Canada
- e. Assessment of the Canadian investment climate based on market-related, production-related, finance-related, economic and legal-related, political and social-related factors, and general view of Canada and Canadians
- f. Rating the importance of the above factors in influencing the investment decision
- g. Rating the level of satisfaction with the above factors based on the investment experience
- h. Rating the investment climate of Canada as compared to that of the U.S.
- i. Similarity of the respondent's own opinion to that of the parent company

4.2 Canadian Executive

4.2.1 Interview

The interview (Appendix III) schedule for the Canadian executive dealt with the following topics

- a. Personal history in relation to the Canadian company and the particular investment
- b. Canadian company's background
- c. Canadian company's experience with the investment specifically in the case of the acquisition

- d. Assessment of the investment climate as perceived by the parent company and other foreign investors

4.2.2 Self-Administered Questionnaire

The self-administered questionnaire (Appendix V) was similar to that of the foreign executive except for the following:

- a. It did not deal with the information sources or the objectives for investing in Canada
- b. The parent company's view, rather than their personal view, was the focus of sections on the assessment of the Canadian investment climate, importance of the factors in influencing investment decision and level of satisfaction with the factors. This was done in order to maintain a common base (parent company) in the responses of the foreign executive and the Canadian executive and to allow for comparison of the two sets of responses.

In the self-administered questionnaires the factors in sections on the objectives and the assessment of the investment climate were generated through review of previous research. The specific objectives were gathered from the articles by Kramer (1964), Stobaugh (1969), Ajami and Ricks (1981) and Mayer (1989). The list of factors for the assessment of the Canadian investment climate and its effect on the foreign investment decision was obtained from Stobaugh (1969), Piper (1971), Hampton (1980), Ajami and Ricks (1981), Conference Board of Canada (1984), Cateora (1987), Mayer (1989), Oechler (1989).

Certain questions pertaining to the Canadian company regarding its international operations and its present relations with the parent company were only

asked of the CEO, irrespective of whether he or she was from the parent company or from Canada.

5. Data Analysis

In accordance with the exploratory nature of this research, much of the data analysis is descriptive. The firms are profiled and their behavior described. Frequencies and means are used to report objectives for investment, sources of information used and perceptions, and to relate these to firm and individual characteristics and experiences. Comparisons between the foreign and the Canadian executives' perceptions are made using the Wilcoxon signed rank test.

Further breakdown of the sample is done on the basis of the region of origin of the parent company and the type of investment that is, acquisition or new business. Since Australia falls into the Pacific Rim category because of its geographic proximity, and into the European category because of cultural proximity, the one Australian parent company was excluded from the analysis of regional differences due to its poor fit into one category only. Comparison between the responses based on these breakdowns is done using Mann-Whitney U test of significance.

RESEARCH FINDINGS AND DISCUSSION

The research findings are presented in the following order:

- 1. Discussion of characteristics and demographics in order to present:
 - a. General profile of the sample (i.e. companies as well as respondents).**
 - b. Profile of the parent companies and their foreign investment history.**
 - c. Profile of the Canadian companies and their international operations.****
- 2. Examination of objectives or motives for investing in Canada.**
- 3. Examination of the information sources used and their importance in influencing the investment decision.**
- 4. Assessment of the present foreign direct investment climate in Canada.**
- 5. Identification of points of satisfaction and dissatisfaction with the Canadian investment experience.**
- 6. Comparison of the Canadian investment climate to investment climate in the U.S.**

The presentation of the findings is given in the reverse order of the research objectives since it follows the order of information acquired in the interview and questionnaire, and builds towards the central research objective at the end.

1. Characteristics and Demographics

1.1 General Sample Profile

Of the 22 foreign owned companies studied, 6 were new businesses while 16 were acquisitions. The parent companies of these 22 companies were from 12 countries (Appendix VI). Table 1 gives the distribution of the type of investment based on the region of origin.

TABLE 1
NUMBER OF COMPANIES PER REGION OF ORIGIN
AND TYPE OF INVESTMENT

Type of Investment	Region of Origin	
	European	Pacific Rim
Acquisitions	11	5
New Business	3	3

Of the 22 companies, 21 were 100% owned by parent company and one was a joint venture in which both the investors were from the same country.

In each of the 22 companies, the Chief Executive Officer (CEO) and one other senior executive were contacted to participate, making the total number of respondents 44. Twenty-one CEO's were available to participate. For the remaining company in which the CEO was not available, the vice-president was interviewed. Table 2 gives the job title of the respondents.

Fifteen of the 22 CEO's were from the parent company. The high positions held by the respondents, therefore, supports the validity of the responses.

TABLE 2
JOB TITLES OF THE RESPONDENTS

	Foreign	Canadian	Total
C.E.O.	15	6	21
President / G.M.	0	3	3
Director / V.P.	2	6	8
Controller / CFO	5	2	7
Senior Manager	0	5	5
Total	22	22	44

1.2 Profile of the Parent Companies

Parent companies' profiles are given in order to link them to perceptions, experience and motives for foreign direct investment. Sixty-four percent of the parent companies were from Europe, 36% were from the Pacific Rim. This percentage varies somewhat from the total foreign investment in Canada from these regions, with a higher proportion in the sample being from the Pacific Rim. Of the total foreign investment from these regions in Canada, about 80% of the investors were from European countries and 20% from the Pacific Rim region (Investment Canada Data). This difference from the population breakdown could be attributed partially to the sample selection process in which only firms with foreign executives were chosen, resulting in an over-representation of Pacific Rim countries. Companies from the European countries may feel more familiar and confident about the Canadian environment and management expertise to be able to delegate

the job totally to the Canadian management without having their own representative stationed here. In contrast, the companies from the Pacific Rim countries may feel culturally unfamiliar with the Canadian business environment resulting in their need for a closer monitoring by the parent representative. On the other hand, the geographic proximity of the Eastern Canadian provinces to Europe rather than the Pacific Rim countries may create the feeling that a parent representative from the Pacific Rim country should be stationed at this location. If this latter is the situation, one might expect to see a reverse situation in the Western provinces of Canada where more foreign executives from European rather than Pacific Rim countries may be found.

Fifty-two percent of the parent companies were established prior to 1900, 35% between 1900 and 1950, while 13% were established after 1950. Most of the European parent companies were established prior to 1900 (86%), while the companies from the Pacific Rim were comparatively younger with 89% established after 1930 and their average age being 41 years. This difference in date of establishment may be attributed to the later industrialization in the Pacific Rim region as compared to Europe. A further industrial development in this region could result in an increase in potential investors from this region in future.

Only 23% of the companies had no dealings with Canada prior to this investment. Of the five companies with no prior dealings with Canada, two had prior investment history in the U.S. which provided them with more direct information about investing in Canada, and one acquired the Canadian company as a part of a global acquisition, that is, the Canadian acquisition was not the direct focus of its investment decision.

In the case of 77% of companies, who had prior dealings with Canada, a variety of entry modes were adopted to enter Canada. This may be due to the fact that most of the parent companies were multinationals with the experience of working in various countries, and, therefore, they could utilize the resources, expertise, and information available to select and implement any mode of entry suitable (Papadopoulos 1987). For 36% of the companies the mode of entry adopted to enter Canada was through manufacturing or by acquiring service companies. High incidence of entry into Canada through manufacture and export through company-owned channels, i.e., strategies involving high to moderate control by the parent company (Goodnow and Hanz 1972), could be attributed to the fact that Canada could be perceived as an attractive country.

The time of the initial foreign direct investment made by the parent company varied with the age of the company. The earliest initial investments were in the 1860's and the most recent initial investment was made in 1988. The first foreign direct investments made by the parent companies were usually within close cultural and geographic proximity, a result predicted by earlier studies (Davidson 1980). For example, companies in European countries tended to invest initially in another European country. This was true in 70% of the cases. Out of the other seven cases, five were companies from the Pacific Rim and their initial foreign direct investment was in North America. This could be attributed to North America being seen, politically and economically, as a stabler region vis-a-vis the other geographically close countries (Macclayton, Smith and Hair 1980, Ajami and Ricks 1981).

North America was the most popular destination for foreign investment for the parent companies followed by Europe. Sixteen of the parent companies had

prior investment in the United States. One of the companies with prior investment in the U.S. had found the market and regulations 'tough' and not conducive to business and had, therefore, withdrawn voluntarily. In the case of 60 % of the parent companies with investment in the U.S., U.S. investments were related to the investment in Canada either as a mutual support to the investment in Canada (33 %) or dealing in similar product but catering to different market (67 %).

1.3 Profile of the Canadian Companies

A study of the profile of the Canadian companies invested in, is important for analyzing the results obtained later in light of the nature of the environment in which the companies work. Table 3 explains the overall profile of the Canadian companies.

TABLE 3
PROFILE OF CANADIAN COMPANIES

	Industrial Products	Consumer Products	Total
Manufacturing	11	5	16
Service	3	3*	6
Total	14	8	22

* Includes one distribution company.

Seventy-seven percent of the companies had international operations mainly in the form of exports, while 23 % of the Canadian companies dealt with the domestic market only. The U.S. and South America were the two most popular

export destinations of the exporting Canadian companies (Table 4), which could be attributed to the geographic proximity of these destinations to Canada.

The major destination for goods or services offered by exporting Canadian companies was the U.S. The U.S. was the export destination for 76% of the exporting companies. The reason for the remaining 24% exporting companies not targeting the U.S. may be that, in all cases except one, the parent companies have independent operations in the U.S. to handle the U.S. market. In the one exceptional case, U.S. government regulations prohibit the Canadian company from operating in the U.S., due to the nature of business they are in. For 92% of companies exporting to the U.S., the U.S. market forms 80-100% of export sales, making U.S. the major foreign customer.

TABLE 4
DESTINATION OF EXPORTS BY CANADIAN COMPANIES

Export Destination	No. of Companies*
U.S.	13
S. America	5
Pacific Rim	4
Europe	3
Australia / New Zealand	2
Asia**	2

* The total number exceeds 17 as some companies had more than one export destination

** Excluding the Pacific Rim

The average export sales for the exporting companies is 44 % of total sales (Table 5). Since the distribution is skewed, a median value of 55 % would be a better representation of the export percentage as compared to total sales.

TABLE 5
EXPORT SALES AND TOTAL SALES OF CANADIAN COMPANIES

	Mean (million\$)	Median (million\$)
Total Sales	68	25
Export Sales	30	14
% Export to Total	44	55

2. Objectives for Making the Investment Decision

A study of the motives for making the investment decision can be made from the foreign executives' responses to the questions in section C of the interview and section D of the self-administered questionnaire. Through the interview a detailed list of the objectives could be gathered while the questionnaire helped in evaluating the importance of a list of objectives on the decision to make the investment.

2.1 Interview Responses

A comprehensive list of objectives, mentioned by the respondents in the interview could be divided into four major categories, not mutually exclusive. The objectives are listed first, followed by the explanation.

Objectives given by investors in acquisitions

1. The Canadian acquisition was a part of the North American / global acquisition
2. The acquired company happened to be in Canada
3. Seizing an opportunity / company available at a suitable price
4. To benefit from the acquired company's distribution network
5. To expand the parent company's product line through the acquisition

Objectives given by investors in new business investment

1. Encouragement from provincial and federal governments
2. Availability of competent personnel
3. Low utility costs
4. Comparative wage rate
5. Good standard of living
6. Favorable image of Canada

Objectives related to North America

1. To grow in North America
2. To be close to the major market
3. To use Canada as a spring board to get a platform in North America

Objectives related to strategic factors

1. To reach a critical mass
2. The need for direct presence and control
3. To be world market leaders

Others

1. Cultural compatibility/ English culture
2. To meet obligations

The first two categories pertained to responses specifically given by the foreign executives from acquired and new business companies respectively. While the other categories were relevant to either type of investment.

In the case of acquisitions, the characteristics of the acquired company and their suitability to the needs of the acquiring company were the main objectives for the acquisition. Location did not specifically feature as an important factor in the decision making as long as the company was within the North American boundary. In fact, in most cases it was seen as a North American acquisition, rather than a Canadian acquisition. In five cases, the acquisition was a part of a larger North American or global acquisition.

Some of the comments made by foreign executives from the parent of the acquired company illustrates the objectives for investment.

"The product offered (by the Canadian company) was a perfect fit with our needs".

"We had the company on our wish list for a long time. Once the opportunity came along we went for it".

"The company just happened to be in Canada".

"We would have made this acquisition irrespective of where it was based in North America".

"Canada came as a package deal".

For a new business, on the other hand, selection of location was an important factor in the investment decision. Encouragement from the federal and provincial governments in the form of incentives or interest-free loans offered was one of the most cited reasons (4 out of 6 cases) for selecting Canada and the particular province for investment. Availability of competent personnel was another rationale which was given in four out of six cases as a factor influencing the location decision. In one particular case, the choice between the Canadian location and a U.S. location went in favor of Canada, even though the costs were relatively higher at the Canadian location, because of the availability of highly skilled labor, which was considered to be an essential requirement for the high technology company. Low utility costs, comparative wage rates, favorable image of Canada and a good standard of living which helped attract key personnel from other countries to this location, were the other motives for investment.

Parent companies with investment in acquisitions as well as new business did not consider Canada in isolation when the decision to invest in Canada was made, but viewed Canada as a next door neighbor to one of the biggest markets or as a part of a major North American market. Therefore, the final target market was the U.S., with Canada being seen as a springboard to it. The presence of the Canada-U.S. Free Trade Agreement helped fortify this view, as it was perceived that the agreement would promote easy access to the U.S. market. That targeting of the U.S. market through Canadian investment was an important objective is supported by the export pattern of these companies. Seventeen of the 22 companies invested in are exporters, and the major portion of the export sales (i.e. 80-100%) of

13 of these companies is to the U.S. (Table 4). This indicates that North America as a whole is the major market for these companies and not Canada by itself.

For the European companies, Canada is perceived to be closer in culture to European culture and therefore, a familiar bridge to make the final transition into North America . Even the companies from Australia and Hong Kong, see Canada as an extension of the familiar English culture and English laws. As summed up by a European respondent,

"Canadian culture, the way people communicate with each other, deal with each other, it is a good blend of what you see in U.S. and what you see in Europe. . . . From that view-point we realize and experience a bit more comfort dealing with Canadian operations instead of U.S. operations."

In one particular case, the selection of location for investment was made in order to meet obligations, that is to fulfill the contract with the major customer, in this case the federal government. As the foreign executive stated, "There was no room to make (a) decision (regarding the selection of location), the decision was made when they (parent company) signed the contract."

Some of the respondents noted that they viewed the North American market as the last bastion to conquer in order to be called a success globally, as made obvious from the comment by one of the executives "Big dream in European investors mind is to succeed in the U.S." The investment under that situation was made for strategic reasons, that is, to be a world market leader.

2.2 Questionnaire Responses

The responses by the foreign executives in rating the importance of the listed objectives in the self-administered questionnaire show that the objectives that were given high ratings were market-related, that is, to be closer to potential customers, to be closer to existing customers, and to establish a North American presence (Table 6), factors also brought up in the interview.

The objective of using the investment as a stepping stone for a future investment came next in importance to the market-related factors. The result thus supports interview responses of the foreign executive who considered using the investment as a spring board to enter the U.S. as one of the important objectives for the investment.

The results revealing the importance of market-related factors as a motive for investing in Canada are in congruence with the results of the study conducted by McDowell (1984) for the Conference Board of Canada. The findings showed market-related factors, such as market growth and diversification into new markets, to be the most important factors influencing the potential investor's decision to invest in Canada. Market-related factors were found to be the important motives for investment by Mayer (1989) as well. Ajami and Ricks (1981), in their study of the motives of non-U.S. firms investing in the U.S., showed that, though marketing factors such as size of market, attractiveness of new markets and the desire to protect existing markets were the most often cited motives for investing in the U.S., it was the desire to acquire attractive U.S. technologies and innovation that explained the primary motive for investment in the U.S. Since accessing scarce design, engineering and skills did not feature as an important motive for investing in

Canada, it may suggest that other than marketing factors, the reasons for investing in Canada may not be similar to those for investing in the U.S.

TABLE 6
MEAN RATINGS OF OBJECTIVES FOR INVESTING IN CANADA

Objectives	Mean
To be closer to potential customers	4.1
To be closer to existing customers	3.9
To establish North American presence	3.9
To use this investment as stepping stone for a future U.S. investment	3.0
To benefit from Government grants and incentives	2.1
To overcome trade barriers	2.0
To access scarce design, engineering & other skills	2.0
To protect from domestic currency appreciation	2.0
To be close to major supplier	1.9
To benefit from higher productivity	1.9
To lower manufacturing cost	1.8
To access raw material	1.8
To follow competitors	1.6
To follow existing customer who moved to Canada	1.6
To offset obligations	1.4
Scale ranging from 1 not important to 5 very important	

The rating of objectives for investment was further examined for differences relating to the geographic region of the investor and the type of investment. Since Australia falls into the Pacific Rim category because of its geographic proximity, and into the European category because of cultural proximity, the one Australian parent company was excluded from the analysis of regional differences due to its poor fit into one category only. Since the responses were not

normally distributed, a non-parametric Mann-Whitney U test was carried out on the responses to check for significant differences.

A study of the objectives for investment based on the region from where the investment originates reveals only one significant difference between the importance of the objectives for the companies from the European countries versus companies from the Pacific Rim countries (Table 7).

TABLE 7
MEAN RATING OF OBJECTIVES FOR INVESTMENT
BASED ON REGION OF ORIGIN

Objectives	Region of Origin**	
	European	Pacific Rim
To be closer to potential customers	<u>4.0</u>	<u>4.3</u>
To be closer to existing customers	<u>3.9</u>	<u>4.3</u>
To establish North American presence	<u>3.9</u>	<u>3.7</u>
To use this investment as stepping stone for a future U.S. investment	<u>2.9</u>	<u>3.0</u>
To benefit from Government grants and incentives	<u>2.2</u>	2.0
To access scarce design, engineering & other skills	2.1	2.3
To lower manufacturing cost	1.8	2.0
To overcome trade barriers	1.8	2.6
To be close to major supplier	1.7	2.3
To benefit from higher productivity	1.7	2.3
To follow competitors	1.7	1.6
To access raw material	1.6	2.3
To offset obligations	1.4	1.4
To protect from domestic currency appreciation	1.4	<u>3.1*</u>
To follow existing customer who moved to Canada	1.3	2.1

Underlined are the five highest rated objectives

Scale ranging from 1 not important to 5 very important

* Mann-Whitney U significant difference at $\alpha < .05$

** Excluding Australia

The same objectives emerged as important in the regional categorization as that in the overall analysis, that is, to be closer to potential customers, to be closer to existing customers and to establish a North American presence. The only objective which showed a difference was the one concerning protection from domestic currency appreciation, implying that the appreciation of the domestic currency may be resulting in increases in production costs in the Pacific Rim.

On the other hand, a division on the basis of type of investment, acquisitions versus new business, shows a significant difference on a number of factors (Table 8). The three most important objectives, such as, to be closer to potential customers, to be closer to existing customers and to establish a North American presence were still rated high in both the categories. Significant differences in the rating of objectives of to be closer to the existing customer, to benefit from government's grants, to benefit from higher productivity and to lower manufacturing cost were revealed with new businesses rating these objectives as more important than the acquisitions.

The findings thus suggest that, besides the importance of market-related motives for investing in Canada which are common for both acquisitions and setting up a new business, new businesses also give more importance to factors such as incentives offered by the government, higher productivity and lower manufacturing costs in Canada. Even in the interview, incentives offered by the provincial and federal governments came up as the most popular (66% of the cases) motive for making the investment in the new business. Acquisitions, on the other hand, gave higher importance to the suitability of the acquired company in influencing the decision to invest. Since this factor was not incorporated into the list of objectives in the self-administered questionnaire, a quantitative rating cannot be obtained.

TABLE 8
MEAN RATING OF OBJECTIVES FOR INVESTMENT
BASED ON TYPE OF INVESTMENT

Objectives	Type of Investment	
	Acquisition	New Business
To establish North American presence	<u>4.0</u>	<u>3.6</u>
To be closer to potential customers	<u>3.9</u>	<u>4.5</u>
To be closer to existing customers	<u>3.5</u>	<u>5.0*</u>
To use this investment as stepping stone for a future investment	<u>2.7</u>	<u>3.7</u>
To overcome trade barriers	<u>1.8</u>	2.6
To protect from domestic currency appreciation	<u>1.8</u>	2.3
To access scarce design, engineering & other skills	<u>1.8</u>	2.7
To follow competitors	1.7	1.5
To access raw material	1.6	2.2
To benefit from Government grants and incentives	1.5	<u>3.7*</u>
To be close to major supplier	1.5	2.8
To lower manufacturing cost	1.3	<u>3.3*</u>
To follow existing customer who moved to Canada	1.3	2.6
To benefit from higher productivity	1.3	<u>3.5*</u>
To offset obligations	1.2	2.0

Underlined are the seven highest rated objectives for investment.

Scale ranging from 1 not important to 5 very important

* Mann-Whitney U test significant at $\alpha < .05$

A similar indication of motives for investing in Canada is exhibited by Mayer (1989) in her study of German investors' motives for investing in Canada. The study revealed a difference in importance of motives for acquisitions and new businesses. For new businesses exploiting country and ownership-specific advantages, such as expanding to the North American market, government support, cost advantages etc. were the main reasons for investment but for acquisitions, internalization advantages, such as ensuring supply of resources and technology,

were the often cited reason for investment. Mayers findings on the objectives for investment for new businesses match the findings of this study but differ on the objectives for acquisitions. Mayer's very small sample of acquisitions (only three companies) may account for this difference.

