1

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

**GREECE IN THE EYES OF FOREIGN INVESTORS:
AN EXPLORATORY STUDY**

by

KATERINA D. KALLIGATSI, B.Comm.(Honours)

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

School of Business
Carleton University
Ottawa, Ontario
May 8, 1996

copyright ©
1996, Katerina D. Kalligatsi

National Library
of Canada

Acquisitions and
Bibliographic Services Branch

395 Wellington Street
Ottawa, Ontario
K1A 0N4

Bibliothèque nationale
du Canada

Direction des acquisitions et
des services bibliographiques

395, rue Wellington
Ottawa (Ontario)
K1A 0N4

Your file Votre référence

Our file Notre référence

The author has granted an irrevocable non-exclusive licence allowing the National Library of Canada to reproduce, loan, distribute or sell copies of his/her thesis by any means and in any form or format, making this thesis available to interested persons.

L'auteur a accordé une licence irrévocable et non exclusive permettant à la Bibliothèque nationale du Canada de reproduire, prêter, distribuer ou vendre des copies de sa thèse de quelque manière et sous quelque forme que ce soit pour mettre des exemplaires de cette thèse à la disposition des personnes intéressées.

The author retains ownership of the copyright in his/her thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without his/her permission.

L'auteur conserve la propriété du droit d'auteur qui protège sa thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

ISBN 0-612-13859-3

Canada

Name KALLIGATSI, KATERINA

Dissertation Abstracts International is arranged by broad, general subject categories. Please select the one subject which most nearly describes the content of your dissertation. Enter the corresponding four-digit code in the spaces provided.

SOCIAL SCIENCES, MARKETING, INTERNATIONAL

SUBJECT TERM

0338

SUBJECT CODE

U·M·I

Subject Categories

THE HUMANITIES AND SOCIAL SCIENCES

COMMUNICATIONS AND THE ARTS

Architecture 0729
Art History 0377
Cinema 0900
Dance 0378
Fine Arts 0357
Information Science 0723
Journalism 0391
Library Science 0399
Mass Communications 0708
Music 0413
Speech Communication 0459
Theater 0465

EDUCATION

General 0515
Administration 0514
Adult and Continuing 0516
Agricultural 0517
Art 0273
Bilingual and Multicultural 0282
Business 0688
Community College 0275
Curriculum and Instruction 0727
Early Childhood 0518
Elementary 0524
Finance 0277
Guidance and Counseling 0519
Health 0680
Higher 0745
History of 0520
Home Economics 0278
Industrial 0521
Language and Literature 0279
Mathematics 0280
Music 0522
Philosophy of 0998
Physical 0523

Psychology 0525
Reading 0535
Religious 0527
Sciences 0714
Secondary 0533
Social Sciences 0534
Sociology of 0340
Special 0529
Teacher Training 0530
Technology 0710
Tests and Measurements 0288
Vocational 0747

LANGUAGE, LITERATURE AND LINGUISTICS

Language 0679
General 0289
Ancient 0290
Linguistics 0291
Modern 0401
Literature 0294
General 0295
Classical 0297
Comparative 0298
Medieval 0316
Modern 0591
African 0305
American 0352
Asian 0355
Canadian (English) 0593
Canadian (French) 0311
English 0312
Germanic 0315
Latin American 0313
Middle Eastern 0314
Romance 0314
Slavic and East European

PHILOSOPHY, RELIGION AND THEOLOGY

Philosophy 0422
Religion 0318
General 0321
Biblical Studies 0319
Clergy 0320
History of 0322
Philosophy of 0469
Theology

SOCIAL SCIENCES

American Studies 0323
Anthropology 0324
Archaeology 0326
Cultural 0327
Physical 0310
Business Administration 0272
General 0770
Accounting 0454
Banking 0338
Management 0385
Marketing 0501
Canadian Studies 0503
Economics 0505
General 0508
Agricultural 0509
Commerce-Business 0510
Finance 0511
History 0358
Labor 0366
Theory 0351
Folklore 0578
Geography 0366
Gerontology 0351
History

Ancient 0579
Medieval 0581
Modern 0582
Black 0328
African 0331
Asia, Australia and Oceania 0332
Canadian 0334
European 0335
Latin American 0336
Middle Eastern 0333
United States 0337
History of Science 0585
Law 0398
Political Science 0615
General 0616
International Law and Relations 0617
Public Administration 0617
Recreation 0814
Social Work 0452
Sociology 0626
General 0627
Criminology and Penology 0938
Demography 0631
Ethnic and Racial Studies 0628
Individual and Family Studies 0629
Industrial and Labor Relations 0630
Public and Social Welfare 0700
Social Structure and Development 0344
Theory and Methods 0709
Transportation 0999
Urban and Regional Planning 0453
Women's Studies