In conclusion the findings show that the most prevalent reasons for foreign investors in making the investment in Canada were to be closer to potential and existing customers and to establish a North American presence. The suitability of the acquired company became a focus of attention for the parent company investing in acquisitions, rather than the suitability of location, as long as the acquired company was within range of the targeted market. North America, rather than Canada, was seen as the focus of investment, especially for acquisitions. With North America seen as one region instead of composed of separate countries and especially with the FTA fading boundary lines, investors are not seeking just the Canadian market when investing in Canada. In the case of new businesses other factors that prompted the selection of Canada as the location for investment were to benefit from federal and provincial governments' grants and incentives, to use the investment as a stepping stone for future investment, to benefit from higher productivity and to lower manufacturing costs. Pacific Rim and European companies varied only on the objective to protect from domestic currency appreciation with companies from the former region giving it a much higher rating.

3. Information Sources

In order to learn about the information sources used during the investment decision making, data was gathered from questions 18, 19, 20, 32, 45 and 46 of the interview and section C of the questionnaire administered to the foreign executives. The responses obtained from the interview and the questionnaire will be first presented and discussed separately, and then related.

3.1 Interview Responses

In the interview, the foreign executives were asked to list the information sources used and to comment on how easy it was to access these information sources. The respondents were also asked about the effect of personal acquaintances, personal experiences and other personal information sources on decision making regarding where or whether to invest abroad. In addition, the respondents were also asked if other potential investors sought information from them about the Canadian investment climate. The purpose of gathering this information was to learn if the present investors were a source of information to potential investors, thereby gauging the importance and relevance of informal information sources in such decisions.

3.1.1 Information Sources Used for the Investment Decision

Among the information sources used to make the foreign investment decision for the acquisitions, the most often cited source (50%) was the parent company (Table 9). Sources, such as 'existing information in the company', 'previous experience of the parent company's personnel in North America', and 'the

parent company's existing investment in the U.S.' were some of the examples given. Consultant firms based in North America were the next most often indicated source of information. In some cases, the consultant firms were based in the U.S.

TABLE 9
INFORMATION SOURCES USED FOR ACQUISITIONS AS PER INTERVIEW RESPONSES

Information Source	Number of Respondents
Parent company	8
Consulting firms	7
Acquired company	7
Other formal channels	3
Informal channels	2

The acquired company rather than the Canadian environment was the focus of the information gathered, as specified by 31 % of the respondents from acquired companies. In fact, they learned about Canada from lawyers and consultants during the process of acquisition. Therefore, it is not surprising that 44 % of the respondents who invested through acquisition, mentioned the acquired company as the important source of information in the unaided verbal response. Other sources of information included both formal channels, e.g., Ontario or Canadian government offices in the home country, and Banking and Trading companies, or informal channels, such as "business circle" and "contacts". In fact, one respondent summarized that it is "who you know not what you know" that influenced the decision.

Among the new business investments, Canadian government bodies, i.e., federal, provincial and municipal, were said to be the important source of

information for 5 out of 6 new business investors. Customers' experience and other local companies from Europe were the other two information sources listed.

3.1.2 Effect of Information Gathered Through Personal Experience, Personal Acquaintances and other Personal Sources

The question concerning the effect of information gathered through personal experience, personal acquaintances and other personal sources on the foreign direct investment decision found that all respondents said that these factors did influence the decision regarding whether or where to invest abroad. Personal information sources were a very important part of the decision making for 29 % of the respondents, while 57 % of the respondents felt the decisions were a blend of objective reasoning and personal influences and the importance of the source depended upon the situation. Nine percent felt that personal information sources initiated the decision process and then the financial considerations took over. One respondent felt that the fact that Canada is considered a safer country makes a difference in the foreign investment decision, suggesting the importance of personal perceptions in influencing the investment decision.

Some respondents explained the situations under which the personal experience or personal contacts would play a more dominant role. The situations listed were:

- familiarity with the country investing in: more familiarity would lead to less use of personal experience or personal sources of information.

- the size of the company: a large company would not rely as much upon personal sources of information as compared to small or medium-sized companies would, (also noted by Sheridan 1988),
- the personal preference of the decision maker.

With regards to the particular investment made in Canada, 64 % of respondents indicated that personal experience or personal contacts did influence the specific decision concerning whether and where to invest in Canada, 18 % percent were not aware whether such personal sources had influenced the decision or not and only 18 % percent thought these factors did not have any influence on the particular decision.

Some comments of the respondents are helpful in illustrating the views of the respondents regarding the effect of personal experience, personal acquaintances and personal perceptions on the foreign investment decision.

"The person responsible at the top had ten to fifteen years experience in the past in the U.S. environment . . . (this) resulted in rapid growth in U.S. since he took over."

"Desire to be in North America for ego purposes may weigh heavily towards putting up a business here, even to the extent of accepting lower returns."

"In (particular country), the business circle is very small, and their opinions matter to each other."

"Personal contacts help you decide how realistic the figures are and, as any company can be made to look very attractive if presented right, it is the personal contacts that help you look through the nooks and crannies."

"Especially (in situations) where the markets are very volatile, sometimes decisions are mixed with perceptions."

"Yes, in fact (type of business) is based on more personal data than the financial or factual data."

"For example, when looking at Montreal or New York, (we) will prefer Montreal, because of better life style, safer, etc., but then other important factors like market, banking service availability, and labor also make a difference."

"(It) may not be a major source but the finishing touch"

3.1.3 Use of Present Investor as a Source of Information

In order to find out if the present investors were a source of information for potential investors, the respondents were asked if other companies or executives from their home country had asked their opinion about investing in Canada. An affirmative answer was given by 45% of the respondents. The frequency of the information sought by the potential investors varied from once a year to as often as once a month. In fact, potential investors' actual usage of the present investor as a source of information about the Canadian investment climate may be even greater than these numbers indicate based on responses such as:

"I only get a few enquiries, but the executives back home get at least ten times more".

"Have not asked me directly, but executives in (home country) get asked".

and from an expatriate executive about to return home,

"Most probably will ask me when I go back".

These responses imply that the experience of the present investor is used as an informal source of information and may influence the course of action that the future investors may take. Therefore, it becomes particularly essential to learn what the present investors think about the investment climate in Canada.

3.2 Questionnaire Response

In the questionnaire the respondents were asked to indicate the information sources used to invest in Canada and to rate their importance in influencing the parent company's decision.

3.2.1 Information Sources Used

An analysis of the responses from the questionnaire regarding the use of a specified list of sources of information showed that business visits by parent company's executives to Canada were the most often used source of information, in 90% of the cases, followed by Canadian consultants and media portrayal of Canada in the home country (Table 10). Pleasure visits by the parent company's executives to Canada was the least often used information source. However, since more than

half the respondents felt that it was used, it should still be seen as an important source

TABLE 10
INFORMATION SOURCES USED

Source of Information	Percent used
Business visits by parent company's executives	90
Canadian consultants	76
Media portrayal of Canada in home country	76
Canadian embassy personnel	71
Canadian suppliers/customers/distributors	71
Other home country companies with investment in Canada	71
Acquired Canadian company	71
Investment promotion material by:	
Canadian federal government	66
Canadian provincial government(s)	66
Home country consultants	66
Home country news magazines/newspapers	62
Publications by international organizations	62
Competitors	57
Canadian magazines/newspapers	57
Pleasure visits by parent company's executives	52

In the specific case of acquisitions, the acquired company was listed as a source of information used by all the foreign executives from the companies that had invested in an acquisition (Table 11). Other sources which frequently appeared as most often used were business visits by the parent company's executive, Canadian consultants and media portrayal of Canada in the home country. These aided-recall questionnaire responses are corroborated by the responses from the interview, which indicated that it is the parent company, Canadian consultants and the

acquired company which are the main sources of information. In acquisitions, the acquired company was the focus of attention and, therefore, "the information was gathered formally and informally about and from the acquired company, rather than the Canadian investment climate."

TABLE 11
INFORMATION SOURCES USED IN ACQUISITIONS
AND NEW BUSINESS INVESTMENTS

Sources of Information	Used in	
	Acquisition %	New Business %
Acquired Canadian company	<u>100</u>	..
Business visits by parent company's executives	<u>87</u>	<u>100</u>
Canadian consultants	<u>73</u>	83
Media portrayal of Canada in home country	<u>73</u>	83
Other home country companies with investments in Canada	67	83
Canadian suppliers/customers/distributors	67	83
Home country consultants	67	67
Canadian embassy personnel	60	<u>100</u>
Publications by international organizations	60	67
Competitors	60	60
Investment promotion material by:		
Canadian federal government	53	<u>100</u>
Canadian provincial government(s)	53	<u>100</u>
Home country news magazines/newspapers	50	83
Canadian magazines/newspapers	50	67
Pleasure visits by parent company's executives	40	83

Underlined are four most used sources of information

In the case of new businesses, on the other hand, the sources of information most often used were the Canadian official channels, both in Canada and the home

country (Table 11). All respondents indicated that the parent company had used information promotion material by Canadian federal and provincial governments and Canadian embassy personnel. This suggests that, specifically for new business investors, the Canadian government can have a direct influence in the decision on selection of a location for investment. Another difference appears to be the higher use of pleasure visits by parent company executives, as a source of information for new business investment as compared to acquisitions. However, in both acquisitions and new businesses, business trips by the parent company executives came out as the most often used source of information.

A similar breakdown on the basis of region of origin of the parent company showed business visits by parent company's executives as the most often used source of information for companies from both the regions (Table 12). For the companies from Europe the other sources of information that were often used were, Canadian consultants, media portrayal of Canada in home country, other home country companies with investment in Canada and Canadian suppliers, customers or distributors. All the companies from the Pacific Rim region used Canadian federal and provincial governments as a source of information while the companies from Europe did not use them as often. Canadian embassy personnel, Canadian consultants, media portrayal of Canada in home country and home country news magazines and news papers were the other popular sources of information for companies from the Pacific Rim. The popularity of various Canadian government sources amongst the companies from Pacific Rim implies the important role Canadian governments can play in attracting future investment from the Pacific Rim region.

TABLE 12
INFORMATION SOURCES USED BY EUROPEAN
AND PACIFIC-RIM COMPANIES

Sources of Information	Used by	
	European %	Pacific-Rim %
Business visits by parent company's executives	<u>86</u>	<u>100</u>
Acquired Canadian company	<u>85</u>	50
Canadian consultants	<u>71</u>	<u>83</u>
Media portrayal of Canada in home country	<u>71</u>	<u>83</u>
Other home country companies with investments in Canada	<u>71</u>	67
Canadian suppliers/customers/distributors	<u>71</u>	67
Canadian embassy personnel	64	<u>83</u>
Home country consultants	64	67
Publications by international organizations	57	67
Competitors	57	67
Canadian magazines/newspapers	57	50
Investment promotion material by:		
Canadian federal government	50	<u>100</u>
Canadian provincial government(s)	50	<u>100</u>
Home country news magazines/newspapers	50	<u>83</u>
Pleasure visits by parent company's executives	43	67

Underlined are the most used sources of information.

3.2.2 Importance of Information Sources Used in Influencing the Investment Decision

On analyzing the importance of the specified information sources among the companies that used them, business visits by the parent company executive received the highest rating, followed by the acquired company, consultants both in Canada and in the home country, and investment promotion material by both Canadian federal and provincial governments (Table 13). Sources of information, such as competitors and Canadian suppliers, customers and distributors also received a high rating.

TABLE 13
IMPORTANCE OF INFORMATION SOURCES USED

Sources of Information	Mean
Business visits by parent company's executives	4.8
Acquired Canadian company	4.3
Canadian consultants	3.5
Home country consultants	3.4
Investment promotion material by:	
Canadian provincial government(s)	3.4
Canadian federal government	3.3
Canadian suppliers/customers/distributors	3.3
Competitors	3.3
Pleasure visits by parent company's executives	2.8
Other home country companies with investment in Canada	2.8
Canadian embassy personnel	2.8
Media portrayal of Canada in home country	2.8
Home country news magazines/newspapers	2.7
Publications by international organizations	2.7
Canadian magazines/newspapers	2.2
Scale ranging from 1 not important to 5 very important	

Not only were business visits by the parent company's executive the most often used source of information but these visits were also given the highest rating, making it the most important source of information for influencing the investment decision. On the other hand media portrayal of Canada in home country was an often used source (Table 10) of information but was given a low rating in terms of its importance in influencing the decision (Table 13). Since these ratings are given for the information sources noted as used for the investment decision, therefore, even the sources of information with a low rating will have had, to some extent, an impact on the decision.

Analysis on the basis of the type of investment showed a significant difference on several sources of information regarding their importance in influencing the investment decision (Table 14).

TABLE 14
IMPORTANCE OF INFORMATION SOURCES USED
BASED ON TYPE OF INVESTMENT

Sources of Information	Type of Investment	
	Acquisition Mean	New Business Mean
Business visits by parent company's executives	<u>4.8</u>	<u>5.0</u>
Acquired Canadian company	<u>4.3</u>	..
Competitors	<u>3.3</u>	3.0
Home country consultants	<u>3.2</u>	<u>4.0</u>
Canadian suppliers/customers/distributors	<u>3.2</u>	3.4
Canadian consultants	<u>3.1</u>	<u>4.4</u>
Pleasure visits by parent company's executives'	3.0	2.6
Media portrayal of Canada in home country	2.7	2.8
Publications by international organizations	2.6	3.0
Investment promotion material by:		
Canadian provincial government(s)	2.5	<u>4.7*</u>
Home country news magazines/newspapers	2.5	3.0
Investment promotion material by:		
Canadian federal government	2.3	<u>4.7*</u>
Canadian embassy personnel	2.2	<u>3.7*</u>
Other home country companies with		
investment in Canada	2.2	<u>4.0*</u>
Canadian magazines/newspapers	2.0	<u>2.5</u>

Underlined are the six highest rated sources of information

Scale ranging from 1 not important to 5 very important

*Mann-Whitney U test significant difference at $\alpha < .02$

New business investments gave more importance to Canadian Government sources, such as the Canadian embassy and investment promotion material by Canadian federal and provincial governments. Therefore, not only did all of the parent companies investing in a new business report use of these sources, they also placed high importance on these sources when making their investment location

decision. Another source which showed a significant difference in its rating was the other home country companies with investment in Canada. New business investors gave this source a much higher rating than acquisitions. In fact, this source was given the fifth highest rating after business visits by parent company's executives, investment promotion material by federal and provincial governments and Canadian consultants. As one executive from the parent company which invested in a new business stated, "...the local people don't see the problem because they are here from birth and have lived with it. Only outsiders can look more objectively and are more reliable sources of information".

This finding, therefore, indicates the importance of learning investors' views about the Canadian investment climate, since their opinions are not only used as a source of information but also given high relevance and importance by the potential investor when making a foreign investment decision regarding setting up a new business.

Splitting the responses to the importance of the source of information used on the basis of the region of investor origin, i.e., European country versus Pacific Rim country, a difference could be seen only regarding the importance of Canadian embassy personnel and the acquired company (Table 15). In the case of the Canadian embassy personnel, companies from the Pacific Rim gave them more importance as compared to the companies from Europe. This difference may be because the Pacific Rim companies may feel less comfortable with the Canadian business environment as compared to the European companies and, therefore, give more importance to formal sources of information. In the case of the acquired company as a source of information, companies from the Europe gave more importance to this source as compared to the companies from the Pacific Rim.

TABLE 15
IMPORTANCE OF INFORMATION SOURCES USED
BASED ON THE REGION OF INVESTORS' ORIGIN

Sources of Information	Region of Investors' Origin	
	Europe Mean	Pacific Rim Mean
Business visits by parent company's executives	<u>4.8</u>	<u>4.8</u> *
Acquired Canadian company	<u>4.6</u>	<u>3.3</u> *
Canadian consultants	<u>3.5</u>	<u>3.8</u>
Investment promotion material by Canadian federal government	<u>3.4</u>	3.3
Home country consultants	<u>3.3</u>	<u>3.8</u>
Investment promotion material by Canadian provincial government(s)	3.1	<u>4.0</u>
Canadian suppliers/customers/distributors	3.1	3.5
Competitors	3.0	<u>3.8</u>
Home country news magazines/newspapers	2.7	2.6
Other home country companies with investment in Canada	2.7	3.5
Publications by international organizations	2.6	2.8
Media portrayal of Canada in home country	2.6	3.0
Pleasure visits by parent company's executives	2.5	3.5
Canadian embassy personnel	2.4	<u>3.6</u> **
Canadian magazines/newspapers	2.0	2.3

Underlined are the five highest rated sources of information

Scale ranging from 1 not important to 5 very important

* Mann-Whitney U test significant difference at $\alpha < .05$

** Mann-Whitney U test significant difference at $\alpha < .08$

These significant differences on both the sources of information could also be attributed to the distribution of the sample. Seventy-eight percent of the parent companies from the European region invested in acquisitions, while in comparison only 62 % of the companies from the Pacific Rim invested in acquisitions. Since the acquired companies and the Canadian embassy personnel featured as important sources of information for acquisitions and new business investments respectively (Table 14), therefore, the distribution of the type of investment within the investor's region of origin may be influencing the results.

An index of "Overall Impact of Information Source" was developed by multiplying the scale scores on two measures, frequency of source use and importance of source. The results are reported in Table 16, and may be a helpful tool in targeting potential investors.

TABLE 16
IMPACT OF INFORMATION SOURCES USED
(Mean Rating x Frequency)

Sources of Information	Type of Investment		Region	
	Acq.	New Bus.	Eur.	P.R.
Acquired Canadian company	<u>4.3</u>	..	<u>3.9</u>	1.6
Business visits by parent company's executives	<u>4.2</u>	<u>5.0</u>	<u>4.1</u>	<u>4.8</u>
Canadian consultants	<u>2.3</u>	<u>3.7</u>	<u>2.5</u>	<u>3.1</u>
Canadian suppliers/customers/distributors	<u>2.1</u>	2.8	<u>2.2</u>	2.3
Home country consultants	<u>2.1</u>	2.7	<u>2.1</u>	2.5
Media portrayal of Canada in home country	2.0	2.3	1.8	2.5
Competitors	2.0	1.8	1.7	2.5
Publications by international organizations	1.5	2.0	1.5	1.9
Other home country companies with investment in Canada	1.5	3.3	1.9	2.3
Canadian embassy personnel	1.3	<u>3.7</u>	1.5	<u>3.0</u>
Investment promotion material by Canadian provincial government(s)	1.3	<u>4.7</u>	1.5	<u>4.0</u>
Home country news magazines/newspapers	1.3	2.5		
Pleasure visits by parent company's executives'	1.2	2.2	1.1	2.3
Investment promotion material by Canadian federal government	1.2	<u>4.7</u>	1.7	<u>3.3</u>
Canadian magazines/newspapers	1.0	1.7	1.1	1.1

Underlined are the five highest rated sources of information.

In conclusion business visits by the parent company's executives and Canadian consultants featured as important sources of information to parent companies. The experience and the contacts that the business executives have

during their visits to Canada will, to a large extent, influence the investment decision.

In the case of investments made through acquisitions, the acquired company was the other important source of information used. Other sources such as government, federal or provincial, were not used as frequently. On the other hand for new business investments, Canadian federal and provincial governments and Canadian embassy personnel were important sources of information. The high importance given by new business investors to other home country companies with investment in Canada as a source of information, emphasizes the importance of perceptions of the present investors in Canada in influencing future investments.

4. Assessment of the Present Foreign Direct Investment Climate in Canada.

In this section, the assessment of the present foreign direct investment, as given by executives from the parent company and the Canadian company executives, and their perceptions of the parent company's and other investors' views, will be explored. The responses from question 23, 24, 25, 29, 30 in the interview (Appendix II) and section E and F of the questionnaire (Appendix IV) for the foreign executive, and the responses from questions 18, 21, 22, 23 in the interview (Appendix III) and section C and D from the questionnaire (Appendix V) for the Canadian executive were used for analysis. First, the analysis of foreign executives' responses and the Canadian executives' responses will be presented separately. Then, a comparative analysis of their responses will be given.

4.1 Foreign Executives' Responses

4.1.1 Assessment of Present Canadian Investment Climate

4.1.1.1 Interview Response

The foreign executives were asked for their assessments of the present investment climate of Canada (Q. 23, Appendix II). Various unattractive and attractive factors were mentioned by the executives. Of the unattractive factors about the investment climate, the most often quoted factors were political and government-related factors, followed by financial factors, economy-related factors, and market-related factors. On the other hand, among the attractive factors, the most often listed were market-related factors followed by production-related factors and government-related factors.

TABLE 17
UNATTRACTIVE / ATTRACTIVE FACTORS OF THE
CANADIAN INVESTMENT CLIMATE

Factors	Number of responses
Unattractive	
Political/government-related factors	22
Financial factors	14
Economy-related factors	12
Market-related factors	6
Attractive	
Production-related factors	8
Market-related factors	7
Government-related factors	3

A negative assessment of government regulations was given by 77% of the respondents. Stringent labor laws were the foremost aspect (6 respondents) making the investment climate look unattractive. Excessive regulatory bodies were seen as hampering and slowing down the business process (5 respondents). In a particular case cited by one executive, the company was caught in a 'turf battle' between the various authorities at both the provincial and federal levels regarding a product, wherein the authorities did not seem to agree on the regulations. One authority sent a letter giving the company the permission to go ahead, while the other sent them another, one month later, informing them that they could not proceed. This particular battle cost the company \$40 million.

Political uncertainty, (5 respondents) regarding the possible withdrawal of Quebec from Canada rather than the outcome, was of concern to the respondents, since the uncertainty of the direction in which the country would move in the future made it difficult to make long range plans. As one respondent stated "(we) operate internationally and are exposed to various political situations and, therefore, (we are) capable of managing change, but it is the uncertainty which is more difficult to manage."

Three respondents viewed government as too socialistic and anti-business, especially the present Ontario government. Three foreign executives felt that there were too many layers of government to deal with and that the government structure was inefficient. As one executive stated, "(I) wish they (government) would open up the boundaries between provinces before working on the boundaries between the countries."

In the financial factors, taxes were the most frequently cited (7 respondents) negative aspect of the assessment of the Canadian investment climate. Both business, as well as individual taxes, seemed to make working here unpalatable to many investors. Aspects, such as rising property taxes while the property value was going down during the recession, inability to give sufficient financial incentives to the employees since a large amount would be taxed away, and the effect of the Goods and Services Tax on sales and operational costs, were some of the most commonly recurring themes in the foreign executives' conversations.

High labor costs, especially when compared to the U.S., was another financial factor mentioned by six executives. This factor was more predominant for manufacturing companies and for those employing workers mainly in blue-collar jobs. The cost of settling labor disputes was part of this factor. In one particular case, the company had to spend thousands of dollars on lawyers fees and executive-time spent to sort out a dispute over one day's wages of an employee. Stringent regulations resulted in high costs (2 respondents), as indicated by the case presented earlier. Excessive regulatory bodies were seen to necessitate a higher level of coordination and a higher cost of doing business.

A weak economy and the recession were rated most frequently (7 respondents) as the economy-related factors contributing to the unattractive investment climate. The length and the depth of the recession was seen as a deterrent to new investments. It was also the reason given as to why some potential investors and the parent companies as well, had suspended their plans for further investment in this region. The Free Trade Agreement between Canada and the United States was also seen as a deterrent by two respondents who viewed it as a catalyst for an increase in intrusion by U.S. companies and, therefore, an increase in

competition in the domestic market. Such an attitude was held by the companies whose main market was the Canadian market. The large deficit and an artificially high Canadian dollar versus the U.S. dollar were seen as other negative finance-related factors.

Three foreign executives assessed the Canadian market as a difficult market to handle because of its diversity, small size and spread out market characteristics. As one respondent noted, "Canada isn't one country, but four or five in one." The executives thought that the non-homogeneous nature of the Canadian market made marketing strategies more difficult to formulate on a country-wide basis. The demise or migration to the U.S. of some companies was seen as a reason for the erosion of the customer base in Canada by two companies in the industrial goods market. Canada was seen to have limited growth potential, with a mature and highly competitive market, by one executive. On the other hand, another executive considered domestic competition not sophisticated enough and, therefore, it was easy to market their product.

Very few attractive factors of the Canadian investment climate were listed. Among production-related factors the most attractive factor was the skill level of the available labor (5 respondents). This was a popular response, specifically of the executives from high technology companies. Two executives from high technology companies also felt that the cost of personnel in Canada was competitive with the U.S.. A good education base for the labor force, which could be linked to a high skill level, and a good infrastructure were other factors mentioned.

Proximity to the vast U.S. market was seen as a potential benefit for being in Canada. The inception of the Free Trade Agreement (FTA) was seen as an

opportunity to enter the U.S. market through a Canadian base. Therefore, while some saw the FTA resulting in an increased intrusion upon their territory, others saw a potential for growth depending upon their outward or inward-looking mentality. One respondent felt that Canadian companies were not well equipped or prepared to fully realize the advantages of the FTA and to compete with U.S. companies.

Government support of research and development through tax credits was seen as an important factor for three high technology companies. In fact, in one particular case where a new business was being set up it was one of the decisive factors in selection of the location. For one investor, government support to R & D came as a pleasant surprise when his company was investigating the Canadian business environment, which suggests the need for greater promotion of this factor.

While the current economic recession was looked upon by most of the companies as a negative aspect of the Canadian business climate, some saw a positive side to it. One respondent who felt that Canadian labor costs were too high at present suggested that the recession might lead to more realistic salary and work expectations. Another respondent, who had a difficult time divesting one part of his company, felt that it was now the right time to invest to get a better deal.

4.1.1.2 Questionnaire Response to the Assessment of Present Canadian Investment Climate

Besides being asked to enlist various attractive and unattractive factors of the Canadian investment climate in the interview, the foreign executives were also asked to rate various factors of assessment given in the questionnaire (Part E, Appendix IV).

In the quantitative analysis of the foreign executives' perceptions of the Canadian investment climate 'General view of Canada and Canadians', received the highest rating in the overall categories followed by 'Political and Social factors', 'Production-related factors', 'Economic and Legal factors', 'Market-related factors' and 'Finance-related factors' in descending order of assessment (Table 18).

TABLE 18
OVERALL RATING OF THE CATEGORIES OF FACTORS

Category of Factors	Mean
General view of Canada and Canadians	3.7
Political and social factors	3.5
Production-related factors	3.3
Economic and legal factors	3.3
Market-related factors	2.4
Finance-related factors	2.3
Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment	

An overall rating analysis does not present a detailed picture since the factors within each category received diverse responses. Therefore, an in-depth analysis within each category is required.

General View of Canada and Canadians

In the group of factors dealing with "General view of Canada and Canadians", all factors received a highly positive rating except for the industriousness of the Canadians (Table 19). Problems with industriousness of the Canadian worker was also mentioned in the interview, where comments such as, "They (Canadian workers) rather take time off (for) hunting", "Playing golf is more

important", "(They) come ten to fifteen minutes late and at lunch time go exactly at twelve or five minutes before twelve", were made by the foreign executive respondents. One respondent attributed this lack of industriousness and ambition to the personal tax structure in place in Canada. A high taxation rate and tax regulations made a monetary raise or other taxable benefits ineffective motivational tools. Overall, a good national image of Canada and a high likability and friendliness of Canadians was perceived.

TABLE 19
MEAN RATING OF GENERAL VIEW OF CANADA AND CANADIANS

Factors	Mean
Friendliness	4.2
National image	4.1
Likability	4.1
Trustworthiness	3.7
General outlook	3.1
Industriousness	2.9

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

Analysis of the 'General view of Canada and Canadians' on the basis of the region from where the investment originated showed no significant differences in responses on all factors. The findings, therefore, imply that Canadians and Canada are perceived in the same manner irrespective of the region of origin of the investment.

However, analysis on the basis of the type of investment showed significant differences on four of the six factors, i.e., all except for national image and friendliness (Table 20). New business investors had a more positive outlook on the

factors of likability, industriousness, trustworthiness, and general outlook than the acquisitions investor executives.

TABLE 20
MEAN RATING OF GENERAL VIEW OF CANADA AND CANADIANS
BASED ON TYPE OF INVESTMENT

Factor	Type of Investment	
	Acquisition Mean	New Business Mean
Friendliness	4.1	4.4
National image	4.0	4.6
Likability	3.3	4.8*
Trustworthiness	3.5	4.2**
General outlook	2.9	3.6**
Industriousness	2.5	4.2*

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

* Mann-Whitney U test significant difference at $\alpha < .01$

** Mann-Whitney U test significant difference at $\alpha < .1$

This significant difference between the acquisitions and new business companies' respondents could be attributed to the friction felt when trying to merge an acquired company's culture into the acquiring company's culture. In comparison, in starting up a new business there may be less scope for an organizational culture clash. In fact, in one particular case of an acquisition, the problem of merging was so counter productive that the foreign executive felt in hindsight, that starting up a new business would have been a more effective method of making the investment compared to the acquisition. He also said that he would strongly recommend potential investors start a new business rather than acquire one.

In another case, where the Canadian acquisition was part of a North American acquisition, the CEO felt that the Canadian organization was having less problem merging than its counterpart in the U.S. This, according to the CEO, was due to the larger size of the acquired U.S. organization. The larger size may have contributed towards an increase in the potential for resistance to change. The findings may imply then, that it is not just the differences in the social culture, but the differences in the organizational culture that may appear as a hindrance to the transition when making an investment into the foreign country. Though the organization culture may owe its allegiance to the national culture, in the case of multi-national companies having subsidiaries in various countries and dealing with various national cultures, there may not be a specific national culture molding the organizational culture.

Political and Social Factors

A review of the responses to the political and social factors showed the political climate receiving relatively low ratings, while the rest of the social factors were given positive ratings (Table 21). McDowell's study in 1984 revealed Canada's political stability as an attractive factor for investment by potential investors. A different result in this study could be attributed to the pessimistic coverage of the constitutional debate and concerns about Quebec separation at the time of data collection. Quality of life and attitudes towards culture, religions and races were assessed very high. These factors were also mentioned frequently in the interview.

TABLE 21
MEAN RATING OF POLITICAL AND SOCIAL FACTORS

Political and Social Factors	Mean
Quality of life style	4.2
Attitude to various cultures, religions, races	4.0
Housing facilities	3.9
Public's attitude towards foreign investment	3.5
Crime level	3.4
Schooling and other facilities for children of expatriates	3.4
Receptivity to new products, methods and ideas	3.3
Government's attitude towards foreign investment	3.2
Cultural similarity to parent company's country	3.1
Political climate	2.5

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

On comparing the responses of executives from the European countries with those of the executives from the Pacific Rim, a significant difference was found in their responses to cultural similarity to parent company's country and to the housing facilities (Table 22).

Not surprisingly, the respondents from the European region felt that there was more cultural similarity between the parent company's country and Canada as compared to executives from the Pacific Rim. This assessment was also observed in their responses to the questions in the interview. The respondents from Europe felt that the parent company was more at home in the Canadian environment, than even the U.S. cultural environment, because of the greater prevalence of aspects of European cultures in Canada.

The housing facilities received a significantly higher rating from the Pacific Rim countries than the European respondents. A respondent from the European region while responding to the questionnaire commented that, though the housing

facilities were more than adequate, the cost of housing was very high. On the other hand, a respondent from the Pacific Rim felt that the cost of housing in Canada, specifically in Toronto, was reasonably low. This different response to the same price levels brings out the importance of home conditions when rating a foreign country, as the assessment will be relative to the environment with which the investor is familiar. The political climate was also seen differently by the respondents depending upon the region of origin of the investors. European respondents gave it a negative rating compared to the Pacific Rim investors who gave it a positive rating, though the difference was not significant.

TABLE 22
MEAN RATINGS OF POLITICAL AND SOCIAL FACTORS BASED
ON INVESTORS' REGION OF ORIGIN

Political and Social Factors	Region of Origin	
	Europe Mean	Pacific Rim Mean
Quality of life style	<u>4.4</u>	<u>3.8</u>
Attitude to various cultures, religions races	<u>4.1</u>	<u>3.7</u>
Public's attitude towards foreign investment	<u>3.6</u>	3.3
Receptivity to new products methods and ideas	<u>3.6</u>	2.8
Cultural similarity to parent company's country	3.5	1.8*
Housing facilities	3.5	<u>4.7*</u>
Crime level	3.4	3.3
Schooling and other facilities for children of expatriates	3.3	3.3
Government's attitude towards foreign investment	3.1	3.3
Political climate	2.2	3.3

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

Underlined are highest rated factors

* Mann-Whitney U test significant difference at $\alpha < .05$

In grouping the responses into new businesses and acquisitions investment a significant difference was observed on three factors, that is, "Receptivity to new

products, methods and ideas". "Governments attitude towards foreign investment" and "Attitude to various cultures, religions, and races" (Table 23). A higher assessment for the receptivity to new products, methods and ideas in the case of the new businesses could be attributed to the situation in which the new business has to deal with setting up a new organization, unlike for acquisitions where the organization and the system is already in place and the introduction of new ideas, methods, or products may result in a resistance to change. The fact that even the acquisitions gave a higher than mid-point rating for this factor is a positive indication of the perceived open and receptive attitude of the workers and the organizations in Canada.

TABLE 23
MEAN RATINGS OF POLITICAL AND SOCIAL FACTORS BASED
ON TYPE OF INVESTMENT

Political and Social Factors	Type of Investment	
	Acquisition Mean	New Business Mean
Quality of life style	4.3	4.2
Attitude to various cultures, religions, races	4.2	3.4**
Housing facilities	3.8	4.2
Schooling and other facilities for children of expatriates	3.6	2.8
Public's attitude towards foreign investment	3.4	3.8
Crime level	3.3	3.8
Cultural similarity to parent company's country	3.3	2.6
Receptivity to new products, methods and ideas	3.1	4.0*
Government's attitude towards foreign investment	2.9	4.0**
Political climate	2.4	3.4

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

* Mann-Whitney U significant difference at $\alpha < .05$

** Mann-Whitney U significant difference at $\alpha < 0.1$

A more positive perception of the governments' attitude towards foreign investment as perceived by the executives from new businesses, as compared to the executives from acquisitions who gave this factor a negative rating, may be due to the new businesses having had greater contact with the government prior to and during the investment. Government bodies featured predominantly as the influential information sources used by new businesses, unlike the acquisitions. In the case of acquisitions on the other hand, a negative image of government may be created by the difference in the screening process. In case of new business investments only notification is required, while, acquisitions over \$5 million have to obtain an approval from Investment Canada.

In an analysis comparing companies dealing in high technology products to other companies, the only factor that showed a significant difference was the receptivity to new products, methods and ideas. High technology companies rated Canada significantly higher. Therefore, it could imply that the companies dealing in high technology products perceive Canada to be more receptive to new products, methods and ideas. If this is true, then Canada may be seen as an attractive place for investment by companies dealing in high technology products.

Production-Related Factors

Within the production-related factors category, factors pertaining to infrastructure, such as, quality of communication system and quality of transportation system were given a high rating, while factors pertaining to costs such as, manufacturing costs, labor costs and cost of raw materials were given a low rating

(Table 24). Availability of skilled labor, skill level of Canadian workers and availability of expert managers were given a positive rating.

TABLE 24
MEAN RATINGS OF PRODUCTION-RELATED FACTORS

Production-Related Factors	Mean
Quality of communication system	3.8
Quality of transportation system	3.5
Availability of expert managers	3.3
Availability of raw material	3.3
Cost of energy	3.2
Technology level	3.1
Availability of appropriately skilled labor	3.1
Skill level of Canadian workers	3.1
Level of Productivity	2.9
Cost of raw material	2.8
Manufacturing costs	2.4
Labor costs	2.3
Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment	

These responses match the responses of some of the foreign executives in the interview. Good skill level and infrastructure was brought up as the positive aspect, while high cost of doing business due to high labor costs, etc., were considered to be the negative aspects of the Canadian investment climate.

Some executives from high technology companies did assess the cost of personnel in Canada as being competitive to that in the U.S. In Oechler's (1989) study the lack of availability of appropriately skilled labor was reported as a negative factor in the assessment by the foreign investors of the Canadian investment climate. However, the results of this study (Table 24) do not support his finding. This difference in results may be due to the fact that Oechler's sample

consisted of German companies only and it is possible that German companies may have higher expectations from their work force.

Analysis on the basis of the region of origin of the parent companies shows that companies from Pacific Rim assessed availability of raw material and quality of infrastructure, i.e., transportation and communication systems, highly. Companies from the Pacific Rim assessed the cost of energy negatively compared to European investors. However, there were no significant differences between the responses of the executives from the two regions on any of the production-related factors.

Analysis on the basis of the type of investment, that is acquisition or new business, shows a significant difference on two factors (Table 25). A significant difference between acquisitions and new business investors was seen in ratings of the productivity level, with new businesses giving it a higher rating than the acquisitions. It is important to note that, when looking at the importance of benefiting from higher productivity as an objective for investment, acquisitions gave this objective a low rating, while new businesses gave it a significantly higher rating. Since high productivity is an important objective for new business investment in Canada, a high assessment of this factor adds to the attractiveness of the Canadian investment climate. The responses in the case of acquisition investments may be attributed to prior expectations influencing present perceptions and experience.

Respondents from new business investments rated the level of technology higher than the respondents from acquisitions, and this difference approached significant levels ($\alpha = .065$). This could be attributed to the ability of the new business to use the latest technological methods of operation, unlike acquisitions where the parent company has to deal with the operations already in place. This

possibility is illustrated by an executive from a service sector company who commented that after the acquisition, a great deal of money and effort had to be put into the Canadian company to update its information system to the parent company's level. Since accessing scarce design, engineering and other skills was not an important objective for the investment (Table 8), the foreign investors in acquisitions were not looking for a high technology level in the acquired companies to start with.

TABLE 25
MEAN RATINGS OF PRODUCTION-RELATED FACTORS BASED ON TYPE
OF INVESTMENT

Production-Related Factors	Type of Investment	
	Acquisitions Mean	New Business Mean
Quality of communication system	<u>3.6</u>	<u>4.2</u>
Quality of transportation system	<u>3.3</u>	<u>4.0</u>
Availability of expert managers	<u>3.3</u>	3.3
Availability of raw material	<u>3.3</u>	3.2
Cost of energy	3.1	3.4
Availability of appropriately skilled labor	3.1	3.2
Skill level of Canadian workers	3.0	3.2
Technology level	2.9	<u>3.8**</u>
Cost of raw material	2.7	2.8
Level of Productivity	2.5	<u>3.8*</u>
Labor costs	2.4	2.0
Manufacturing costs	2.3	2.4

Underlined are the four highest rated factors.

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

* Mann-Whitney U test significant difference at $\alpha < .05$

** Mann-Whitney U test significant difference at $\alpha < .10$

Economic and Legal Factors

Except for the legal system, the economic and legal factors of the Canadian investment climate were assessed above the mid-point of the scale by the foreign executives (Table 26). However, in the interview the economic factors emerged as prominent unattractive factors of the Canadian investment climate. This difference could be partially attributed to the exclusion of the factor of the overall economy in the questionnaire.

TABLE 26
MEAN RATINGS OF ECONOMIC AND LEGAL FACTORS.

Economic and Legal Factors	Mean
Restrictions on ownership	3.8
Inflation rate	3.7
Ease of obtaining work permit for expatriate personnel	3.2
Legal system	2.6
Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment	

There were no significant differences in the responses of the executives from European companies and those of executives from the Pacific Rim, as well as in the responses of the executives from the acquisitions as compared to the executives from new businesses.

Market-Related Factors

All market-related factors received ratings below mid-point on the five-point scale (Table 27). Market size and market potential were considered to be

small. The most important objectives for investing in Canada were market-related as reported in the previous section. However, in assessing the current investment climate in Canada the low rating for market related factors could be explained by the fact that the investors do not see the Canadian domestic market as a sufficient market for investment but look at the combined North American market as the potential market. The importance of the U.S. market was also mentioned by many respondents in the interview and is further supported by their export pattern (Table 4).

TABLE 27
MEAN RATINGS OF MARKET-RELATED FACTORS

Market-Related Factors	Mean
Market potential	2.5
Distribution costs	2.5
Market size	2.3
Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment	

An analysis of the responses on the basis of the region of origin of the investor shows a significant difference in their response towards distribution costs. The respondents from the Pacific Rim companies gave a more positive rating to the distribution cost factor compared to the respondents from European companies.

A further analysis of the ratings on the basis of type of investment showed no significant difference on the market-related factors. Respondents from the new business companies gave a mid-point rating to distribution costs, but were not significantly different in their responses compared to the respondents from the acquired companies.

TABLE 28
MARKET-RELATED FACTORS RATING BASED ON REGION OF ORIGIN

Market-Related Factors	Region of Origin	
	European Mean	Pacific Rim Mean
Market size	2.6	1.9
Market potential	2.9	1.9
Distribution costs	1.8	3.3*

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

* Mann-Whitney U test significant difference at $\alpha < .05$

Finance-Related Factors

The foreign executives gave all the three finance-related factors a low rating in their assessment (Table 29). Excessive taxes was a negative factor brought out in the interview as well.

TABLE 29
MEAN RATINGS OF FINANCE-RELATED FACTORS

Finance-Related Factors	Mean
Currency exchange rate	2.5
Tax structure	2.3
Tax advantage	2.2

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

No significant difference was found on analyzing the responses based on the region of origin and on the type of investment. A further analysis of the responses based on the kind of product or service being offered did reveal some differences.

Executives from companies dealing with high technology products showed a significantly more positive response towards the tax advantages in Canada as compared to executives from the other companies (Table 30). This factor was also corroborated by the response from the interviews in which government offers of tax deductions on Research and Development expenses were considered one of the attractive aspects of investing in Canada by the executives from high technology firms.

TABLE 30
MEAN RATINGS OF FINANCE-RELATED FACTORS BASED ON
COMPANIES DEALING WITH HIGH TECHNOLOGY PRODUCTS.

Finance-Related Factors	Companies Dealing in Products	
	High Technology Mean	Non High-Tech. Mean
Currency exchange rate	3.0	2.4
Tax advantage	3.0	1.7*
Tax structure	2.8	2.0

Scale ranging from 1 to 5, with higher numbers indicating more favorable assessment

* Mann-Whitney U test significant difference at $\alpha < .05$

No formal data was gathered specifically to define the sample as belonging to a high technology company or not. The categorization for the purpose of this analysis was done, based on the type of products the company dealt with (e.g. telecommunication, pharmaceutical vs. auto parts, tourism, etc.). Therefore, the results can only be used as an indication of the possibility of differences in perceptions depending on the type of company. Further research on a larger sample keeping the technology level of the company in mind may be required.

2

MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
ANALYTICAL TEST CHART NO. 21

4.1.2 Importance of Categories of Factors in Influencing an Investment Decision

Foreign executives were asked to rate various categories of factors on their importance to an investment decision (Appendix III Part F). All categories were rated as important for an investment decision, with market-related factors given the highest rating (Table 31).

TABLE 31
IMPORTANCE OF CATEGORIES IN INFLUENCING
AN INVESTMENT DECISION

Category	Mean
Market-related factors	4.3
Political and social factors	3.6
General view of Canada and Canadians	3.4
Finance-related factors	3.4
Production-related factors	3.2
Economic and legal factors	3.2
Scale ranging from 1 not important to 5 very important	

The results support the findings on the objectives for investing in Canada, which show market-related factors as the most important objectives for investing in Canada. On the other hand, since market related factors were assessed negatively for Canada by the foreign respondents, these findings have important implications for potential investors.