THE SCIENCES AND ENGINEERING

BIOLOGICAL SCIENCES

Agriculture 0473
General 0285
Agronomy 0475
Animal Culture and Nutrition 0476
Animal Pathology 0359
Food Science and Technology 0478
Forestry and Wildlife 0479
Plant Culture 0480
Plant Pathology 0817
Plant Physiology 0777
Range Management 0746
Wood Technology 0306
Biology 0287
General 0308
Anatomy 0309
Biostatistics 0379
Botany 0329
Cell 0353
Ecology 0369
Entomology 0793
Genetics 0410
Limnology 0307
Microbiology 0317
Molecular 0416
Neuroscience 0433
Oceanography 0821
Physiology 0778
Radiation 0472
Veterinary Science 0786
Zoology 0760
Biophysics 0786
General 0760
Medical

EARTH SCIENCES

Biogeochemistry 0425
Geochemistry 0996

Geodesy 0370
Geology 0372
Geophysics 0373
Hydrology 0388
Mineralogy 0411
Paleobotany 0345
Paleoecology 0426
Paleontology 0418
Paleozoology 0985
Palynology 0427
Physical Geography 0368
Physical Oceanography 0415

HEALTH AND ENVIRONMENTAL SCIENCES

Environmental Sciences 0768
Health Sciences 0566
General 0300
Audiology 0992
Chemotherapy 0567
Dentistry 0350
Education 0769
Hospital Management 0758
Human Development 0982
Immunology 0564
Medicine and Surgery 0347
Mental Health 0569
Nursing 0570
Nutrition 0380
Obstetrics and Gynecology 0354
Occupational Health and Therapy 0381
Ophthalmology 0571
Pathology 0419
Pharmacology 0572
Pharmacy 0382
Physical Therapy 0573
Public Health 0574
Radiology 0575
Recreation

Speech Pathology 0460
Toxicology 0383
Home Economics 0386

PHYSICAL SCIENCES

Pure Sciences

Chemistry 0485
General 0749
Agricultural 0486
Analytical 0487
Biochemistry 0488
Inorganic 0738
Nuclear 0490
Organic 0491
Pharmaceutical 0494
Physical 0495
Polymer 0754
Radiation 0405
Mathematics 0605
Physics 0986
General 0606
Acoustics 0608
Astronomy and Astrophysics 0748
Atmospheric Science 0607
Atomic 0798
Electronics and Electricity 0759
Elementary Particles and High Energy 0609
Fluid and Plasma 0610
Molecular 0752
Nuclear 0756
Optics 0611
Radiation 0463
Solid State

Applied Sciences

Applied Mechanics 0346
Computer Science 0984

Engineering 0537
General 0538
Aerospace 0539
Agricultural 0540
Automotive 0541
Biomedical 0542
Chemical 0543
Civil 0544
Electronics and Electrical 0348
Heat and Thermodynamics 0545
Hydraulic 0546
Industrial 0547
Marine 0794
Materials Science 0548
Mechanical 0743
Metallurgy 0551
Mining 0552
Nuclear 0549
Packaging 0765
Petroleum 0554
Sanitary and Municipal 0790
System Science 0428
Geotechnology 0796
Operations Research 0795
Plastics Technology 0994
Textile Technology

PSYCHOLOGY

General 0621
Behavioral 0384
Clinical 0622
Developmental 0620
Experimental 0623
Industrial 0624
Personality 0625
Physiological 0989
Psychobiology 0349
Psychometrics 0632
Social 0451

The undersigned recommend to the Faculty of Graduate Studies
and Research acceptance of the thesis

GREECE IN THE EYES OF FOREIGN INVESTORS;
AN EXPLORATORY STUDY

Submitted by Katerina D. Kalligatsi, B.Comm (Honours)
in partial fulfilment of the requirements for
the degree of Master of Management Studies

Supervisor

Chair, School of Business

School of Business
Carleton University

May 8, 1996

To Uncle Tolis, for making it all possible

ABSTRACT

This research was an attempt to trace the image of Greece as an investment site in the eyes of foreign investors. Thirty one top ranking Greek and expatriate executives from the top fifty foreign investments in Greece (as measured by the total dollars invested) were interviewed and then surveyed. It is contended that, notwithstanding the drawbacks of the bureaucratic nature and inflexibility of the Greek public sector, Greece is seen as a good place for foreign investment. Greece provides opportunities to foreign investors due to its attractive market and its strategic location for further expansion within the region. Greece's good quality of life, skilled labour force, and level of technological sophistication provides it with a combination of advantages over its main FDI competitors, namely, other Mediterranean countries including Turkey, the Balkans, and Eastern Europe.

A comparison of the findings of this study to a previous study in Canada suggest that certain aspects of the decision making process to invest abroad are common. The main objectives of seeking new markets, proximity to other markets, and establishment in a strategic region were found to be common between the two studies. Furthermore, personal visits by parent companies executives, the use of host country consultants, executives already established in the country, and business partners and contacts are the main sources that decision makers use in making the decision on an investment destination.

ACKNOWLEDGMENTS

*When setting out upon your way to Ithaca,
wish always that your course be long, full of adventure, full of love.*

"Ithaca"; K. Cavafis

This thesis is the fruit of the unconditional love, and generous support I enjoyed over the years from a number of people. I would first like to thank my mother Maroula, my father Dimitris, and my brother Yiannis for believing in me and standing behind me through all this. This thesis would not have been possible without the generosity, love, support and understanding of my Uncle Apostolos Papasliotis and his wife Maria. Thank you both. I would also like to thank my Aunt Katousa and Uncle Christos Kalligatsis, Aunt Olga and Uncle Fotis Scandalis and the Xanthopoulos family for their encouragement and love.

A special thank you to my supervisor Dr. Nicolas Papadopoulos and the members of my committee, Dr. Louise Heslop and Dr. Vijay Jog. I have benefited from your guidance and comments.

On my long and often difficult journey a few very special friends were there for me for the good times but, most importantly, for the difficult ones. I was blessed to have met Anca Petrescu, Andre Lyn, Leslie Szamosi and Stephen Chow. Thank you guys for being there for me! I was also blessed to have the friendship and love from a group of old friends who never forgot or gave up on me. Mitsi Makri, Dori Mauridi, Kostantinidou Fenia, Diamantopoulou Stella, Farini Kiki, Senikoglou Lena, and Tsotsou Vicky thank you all for being my friends.

Last but not least I would like thank all the family, friends as well as the complete strangers who went out of their way to help me during my data collection in Greece. In particular I would like to thank Uncle Alkis Exarhou who opened many doors for me and the wonderful family of Giagia Ianthy, Aunt Zeta Badopoulou and my cousins Anna and Andreas for being my family in Athens, for their love and support and for giving me a home away from home.

To all those who filled my journey with adventure and love... Thank you!

TABLE OF CONTENTS

ABSTRACT.....	i
ACKNOWLEDGMENTS	ii
TABLE OF CONTENTS.....	iii
Part I 1. INTRODUCTION.....	1
1.1 Origin of the Study	4
1.2 Practical Considerations	6
2. LITERATURE REVIEW.....	9
2.1 Foreign Direct Investment: General Trends.....	9
2.1.1 Importance of FDI	11
2.1.1.1 Importance of FDI from the Company's Perspective.....	11
2.1.1.2 Importance of FDI to the Home- and Host-Countries	13
2.1.2 FDI in Developing and Newly Industrialised Countries	15
2.1.3 FDI in Developed Countries.....	20
2.1.3.1 The "Triad" in FDI.....	21
2.2 Promoting Countries for FDI.....	24
2.2.1 Regional and Multinational Promotional Efforts.....	31
2.3 Product-Country Image.....	33
2.4 International Market Selection.....	38
2.4.1 The IMS Decision Making Process	43
2.4.2 Attitudinal and Perceptual Factors as Determinants of IMS.....	45
2.4.3 International Market Selection: Globalization Aspects	47
2.5 Foreign Direct Investment in Greece	49
2.5.1 Improving and Promoting Greece as a Place to Invest	50
2.5.2 Advantages of the Greek Investment Climate.....	52
2.6 Literature Conclusions.....	55
3. RESEARCH OBJECTIVES	56
4. RESEARCH METHODOLOGY.....	58
4.1 Research Design	58
4.2 Sampling Process.....	58
4.2.1 Sample Population.....	59
4.2.2 Sampling Frame	61
4.2.3 Sampling Unit.....	62
4.3 Data Collection.....	62
4.4 Research Instrument	63
4.5 Data Analysis.....	65
Part II RESEARCH FINDINGS AND DISCUSSION	66
1. GENERAL PROFILE OF THE SAMPLE	67
1.1 Demographic Characteristics of the Parent Company.	70
1.2 Profile of the Greek Companies and Their Multinational Operations.	76

2. OBJECTIVES FOR MAKING THE DECISION TO INVEST IN GREECE.....	79
2.1 Interview Responses for the Most Important Objectives Influencing the Decision to Invest in Greece	79
2.2 Questionnaire Findings of the Ratings of the Most Important Objectives for Investing in Greece.....	88
3. INFORMATION SOURCES USED IN THE DECISION TO INVEST	94
3.1 INTERVIEW RESPONSES	94
3.1.1 Use of Information Sources	95
3.1.2 Importance of Information Sources Used	97
3.1.3 Accessibility of Information Sources.....	99
3.2 Personal Sources in the Investment Decision Making Process	101
3.3 Executives Working in Greece as a Source of Information	104
3.4 QUESTIONNAIRE RESPONSES	107
3.4.1 Use of Information Sources	107
3.4.2 Importance of Information Sources Used in Influencing the Decision to Invest in Greece	109
4. ASSESSMENT OF THE CLIMATE FOR FOREIGN INVESTMENT IN GREECE	117
4.1 INTERVIEW RESPONSES	117
4.1.1 Assessment of the Present Investment Climate in Greece	117
4.2 QUESTIONNAIRE RESPONSES	125
4.3 GREEK EXECUTIVES' RESPONSES.....	136
4.3.1 Parent Companies' Assessment of the Greek Investment Climate.....	136
5. EXPERIENCES WITH THE GREEK INVESTMENT	140
5.1 INTERVIEW RESPONSES	140
5.1.1 Experiences in Operationalizing the Investment and Notifying the Government	140
5.1.2 Assessment of the Investment Experience to Date	144
5.2 QUESTIONNAIRE RESPONSES	148
5.2.1 Factor Importance in the Investment Decision	149
5.2.2 Experience with the Greek Investment	150
5.3 GREEK EXECUTIVES' RESPONSES.....	151
5.3.1 Factor Importance in the Decision to Invest in Greece	151
5.3.2 Parent Companies' Experiences with the Investment	154
5.4 Country Competitors to Greece	157
5.4.1 Foreign Executives Responses.....	157
5.4.2 Greek Executives' Responses.....	160
6. COMPARISON WITH THE CANADIAN FINDINGS.....	163
6.1 Comparison of the General Characteristics of the Samples	163
6.2 Determinants of the Decision Making Process: Main Investment Objectives	165
6.3 Use of Information Sources in the Decision Making Process.....	166
6.4 Comparison of the General Assessment of the Greek and Canadian Investment Climates.....	167
6.5 Greek and Canadian Investment Factor Importance and Experiences	170
6.6 Summary.....	172
7. BENEFITS OF THE STUDY	173
7.1 Research Implications.....	173
7.2 Managerial Implications	174