Analysis on the basis of the region of origin of the parent company reveals a significant difference only on the category of 'General view of Canada and Canadians' (Table 32). Parent companies from the Pacific Rim gave significantly higher importance to the category as compared to the companies from Europe. The

factors within the category were given a positive assessment, implying an attractive investment climate in Canada for potential investors from the Pacific Rim.

TABLE 32
IMPORTANCE OF CATEGORIES IN INFLUENCING AN INVESTMENT
DECISION BASED ON REGION OF ORIGIN

Category	Region of Origin	
	Europe	Pacific Rim
Market-related factors	4.4	4.2
Political and social factors	3.4	4.2
Finance-related factors	3.1	3.8
General view of Canada and Canadians	3.0	4.3*
Economic and legal factors	3.0	3.8
Production-related factors	2.9	3.7

Scale ranging from 1 not important to 5 very important

* Mann-Whitney U test significant difference at $\alpha < .03$

Further analysis on the basis of type of investment showed significant differences on three categories, which were the production-related factors, finance-related factors, and political and social factors (Table 33). New businesses gave higher importance to all three categories. Investment in new business involves setting up from scratch and, therefore, may be perceived as more uncertain than investment through acquisition and so more importance may be given to the above factors.

TABLE 33

**IMPORTANCE OF CATEGORIES IN INFLUENCING AN INVESTMENT
DECISION BASED ON TYPE OF INVESTMENT**

Category	Type of Investment	
	Acquisition	New Business
Political and social factors	3.2	4.5*
Market-related factors	4.4	4.2
Production-related factors	2.8	4.2*
Finance-related factors	3.1	4.2*
General view of Canada and Canadians	3.2	4.0
Economic and legal factors	2.0	3.8

Scale ranging from 1 not important to 5 very important

* Mann-Whitney U test significant difference at $\alpha < .04$

4.1.3 Assessment of the Investment Climate in Comparison to Initial Expectations.

Foreign executives were asked to assess the present investment climate in comparison to their initial expectations in the interview (Q. 24, Appendix II). The majority of the respondents felt that the investment climate was worse than what they had expected, while none felt that it was better than their initial expectations.

The various reasons cited for their responses could be broadly categorized under three main topics of economic situation, work force-related factors, and regulatory factors. Of the eight respondents who had assessed the investment climate as the same as expected, three had previous experience in Canada. Of the 13 respondents who rated the investment climate as worse than expected, 12 respondents mentioned the economic situation, seven listed work force-related factors, and three cited regulatory factors as the reasons for the negative assessment. Of the 12 respondents citing the economic situation, 10 referred to the recession as

the major source of dissatisfaction with the investment climate. Though some stated that they had expected the recession, the depth and length of the recession that they had to face came as a surprise. The other economy-related factors mentioned were, the instability in trading and the tough, highly competitive market.

There were a variety of factors related to the work force which were different from what the foreign executives had expected. The respondents felt that the Canadian work force had:

- a belief in authority, with distance between senior management and general worker
- an old-fashioned management system
- a tendency to opt for an easy solution
- a lack of self-supporting staff
- a lack of a work discipline
- a lack of reliable, committed people

The regulatory factors that the respondents did not expect were excessive taxation, excessive documentation and administration, and severe regulatory restrictions. One respondent stated that one of their biggest customer went bankrupt, and under Canadian law, trade creditors are totally unsecured. Therefore, his firm suffered badly.

In response to the question of the parent company's assessment of the investment climate as compared to their initial expectation, 82 % of the respondents felt that the parent company's assessment was similar to their own, while 13 % stated that they had no knowledge of the parent company's initial expectations. One

respondent felt that his view of the present investment climate compared to the initial expectation was more positive than that of the parent company's.

4.1.4 Canada as Viewed by Other Foreign Investors

When asked as to how Canada was seen by other investors, foreign executives gave a variety of responses. Generally, Canada was not seen as a separate entity but rather in terms of its proximity to the major U.S. market, which in turn was viewed as the most difficult market in which to succeed. In fact, some respondents said that the ultimate criteria of success for foreign companies is being successful in the North American market.

TABLE 34
FOREIGN EXECUTIVES' ASSESSMENT OF CANADA
AS SEEN BY OTHER FOREIGN INVESTORS

Response	Number of Respondents
Canada as a way to enter North America	4
Expensive country with high taxes	4
Wait-and-see attitude	4
U.S. and Mexico a better choice	4
Do not know much about Canada	3
Rich country with available resources	3
Canada and U.S. as one	2
Similar in culture	2
Too much bureaucracy and regulations	1
Increasing Socialistic trend	1
Large size	1
Relatively stable	1
Multicultural society	1

Comments such as "Canada is seen as a way to enter North America", or "Canada and U.S. are seen as one" were often repeated. Some respondents specifically said that other investors from their home country were not

knowledgeable about Canada itself. Other general comments, such as, Canada is seen as a rich country with easily available resources, and that it is large in size and relatively stable, were given.

The recurring negative factors of the Canadian image in the eyes of other investors were that it is an expensive country where taxes and wages were concerned, with too much bureaucracy and regulations, and increasing socialistic tendencies.

Respondents sometimes stated that they felt that the other investors abroad were either holding a 'wait-and-see' attitude or considered the U.S. or Mexico as a better choice in comparison to Canada when thinking of investing in this region.

Cultural attributes were also mentioned as positive aspects of Canada. While respondents from European countries and Australia felt that other investors from their country felt culturally similar to Canada, a respondent from a Pacific Rim country felt that other investors from his country looked at Canada as a multicultural society, accepting various diverse cultures. Both Mayer (1989) and Oechler (1989) have also shown that similarity of cultures has either been an objective for investing in Canada or a positive outcome experienced by German investors.

One respondent summed it up in his comment about how he thought Canada was seen by potential foreign investors, "(Canada is) attractive from a stability and long-term viewpoint but unattractive from (the viewpoint of) short-term goals."

4.2 Canadian Executives' Responses and Comparison to Foreign Executives' Responses

4.2.1 Canadian Executives' Assessment of Parent Companies' Views of Canadian Investment Climate

The Canadian executives were asked about their assessment of their parent companies' view about the Canadian investment climate in the self-administered questionnaire based on the same list of factors as presented to the foreign executives (Appendix V).

The results (Table 35) show the Canadian executives' perceptions of how their parent companies view the Canadian investment climate. The results are quite similar to that of the views of the foreign executives. The Wilcoxon signed rank test show (Appendix VII) 'Restriction on ownership' as the only factor where there was a statistically significant difference, with the foreign executives giving it higher ratings than the Canadian executives. The overall results thus imply that Canadian executives have, more or less a clear picture of how the parent company perceives the Canadian investment climate.

The similarity in the responses of the Canadian executives and the foreign executives may be due to the presence of the foreign executive within the invested company and, therefore, the greater opportunity for communication with the Canadian executive. The foreign executive may be the source of information for the Canadian executive's assessment of how the parent company thinks, so the Canadian executive may find it easier to know these views, at least as interpreted by the resident foreign executive. Therefore, in future research it would be useful to determine the differences in responses of Canadian executives with a foreign-owned

company having no foreign executives based in Canada and those of the parent company directly.

TABLE 35
RATING FOR THE LIST OF FACTORS BY CANADIAN EXECUTIVES

Factor	Mean
Quality of life style	4.3
Friendliness	4.1
Likability	4.1
Housing facilities	4.1
National image	4.1
Trustworthiness	4.0
Attitude to various cultures, religions, races	4.0
Inflation rate	3.9
Availability of raw material	3.8
Crime level	3.8
Quality of communication system	3.7
Quality of transportation system	3.7
Receptivity to new products, methods and ideas	3.6
Schooling and other facilities for children of expatriates	3.6
Government's attitude towards foreign investment	3.5
General outlook	3.5
Ease of obtaining work permit for expatriate personnel	3.4
Industriousness	3.4
Availability of expert managers	3.3
Public's attitude towards foreign investment	3.3
Skill level of Canadian workers	3.2
Technology level	3.2
Cultural similarity to parent company's country	3.2
Restrictions on ownership	3.2
Level of productivity	3.1
Availability of appropriately skilled labor	3.1
Cost of energy	3.1
Market potential	2.8
Legal system	2.6
Currency exchange rate	2.6
Market size	2.6
Cost of raw material	2.6
Political climate	2.5
Distribution Costs	2.5
Manufacturing costs	2.4
Labor costs	2.1
Tax advantage	2.1
Tax structure	1.9

In order to learn if there was a difference between the foreign executives' perceptions and the Canadian executives' assessment of the parent company's perceptions, related to the region of origin of the parent company, a Wilcoxon signed rank test was conducted for the companies from Pacific Rim region and the European region. The results (Appendix VIII) show that, for the companies from the European region there is a significant difference between the Canadian executives' and the European executives' responses for seven factors. Those factors were general outlook, inflation rate, availability of raw material, quality of transportation system, restrictions on ownership, housing facilities, and trustworthiness. On all these factors, except for the restriction on ownership, the Canadian executives' assessments were higher than the European executives' assessments.

The same analysis comparing Canadian executives' opinion with those of foreign executives from the Pacific Rim (Appendix IX) shows a significant difference for only one factor, that is, market potential. The Canadian executives gave a higher rating as compared to the foreign executives. Therefore, the results suggest that the Canadian executives working for the companies from the Pacific Rim are more aware of the parent company's perceptions of the Canadian environment as compared to the Canadian executives working for European-owned companies. This is a surprising result as the Canadian executives working for the European companies might be expected to be more familiar with the parent company's views because of the cultural similarity between them facilitating the communication flow. It may be instead that cultural dissimilarity either motivates Canadian executives to make an extra effort to know how their parent company thinks, or it may push the foreign executives of the parent companies from the

Pacific Rim to make an extra effort to communicate their concerns and views more often.

A similar analysis based on the type of investment, i.e., acquisitions or new businesses reveals a significant difference on more factors for the respondents from acquisitions than from the new businesses. The respondents from acquisitions (Appendix X) showed a significant difference in their response to restriction on ownership, level of productivity, quality of transportation system, receptivity to new products, methods and ideas, industriousness, and general outlook. The Canadian executive gave a higher rating as compared to the foreign executive for all the factors. In the case of new businesses, the only factor showing a significant difference was tax structure (Appendix XI). Foreign executives gave a higher rating than Canadian executives. The results suggest that Canadian executives from new businesses are more familiar with the parent company's view than Canadian executives from acquired companies. Since the acquisition of a company may involve more organizational culture friction as discussed earlier, more problems in communication flows may arise as compared to the new business.

4.2.2 Assessment of Parent Companies' Views Compared to their Initial Expectations

Canadian executives' responses in the interview (Appendix IV, Q. 18) to the question of how the parent company's present assessment compares to initial expectations reveals a different response from that of the foreign executives, though the general balance is the same, i.e., more negative than positive. Canadian executives felt that the parent company found the present investment climate worse than they expected in 41 % of the cases. While 18% felt that the parent company

found the investment climate better than they expected. In 14% of the cases, respondents felt that the parent company had a mixed reaction to the investment climate, i.e., some factors came as pleasant surprises while the other factors resulted in disappointment.

This variance in response from that of the foreign executive could be partially attributed to the fact that the Canadian executives were not a part of the investment decision, and therefore, were not privy to the initial expectations of the parent company. On the other hand, when asked to expand on the reasons for negative assessments, the economy-related factors presented by the Canadian executives were the same as those given by the foreign executives, i.e. recession, a tougher market than expected, and the negative effect of the Free Trade Agreement.

The other major reason given by the Canadian executives for a negative assessment by the parent company in comparison to their initial expectation was the parent company itself. Three respondents felt that high expectations from the acquired company and a lack of sufficient effort and time spent before the investment accounted for why the parent company was disappointed in the outcome of their investment. Two respondents felt that it took longer than expected to implant the parent company's philosophy into the acquired company. While the foreign executives laid part of the blame for negative assessments on the Canadian work force, the Canadian executives felt that it was partially the fault of the parent company.

Among the new businesses, one respondent felt that the reasons for investing in Canada are "all slowly eroding away", as the tax rates are going up, and wages and the cost of doing business are on the rise.

The few reasons for finding the environment better than expected were either higher sales than expected or that the parent company found it easier to introduce new products. Even in the midst of a bleak assessment by the parent company, there is an indication of their pride in the investment in Canada as explained clearly by one respondent. He said that the parent company had not been able to make the expected profit and was, therefore, dissatisfied with the results, but they still brought in a delegation of small business people and investors from the home country to show off their plant and its operation.

4.2.3 Canadian Executives Assessment of Canada as Viewed by Other Foreign Investors

On the question about how Canada was seen by other foreign investors, the responses of the Canadian executives (Table 36) were quite similar to those of the foreign executives.

One respondent painted the image of Canada in the eyes of the foreign investors by using a simile of the chair:

"Canada is an item like a frame or like a chair, it has to be sold. . . .

You can not sit in this chair because it is not comfortable, (and) so (it is) very hard to sell. There is no price tag because I think there is no politics of the Canadian \$ (and) so (we) don't know how much we can sell it for. There is no long term plan or many other details about the

chair. There is no stability, whether the chair will be in this room or another room. There is conflict between different provinces. (It is) like having salesmen who have different plans or different reasons to sell the chair. (I think) Canada is not ready to sell."

TABLE 36
CANADIAN EXECUTIVES' ASSESSMENT OF CANADA AS SEEN BY
OTHER FOREIGN INVESTORS

Factor	Number of Respondents
Politically uncertain	8
Attractive market/Close to U.S.	7
'Wait-and-see' attitude	4
Do not know much about Canada	3
Lack of cohesion/Confusing	3
Rich country with available resources	3
Relatively stable	3
Similar in culture	3
Increasing Socialistic trend	2
Safe	2
Respect for multiculturalism	1
Too much bureaucracy and regulations	1
High standard of living	1

In conclusion intangible factors, such as quality of life style, friendliness and likability of Canadians, the national image of Canada, attitude of Canadians towards various cultures and races, housing facilities, etc., were given high ratings by investors assessing the Canadian investment climate. However, more tangible business-related factors, like labor costs, manufacturing costs, tax advantages, market size and potential, etc., were rated negatively by the foreign executives. Market-related factors and political and social factors were assessed as important categories in influencing investment decision.

A positive assessment was given to the cultural closeness to the parent company's country by European and Australian respondents and the open attitude to various cultures, religions and races by the respondents from Pacific Rim. The infrastructure, such as transportation system and communication system, were considered of good quality.

Factors such as governments' attitudes towards foreign investment, technology level, industriousness and level of productivity were given positive ratings by the new business investors, as compared to investors in acquisitions who gave them a significantly lower ratings.

A high level of taxation, too many regulations and many levels of government were the problems perceived with investing in Canada. Canada is not seen as a country individually but in conjunction with the U.S. by both present as well as potential investors. However some potential investors are not very aware of Canada, as such.

Canadian executives with companies owned by parent companies from the Pacific Rim and the ones with new businesses had more or less similar responses to that of their foreign executives unlike the Canadian executives working for parent companies from Europe and with investment in acquisitions.

5 The Canadian Investment Experience

In order to learn more about the investment experience of the parent company and to identify points of satisfaction and dissatisfaction with, not only the investment experience, but also the personal experience of living and working in Canada, and to relate the experience to its importance to the investment decision, the foreign executives were asked to respond to some questions (20, 21, 22, 26, 27 and 28 in the interview in Appendix II and Part D and E in the questionnaire in Appendix IV). The Canadian executives were also asked for their evaluation of the parent company's experience, as well as their own experience of working for a foreign parent company (Questions 19 and 20 in the interview in Appendix III). The foreign executives' responses will be dealt with first, followed by the Canadian executives' responses.

5.1 Foreign Executives' Responses

5.1.1 Evaluation of Parent Companies' Experience of Investing in Canada

The foreign executives were asked about the parent company's activities and experiences in making the investment decision up to the time that the operations were actually acquired or established in Canada, specifically pertaining to the ease or difficulty with accessing relevant information, operationalizing the investment and applying to or notifying government agencies.

Only 41% of the foreign executives were actively involved in the investment to some extent or the other, and therefore, were fully aware of the actual

experience. The other 59% of the respondents gave their response based on the feedback that they got from within the organization.

Most of the respondents (64%) felt that it was easy to access relevant information that was needed before making the investment decision about the Canadian investment climate, while the remaining, 36%, had no knowledge about the difficulty of access to information (Table 37). Some felt that the investor company's presence in North America prior to the investment made it easier for them to access information. Some foreign executives said that their company had worked through local lawyers and investment bankers who had easy access to the relevant information. One respondent stated that it was easy, "Since (Canada is a) developed country, open to everybody and supplying information". One respondent from a company who used an investment consultant felt that it was not accessing information which was a problem, but rather relating it to the concrete investment decision that is faced.

TABLE 37
EXPERIENCES IN MAKING THE INVESTMENT DECISION

Activity	Easy	Difficult	Don't Know
Access relevant information	14	0	8
Operationalize decision	16	1	5
Apply/Notify government agencies	10	5	7

Regarding the ease or difficulty with getting help to operationalize the decision (Appendix II, Q. 21), 73% felt there was no problem on this aspect, while 23% were not aware of any difficulties. Only one respondent who was in charge of

the acquisition felt that there were difficulties during negotiations, and these were mainly due to the resistance from within the acquired company. Two respondents said that they worked through lawyers and investment bankers in their home countries who, through networking with local help, made operationalizing the investment easy. In two cases in which a new business was being set up, a local person was employed who arranged for the set up of the company in coordination with legal and accounting firms.

Some of the remarks that emerged as a response to the question of ease or difficulty with operationalizing the investment decision were:

"(We) have done it so many times that (we) have standardized procedures now.";

"(The process) looked more daunting than it actually was";

"The team (of lawyers, accountants, etc.) had been proven in setting up the (company's customer) and (the same) team just came along."

Responses to the question concerning how complex or simple the application or notification process was (Appendix II, Q. 22) brought more negative assessments than the other two aspects discussed above. Forty-five percent of the respondents felt that there was no problem experienced by the parent company, while 23% had some problem in some form, i.e., the forms and process were considered to be either complex (two respondents) or tedious (three respondents). Thirty-two percent of the respondents did not have any knowledge of this aspect. Some respondents noted that they were not involved in the process because it was

done through their lawyers or that they were not there at the time. However, since they had heard no complaints about it, they concluded that there were few or no problems.

Some of the noteworthy remarks were:

"(The process was) more complex than we would have liked."

"The major hurdle was getting Investment Canada's approval, that was time consuming, paper consuming. . . . It took us eight to ten weeks. It was more going through the hoop than any major problems. . . . The application had to have 9423 forms (but) was not at the same scale of horror that one can get in (the United) States on occasions, when one is involved with the FTC (Foreign Trade Commission). We had one case where one question required us to file 28,000 documents."

"For the process to get the approval from Investment Canada, we had to involve our lawyers, not heavily but at least involve and to spend time on issues that seemed to be a waste of time, and I don't think Investment Canada was flexible about the acquisition."

"(It is) difficult to deal with both Federal and Provincial requirements "

"(It was the) most complex thing both in U.S. and here in Canada, though easier in Canada than U.S. . . . (Getting the approval involved) long negotiations with Investment Canada. . . . (it was) a

major concern of Investment Canada due to sensitivity of the business acquired."

All these comments came from the foreign executives from companies with investments through acquisitions rather than new business. These responses could be attributed to a more rigorous process of screening for acquisitions since, the Investment Canada Act requires a review and approval of direct acquisitions of Canadian businesses with assets exceeding \$5 million, but only notification for setting up a new business.

5.1.2 Assessment of Satisfaction or Dissatisfaction of the Parent Company with the Investment Experience

5.1.2.1 Interview Responses

The interview responses to the question of the extent of satisfaction or dissatisfaction, of the parent company with the investment experience in Canada to date, were split. Half the respondents felt that their parent companies were moderately satisfied to very satisfied, and almost half were moderately dissatisfied to very dissatisfied.

The reasons offered for the dissatisfaction with the investment experience were mainly low sales or profits. The wrong timing and not being able to achieve what they expected were some of the other factors cited by the respondents.

The reasons for satisfaction with the investment experience given included the company having achieved what it had meant to do, having secured new customers, getting a base in North America, and being able to get skilled people.

Some of the comments made by the respondents were:

"(The parent company is) satisfied with the results but not with the time taken to achieve them."

"(The investment was) not good for the short term, but since the acquisition was not a financial, but a strategic investment, therefore, (parent company) does not look at the short term "

This latter comment echoed a sentiment that was expressed in the remarks of many respondents.

Most of the respondents (82%) felt the same as their parent company regarding satisfaction or dissatisfaction with the investment experience. Nine percent felt more satisfied than the parent company while 9% were more dissatisfied than the parent company. The reasons for some of the foreign executives being more satisfied with the investment experience than the parent company were either that the experience was seen as a 'challenging or learning experience' or that the parent company was not seeing the potential for growth. The main reason for the dissatisfaction with the investment experience compared to the parent company was the problems faced by the foreign executives in making changes within the company.

5.1.2.2 Questionnaire Responses

On the question of how satisfied or dissatisfied were the parent companies with the investment experience, foreign executives were asked to rate the various categories of factors.

In the investment experience of the parent companies the general view of Canada and Canadians was rated as the category of factors with which they were most satisfied (Table 38). The category of General view of Canada and Canadians was also rated positively by foreign respondents when assessing the individual factors of the investment climate. On the other hand, political and social factors were assessed positively in the foreign investors' assessment of the investment climate, while the same category got a low rating on the level of satisfaction with the investment experience. This discrepancy in the responses could be attributed to the respondents giving more weight to the factor of political climate, the only factor in the category with a low assessment, when rating the overall category.

TABLE 38
PARENT COMPANIES' SATISFACTION OR DISSATISFACTION WITH
CATEGORIES OF FACTORS

Category	Mean
General view of Canada and Canadians	3.6
Production-related factors	3.1
Finance-related factors	3.1
Market-related factors	2.9
Economic and legal factors	2.9
Political and social factors	2.6

Scale range from 1 very dissatisfied to 5 very satisfied.

Analysis on the basis of type of investment showed a significant difference in responses of parent companies with investments in acquisitions and parent companies with investments in new businesses on market-related factors, production-related factors, and finance-related factors (Table 39).

Parent companies with investments in new businesses were significantly more satisfied with these factors as compared to companies with investments in acquisitions. The result, therefore, suggest that the investment experience in new businesses is different than the investment experience in acquisitions. Parent companies with investments in new businesses were satisfied with all categories except political and social factors, and the parent companies with investments in acquisitions were satisfied with only the category of General view of Canada and Canadians.

TABLE 39
PARENT COMPANIES' SATISFACTION OR DISSATISFACTION
BASED ON TYPE OF INVESTMENT

Category	Type of Investment	
	Acquisition	New Business
Production-related factors	2.6	4.2*
Market-related factors	2.5	4.0*
Finance-related factors	2.8	3.8*
General view of Canada and Canadians	3.5	3.8
Economic and legal factors	2.6	3.5**
Political and social factors	2.5	2.8

Scale range from 1 very dissatisfied to 5 very satisfied.

* Mann-Whitney U test significant difference at $\alpha < .04$

** Mann-Whitney U test significant difference at $\alpha < .07$

Further analysis on the basis of the region of origin of parent companies revealed a significant difference between the responses for the category of production-related factors only (Table 40). Parent companies from Pacific Rim countries were significantly more satisfied with the production-related factors than were parent companies from Europe. This difference could be partially attributed

to the distribution of the sample. Seventy two percent of the parent companies from Europe invested in acquisitions, and respondents from acquisitions gave a significantly lower rating (at $\alpha < .008$) to production-related factors.

TABLE 40
PARENT COMPANIES' SATISFACTION OR DISSATISFACTION
BASED ON REGION OF ORIGIN

Category	Region of Origin	
	Europe	Pacific-Rim
Production-related factors	2.8	4.0*
General view of Canada and Canadians	3.4	3.7
Economic and legal factors	2.6	3.3
Finance-related factors	3.1	3.2
Market-related factors	2.9	2.8
Political and social factors	2.6	2.3

Scale ranging from 1 very dissatisfied to 5 very satisfied.

* Mann-Whitney U test significant difference at $\alpha < .03$

5.1.3 Relating Satisfaction with Various Categories of Factors to Their Importance to Investment Decision

Comparing satisfaction or dissatisfaction with the investment experience on various categories of factors with the importance of these factors in the investment decision (Section 4.1.2) will help in showing how attractive the Canadian investment climate might be to potential investors.

The results show that the importance of the category of market-related factors to the investment decision, was significantly different from the satisfaction obtained from this category (Table 41). This was rated the most important category

of factors influencing the investment decision. However, the satisfaction with market-related factors was relatively low. Similarly the category of political and social factors was considered important in influencing the investment decision, but the parent companies were not satisfied with the investment experience pertaining to this category. Since all factors within this category except the political climate were assessed positively by foreign executives, therefore, more weight to the political climate must be influencing the response to the overall category. On the other hand, the category of general view of Canada and Canadians was considered important in influencing the investment decision and was also given a high satisfaction rating. So, the findings imply that factors pertaining to the General view of Canada and Canadians may be among the most useful in attracting potential investment into Canada, since existing attitudes are already positive and the factor is considered important in decision making.

TABLE 41
COMPARISON OF SATISFACTION AND IMPORTANCE OF
CATEGORIES OF FACTORS

Category	Satisfaction Mean	Importance Mean
Market-related factors	2.9	4.3*
Political and social factors	2.6	3.6**
General view of Canada and Canadians	3.6	3.4
Finance-related factors	3.1	3.4
Production-related factors	3.1	3.2
Economic and legal factors	2.9	3.2

* Wilcoxon signed rank test significant difference at $\alpha < .002$

** Wilcoxon signed rank test significant difference at $\alpha < .03$

For European-based parent companies, market-related factors were rated as most important in influencing the investment decision, while the same category

was given a significantly lower rating regarding satisfaction with the investment experience (Table 42).

TABLE 42
COMPARISON OF SATISFACTION AND IMPORTANCE OF CATEGORIES
OF FACTORS FOR EUROPEAN COMPANIES

Category	Satisfaction Mean	Importance Mean
Market-related factors	2.9	4.4*
Political and social factors	2.6	3.4
Finance-related factors	3.1	3.1
Economic and legal factors	2.6	3.0
General view of Canada and Canadians	3.4	3.0
Production-related factors	2.8	2.9

* Wilcoxon signed rank test significant difference at $\alpha < .02$

For parent companies from the Pacific Rim region there were significant differences between the importance of and satisfaction with the categories of market related factors and political and social factors (Table 43).

TABLE 43
COMPARISON OF SATISFACTION AND IMPORTANCE OF CATEGORIES
OF FACTORS FOR COMPANIES FROM THE PACIFIC RIM

Category	Satisfaction Mean	Importance Mean
General view of Canada and Canadians	3.8	4.3
Market-related factors	2.8	4.2*
Political and social factors	2.3	4.2*
Finance-related factors	3.2	3.8
Economic and legal factors	3.3	3.8
Production-related factors	4.0	3.7

* Wilcoxon signed rank test significant difference at $\alpha < .07$

These categories were considered very important influencers of the investment decision. However, the parent companies were not satisfied with the experience pertaining to these categories. On the other hand, general view of Canada and Canadians and production-related factors were rated positively for both importance as well as satisfaction making these categories important in attracting foreign investment from the Pacific Rim.

For parent companies with investment in acquisitions, the most important category of factors, i.e., market-related factors was rated as least satisfactory (Table 44). The category of production-related factors was given low ratings for both importance and satisfaction.

TABLE 44
COMPARISON OF SATISFACTION AND IMPORTANCE OF
CATEGORIES OF FACTORS FOR ACQUISITIONS

Category	Satisfaction Mean	Importance Mean
Market-related factors	2.5	4.4*
Political and social factors	2.5	3.2
General view of Canada and Canadians	3.5	3.2
Finance-related factors	2.8	3.1
Economic and legal factors	2.6	2.9
Production-related factors	2.6	2.8

* Wilcoxon signed rank test significant difference at $\alpha < .002$

Results revealed a significant difference between importance and satisfaction with the category of political and social factors for parent companies with investment in new businesses (Table 45). This category was rated highest in importance in influencing the investment decision, while the same category got the

lowest rating on satisfaction with the investment experience. All other categories were given a high importance as well as a high satisfaction rating, making Canada an attractive place for investment for investors in new businesses, except on the single most important dimension.

TABLE 45
COMPARISON OF SATISFACTION AND IMPORTANCE OF CATEGORIES
OF FACTORS FOR NEW BUSINESSES

Category	Satisfaction Mean	Importance Mean
Political and social factors	2.8	4.5*
Market-related factors	4.0	4.2
Production-related factors	4.2	4.2
Finance-related factors	3.8	4.2
General view of Canada and Canadians	3.8	4.0
Economic and legal factors	3.5	3.8

* Wilcoxon signed rank test significant difference at $\alpha < .05$

Overall, new businesses investors had satisfactory investment experiences and perceived all factors as important in influencing the investment decision. On the other hand, investors in acquisitions were satisfied with only the category of General view of Canada and Canadians and felt the market-related factors were the main influencer of the investment decision. The categories of market-related factors and political and social factors were the most important in influencing the investment decisions for parent companies from Europe or the Pacific Rim and the parent companies with investments in new businesses or acquisitions. On the other hand, parent companies from Europe and the Pacific Rim and parent companies with investments in acquisitions were dissatisfied with the category of market-related factors. Parent companies from the Pacific Rim countries and parent

companies with investments in new businesses were dissatisfied with the category of political and social factors. This mismatch between the importance and satisfaction with the two categories may suggest a less favorable investment climate in Canada and areas where attention must be given if gains are to be made in attracting more FDI.

5.1.4 Foreign Executives' Experience of Living and Working in Canada

All foreign executives but one were either very satisfied or moderately satisfied with the experience of living and working in Canada. Very few negative comments were made about the living conditions in Canada, though the same could not be said about working in Canada. The main problem seen with working in Canada was the lower work ethics of the work force. Comments like, "the work force have a nine-to-five mentality", "managers (would) rather play golf than work", "too easy going", were made about the work force. One foreign executive from Europe was surprised that during the summer on Friday afternoons, he had problems contacting senior managers because they would all head for their cottages.

The positive aspect of working in Canada were factors such as, 'a multi-cultural work force which was seen as more adaptable to change', 'routine work well structured and organized', 'good skill level of worker especially in high technology companies'. One respondent felt that, although the work force was well educated, they were very specialized and do not have a good overall grounding. Therefore, they tended to have a narrow focus of knowledge, rather than on all aspects of the work, which made it difficult for them to adapt and be flexible. One parent company tried to overcome this shortcoming by giving their personnel training in various fields. One female foreign executive felt that it was easy to work in Canada,

especially as a woman. A respondent from the Pacific Rim felt that there was open communication between people, but another respondent from Europe felt that there was a lot of unwanted distance between senior management and the rest of the work force when it came to communication. This indicates that many experiences are seen in relation to the home country or cultural factors.

What was seen as a negative aspect of the work force, i.e., that Canadian workers have a tendency to be leisure oriented, may be linked to another positive factor for living in Canada. Forty-one percent of the respondents felt that Canada had a variety of recreational activities and good facilities. A good mixture of culture was seen as a positive aspect of being in Canada by 41 % of the respondents.

'Expensive country', 'commuting problems due to heavy traffic' and 'education system too soft' were the few negative factors brought up by some of the respondents. Inefficiencies in the service sector were seen to affect both the living and the working aspects of being in Canada. Three respondents felt that the Canadian market was behind in terms of being consumer-oriented or service-oriented. One respondent commented that, "The service sector, like banking, is rigid and not flexible. . . . Packages offered are suitable for local companies but not sufficient for foreign investors." Overall, living in Canada was assessed very positively by the foreign executives.

5.2 Canadian Executives' Responses

5.2.1 Assessment of the Parent Companies' Satisfaction or Dissatisfaction with the Investment Experience

Canadian executives' responses to how satisfied or dissatisfied the parent company was with the investment experience were more or less similar to that of the foreign executives. Fifty percent of the respondents felt that the parent company was very satisfied or satisfied with their experience in the investment in Canada, while 45 % felt they were either very dissatisfied or dissatisfied with the investment experience. One respondent had no comment about it.

The negative factors that were brought up were mainly market-related factors (5 respondents), such as 'lower sales', 'declining market' or 'difficult market in which to compete'. Internal factors within the organizations (4 respondents), such as 'outdated technology of the acquired company', 'less time spent initially on the study of Canadian environment', and 'problems introducing parent company's culture' were also given as the source of dissatisfaction with the investment experience. Government-related factors (3 respondents), such as, taxes and labor reforms, were the other most often given factors.

The positive factors contributing to the satisfaction with the investment experience given were either market-related or internal factors. Eight respondents who gave market-related factors mentioned such aspects as 'increase in sales', 'increased market share', 'clean market compared to U.S.', and 'North America seen as growing market', contributing to satisfaction with the investment experience. Factors, such as 'strategically the right decision', 'parent company well prepared' and 'Canadian company's capability to meet economic challenges', were the internal

factors responsible for making the investment a positive experience according to four respondents. Even in some cases where the Canadian company showed poor performance, the parent company did not blame the company, but rather the economic situation.

5.2.2 Canadian Executives Personal Experience of Foreign Ownership

The responses of the Canadian executives to their personal satisfaction or dissatisfaction with foreign ownership experience were very positive. Ninety-one percent were either very satisfied or satisfied with the foreign ownership experience. The parent company was felt to be more understanding and, therefore, more accommodating and supportive during the lean economic period. Contrary to the popular myth that foreign companies have no loyalty to the host country, the Canadian executives felt that the parent foreign company were more dependable than former Canadian parent companies, who were described as a "fair weather friends".

The Canadian executives felt that foreign ownership was also good for their self-development as they had the opportunity to learn new ideas and technology. The experience was also felt to be ego-building and satisfying, and it gave them a secure feeling to be part of the 'global economy' or a 'major group'.

The management style that the Canadian executives had to deal with under foreign ownership was seen in a positive light. Canadian executives felt that the Canadian company had more autonomy under foreign ownership than under the local or North American ownership. As one respondent commented, "(Present foreign owners are) unlike (the former) U S. parents. If things went bad, then the

authority was brought home". Canadian executives felt that the parent companies appreciated the work force as an important resource and treated them well. They felt that the parent company would "search for corrections and not for blame". They also felt the foreign executives that they had to work with were "good colleagues and nice people to work with". Terms such as "smart and aggressive business people" and "run efficient and lean organizations" were used by the Canadian executives to describe the parent company.

The response to cultural differences got a mixed reaction from the Canadian executives from acquired companies. While some felt that the parent company recognized cultural differences, two respondents felt that they had no understanding or appreciation of the Canadian viewpoint. Surprisingly, the respondents who were dissatisfied were both from the companies acquired by European parent companies, suggesting that it may not be the cultural differences but the management styles which may be causing dissatisfaction. As it was summed up by the response of one Canadian executive, "Styles and concepts are different, refreshing at times, challenging and frustrating at times."

Overall, the Canadian executives were satisfied with the foreign ownership experience. However, a generalization may not be possible from the results since the executives having conflicting views with those of the parent company may have already left the organization. The Canadian executives interviewed were senior, and, if they had strongly conflicting views they would probably have been displaced. This may be supported by two cases in which the top management of the acquired company was changed by the parent company.

In conclusion, the only major problem cited with the experience of operationalizing the investment decision was the process of getting approval for the acquisitions. Companies with investments in acquisitions felt that the government was more of a hindrance to the investment process than the parent companies with investments in the new businesses. Parent companies had a negative investment experience with regard to market-related factors and political and social factors and positive investment experience with General view of Canada and Canadians. The categories of market-related factors and political and social factors were the most important in influencing the investment decisions. New business Investors had comparatively more positive experience compared to investors in acquisitions. The overall experience of working and living in Canada was positively reviewed by all groups of foreign investors.

6. Comparison of Canadian Investment Climate to the Investment Climate in the U.S.

The inception of the Free Trade Agreement has faded the market boundaries between the U.S. and Canada resulting in Canada and US competing for the foreign investors attracted towards a growing North American market and looking for a suitable location for investment. This brings out the importance of finding out not only how the Canadian investment climate is assessed but also how it compares to the U.S. investment climate. Foreign executives from sixteen parent companies with investment experience in the U.S. as well as Canada were asked about their perceptions of the differences between the investment climate of Canada and that of the U.S. (Appendix II, Q. 43). Foreign, as well as Canadian executives, were also asked to rate the Canadian investment climate as compared to

that of the U.S. on various factors listed in the self-administered questionnaires (Appendix IV & V).

6.1 Foreign Executives' Responses

6.1.1 Responses to the Interview

The factors evaluating the investment climate of Canada and the U.S. were more often in favor of the investment climate in the U.S. than the Canadian investment climate. Five foreign executives perceived the overall investment climate in the U.S. to be better than that of Canada, while three respondents felt that there was no difference in the investment climate overall. The most often quoted factors that made the U.S. more attractive than Canada for the purpose of investment were lower manufacturing costs (6 respondents), larger market (3 respondents), and tax structure more conducive to investments (2 respondents) in the U.S. Other factors stated were, 'fewer labor problems', 'more lenient legislation', and 'success in U.S. gives higher visibility'. One respondent felt that the state and federal governments in the U.S. made efforts to attract businesses based in Canada to move to the U.S. He gave an example of a case where a local business moved to Louisiana, and the State government paid three month salary of the local people employed. Another respondent felt that the U.S. state governments were more aggressive marketers compared to Canada, giving an example of "the impressive glossy promotional" material that their company receives every two weeks from the economic development departments of U.S. states, such as North Dakota, South Carolina, Ohio, etc. He also added that in certain cases the companies who succumbed to the promotion and moved did not find the "real

picture to be as rosy as painted" by the States. This example supports Johansson and Moinpur's (1977) study that shows that differences may exist between objective and perceived reality and also emphasizes the importance of perceived reality on the decisions made (Schwenk, 1988).

Three foreign executives saw marketing in Canada to be easier than in the U.S. where it was perceived to be more competitive and risky. European culture's similarity to the Canadian culture rather than the U.S. culture was also cited as a positive aspect of the Canadian investment climate by two respondents from Europe. Other factors listed were, 'easier to get work permit' and 'better skill level in Canada' than in the U.S.

6.1.2 Responses to the Questionnaire

The foreign executives were asked to rate the Canadian investment climate as compared to that of U.S. (Appendix IV).

TABLE 46

FOREIGN EXECUTIVES' RATING OF THE INVESTMENT CLIMATE OF CANADA AS COMPARED TO THAT OF THE U.S.

Factor	Mean
Quality of life	4.0
Governments' attitudes towards investment	3.1
Skill level of workers	3.1
Availability of technology	2.8
Management expertise	2.8
Productivity	2.8
Receptivity to new products, methods and ideas	2.7
Distribution costs	2.4
Overall investment climate	2.2
Manufacturing costs	2.0

Scale ranging from 1 worse than U.S. to 5 better than U.S.

The Canadian investment climate was perceived to be worse than in the U.S. on all factors, except for the 'quality of life', 'governments' attitudes towards foreign investment', and 'skill level of workers' (Table 46). On the last two factors, Canada and U.S. were seen to be more or less similar.

An analysis on the basis of type of investment showed a significant difference existed between the perceptions of the foreign executives from new businesses compared to executives from acquired companies (Table 47).

TABLE 47

FOREIGN EXECUTIVES' RATING OF THE CANADIAN INVESTMENT CLIMATE AS COMPARED TO THE U.S., BY TYPE OF INVESTMENT

Factor	Type of Investment	
	Acquisition Mean	New Business Mean
Quality of life	<u>4.1</u>	<u>3.7</u>
Governments' attitude towards investment	<u>3.1</u>	3.3
Skill level of workers	<u>3.0</u>	3.3
Availability of technology	2.6	<u>3.5*</u>
Management expertise	2.6	<u>3.5</u>
Receptivity to new products, methods, and ideas	2.6	3.2
Productivity	2.4	<u>3.8**</u>
Distribution costs	2.2	<u>3.2*</u>
Overall investment climate	2.1	2.5
Manufacturing costs	1.9	2.4

Underlined are the highest rated factors

Scale ranging from 1 worse than U.S. to 5 better than U.S.

* Mann-Whitney U test significant difference at $\alpha < .05$

** Mann-Whitney U test significant difference at $\alpha < .01$

The factors that showed this difference were availability of technology, productivity, and distribution costs. The executives from new businesses gave higher ratings to the Canadian investment climate, than the executives from acquisitions on

all factors except quality of life. The findings are consistent with the earlier findings whereby new business investors had an overall more positive experience with, and assessment of, the Canadian investment climate.

Analysis on the basis of region of origin showed no significant difference between responses of foreign executives from Europe and responses of foreign executives from Pacific Rim countries.

6.2 Canadian Executives' Responses

Canadian executives were asked to rate the Canadian investment climate as compared to the investment climate in the U.S. (Appendix V).

TABLE 48

CANADIAN EXECUTIVES' RATING OF THE INVESTMENT CLIMATE OF CANADA AS COMPARED TO THAT OF THE U.S.

Factor	Mean
Quality of life	4.1
Skill level of workers	3.4
Productivity	3.3
Management expertise	3.3
Governments' attitude towards investment	3.1
Receptivity to new products, methods and ideas	3.1
Availability of technology	2.7
Manufacturing costs	2.2
Overall investment climate	2.2
Distribution costs	2.1

Scale range from 1 worse than U.S. to 5 better than U.S.

The factors that were rated more favorably for the Canadian investment climate were quality of life, skill level of workers, productivity, management expertise, governments' attitude towards investments, and receptivity to new products, methods and ideas (Table 48).

Further analysis showed no significant difference between the responses of the executives based on type of business or parent investors' region of origin.

6.3 Comparison of Foreign Executives' Responses to those of the Canadian Executives

A further comparison of foreign executives' responses and Canadian executives' responses to the comparison of the Canadian investment climate to that of the U.S. based on the region of origin and type of investment found significant differences on only two factors, and these involved executives from acquired companies only (Table 49). The Canadian executives from acquired companies rated factors of productivity and manufacturing costs differently than the foreign executives from the same companies. Foreign executives of acquired companies gave a significantly lower productivity rating of the Canadian investment climate as compared to the U.S. than Canadian executives from the same companies. The foreign executives from acquisitions also gave a significantly lower rating to the productivity level in Canada overall, as compared to the foreign executive from new businesses (Table 25).

The results thus set the foreign executives from acquired companies apart in their perception of Canadian productivity from the rest of the respondents both Canadian and foreign.

TABLE 49

**RATING OF THE CANADIAN INVESTMENT CLIMATE AS COMPARED TO
THE U.S., BY EXECUTIVES FROM ACQUIRED COMPANIES**

Factor	Executives Mean	
	Canadian	Foreign
Quality of life	<u>4.1</u>	<u>4.1</u>
Skill level of workers	<u>3.3</u>	<u>3.0</u>
Productivity	<u>3.2</u>	2.4*
Management expertise	<u>3.2</u>	2.6
Receptivity to new products methods and ideas	3.1	2.6
Government's attitude towards investment	2.9	<u>3.1</u>
Availability of technology	2.7	2.6
Manufacturing costs	2.3	1.9*
Overall investment climate	2.2	2.1
Distribution cost	2.1	2.2

Underlined are the highest rated Canadian factors as compared to U.S.
Scale range from 1 worse than U.S. to 5 better than U.S.