7.3 Policy Implications	175
8. LIMITATIONS	177
BIBLIOGRAPHY	179
APPENDIXES	185

Part I 1. INTRODUCTION

"Foreign Direct Investment (FDI) flows in the 1980s boomed, growing faster than GDP, international trade and domestic capital formation" (OECD: Promoting FDI in Developing Countries 1993). In 1989 the estimated world-wide FDI stock was \$1.5 trillion¹ (UNCTC: World Investment Report 1991).

Foreign investment has been widely recognised as both stimulating and beneficial for the economies of developing and developed countries alike. Competition among nations to attract FDI is intense and growing. Even many countries which previously restricted foreign investment are now welcoming it (e.g. China). An increasing number of government organizations and private investment promotion agencies are competing for foreign investment aiming to promote countries, much like products, as a place to invest (e.g. Investment Canada, UNIDO Roundtable of African Investment Promotion Centres). This is the case not only for developing and Newly Industrialized Countries (NIC's) but also for OECD members and the nations of Central and Eastern Europe and the former Soviet Union (OECD: Promoting FDI in Developing Countries 1993).

¹ In order to be consistent with most international publications (e.g., OECD, UN, etc.) all figures are in U.S. dollars unless otherwise specified.

In forming promotional plans to attract FDI, policy makers can draw from a significant body of literature about the economics of location. From the field of International Market Selection (IMS) there are many factors cited as important in the assessment of location sites, as well as research concentrated on the specific case of market selection for FDI. Some studies emphasize the econometric aspects of location and attempt to develop models to aid managers in screening potential investment sites (i.e. Stobaugh 1969, Ehrman and Hamburg 1986, Tallman 1988). Others have surveyed decision makers to summarize factors that were relevant in their decisions to invest in a location (i.e. Daniels 1970, U.S. Department of Commerce 1974, Ajami and Ricks 1981).

Yet, there is still a gap in the literature as well as between academic research and practice. Even though there has been ongoing research in the field for over 25 years, the decision making process itself regarding foreign direct investments has not received enough attention. There is still no unanimity among researchers as to which criteria managers consider prior to the investment decision. Furthermore, no model of the decision making process has emerged as dominant, and there is not enough empirical evidence to support the use of any of the models cited in the literature. To explain this, researchers have long speculated about the role of subjective factors such as managers' personal preferences and preconceived ideas about countries in the decision process. As early as 1969, Stobaugh hypothesized that investment decisions are made in an intuitive way (Stobaugh 1969). Other studies, although few and far between, have since recognized the role of country

image, stereotypes, managers' perceptions and personal preferences about countries as important determinants in the investment decision (i.e. Johansson and Moinpour 1977, Reid 1981, Wee, Lim, and Tan 1993).

Overall, there is still a lack of adequate research on the FDI decision making process in light of the importance of managerial perceptions and country stereotyping. Moreover, the bulk of research has concentrated on FDI in strong industrialised nations (i.e. U.S.A., Japan), whereas the factors that lead companies to invest in NIC's or less-developed countries have received less attention².

This study aimed to address both of the above considerations. It adds to the pool of knowledge concerning the decision making process to invest in a foreign country, with an emphasis on the importance of managerial perceptions and country stereotyping as determinants of the decision. It also adds one more FDI destination country to the literature concerning factors that lead companies to invest in small, individual countries. The research attempts to accomplish this by investigating some aspects of the determinants of the decision to invest in Greece. Greece as a choice of a country has several advantages because of its level of economic development and its size and geographical position³.

² In this study the term "developed countries" refers to OECD members, "NIC's" to countries with newly industrialized economies (e.g., Singapore, Taiwan, Mexico). All other countries are referred to as "developing countries".

³ Although Greece is an OECD member, its level of economic development lags behind other OECD members. To account for that, the term "smaller OECD country" and "smaller economy" were used in accordance with OECD publication clarifications.

Inferences drawn from Greece can be useful in the case of other OECD countries, NIC's, smaller countries within the European Union (E.U.) and even countries in Central and Eastern Europe (due to its traditional links and geographic proximity to those countries).