* Wilcoxon signed rank test significant difference at $\alpha < .05$

This difference in assessment may be due to the fact that the new business can buy the latest technology, while in case of acquisitions the parent company has to work with the existing technology. Also, the Canadian executives are used to working with the operations and technology already in place and, therefore, are not as critical about productivity as are the foreign executives.

Overall Canada's investment climate featured as more positive than that of the U.S. on only the factor of quality of life. The new business investor had a more positive perception of the productivity, availability of technology, management expertise and lower distribution costs in Canada than in the U.S.

SUMMARY OF FINDINGS

Senior-most foreign and Canadian executives of 22 foreign-owned, non-U.S. companies based in Ontario and Montreal formed the sample for the study.

1. Objectives for Investment

The results of the study show that the most prevalent reasons for foreign investors to make an investment in Canada were to be closer to potential and existing customers and to establish a North American presence. The suitability of the acquired company became a focus of attention for the parent company investing in acquisitions, rather than the suitability of location, as long as the acquired company was within range of the targeted market. North America, rather than Canada, was seen as the focus of investment, especially for acquisitions. In the case of new businesses other factors that prompted the selection of Canada as the location for investment were to benefit from government's grants and incentives, to use the investment as a stepping stone for future investment, to benefit from higher productivity and to lower manufacturing costs. With North America seen as one region instead of composed of separate countries and especially with the FTA blurring boundary lines, investors are not seeking just the Canadian market when investing in Canada.

2. Information Sources Used and Their Importance

Business visits by the parent company's executives featured as an important source of information for both the acquisition and new business investors, implying that prior to making an investment in another country, the investors like to get their information first hand. The experience and the contacts that the business executives have during their visits to Canada will, therefore, to a large extent influence the investment decision.

In the case of investments made through acquisitions, the acquired company and Canadian consultants were the other important sources of information used. Therefore, Canadian consultants may act as important influencers of investment decisions. Other sources such as government, federal or provincial, were not used as frequently. Acquisition investors seemed to analyze each opportunity as it came along. The information search in most cases seemed to follow the pattern as described by Ehrman and Hamburg (1986), i.e., "the search effort is conducted with the objective of gathering information for a proposed project in a specific country for a specific endeavor."

For new business investments, Canadian federal and provincial government, Canadian embassy personnel, and Canadian consultants were the other important sources of information. The high importance given by new business investors to other home country companies with investment in Canada as a source of information emphasizes the importance of the perceptions of the parent investors in Canada in influencing future investments. The fact that half the respondents were asked about the Canadian investment climate by potential investors from the

home country adds to the urgency of knowing the attitudes of current investors and the feedback that they provide to potential investors.

3. Assessment of the Canadian Investment Climate

Intangible factors, such as quality of life style, friendliness and likability of Canadians, the national image of Canada, attitude of Canadians towards various cultures and races, housing facilities, etc., were given high ratings by investors assessing the Canadian investment climate. However, more tangible business-related factors, like labor costs, manufacturing costs, tax advantages, market size and potential, etc., were rated less positively or even negatively by the foreign executives. The low ratings for market-related factors have important implications in the context that the most important objectives for making the investment were usually market-related, i.e., to be closer to existing or potential customers. Market-related factors were also assessed as an important category in influencing investment decisions. Negative assessment of factors that were the objective for investment may result in a decrease in investment into Canada in the future.

A positive assessment was given to the cultural closeness to the parent company's country by European and Australian respondents and the open attitude to various cultures, religions and races by the respondents from the Pacific Rim. This made Canada an attractive country, culturally, for the companies from all regions—a factor which can work in favor of attracting foreign investment.

Factors, such as governments' attitudes towards foreign investment, technology level, industriousness and level of productivity were given positive ratings by the new business investors, as compared to investors in acquisitions who

pave them significantly lower ratings. A positive rating for level of productivity makes Canada a more attractive place for investment, since this factor was rated as an important objective for investing in Canada by the new business investors. Lowering manufacturing costs was another important objective stated by the new business investors for the investment, but the manufacturing costs in Canada were rated as high by the same respondents. This suggests an erosion of some of the cost-related reasons for investing in Canada.

A high level of taxation, too many regulations, and many levels of government were the problems perceived with investing in Canada. The infrastructure, such as transportation system and communication system on the other hand, were considered of good quality.

Canada is not seen as a country individually but in conjunction with the U.S., and, therefore, investment decisions are usually made keeping that in mind. Even potential investors look at the North American region as a whole. However, some potential investors are not very aware of Canada. Therefore, Canada has to be promoted to foreign investors in order to compete with the U.S. for future foreign investments, especially with the U.S. states aggressively marketing themselves. Quality of life, governments' attitudes towards investment, and the skill level of workers are the factors on which Canada stands out more positively as compared to the U.S., while Canada fares poorly on factors such as manufacturing costs and overall investment climate.

New business investors find the Canadian investment climate better than that of the U.S. on factors such as productivity, management expertise and availability of technology, as compared to the companies with investment in

acquisitions. Therefore, parent companies with investments made in new businesses still look upon the investment climate in Canada favorably over that of U.S., as compared to the companies with investment in acquisitions.

4. Investment Experience

The only major problem cited with the experience of operationalizing the investment decision was the process of getting approval for the acquisitions. Since the Investment Canada Act requires a review and approval of direct acquisitions of Canadian businesses with assets exceeding \$5 million, but only notification for setting up a new business, companies with investments in acquisitions felt that the government was more of a hindrance to the investment process than the parent companies with investments in the new businesses. This may be the reason for parent companies with investment in acquisitions having a negative perception of the Canadian governments' attitude towards investment. An increase in the thresholds (as has occurred for the U.S. investors) for review of acquisitions by Investment Canada may, therefore, help in changing these perceptions for future acquisitions.

Parent companies had a negative investment experience with regard to market-related factors and political and social factors and positive investment experience with the general view of Canada and Canadians. The overall experience of working and living in Canada was positively reviewed by all groups of foreign investors.

IMPLICATIONS AND CONCLUSION

The findings of the study throw light on the objectives of foreigners for making investments in Canada, the information sources used and their influence on the investment decision, the perceptions that investors have of the present Canadian investment climate, and investors' investment experiences. The implications of the findings are of importance to various bodies such as:

1. Public policy makers in the federal, provincial and municipal governments interested in attracting foreign investment;
2. Economic development professionals, e.g., consultants, lawyers, accountants, etc., assisting and influencing foreign investors in their investment decisions;
3. The management of Canadian-owned companies who can learn aspects of the business environment from an outsider's viewpoint and what is needed to attract foreign investment capital;
4. The management of other potential foreign investor companies interested in the North American region for investment; and
5. Academic researchers interested in the theory and practice of foreign direct investment.

Prior to dealing with specific implications of the findings for the aforementioned groups, an overall marketing approach to the ramifications of the results is presented. Selection of a country for the purpose of foreign investment can be equated to going through a decision process similar to the one undergone by

corporations making industrial purchases. Therefore, it is relevant to treat Canada as a product which must be promoted to potential foreign investors. The results of the study can be utilized to facilitate market segmentation and positioning of the product.

Market Segmentation

Foreign direct investment can be made either through acquisition (direct or indirect) or by setting up a new business. These two types of investors should be viewed as two different market segments. The results of this study have shown differences between acquisition and new business investments concerning the motives for investment, information sources used and their importance, and the perception of the Canadian investment climate. These differences could be explained by the difference in the nature of the investment. An acquisition may be seen as a less risky investment since it offers a certain level of certainty arising from the already established operations (Daniels 1970). In contrast, new businesses may be perceived as involving a higher degree of initial uncertainty, and therefore higher risk, resulting in more information search prior to investment and different investment experiences compared to investments in acquisitions. Also, acquisitions may involve the merging of different corporate cultures and management styles leading to conflicts and confrontations resulting in poor acquisition performance (Datta 1991). Acquiring companies also have the limitation of having to work with the operations already in place, in contrast to new businesses where investors can set up operations from scratch according to their requirements. These differences in the type of foreign direct investments, therefore, merit differentiated marketing strategies. Since 70% of the FDI in Canada between 30 June 1985 and 31 March

1992, (Annual Report 1991-1992, Investment Canada) was in acquisitions and only 30% in setting up new businesses, acquisitions form a major market segment to be targeted.

On the other hand, results of this study do not support segmentation on the basis of geographic region of the foreign investors, since very few regional differences were found in motives, views and experiences.

Positioning

In order to reach the market segments we must understand where the segment members are in their purchase intentions and the elements that affect those intentions. Fishbein's Behavioral Intention Model can help in employing the results of this study to examine the relative effects of attitudes and social influences on behavioral intentions. The formula for the model theorizes that intention, the immediate antecedent of behavior, is influenced by an attitudinal component and social component called subjective norm. The model is formulated as:

$$B - BI = W_1 (A_b) + W_2 (SN)$$

where

B = behavior (in this case investing in Canada)

BI = behavioral intention,

A_b = attitude towards performing behavior B,

SN = subjective norm i.e. beliefs about what others think we should do (in this case whether to invest in Canada or not)

W₁ & W₂ = empirically determined weights representing the components of relative influence.

Foreign investors' attitudes towards various attributes of the Canadian investment climate therefore, form an important component in influencing behavioral intentions. This attitude component can be further explained by the multiattribute model i.e.,

$$A_k = \sum B_{ik} I_{ik}$$

where

A = foreign investor k 's attitude score

B = foreign investor k 's belief as to the extent to which a satisfactory level of attribute i is offered by Canada

I = the importance weight given to attribute i by foreign investor k

i = attribute or Canadian investment climate characteristic

k = foreign investor

A change in the components of the attitude will lead to changes in the overall attitude score. By working logically through the model keeping the results of the study in focus, four basic marketing strategies to raise the attitude score in favour of Canada can be formulated.

Increase positive belief ratings for Canada on key attributes through awareness

Increasing the awareness towards the presence of key attributes in the Canadian investment climate can make Canada a more attractive place to invest. Since, these positive perceptions of key attributes do already exist in Canada, increasing the belief ratings is an easily achievable task. The study shows that

market-related and social and political factors were the key attributes influencing the investment decision. Therefore, belief that Canada possesses these key attributes has to be increased. Promoting the proximity to a large U.S. market and its accessibility due to the Free Trade Agreement may increase the attractiveness of Canada on market-related factors, such that foreign investors do not look at just the Canadian market but rather at the total North American market when investing in Canada. Canada was rated highly by present investors on social factors such as, quality of life style, attitudes to various cultures, religions and races, housing facilities, public's attitude towards foreign investment, etc.. Governments' grants and incentives and higher productivity were important attributes for influencing the investment decision for new business investors and the new business investors in turn gave high ratings to the presence of these factors in Canada. These key attributes, along with proximity to North American market, can project Canada as a more attractive alternative compared to the U.S., especially in the case of new business investors who gave Canada higher ratings compared to the U.S. on factors such as productivity, availability of technology, and management expertise. Therefore, presence of these key attributes for present new business investors can be used to promote investment from potential new business investors. The fact that tax incentives came as a pleasant surprise to one of the respondents after they moved into Canada, shows a need for promoting this aspect to potential investors.

Increase positive belief ratings for Canada on key attributes through changes

The aforementioned strategy involved efforts to bring beliefs into harmony with reality by creating awareness towards possession of the key attributes. However, in cases where investors are accurate in their perceptions of the limitation

of the Canadian investment climate, it may be necessary to implement changes in conditions where ever possible. For example, foreign investors investing in acquisitions viewed the government as a hindrance to business, with too much bureaucracy and regulation. Acquisitions form a major source of FDI. Therefore, more liberalization by Investment Canada when reviewing acquisitions may help improve governments' image in the eyes of investors making an acquisition. Increasing the threshold of review from the present level of \$5 million may result in bringing down the number of cases to be reviewed and approved. The purpose for review and approval is to ensure that the acquisition is beneficial to Canada. Since under the Free Trade Agreement, the review and approval threshold for U.S. companies is already \$150 million and, the U.S. is the major foreign investor in Canada, raising of the threshold for other foreign companies cannot be considered a cause for concern.

Quickening of the review process may also help in elevating the supportive role of Investment Canada. Under present regulations approval can take up to 75 days which may be seen as an unnecessary delay. This delay could cost the investor significant amounts of money directly or indirectly through lost opportunities, as illustrated by a case cited earlier. Since Investment Canada is one of the first government agencies that a foreign investor investing in an acquisition deals with, the impression they carry away from the experience may bias future assessments.

Increase the importance of positive key attributes

This strategy involves the selection of an attribute in which Canada is rated highly and then stressing to potential investors that this attribute deserves higher weight in their views of the country's investment climate. Attributes such as the

national image of Canada, the multicultural work force, friendliness, likability and trustworthiness of Canadians, and Canada being a safer country compared to the U.S. may be promoted as important factors contributing to the success of an investment. The importance of high quality communication and transportation systems (factors on which Canada was rated high) to the successful running of a business, can be stressed to increase the weight of these factors in the mind of foreign investors making an investment decision especially where distribution and instantaneous knowledge transfer are critical to business success.

Decrease the importance of weak attributes

A different strategy may be needed for attributes which are rated negatively and cannot be changed easily. According to this strategy, the significance of attributes on which Canada does not rate highly should be diminished in the minds of the potential investor. For example, the high cost of Canadian labor as compared to U.S. labor may be countered by emphasizing the high skill level and availability of labor and higher productivity levels of Canadian workers. These positions, that Canada has a skilled and productive labor market, are consistent with the beliefs of present investors, so they can be supportable claims made to potential investors, especially those investing in new business. Similarly a recession prone or weak economy may be projected as short term problems and not as significant as the long term stability of Canada, keeping in mind the long term commitment of the investment.

The factor other than attitude, that influences behavior intention is the subjective norm i.e. the influence of important others. It is the investors' perception of what important others think they should do with respect to the foreign investment

decision. If social influencers act as the dominant force, influencing behavior might require altering belief about the influencers' expectations. This may be done by using testimonials in instances where the influencers have a positive experience. In cases where the influencers have negative experiences, a change in the perceptions of the influencer may be required, which may be more difficult to undertake. The findings of the study suggest that dominant social influences may come from both within the organizations and outside.

Influences from Within the Organization

Business visits by the companies' executives was brought out as the most important information source influencing the investment decision. Since their experiences during their visit to Canada will bias their opinion of the Canadian environment and thereby influence the decision towards investment in Canada, it becomes very important to ensure that these experiences are positive.

Easy availability of relevant information, both in the home country of the investors, and in Canada, will equip the business executive with essential knowledge and facilitate their visit to be more productive. Canadian embassies in home countries can make the information available, or direct the business executives to organizations in Canada who can help foreign executives once they are here. Ease in obtaining business visas where required, will not only encourage more business visits but will also improve the Canadian government's image as the facilitator of business in Canada. Applications for business visas can also help in targeting potential investors.

Influences from Outside the Organization

Other foreign investors already in Canada act as important sources of information and their views are of significance to potential investors as implied by the interview responses from the study. Other foreign investors are viewed as culturally closer and therefore, more weight is given to their perceptions of investing conditions in Canada specifically in the case of investments in new businesses. Certain respondents specified that prior to making their investment, they contacted foreign investors from their home country who were presently in Canada, to learn from their experiences. Therefore, present foreign investors, with positive investment experiences can act as an important tool for promoting investment by use of their testimonials in promotions or by setting up a mentoring program.

Other important influencers of behavior intentions are consultants both in Canada and in the home country. A close co-operation between the Canadian government based abroad and home country consultants, and similar liaison with consultants in Canada may help in improving the image of the Canadian government and of the investment climate in the eyes of the consultants, who would indirectly influence the investment intentions.

These strategies of segmenting the target market, recognizing the differences in motives and experiences of new businesses versus acquisition investors and positioning Canada in a positive way by stressing its positive elements and down playing or shifting beliefs about weaker elements, therefore, can be used as an important overall marketing tool to market the Canadian investment climate to foreign investors.

The findings of the study also have implications specific to the various groups mentioned earlier and are discussed in the following sections.

1. For Public Policy Makers

FDI has been recognized by public policy makers in the federal, provincial and municipal governments for the benefits it offers to the host country, since such investments contribute to the economy not only through an increase in capital but also by introducing new technology and know-how. The findings of this study, therefore, help facilitate a better understanding of the views of foreign investors-whose investment is actively sought. The government can use these findings not only to attract foreign investment but also to maintain existing investment within the country.

For investors in new businesses who are from the Pacific Rim, the Canadian federal and provincial governments and Canadian embassy personnel were important sources of information. This reveals the important role that Canadian governments can play in attracting new businesses as well as more investment from the Pacific Rim into the country. The importance of Canadian embassy personnel as an important source of information for potential investors creates a need for training and equipping the embassy personnel with Canadian investment climate information, specifically highlighting its positive aspects. Recruiting ethnic consultants may help in bridging cultural differences and making foreign investors more comfortable in seeking information regarding Canada. The findings on the important sources of information for foreign investors can help the public policy makers to target the important influencers like Canadian consultants, in order to

promote investment into Canada. Also, since Canadian consultants were the major feedback for foreign investors in acquisitions it is important for governments to influence consultants to improve governments' image in the eye of the investor. Governments must see that the consultants are well informed about the process of investment into Canada.

Canadian governments also need to promote the Canadian investment climate more intensively, since the responses of foreign executives show that other foreign investors from the home country are not very aware of Canada and its investment climate and tend to see Canada in relation to the U.S. only, i.e. Canada is seen without an identity of its own. Canada should be promoted through Exhibitions and information seminars for foreign business executives in their home country, highlighting its better quality of life, lower crime level, and multicultural aspect, etc. compared to the U.S. Since results show the importance of other investors from the home country in influencing investment decisions, the Canadian government can use successful foreign investments in Canada as testimony to woo potential investors. Canadian governments, in conjunction with present foreign investors in Canada, can set up mentoring programs to ease the entry of potential investors into the Canadian business environment. Foreign executives with positive experience of living and working in Canada could be asked to address potential investors in their home country and recount their experiences.

The Canadian environment fared poorly on the overall factor of labor costs, but certain respondents from high technology companies felt that Canadian labor costs were comparable to that of the U.S. Investors in new business gave a positive rating to Canadian productivity as compared to productivity in the U.S. These findings could be used by Canadian policy makers to promote more foreign

investment in high technology companies and new businesses. The various strategies presented earlier could be used to effectively market Canada to foreign investors.

2. For Economic Development Professionals

Canadian consultants featured as an important source of information which influenced the foreign investment decision. The findings of this study can equip consultants with information of use to them and their foreign clients. The importance of local lawyers and accountants for operationalization of the investment process -especially for acquisitions- makes it important for economic development professionals to be specialized in their knowledge of Canadian investment rules and business regulations in order to remove impediments to operationalizing behavioral intentions.

The reliance of business acquisition investors on the services of investment bankers, lawyers or other professionals specializing in acquisition-related activity may result in insufficient emphasis on the factor of organizational fit. It is possible that the reason for investment consultants underplaying the role of issues related to management styles or corporate culture may be because recommendations based on quantitative data are easier to defend if legally challenged (Haspelagh & Jemison 1987). Since people and organization problems are some of the most commonly cited reasons for acquisition failures (Datta 1991), the qualitative analysis of the organizational fit should not be neglected by economic development professionals.

The findings also suggest a need for consultants specialized in facilitating smooth transitions of acquired companies from their old identity towards the new

values and goals of the acquiring company. This need for transition management takes on more importance in the case of foreign investors, since it involves not only introducing new corporate culture but also foreign national culture.

The findings point to the important role that the economic development professionals, bureaucrats and Canadian policy makers play during the process of FDI; thereby highlighting the need for close co-operation between them, in order to reduce regulations that may be perceived as barriers to foreign investment. Economic development professionals and policy makers have the knowledge and the ability, respectively, to reduce the problems faced by foreign investors making an investment in the country. Thus a cross flow of ideas may help in making the job of economic professionals easier and at the same time improve the image of Canadian governments as being more supportive.

3. For Canadian Owned Companies

For investments made in acquisitions, the important objectives for investment are market-related. The investors look at the North American market when investing in this region. Therefore, Canadian companies dealing with other markets beside the domestic market will look more attractive to potential foreign investors actively looking for acquisitions.

Canadian executives from the acquired Canadian company had a very positive response to the foreign ownership experience. Therefore, the Canadian company looking for investment or a potential buyer may actively look outside the boundaries of Canada without worrying excessively about problems arising from foreign ownership. In fact, Canadian companies can market themselves to potential

investors more effectively once they are aware of potential investors' objectives for investing in Canada. Being aware of the sources of information used by potential investors for making the investment decision will help Canadian companies in targeting these source of information, e.g. Canadian investment consultants, to promote themselves. The findings on the assessment of the Canadian investment climate can help Canadian companies to promote themselves in terms of how to set themselves apart from the negative aspects and to associate themselves with the positive aspects of the investment climate.

Service companies, such as banks, were mentioned as being inflexible and unsuitable for meeting foreign investors' needs, thereby creating room for improvement in this sector. Since FDI could be a potential growth market for the service industry, timely attention to foreign investors' needs could lead to competitive advantage.

The perceptions of foreign investors may help Canadian companies to look at themselves from an outsider's viewpoint. For example, factors such as the lack of work ethics, (i.e. more laid back approach of the work force) and the lack of emphasis on a wider range of knowledge base may be some of the shortcomings which Canadian companies may need to work on, in order to improve their labor quality and thereby productivity.

4. For Potential Foreign Investors

The assessment of the various aspects of the Canadian investment climate can be used by potential investors as a basis for making their investment decisions within Canada. Since the findings show that potential investors place great

importance on the experiences of present investors, the assessments would be an important source of information for them.

Depending upon the importance of the various factors for assessing the investment climate to the objective for investing in Canada, the assessment could influence future investment decisions. Low assessment and dissatisfaction with market-related factors by foreign respondents may be of importance to potential investors who may rate the Canadian market as an important objective for investment. On the other hand, a high assessment of the cultural similarity or multi-cultural aspect of the Canadian environment may be attractive for potential investors from diverse cultures who may be apprehensive of rejection by a foreign country.

As suggested by the findings, the parent company's focus on the acquired company rather than the overall Canadian investment climate may make them less prepared and equipped to handle the broader aspects of the operations of the acquisition in the Canadian business climate. The results support the need for use of a variety of information sources in order to get an overall picture of the investment climate and business conditions, especially for potential investors investing in an acquisition, since a fully aware company is well prepared for all eventualities.

Corporations perceive acquisition as a method for achieving quick and easy growth and diversification. Helmut Mancher, Managing Director of Nestle S.A., while analyzing the possibility of expansion in the world of confectionery market stated, "It will take 25 years to develop a major stake in this industry, so we are looking at acquisitions to accelerate the development" (Hyde D., P. Ellert & J. P. Killing 1991). On the other hand, studies (Porter 1987) suggest that nearly half of

the acquisitions are rated as unsatisfactory, a fact also supported by the findings of this study. The reason for this dissatisfaction with the acquisition experience could be attributed to more emphasis on the 'strategic fit' as suggested by the interview responses of the executives from acquisitions regarding the objectives for investment (e.g., how well the target firm's product complemented the products of the acquiring firm, geographical synergy i.e., presence in North America, etc.) rather than the 'organizational fit' (i.e. the compatibility of the corporate cultures, management styles etc.). The overemphasis on the strategic fit rather than organizational fit could be partially attributed to 'escalating momentum', i.e, the desire to complete the acquisition as quickly as possible which leads to incomplete analysis and a premature solution (Jemison & Sitkin 1986). The findings, therefore, highlight the importance of analyzing, and dealing with the organizational dimensions when studying the company to be acquired.

5. For Academic Researchers

The findings of this study point to a difference in the foreign investment process depending upon the type of investment (i.e. acquisitions or new business). There is a lack of recognition in this area of research of the difference in the FDI process based on the type of investment. The few studies (Daniels 1970, Ulgado & Joseph Yu 1991) which have alluded to this subject have not dealt with it sufficiently. The results of this study accentuate the need for more research in this area in order to understand the process of FDI better.

The country of origin of the parent company did not feature as an important factor influencing the FDI process. Therefore, it may be the host country's

characteristic more than the home country's characteristics which may be influencing the investment process. However, because generalization is difficult from this study alone due to the small size of the sample, additional research to determine the effect of the parent company's country in the foreign investment decision is required.

Sheridan's findings (1988) have shown the importance of interpersonal communication for international market selection, though very little research has been done on its effect on FDI. The findings of this study have revealed the importance of information gathered by personal experiences, acquaintances and other personal sources in influencing the investment decision, thereby bringing out the extreme importance of interpersonal communications to FDI decisions.

There may also be significant differences between perceptions, motives for investment and information sources used depending on the sector in which the investment was made (e.g., manufacturing, service or trading). A detailed analysis on this aspect could not be done in this study because of the limitation of the sample size. However, it would be of interest for future research to replicate the study with a larger sample taken from across the country. A sample taken from across the country may also help in locating any Canadian regional differences.

In conclusion, the differences in the process of acquisitions and the setting up of new businesses have to be recognized in order to effectively attract foreign investments. In order to attract more FDI into the country Canada needs to be marketed to both potential and present investors as a product. Attitude formation and attitude changes in favor of Canada have to be created. This can be achieved by:

1. Promoting the positive determinant attributes of the Canadian investment climate such as proximity to the U.S. market, productivity, etc.
2. Increasing the salience of attributes on which Canada was assessed positively, e.g., quality of life, cultural attitudes, low crime level, etc.
3. Decreasing the salience of factors on which Canadian investment climate has been rated poorly by promoting alternative attributes, e.g., underplaying the importance of labor costs (a factor on which Canada fared poorly) by promoting the importance of skill level of workers or availability of expert managers.
4. Ensuring that important influencers of FDI decisions, e.g., present foreign investors in Canada, consultants, foreign executives travelling to Canada, acquire and promulgate positive beliefs about Canada as a place to invest.

Potential investors can also be targeted through Canadian embassies in their home countries. Finally, Canadian provincial and federal governments have to change their image in the eyes of the potential and especially present foreign investors (since they are important sources of information for potential foreign investors) from being perceived as bureaucratic with too many regulations, to efficient governments promoting business within the country.

LIMITATIONS

One of the objectives of the study was to obtain past motives for investing in Canada. This creates the *ex poste facto* problem of recall, modified views over time and inability to reach the decision maker. The respondents participating in the study were current Canadian and expatriate executives in the firm. Some of these respondents were not privy to the factors influencing decision making at the time of investment as they had assumed their current positions recently. Therefore, their opinions may not truly represent the motives at the time of investment. However, since their present assessments of the past motives may be a beacon for future decisions to be taken, the information thus collected will be equally important if not more timely.

A preliminary survey during population selection showed a limited number of foreign executives from parent companies residing in the targeted area. This made the number of respondents very small, limiting the utilization of complex statistics and making analysis on the basis of subgroups like industry, investor's home country, etc. less useful and appropriate. However, since the population was small a census was possible. The results thus obtained offer a good representation of the views of companies with foreign executives in Canada.

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APPENDIX I
LETTER REQUESTING PARTICIPATION

June, 1992.

Dear

In a few days you will be contacted about participating in a research project which is being carried out at the School of Business, Carleton University with the cooperation of the International Business Study Group at the School, the Social Sciences and Humanities Research Council, and Investment Canada.

The main purpose of the study is to evaluate, at the firm level, perceptions of a senior Canadian executive and of the most senior executive from the parent company currently working at the Canadian location. The study will be based on interviews with major companies which have a non-U.S. foreign parent.

The study will assess how firms such as yours perceive the current business climate in Canada as having a direct impact on your firm's current and future investment decisions. Another important aspect of this study is to identify any impediments that you perceive for the growth of your firm in the coming decade so that proper policy decisions can be made by the various levels of Government.

The interviews will be carried out by Ms. Ritoo D'Souza, a graduate student in our Masters of Management Studies (MMS) program. She will be contacting you to ensure that she can arrange an interview date that is convenient to you. The interviews will be brief and require no preparation on your part. You can be assured that your answers will be completely confidential.

As the number of potential firms that meet the criteria for this study is quite small, the cooperation of each contacted firm is essential for the study's success. As this study is directly related to the current theme of international competitiveness and of direct interest to business, we hope that you will agree to participate. As a participant you will receive a summary of the research findings.

Please do not hesitate to contact us if you have any questions. We thank you in advance for your cooperation.

Sincerely,

APPENDIX II

INTERVIEW OF FOREIGN EXECUTIVE

INTRODUCTION

Good morning/afternoon, I am Ritoo D'Souza a graduate student in the Masters of Management Studies program. I will be conducting this interview as a part of my thesis research work and for the research study which is being carried out at the School of Business at Carleton University by Professors Jog, Heslop and Papadopoulos.

The main purpose of the study is to evaluate the perceptions of senior executives of companies, such as yours, that are owned by non-U.S. foreign companies regarding the current investment climate in Canada and its implications for future foreign investments.

We are specifically interested in knowing about the parent company's:

- a) Experience with this investment decision.
- b) Their objectives in selecting Canada as a place for investment, and
- c) Your personal assessment of the Canadian business environment for foreign direct investment.

We wish to obtain information from you in two ways: one way is through this interview with you and the other is a questionnaire that I will ask you to fill in once the interview is completed. The questionnaire will take only about 15 minutes of your time; it contains some specific questions that can be handled more efficiently and quickly by marking answers on the sheet of paper. The idea of the interview is

to enable us to discuss in more detail your views about Canada and your parent company's investment here.

If it is acceptable to you, I would like to tape this meeting in order to retain as much information as possible. Your answers are completely confidential and the tape will not be aired by anyone but myself, and further all results will only be reported in an aggregate form. Perhaps we can begin now....

PERSONAL HISTORY

1. How long have you worked with the parent company?
2. Were you there at the time of the investment decision? *(If No go to Q. 5)*
3. Were you part of the decision making process? *(If No go to Q. 5)*
4. What was your role?

PROBES

- Did you come to scout the environment?
- Did you collect information?
- Did you help in operationalizing the investment decision?
- Were you part of the decision making group?

PARENT COMPANY HISTORY

5. In what year was the parent company founded?
6. What is the primary business of the parent company?

7. Would you please tell me about the foreign investment activities of the parent company. *(e.g. when first invested, where and why?)*

PROBES

- When did the company first begin foreign direct investment?
 - How many countries has the company invested in?
 - What was the first country?
 - Where does Canada rank in terms of order of entry?
 - Which country has received the most investment in \$ value?
 - Where does Canada stand in terms of order of investment?
 - When did the company invest in Canada: _____ (year)
8. Which investment is most important to the parent company? and why?
9. How does this Canadian investment fit within the parent firm's strategy for foreign direct investment activities?
10. What is the history of the parent company's involvement with Canada prior to this investment?

PROBE

- Did any of the activities involve-*(list the following)*
 - a. Export Via Company-Owned Overseas Channels
 - b. Export Via Overseas Agents or Distributors
 - c. Indirect Export
 - d. Licensing Agreement
 - e. Joint Venture
 - f. Manufacturing

(If no, go to 11)

--(If Yes to any of the above) Why did you take this path?

(If CEO Q 11 to 14, otherwise go to Q 15)

11. What is the nature of investment?

PROBES

—Is it one of the *(list the following)*:

- a. majority ownership and control
- b. joint venture with a local company
- c. joint venture with another foreign company
- d. minority owned affiliate
- e. Sole owner

12. Are there exports or other international operations from Canada?(If no, go to 15)

13. (if yes to exports) To where do you export from Canada?

14. (If yes to other international operations) What is the nature and extent of these?

OBJECTIVES

15. What were the parent company's most important objectives in deciding to make this investment in Canada?

16. Were there any specific factors for choosing the particular province or location? (If no go to Q. 18)

17. Which and for what communities?

EXPERIENCE WITH INVESTMENT

We would like to know the parent company's activities and experiences in making this investment decision up to the time that you actually acquired/established operations here. More specifically-

(If yes to 2), otherwise go to 18b

18. What information sources were used?
19. Which of these information sources influenced decision making?
20. How easy or difficult was it to access relevant information that was needed before making the investment decision about the Canadian investment climate.
(e.g. market, government regulations etc.)
21. How easy or difficult was it to get help to operationalize the investment decision?
(e.g. legal assistance, help from Realtors, investment consultants etc.)
22. How simple or complex was the application or notification to government agencies

(Go to 23)

- 18b. What information sources do you think were used?
- 19b. Which of these information sources do you think influenced decision making?
- 20b. How easy or difficult do you think was it to access relevant information that was needed before making the investment decision about the Canadian investment climate? (e.g. market, government regulations etc.)

21b. How easy or difficult was it do you think to get help to operationalize the investment decision?

(e.g. legal assistance, help from Realtors, investment consultants etc)

22b. How simple or complex do you think was the application or notification to government agencies?

23. How would you assess the climate for foreign investment in Canada at the present time?

PROBES

--Why do you say that?

-- What do you think is attractive or unattractive about it?

24. How would you assess the present investment climate in Canada in comparison to your initial expectations?

25. How would your parent company assess the climate in comparison to their initial expectations?

26. Overall how satisfied/dissatisfied is the parent company with the investment experience in Canada to date? Why?

27. Overall how satisfied/dissatisfied are you personally with the investment experience in Canada to date? Why?

28. Overall how satisfied/dissatisfied are you personally with the experience of living and working in Canada? Why?

29. What do you think Canada should do to improve the investment climate and to attract foreign investment?

30. How do you think other investors from your home country view Canada?
31. Given all of the above , what are the parent company's plans here for the next 5 years?

PROBE

-Are you likely to expand, contract or remain about the same?

32. Has it ever happened that other companies or executives in your home country have asked your opinion about investing in Canada? *(If yes, go to Q 33: if no go to Q 34)*
33. How often does this happen and what do you say?
34. What would you say or recommend if they did ask?

PRESENT RELATIONS WITH PARENT:

(If CEO Q.. 35 otherwise go to 36)

35. How is the Canadian organization structured for reporting to the parent and in sharing decision-making with the parent?

PROBES

-Does the Canadian company report directly to the parent company or through a regional office?

(If regional office, where is this regional office located?)

-How often do the personnel from parent company and who come to Canada?

-How often do the people from the Canadian company and who visits the parent company

36. What level of autonomy does the Canadian company hold in decision-making?

PROBE

–What decisions can the Canadian company make on its own, and what does it have to refer to the head office?

37. How does the parent company solicit your personal views about operations and investment in Canada in general?

38. How influential are your views in the parent company's decision making?

COMPARISON TO U.S.

39. Has the parent company had any experience with investing in U.S.? (*If no, go to Q. 44*)

40. What is the history of this experience?

PROBE

--How many investments?

--When was the first investment made?

--Which is the most recent investment?

--What type?

--What is the size of this investment(s)?

41. Why do you have operations in both Canada and U.S.?

42. Do Canada and U.S. compete at the parent level for future resources?

43. What differences do you perceive between the investment climate in Canada and the United States? (*go to Q 45*)

44. Why was Canada chosen over U.S.?

PERSONAL CONTACTS IN DECISION MAKING.

Lastly I would like to say that some books and theory tell us that companies look at objective reasons and use a process based on financial considerations when deciding whether, and where to invest abroad, while others tell us that personal experiences, acquaintances and other personal information affect the decision making process.

45. In your opinion in what way do the information gathered through personal acquaintances or personal experiences, etc affect the decision making process?

46. Were any such factors at play in your particular case and how?

Thank you for your help. Now, I request you to fill out this short questionnaire. While you do so, I can check over my notes to ensure I have all the information that I need and then we will have completed everything. (Thank them again promise to get back to them with the feedback based on the results of the study)

**APPENDIX III
INTERVIEW OF CANADIAN EXECUTIVE**

INTRODUCTION

Good morning/afternoon, I am Ritoo D'Souza a graduate student in the Masters of Management Studies program. I will be conducting this interview as a part of my thesis research work and for the research study which is being carried out at the School of Business at Carleton University by Professors Jog, Heslop and Papadopoulos.

The main purpose of the study is to evaluate the perceptions of senior executives of companies, such as yours, that are owned by non-U.S. foreign companies regarding the current investment climate in Canada and its implications for future foreign investments.

We are specifically interested in knowing about the parent company's:

- a) Experience with this investment decision.
- b) Their objectives in selecting Canada as a place for investment, and
- c) Your personal assessment of the Canadian business environment for foreign direct investment.

We wish to obtain information from you in two ways: one way is through this interview with you and the other is a questionnaire that I will ask you to fill in once the interview is completed. The questionnaire will take only about 15 minutes of your time; it contains some specific questions that can be handled more efficiently and quickly by marking answers on the sheet of paper. The idea of the interview is

to enable us to discuss in more detail your views about Canada and your parent company's investment here.

If it is acceptable to you, I would like to tape this meeting in order to retain as much information as possible. Your answers are completely confidential and the tape will not be aired by anyone but myself, and further all results will only be reported in an aggregate form. Perhaps we can begin now....

PERSONAL HISTORY

1. How long have you worked with the Canadian company?
2. Were you there at the time of the investment decision? (*If no, go to Q.5*)
3. Did you have an input in the operationalization process? (*If no, go to Q.5*)
4. What was your role?

PROBES

--Did you provide information regarding the Canadian company and Canada in general? If so what?

--Did you participate in negotiations?

--(*if acquisition*) Did you assist in the transition?

--(*if new business*) Did you assist in start up?

CANADIAN COMPANY HISTORY

5. What business is the company in?
6. (*If Acquired*) what part of the company was acquired?
(i.e as a whole or a division)

7. How long has the Canadian company been in existence?
(If CEO Q 8 to 12, otherwise go to Q 13)

8. What is the nature of investment?

PROBES

--Is it one of (*list the following*):

- a. majority ownership and control
- b. joint venture with a local company
- c. joint venture with another foreign company
- d. minority owned affiliate
- e. Sole owner

9. Are there exports or other international operations from Canada?(If no, go to 15)

10. (if yes to exports) To where do you export from Canada?

11. (If yes to other international operations) What is the nature and extent of these?

RELATIONS WITH PARENT COMPANY:

12. How is the Canadian organization structured for reporting to the parent and in sharing decision-making with the parent?

PROBES

-Does the Canadian company report directly to the parent company or through a regional office?

(If regional office, where is this regional office located?)

-How often do the personnel from parent company and who come to Canada?

-How often do the people from the Canadian company and who visit the parent company

13. What level of autonomy does the Canadian company hold in decision-making?

PROBE

--What decisions can the Canadian company make on its own, and what does it have to refer to the head office?

14. How does the parent company solicit your personal views about operations and investment in Canada in general? (*e.g. formal or informal*)

15. How influential are your views in the parent company's decision making?

EXPERIENCE WITH INVESTMENT

(If yes to 2, go to 16 otherwise go to 17)

16. (*If acquisition*) What was the Canadian company's experience when the investment decision was made?

PROBES

--Was the Canadian company approached or did you approach the parent company?

--How did the negotiations proceed?

17. (*If acquisition*) How has the investment affected the Canadian operations?

PROBES

--What has been the effect in the areas of planning i.e. long range or short range?

--What has been the effect in the communication flow?

--What has been the effect in the autonomy of decision making?

--How has it affected the source of financing?

--How has it affected general management?

18. How would your parent company assess the investment outcome in comparison to their initial expectations?

19. Overall how satisfied/dissatisfied is the parent company with the investment experience to date? Why?

20. Overall how satisfied/dissatisfied are you personally with the Foreign ownership experience to date? Why?

21. What do you think Canada should do to improve the investment climate and to attract foreign investment?

22. How do you think other foreign investors in the parent company view Canada?

23. How do you think other foreign investors in general view Canada?

24. Given all of the above , what are the parent company's plans here for the next 5 years?

PROBE

-Are they likely to expand, contract or remain about the same?

25. How aware are you of the parent company's views about the Canadian environment?

Thank you for your help. Now, I request you to fill out this short questionnaire. While you do so, I can check over my notes to ensure I have all the information that I need and then we will have completed everything. (Thank them again promise to get back to them with the feedback based on the results of the study)

PART C**INFORMATION SOURCES**

In this section we would like to know the information sources that were used and their importance in influencing parent company's decision to invest in Canada.

Various sources are listed below. Please circle the appropriate number to indicate either that the source was not used (0) or how important it was if it was used, where 1 is not important in influencing the decision while 5 is very important in influencing the decision.

	NOT USED	IMPORTANCE (IF USED)					DON'T KNOW
		Not Important			Very Important		
Canadian magazines/newspapers.	0	1	2	3	4	5	6
Home country news magazines /newspapers.	0	1	2	3	4	5	6
Media portrayal of Canada in home country	0	1	2	3	4	5	6
Canadian Embassy personnel	0	1	2	3	4	5	6
Investment promotion material by:							
-Canadian Federal Government	0	1	2	3	4	5	6
-Canadian Provincial Government(s)	0	1	2	3	4	5	6
Home country consultants	0	1	2	3	4	5	6
Canadian consultants	0	1	2	3	4	5	6
Canadian suppliers/customers /distributors	0	1	2	3	4	5	6
Competitors	0	1	2	3	4	5	6
Publications by International Organizations (e.g. U.N., World Bank, etc.)	0	1	2	3	4	5	6
Visits by parent company executives' to Canada:							
-Business visits	0	1	2	3	4	5	6
-Pleasure visits	0	1	2	3	4	5	6
Discussions with other home country companies with investment in Canada	0	1	2	3	4	5	6
The acquired Canadian company (if acquisition)	0	1	2	3	4	5	6

PART D**OBJECTIVES**

While you may have indicated in the interview some of the most important objectives of the parent company, for making this investment decision, there may be other objectives which influenced the decision.

Please rate the importance of each of the following possible objectives for the parent company in making this investment in Canada, on a scale of 1 to 5, where 1 is not important and 5 is very important.

	Not Important			Very Important		Don't Know
To overcome trade barriers	1	2	3	4	5	6
To be closer to potential customers	1	2	3	4	5	6
To be closer to existing customers	1	2	3	4	5	6
To use this investment as a stepping stone for a future U.S. investment	1	2	3	4	5	6
To follow an existing customer who moved to Canada	1	2	3	4	5	6
To establish a North American presence	1	2	3	4	5	6
To access raw material(s)	1	2	3	4	5	6
To access scarce design, engineering & other skills	1	2	3	4	5	6
To follow competitors who have made investments in the region	1	2	3	4	5	6
To meet government requirements, e.g. offset obligations	1	2	3	4	5	6
To protect from domestic currency appreciation	1	2	3	4	5	6
To be close to major supplier(s)	1	2	3	4	5	6
To lower manufacturing costs	1	2	3	4	5	6
To benefit from Canadian or Provincial governments' grants and financial incentives	1	2	3	4	5	6
To benefit from higher productivity	1	2	3	4	5	6
Others (Please Specify):	1	2	3	4	5	6

PART E CANADIAN INVESTMENT CLIMATE: ASSESSMENT

Now, based upon your experience, we would like to know your personal views about Canada as a place for investment for the parent company. Various factors of evaluation are listed below.