1.1 Origin of the Study

The present research builds on the findings of a previous two-part study coordinated by Jog, Papadopoulos, and Heslop, of which one part was carried out by the investigators themselves in 1992, while the other was carried out by D'Souza (1993). The goal of that study was to investigate the determinants of FDI decisions in general and to trace the image of Canada as a place to invest and in relation to its main competitor the U.S., by studying perceptions of investors already established in Canada. The first part, (hereinafter referred to as the JPH study) involved interviewing executives at the Canadian subsidiaries' parent companies in Europe and the Pacific Rim about their decisions to invest in Canada and their perceptions of the Canadian investment climate. The second part, (hereinafter referred to as the D'Souza study) looked at the same questions interviewing both expatriate and Canadian executives of foreign-owned companies' affiliates in Canada (Ontario and Quebec).

The research aimed to gain insight into the image of Canada in the eyes of foreign investors. In particular, it aimed to identify points of satisfaction and/or dissatisfaction with the Canadian investment experience, to assess the current perceptions of presently active

investors concerning the economic, social and political climate of Canada, to identify the most common sources of information investors use in arriving at the decision to select Canada as a place to invest, and to determine the most commonly cited motives of the parent company for making this investment. For the purpose of the study, a research instrument combining an interview schedule and a self-administered questionnaire was developed. Senior foreign executives of 30 companies were interviewed in the first part of the study (JPH 1992), and senior expatriate and Canadian executives of 22 companies were interviewed in the second part (D'Souza 1993).

This study used D'Souza's approach and applied it in a different cultural context to investigate perceptions of foreign investors established in Greece about the Greek investment climate. In particular, some of its objectives were similar to D'Souza's and the interview schedule and questionnaire developed and tested in the previous two-part study were utilised. The research instrument was adapted to account for cross-cultural differences while questions were added to account for unique elements of the business climate in Greece.

D'Souza found that foreign investors were generally satisfied with the Canadian investment experience, and that the market-related, social and political elements of the investment climate were the most important categories influencing the investment decision. Although federal and provincial sources of information were found to be important for investors in

new business, the most important information was gathered through "personal sources", such as business visits by foreign executives of the parent company and executives from the acquired company in the case of acquisitions. Market-related factors were cited as the most common determinants for the decision to invest in Canada, and there were no important differences found in the views of foreign versus Canadian executives.

Using D'Souza's approach is beneficial to her study as well as to this one. Using a successfully tested research instrument adds to the validity of this study, while replicating D'Souza's study in a different country enhances the cross-cultural validity of her findings. Furthermore, by comparing, where possible, the findings of the two studies, useful inferences can be drawn towards the development of a theory concerning the role of country image as a determinant of FDI in both major industrialized countries like Canada and smaller, less developed ones like Greece.

1.2 Practical Considerations

Apart from the need for more theoretical research, a study of the image of Greece as a location for FDI addresses a timely practical need. Greek governments have long recognized the importance of direct investment inflows. Since the early 1970s, various laws have been enacted to improve the country's investment climate and to attract foreign investment.

Now, more than ever, Greece needs to attract FDI. With the prospect of greater European integration being closer than ever before, Greece is faced with the difficult challenge of catching up with its E.U. partners. Greece needs foreign investment to boost its productivity and economic growth rate, to bring new technologies and managerial and market expertise into the country, and to intensify competition within the country which, in turn, will help improve the international competitiveness of Greek firms.

In its efforts to attract FDI, Greece is faced with growing competition. Within the E.U. Greece has to compete for foreign investment against other European countries, and in particular its Mediterranean neighbours, Portugal and Spain. Both these countries, widely perceived as having investment climates similar to Greece, have an improved image and fast growing economies. Outside the E.U. Greece's traditional competitor for FDI, Turkey, is becoming more and more successful in lobbying for investment. In addition, the newly liberalised markets of Eastern Europe and the former Soviet Union are striving for foreign capital and pose a serious threat to the Greek FDI share.

All of the above underline a real need for a comprehensive and effective plan aimed at attracting FDI to Greece. For this plan to be successful, a thorough understanding of the factors influencing investors in their screening of potential investment sites in general, and in particular a good understanding of the image of Greece as an FDI location in the eyes of foreign investors, is crucial. Understanding Greece's strengths and weaknesses, both real

and perceived, would help to build on the strengths and correct the weaknesses in order to successfully promote the country as an investment location.

This research attempted to shed light on those real and perceived strengths and weaknesses of the Greek investment climate, by tracing the views of foreign investors already established in Greece. The study of current investors' perceptions was believed to provide a good indication of the views and perceptions of potential investors since, as studies including this one have shown, investors already operating in a country are a major source of information for potential investors of their home countries (e.g. Sheridan 1988, D'Souza 1993).

The next section contains a review of the relevant literature concerning current trends in FDI world-wide and in Greece, the literature about IMS in general and IMS specifically for the purpose of FDI, the role of country image and stereotyping, and relevant information about the Greek investment climate.

2. LITERATURE REVIEW

2.1 Foreign Direct Investment: General Trends

According to the International Monetary Fund (IMF) definition, "foreign direct investment refers to investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. Further, in cases of FDI, the investor's purpose is to gain an effective voice in the management of the enterprise" (IMF: Balance of Payment Manual 1977).

FDI is one of the main integrating forces of today's world economy. In the mid and late 1980's world-wide FDI outflows saw an unprecedented increase. FDI flows tripled between 1984 and 1987 and experienced another 20 percent growth in both 1988 and 1989. In 1989, the value of FDI outflows reached a record level of \$196 billion. Between 1983 and 1989 global FDI grew at an average rate of 29 percent a year compared to 9.4 percent growth in world exports and 7.8 percent in world Gross Domestic Product (UNCTC: World Investment Report 1991).

There are several reasons for this increase in FDI. The recovery of the world economy from the recession of the early 1980's and the significant increase in the growth rate of both developing and developed countries that the recovery brought about, boosted FDI world-wide. During the years of growth, the number of companies from various countries seeking

to invest abroad also increased. This is true not only for developed countries (e.g. Japan with an increase of 62 percent between 1985 and 1989 in outward FDI annual rate) but also for NIC's such as Singapore, Hong-Kong, and Taiwan (UNCTC: World Investment Report 1991). The increased rate of growth in developing countries is, in itself, another reason for the increase of world-wide FDI. The rapid rate of growth of these economies and the resulting rise in their consumer purchasing power made developing countries' markets attractive to foreign investors. This, coupled with a dramatic change in developing countries' attitudes towards incoming investors and the opening of their economies, resulted in major changes in their legal and regulatory environment (i.e., the reduction of barriers to foreign participation and an increase in the number of industries open to the private sector), and made developing countries more attractive than ever as FDI destinations.

Other important factors that accelerated the increasing trend in FDI in the 1980's include: the rise of cross-border mergers and acquisitions driven by technology and competitive forces, the regionalization of trade and the emergence of trading blocs (NAFTA, E.U., Japan and ASEAN), and the fear of rising protectionism within these blocs. The prospect of the 1992 integrated European economy also increased FDI leading to a rise in the inflows of FDI into the E.U. and between its country-members. The E.U. accounted for more than half of the total growth of inward FDI to developed countries during the 1980's (UNCTC: World Investment Report 1991). Finally, the significant increase of FDI in the service sector, the increased importance of technology, and the rise of Japan as an economic power with

substantial activities in outward FDI, raised the world-wide FDI flows even more (UNCTC: World Investment Report 1991).

2.1.1 Importance of FDI

The increase in world-wide FDI reflects a wide recognition of the significant advantages that it can bring to the world economy, investing firms, and the economies of developing and developed countries, as well as NIC's. This recognition constitutes a shift from the years of fear of FDI and strong protectionist measures against it, and the fall of the "dependency" theory according to which FDI was under attack and often perceived as a threat to the sovereignty of nations (Graham 1992).

FDI is important to world economic well-being because it (1) integrates the world's economy, (2) speeds the diffusion of new technologies and expertise, (3) accounts for an ever increasing part of world-wide trade, and (4) stimulates competition among firms in national markets and the international field (Graham 1992).

2.1.1.1 Importance of FDI from the Company's Perspective

From the investing company's perspective FDI is a method of entry that, in most cases, requires higher involvement and capital investment than either export or contractual entry

modes, and consequently, involves a higher risk for the company (Roots 1982). Yet, companies derive significant advantages from investing in both developed and developing countries.

When investing in a developed country, a company strengthens its position in that market by building on experience gained through prior exports and by better targeting that market/country. Moreover, by having its own manufacturing facilities, a company keeps its know-how and other assets under its own control while taking advantage of lower transportation cost (by being closer to the market), customs duties, and/or raw material costs. Marketing advantages can also be derived from an investment entry. The company can adapt its products to country specific preferences, provide better and more efficient delivery and service, and respond faster to the local competition's moves (Root 1982).

NIC's and developing countries have also become a major destination for FDI. Global competition requirements force companies to seek access to markets, production locations, and resources world-wide, and influences their perceptions of the attractiveness of developing and newly developed countries as investment locations. Investing corporations need operations in developing and newly developed economies to access markets (which are in some cases growing much faster than those of the developed countries) and diffuse the high costs of product development, access natural resources, explore lower production cost opportunities and increase efficiency through global production rationalization (UNCTC: Formulation and Implementation ... 1992).

Foreign investing companies enjoy greater monopolistic positions inside and outside of the country. This position is derived from a company's ability to increase its productivity in the country faster than the country's overall rate of productivity growth (Yip 1992). Also, cost advantages give the investor an edge in exporting from developing countries, derived from lower input costs and/or weak currencies.

2.1.1.2 Importance of FDI to the Home- and Host-Countries

Apart from the importance of FDI for world economic well-being and the advantages that it can bring to the investing companies, FDI has significant implications for the individual home and host countries.

FDI has a significant impact in the home countries. Transnational corporation activities have grown to be responsible for a substantial share of world exports and imports particularly due to intra-firm trade. So, by having outward FDI activities, the home country increases its share of world trade, with positive implications to its balance of payments and political influence. Currently, a large share of many countries' trade is made through domestic companies and their world-wide affiliates. In the case of the United States, for example, 80 percent of trade was undertaken by transnational corporations in 1988, including parent U.S. companies, foreign affiliates of U.S. companies, and U.S. based affiliates of foreign companies (UNCTC: World Investment Report 1991).