Please indicate your personal view of the Canadian environment for investment by placing an X in the space that most closely represents your opinion for each of the factors below.

Market Related Factors

Market size	Small: _____	Large
Market potential	Small: _____	Large
Distribution costs	Low: _____	High

Production Related Factors

Availability of raw materials	Low: _____	High
Cost of raw materials	Low: _____	High
Cost of energy	Low: _____	High
Manufacturing costs	Low: _____	High
Labour costs	Low: _____	High
Availability of appropriately skilled labour	Low: _____	High
Skill level of Canadian workers	Low: _____	High
Availability of expert managers	Low: _____	High
Level of productivity	Low: _____	High
Technology level	Low: _____	High
Quality of transportation system	Low: _____	High
Quality of communication system	Low: _____	High

Finance Related Factors

Tax structure	Complex: _____	Simple
Tax advantages	Low: _____	High
Currency exchange rate	Unstable: _____	Stable

Economic and Legal Factors

Ease of obtaining work permits for expatriate personnel	Difficult: _____	Easy
Legal system	Complex: _____	Simple
Restrictions on ownership	Low: _____	High
Inflation rate	Low: _____	High

Political and Social Factors

Political climate	Unstable: _____	Stable
Receptivity to new products, methods, and ideas	Low: _____	High
Government's attitude towards foreign investment	Negative: _____	Positive
Quality of life style	Low: _____	High
Cultural similarity to parent company's country	Far: _____	Near
Attitude to various cultures, religions, races	Closed: _____	Open
Public's attitude towards foreign investment	Negative: _____	Positive
Schooling and other facilities for children of expatriates	Poor: _____	Good
Housing facilities	Poor: _____	Good
Crime level	High: _____	Low

General View of Canada and Canadians

National image	Bad: _____	Good
Industriousness	Low: _____	High
General outlook	Backward: _____	Progressive
Likeability	Low: _____	High
Trustworthiness	Low: _____	High

PART F CANADIAN INVESTMENT CLIMATE: FACTOR IMPORTANCE

Of the above factors, you may see some as more important than others in influencing an investment decision by the parent company. Please rate the importance of each category of factors on a scale of 1 to 5 where 1 means not important and 5 means very important.

(Note: You may wish to refer back to the previous 2 pages which give examples of factors within each of the categories below.)

	Not Important			Very Important	
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Canada and Canadians	1	2	3	4	5

PART G CANADIAN INVESTMENT CLIMATE: EXPERIENCE

From your viewpoint how satisfied or dissatisfied is your parent company with the Canadian investment experience? Please rate the following categories of factors on a scale of 1 to 5, where 1 means very dissatisfied with the Canadian experience and 5 means very satisfied.

	Very Dissatisfied			Very Satisfied	
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Canada and Canadians	1	2	3	4	5

PART H CANADIAN INVESTMENT CLIMATE: COMPARISON TO U.S.

Based on your personal experience, how would you compare Canada's investment climate to that of the United States?

Please rate the following factors on a scale of 1 to 5 where 1 is worse than the U.S. and 5 is better than the U.S.

	Worse than U.S.			Better than U.S.	
	1	2	3	4	5
Productivity	1	2	3	4	5
Skill level of workers	1	2	3	4	5
Availability of technology	1	2	3	4	5
Management expertise	1	2	3	4	5
Distribution costs	1	2	3	4	5
Manufacturing costs	1	2	3	4	5
Overall investment climate	1	2	3	4	5
Receptivity to new products, methods and ideas	1	2	3	4	5
Government attitudes towards foreign investment	1	2	3	4	5
Quality of life	1	2	3	4	5

PART I SIMILARITY OF VIEWS

In general, how close do you think your personal opinions of the Canadian investment climate are to those of your parent company? Please rate the degree of similarity between your views and the parent company's views on a scale of 1 to 5, where 1 is not at all similar and 5 is very similar.

Not at all Similar			Very Similar	
1	2	3	4	5

PART C CANADIAN INVESTMENT CLIMATE: ASSESSMENT

What do you think are the views of your parent company about Canada as a place for investment. Various factors of evaluation are listed below.

Please indicate your parent company's views of the Canadian environment for investment by placing an X in the most appropriate space for each of the factors below.

Market Related Factors

Market size	Small: _____	Large
Market potential	Small: _____	Large
Distribution costs	Low: _____	High

Production Related Factors

Availability of raw materials	Low: _____	High
Cost of raw materials	Low: _____	High
Cost of energy	Low: _____	High
Manufacturing costs	Low: _____	High
Labour costs	Low: _____	High
Availability of appropriately skilled labour	Low: _____	High
Skill level of Canadian workers	Low: _____	High
Availability of expert managers	Low: _____	High
Level of productivity	Low: _____	High
Technology level	Low: _____	High
Quality of transportation system	Low: _____	High
Quality of communication system	Low: _____	High

Finance Related Factors

Tax structure	Complex: _____	Simple
Tax advantages	Low: _____	High
Currency exchange rate	Unstable: _____	Stable

Economic and Legal FactorsEase of obtaining work permits
for expatriate personnel

Difficult: _____:_____:_____:_____:_____:

Easy

Legal system

Complex: _____:_____:_____:_____:_____:

Simple

Restrictions on ownership

Low: _____:_____:_____:_____:_____:

High

Inflation rate

Low: _____:_____:_____:_____:_____:

High

Political and Social Factors

Political climate

Unstable: _____:_____:_____:_____:_____:

Stable

Receptivity to new products,
methods, and ideas

Low: _____:_____:_____:_____:_____:

High

Government's attitude towards
foreign investment

Negative: _____:_____:_____:_____:_____:

Positive

Quality of life style

Low: _____:_____:_____:_____:_____:

High

Cultural similarity to parent
company's country

Far: _____:_____:_____:_____:_____:

Near

Attitude to various cultures,
religions, races

Closed: _____:_____:_____:_____:_____:

Open

Public's attitude towards
foreign investment

Negative: _____:_____:_____:_____:_____:

Positive

Schooling and other facilities
for children of expatriates

Poor: _____:_____:_____:_____:_____:

Good

Housing facilities

Poor: _____:_____:_____:_____:_____:

Good

Crime level

High: _____:_____:_____:_____:_____:

Low

General View of Canada and Canadians

National image

Bad: _____:_____:_____:_____:_____:

Good

Industriousness

Low: _____:_____:_____:_____:_____:

High

General outlook

Backward: _____:_____:_____:_____:_____:

Progressive

Likeability

Low: _____:_____:_____:_____:_____:

High

Trustworthiness

Low: _____:_____:_____:_____:_____:

High

PART D CANADIAN INVESTMENT CLIMATE: FACTOR IMPORTANCE

Of the **above factors**, your parent company may see some as more important than others in **influencing an investment decision**. Please rate the importance of each category of factors on a scale of 1 to 5 where **1 means not important and 5 means very important**.

(Note: You may wish to refer back to the previous 2 pages which give examples of factors within each of the categories below.)

	Not Important			Very Important	
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Canada and Canadians	1	2	3	4	5

PART E CANADIAN INVESTMENT CLIMATE: EXPERIENCE

From your viewpoint how satisfied or dissatisfied is **your parent company** with the Canadian investment experience? Please rate the following categories of factors on a scale of 1 to 5, where **1 means very dissatisfied with the Canadian experience and 5 means very satisfied**.

	Very Dissatisfied			Very Satisfied	
Market Related Factors	1	2	3	4	5
Production Related Factors	1	2	3	4	5
Finance Related Factors	1	2	3	4	5
Economic and Legal Factors	1	2	3	4	5
Political and Social Factors	1	2	3	4	5
General View of Canada and Canadians	1	2	3	4	5

PART F CANADIAN INVESTMENT CLIMATE: COMPARISON TO U.S.

Based on your personal experience, how would you compare Canada's investment climate to that of the United States?

Please rate the following factors on a scale of 1 to 5 where 1 is worse than the U.S. and 5 is better than the U.S..

	Worse than U.S.			Better than U.S.	
Productivity	1	2	3	4	5
Skill level of workers	1	2	3	4	5
Availability of technology	1	2	3	4	5
Management expertise	1	2	3	4	5
Distribution costs	1	2	3	4	5
Manufacturing costs	1	2	3	4	5
Overall investment climate	1	2	3	4	5
Receptivity to new products, methods and ideas	1	2	3	4	5
Government attitudes towards foreign investment	1	2	3	4	5
Quality of life	1	2	3	4	5

PART G CONFIDENCE LEVEL

In the previous section we asked you about what you think are the views of the parent company about the Canadian investment climate. Could you please tell how confident you are about accurately characterizing your parent company's views.

Please rate the level of confidence on the scale of 1 to 5, where 1 is not confident and 5 is very confident.

Not Confident			Very Confident	
1	2	3	4	5

APPENDIX VI

COUNTRIES OF ORIGIN OF PARENT COMPANIES

Country	Number of Companies
Europe	14
Denmark	1
Finland	1
France	2
Germany	2
Sweden	2
Switzerland	1
U.K.	4
Italy	1
Pacific Rim	7
Hong Kong	1
Japan	5
Korea	1
Other	
Australia	1
Total	22

APPENDIX IX

**MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVES WITH
PARENT COMPANY FROM THE PACIFIC RIM.**

Factors	Canadian Executives	Pacific Rim Executives
Housing facilities	<u>4.3</u>	<u>4.7</u>
National Image	<u>4.1</u>	<u>4.5</u>
Likability	<u>4.0</u>	<u>4.2</u>
Trustworthiness	3.6	<u>4.0</u>
Friendliness	<u>4.0</u>	<u>4.0</u>
Quality of life style	<u>4.1</u>	3.8
Availability of raw material	3.4	3.8
Inflation rate	3.1	3.8
Attitude to various cultures, religions races	3.7	3.7
Restrictions on ownership	3.0	3.7
Quality of transportation system	3.6	3.6
Quality of communication system	3.3	3.6
Government's attitude towards foreign investment	3.6	3.3
Schooling and other facilities for children of expatriates	3.4	3.3
Crime level	3.3	3.3
Public's attitude towards foreign investment	3.1	3.3
Political climate	2.4	3.3
Availability of appropriately skilled labor	3.1	3.3
Distribution Costs	2.0	3.3
General outlook	3.1	3.2
Availability of expert managers	3.3	3.1
Skill level of Canadian workers	3.1	3.1
Technology level	3.3	3.0
Industriousness	3.3	3.0
Cost of raw material	2.3	3.0
Level of Productivity	3.1	2.9
Receptivity to new products methods and ideas	3.3	2.8
Ease of obtaining work permit for expatriate personnel	2.9	2.7
Legal system	2.3	2.7
Cost of energy	2.1	2.6
Labor costs	1.9	2.4
Manufacturing cost	2.1	2.3
Currency exchange rate	2.3	2.2
Tax advantage	1.7	2.0
Market Size	2.6	1.9
Market Potential	3.1	1.9**
Cultural similarity to parent company's country	2.1	1.8
Tax structure	<u>1.7</u>	<u>1.7</u>

Underlined are the five highest rated factors

* Wilcoxon Signed Rank significant difference at $\alpha < .05$

** Wilcoxon Signed Rank significant difference at $\alpha < 1.0$

3 of/de 3

MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-
STANDARD REFERENCE MATERIAL 1010a
ANSI and ISO TEST CHART No. 2

APPENDIX VII

MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVES

Factor	Canadian Executives	Foreign Executives
Quality of life style	<u>4.3</u>	<u>4.2</u>
Friendliness	<u>4.1</u>	<u>4.2</u>
National Image	<u>4.1</u>	<u>4.1</u>
Likability	<u>4.1</u>	<u>4.1</u>
Attitude to various cultures, religions races	<u>4.0</u>	<u>4.0</u>
Housing facilities	<u>4.1</u>	<u>3.9</u>
Restrictions on ownership	3.2	<u>3.8*</u>
Quality of communication system	3.7	<u>3.8</u>
Trustworthiness	<u>4.0</u>	3.7
Inflation rate	3.9	3.7
Public's attitude towards foreign investment	3.3	3.5
Quality of transportation system	3.7	3.5
Crime level	3.8	3.4
Schooling and other facilities for children of expatriates	3.6	3.4
Receptivity to new products methods and ideas	3.6	3.3
Availability of expert managers	3.3	3.3
Availability of raw material	3.8	3.3
Ease of obtaining work permit for expatriate personnel	3.4	3.2
Government's attitude towards foreign investment	3.5	3.2
Cost of energy	3.1	3.2
Technology level	3.2	3.1
General outlook	3.5	3.1
Cultural similarity to parent company's country	3.2	3.1
Availability of appropriately skilled labor	3.1	3.1
Skill level of Canadian workers	3.2	3.1
Level of productivity	3.1	2.9
Industriousness	3.4	2.9
Cost of raw materials	2.6	2.8
Legal system	2.6	2.6
Political climate	2.5	2.5
Market potential	2.8	2.5
Currency exchange rate	2.6	2.5
Distribution costs	2.5	2.5
Manufacturing costs	2.4	2.4
Market size	2.6	2.3
Tax structure	1.9	2.3
Labor costs	2.1	2.3
Tax advantage	2.1	2.2

Underlined are the highest rated factors

* Wilcoxon Signed Rank test significant difference at $\alpha < .05$

APPENDIX VIII

MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVE WITH
EUROPEAN PARENT COMPANIES

Factor	Canadian Executives	European Executives
Quality of life style	<u>4.3</u>	<u>4.4</u>
Friendliness	<u>4.2</u>	<u>4.2</u>
Attitude to various cultures, religions races	<u>4.1</u>	<u>4.1</u>
National image	3.9	<u>4.0</u>
Likability	<u>4.1</u>	<u>3.9</u>
Quality of communication system	<u>4.0</u>	<u>3.9</u>
Restrictions on ownership	3.3	<u>3.8**</u>
Inflation rate	<u>4.3</u>	<u>3.6*</u>
Public's attitude towards foreign investment	3.4	<u>3.6</u>
Cost of energy	3.6	<u>3.6</u>
Receptivity to new products methods and ideas	3.9	<u>3.6</u>
Trustworthiness	<u>4.2</u>	3.5**
Housing facilities	<u>4.0</u>	3.5**
Quality of transportation system	3.8	3.5**
Ease of obtaining work permit for expatriate personnel	3.7	3.5
Cultural similarity to parent company's country	3.6	3.5
Crime level	<u>4.0</u>	3.4
Availability of expert managers	3.4	3.4
Schooling and other facilities for children of expatriates	3.6	3.3
Technology level	3.1	3.2
Government's attitude towards foreign investment	3.5	3.1
General outlook	3.6	3.1*
Availability of raw material	<u>4.0</u>	3.0**
Skill level of Canadian workers	3.3	3.0
Availability of appropriately skilled labor	3.1	3.0
Level of Productivity	3.1	2.9
Market Potential	2.7	2.9
Industriousness	3.4	2.8
Cost of raw material	2.7	2.7
Market Size	2.6	2.6
Tax structure	2.1	2.6
Currency exchange rate	2.9	2.5
Legal system	2.9	2.5
Manufacturing cost	2.4	2.4
Tax advantage	2.5	2.4
Labor costs	2.4	2.3
Political climate	2.5	2.2
Distribution Costs	2.7	1.8

Underlined are the highest rated factors

* Wilcoxon Signed Rank test significant difference at $\alpha < .05$

** Wilcoxon Signed Rank test significant difference at $\alpha < 1.0$

APPENDIX IX

**MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVES WITH
PARENT COMPANY FROM THE PACIFIC RIM.**

Factors	Canadian Executives	Pacific Rim Executives
Housing facilities	<u>4.3</u>	<u>4.7</u>
National Image	<u>4.1</u>	<u>4.5</u>
Likability	<u>4.0</u>	<u>4.2</u>
Trustworthiness	3.6	<u>4.0</u>
Friendliness	<u>4.0</u>	<u>4.0</u>
Quality of life style	<u>4.1</u>	3.8
Availability of raw material	3.4	3.8
Inflation rate	3.1	3.8
Attitude to various cultures, religions races	3.7	3.7
Restrictions on ownership	3.0	3.7
Quality of transportation system	3.6	3.6
Quality of communication system	3.3	3.6
Government's attitude towards foreign investment	3.6	3.3
Schooling and other facilities for children of expatriates	3.4	3.3
Crime level	3.3	3.3
Public's attitude towards foreign investment	3.1	3.3
Political climate	2.4	3.3
Availability of appropriately skilled labor	3.1	3.3
Distribution Costs	2.0	3.3
General outlook	3.1	3.2
Availability of expert managers	3.3	3.1
Skill level of Canadian workers	3.1	3.1
Technology level	3.3	3.0
Industriousness	3.3	3.0
Cost of raw material	2.3	3.0
Level of Productivity	3.1	2.9
Receptivity to new products methods and ideas	3.3	2.8
Ease of obtaining work permit for expatriate personnel	2.9	2.7
Legal system	2.3	2.7
Cost of energy	2.1	2.6
Labor costs	1.9	2.4
Manufacturing cost	2.1	2.3
Currency exchange rate	2.3	2.2
Tax advantage	1.7	2.0
Market Size	2.6	1.9
Market Potential	3.1	1.9**
Cultural similarity to parent company's country	2.1	1.8
Tax structure	1.7	1.7

Underlined are the five highest rated factors

* Wilcoxon Signed Rank significant difference at $\alpha < .05$

** Wilcoxon Signed Rank significant difference at $\alpha < 1.0$

APPENDIX X

MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVES FROM ACQUISITIONS

Factors	Canadian Executives	Foreign Executives
Quality of life style	<u>4.1</u>	<u>4.3</u>
Attitude to various cultures, religions, races	3.9	<u>4.2</u>
Friendliness	<u>4.1</u>	<u>4.1</u>
National image	<u>4.0</u>	<u>4.0</u>
Restrictions on ownership	3.1	<u>3.9*</u>
Inflation rate	3.9	<u>3.9</u>
Likability	<u>4.0</u>	3.8
Housing facilities	<u>4.1</u>	3.8
Quality of communication system	3.7	3.6
Schooling and other facilities for children of expatriates	3.8	3.6
Trustworthiness	<u>4.0</u>	3.5
Public's attitude towards foreign investment	3.4	3.4
Quality of transportation system	3.6	3.3**
Crime level	3.7	3.3
Availability of raw materials	3.9	3.3
Availability of expert managers	3.4	3.3
Cultural similarity to parent company's country	3.2	3.3
Ease of obtaining work permit for expatriate personnel	3.3	3.2
Receptivity to new products, methods and ideas	3.7	3.1**
Cost of energy	2.9	3.1
Availability of appropriately skilled labor	3.0	3.1
Skill level of Canadian workers	3.1	3.0
General outlook	3.4	2.9**
Government's attitude towards foreign investment	3.2	2.9
Technology level	3.1	2.9
Cost of raw materials	2.4	2.7
Legal system	2.5	2.7
Currency exchange rate	2.8	2.6
Industriousness	3.2	2.5**
Level of productivity	3.0	2.5**
Market potential	2.9	2.5
Political climate	2.5	2.4
Labor costs	2.1	2.4
Manufacturing costs	2.2	2.3
Distribution costs	2.5	2.3
Market size	2.6	2.3
Tax advantage	2.1	2.1
Tax structure	1.9	2.0

Underlined are the six highest rated factors

* Wilcoxon Signed Rank test significant difference at $\alpha < .05$

** Wilcoxon Signed Rank test significant difference at $\alpha < 0.1$

APPENDIX XI

MEAN RATINGS BY CANADIAN AND FOREIGN EXECUTIVE
FROM NEW BUSINESSES

Factor	Canadian Executives	Foreign Executives
Likability	<u>4.3</u>	<u>4.8</u>
National image	<u>4.2</u>	<u>4.6</u>
Friendliness	<u>4.3</u>	<u>4.4</u>
Industriousness	3.8	<u>4.3</u>
Quality of life style	<u>4.7</u>	<u>4.2</u>
Housing facilities	<u>4.2</u>	<u>4.2</u>
Quality of communication system	3.8	<u>4.2</u>
Trustworthiness	<u>4.0</u>	<u>4.2</u>
Government's attitude towards foreign investment	<u>4.3</u>	4.0
Quality of transportation system	3.8	4.0
Receptivity to new products, methods and ideas	3.5	4.0
Level of productivity	3.5	3.8
Technology level	3.3	3.8
Crime level	<u>4.0</u>	3.8
Public's attitude towards foreign investment	3.0	3.8
General outlook	3.7	3.6
Attitude to various cultures, religions, races	<u>4.2</u>	3.4
Ease of obtaining work permit for expatriate personnel	3.7	3.4
Cost of energy	3.3	3.4
Availability of expert managers	3.2	3.3
Restrictions on ownership	3.5	3.3
Availability of raw material	3.7	3.2
Skill level of Canadian workers	3.5	3.2
Availability of appropriately skilled labor	3.3	3.2
Inflation rate	3.8	3.0
Distribution costs	2.3	3.0
Political climate	2.3	3.0
Tax structure	2.0	3.0
Schooling and other facilities for children of expatriates	3.0	2.8
Cost of raw material	3.0	2.8
Cultural similarity to parent company's country	3.2	2.6
Market size	2.5	2.6
Tax advantage	2.3	2.5
Market potential	2.7	2.4
Manufacturing costs	2.7	2.4
Currency exchange rate	2.2	2.2
Legal system	3.0	2.0
Labor costs	<u>2.2</u>	<u>2.0</u>

Underlined are the highest rated factors

* Wilcoxon Signed Rank test significant difference at $\alpha < .05$

** Wilcoxon Signed Rank test significant difference at $\alpha < .10$

END

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