From a host-country perspective, inward FDI is a leveraging force to the country's economy. FDI brings to the host-economy (1) an inflow of permanent capital, (2) long term commitment on the investor's part to the market, (3) technology transfer, (4) marketing and management skills, (5) improvements in infrastructure, and (6) employment and worker training (European Bank for Reconstruction and Development 1991). Moreover, foreign investment can increase exports from the host country, give local firms international exposure by integrating them into their suppliers' network, increase competition within host economies and, thus, stimulate local firms to become more competitive at the national and international level (UNCTC: World Investment Report 1991).

The impact of FDI in the host country can vary significantly depending on the level of economic development in the country. In the following two sections, implications and current trends in FDI are discussed separately for developing and developed countries.

2.1.2 FDI in Developing and Newly Industrialised Countries

With the collapse of protectionism and the fall of barriers to entry during the 1980's, FDI flows to NIC's and developing countries have dramatically increased. The value of inward FDI in developing countries more than doubled in the 1980's, rising from an annual average of \$12.5 billion in the 1980-1984 period to \$29.2 billion in 1989. Moreover, even though the actual share of world-wide FDI to developing countries has fallen from 25% in 1980-

1984 to 16.9% in 1989, the overall importance of FDI in developing countries (as indicated by the ratio of FDI to gross domestic capital formation) has increased in the late-1980's as compared to the early-1980's (UNCTC: World Investment Report 1991, OECD: Promoting FDI in Developing Countries 1993).

In the 1990's, inflows of FDI to developing countries showed signs of recovery from the loss of the second half of the 1980's. FDI inflows to developing countries reached \$36 billion in 1991, (increasing by more than 20 percent compared to 1990), \$54 billion in 1992, and \$74 billion in 1993, outweighing the improvement in the performance of industrialised countries as investment locations (OECD: Financial Market Trends 1994).

Another significant characteristic of FDI to developing countries is that inflows are highly concentrated in very few countries. In the 1980's, ten countries⁴ accounted for about three quarters of the total FDI inflows to developing countries (UNCTC: World Investment Report 1991). After 1985, attention shifted to East, South and South-East Asia where FDI inflows were growing at an average of 37 percent per year. The same region accounted for over one-half of the total FDI inflows to the developing countries in 1992. China emerged as the single largest recipient of investment flows to Asia in the 1990's, while FDI inflows to Latin America have shown an increasing trend (OECD: Financial Market Trends 1994).

⁴ Singapore, Brazil, Mexico, China, Hong-Kong, Malaysia, Egypt, Argentina, Thailand, and Colombia.

The increase of FDI inflows to developing countries is due in part to a change of attitude in these countries. Gradually, governments in developing countries recognized the benefits that could be derived from foreign investment, and moved towards liberalising their economies and to an outward-oriented policy through exports (i.e. moving away from the inward-looking policy of import substitution). According to the United Nations Centre of Transnational Corporations (UNCTC 1991), this trend was triggered by a variety of factors, such as: (1) the need for hard currency to service foreign debt, (2) the success that developing countries which have shifted to export oriented policies had, and a belief that if others followed these policies, they too would experience similar benefits, (3) the desire to diversify exports and production in general and, in particular, away from commodities and towards more value-added products, (4) the need to keep economic growth on an upward trend at a time when domestic markets were sluggish, and (5) in some cases, the requirement imposed by multinational organizations on developing countries seeking additional foreign financing (UNCTC: World Investment Report 1991).

Developing countries can benefit greatly from foreign companies operating in their economies. The infusion of capital, in most cases in hard currency, and the increase in their level of development, are commonly cited as the primary benefits of FDI. As noted above, technology transfer, marketing, managerial and other expertise, infrastructure and distribution channels, employment and labour skills are other equally important benefits that

transnational corporations bring to a developing economy. Several NIC's (e.g. South Korea, Singapore, and Taiwan) have become world exporters capitalizing on technology, organizational and marketing skills, and distribution channels introduced by transnational corporations that invested in them (UNCTC: World Investment Report 1991).

FDI is believed to enhance the industrial structure and promote industrial concentration in developing countries. Also, it improves the efficiency in the country's economy by shaking-out inefficient producers and, in general, has a positive effect on resource allocation when operating in a free economy environment (UNCTC: World Investment Report 1991). In addition, FDI increases the national income, and has a positive effect on the balance of payment and (by increasing exports) on foreign trade of developing countries (Grosse 1989).

Another of the main advantages of transnational corporation operations in developing countries is in linking the host country to the international economy. Transnational corporations can serve as effective links between national economies and international markets. This has a significant effect on exports and the overall image of a country in the world market. Transnationals operating in a country are likely to integrate domestic firms into their supplier network, which, in turn, gives international exposure and eases their entry to the world market. Domestic firms trying to get into developed markets can use transnationals operating in their country to learn from their international experience, and

benefit from their lobbying power in the international field and their distribution networks. Also, domestic firms can use transnational firms to help them keep up with fast changing consumer tastes in developed markets, industrial norms and safety standards, and even build up new product image in terms of packaging, distribution, servicing etc. (UN: Transnational Corporations and Manufacturing ... 1990).

FDI also has an indirect effect on exports from developing countries. Foreign investment can increase exports by improving the quality of products produced in the country -- from the investors' higher product standards commitment and operational efficiency (European Bank of Reconstruction and Development 1991). In addition, the investor's efficiency can improve the efficiency and, as a result, the competitiveness of domestic firms (1) by introducing new technologies which, when diffused, can make domestic firms more efficient and so more competitive, and (2) by intensifying competition in the country, thereby forcing domestic firms to become more competitive in the country and abroad (UN: Transnational Corporations and Manufacturing ... 1990).

Critics of FDI in developing economies argue that, in most cases, the effect on employment is not significant. They point out that transnational corporations directly employ about 7 million people in developing countries -- a small number compared to the total employment needs of those countries, (UNCTC, Transnational Corporations in World Development 1988). They also argue that it is still uncertain if FDI is the cause of industrial

concentration in developing countries or the effect of it. Another criticism related to foreign owned companies in developing economies is that, especially in the manufacturing sector, FDI often results in the exit of small- and medium-sized domestically owned companies, while much of the entrepreneurial spirit is lost when transnational firms buy out domestic firms and entrepreneurs become managers of subsidiaries (UN: Formulation and Implementation of Foreign Investment Policies 1992).

Yet, despite the criticism, the number of supporters of FDI among developing countries' decision makers is ever increasing. Examples of countries like Singapore and Taiwan which based their exceptional growth on foreign capital operations leave little doubt that FDI can be beneficial to developing countries as well as investing companies.

2.1.3 FDI in Developed Countries

Notwithstanding the benefits of FDI to developing countries, NIC's, and to the corporations that invest in them, a big share of the world FDI still goes to developed nations. FDI flows to developed nations (OECD countries) have grown at an average annual rate of 46 percent between 1985 and 1990, reaching an annual value of \$163 billion in 1990. In terms of FDI inflows to developed countries, their share increased to 83 percent in the 1985-1990 period, compared to 75 percent in 1980-1984 (IMF: Balance-of-Payments Tape 1991, OECD: World Investment Directory 1992, OECD: Financial Market Trends

1993). After the rapid growth of the 1980's, FDI to developed countries plunged in the early 1990's, falling from \$163 billion in 1990 to \$95 billion in 1992. Yet, this trend seems to be reversing and in 1993 FDI to OECD countries showed signs of recovery increasing by 10 percent to \$105 billion (OECD: Financial Market Trends 1993 and 1994).

Developed countries have always been a focal point for FDI. The five major home countries (United Kingdom, Japan, United States, France, and Germany) are also among the largest FDI destination countries. With the exception of Japan, they received 57 percent of the world inflows during the 1980's. These five countries also share close to 70 percent of the world FDI outflows. Furthermore, the relative importance of incoming FDI to developed countries (as indicated by the ratio of FDI flows to gross domestic capital formation) has risen. Their share of average annual FDI inflows in gross domestic capital formation grew from 2.5 percent in 1980-1982 to 3.4 percent in 1985-1987, while during the same period the relative importance of FDI in developing countries remained unchanged.

A number of factors have been associated with the attractiveness of developed countries as FDI locations. These include their large market potential and high economic growth rates (especially in the 1980's), availability of advanced technology and importance of

technological competition, political stability, rise of trade blocks (E.U. and EFTA, NAFTA) and a fear of rising protectionism within these blocks.

2.1.3.1 The "Triad" in FDI

Perhaps the major element of the attractiveness of developed countries and the most pronounced development in FDI in the last decade, is the concentration of FDI around three regions. These are the so-called "Triad" of FDI, namely the United States, European Union, and Japan. The Triad accounts for more than four-fifths of the world outflows and has also emerged as a major recipient of inward FDI (UNCTC: World Investment Report 1991). This trend is a continuation of the concentration of trade in developed countries and is due mainly to the globalization of competition, the increasing role of technology, and the regionalization of economic integration.

Global competition has moved away from price competition to market share competition. Moreover, speed has emerged as a critical element in world strategy that has made operations in a developed country, especially in the Triad region, a "must" for all global players. It has been argued that a company needs to be located where the leading company in the industry is located. Moreover, the manufacturing location should be determined by favourable factor conditions (i.e. favourable macro and microeconomic environment), close proximity to major markets, favourable country-of-origin effect, and manufacturing presence of global competitors (Yip 1992).

The Triad phenomenon has significant implications for the attractiveness of developed countries as FDI destinations. Ohmae (1985) identified the following four factors as reasons for the attractiveness of the Triad as a location:

(1) The shift to capital intensive operations that has led to a decline in the importance of low-cost production in developing countries. Capital intensive operations require heavy initial investment. For companies to achieve the economies of scale required to defray their initial investment, they need to penetrate all prime markets simultaneously. This makes it important to be close to major markets and competition.

(2) The fast pace of technology diffusion and shortened imitation lag has made it almost impossible for a company to achieve or sustain success from a technology edge alone. In addition, technological products require expertise, heavy capital investment, and high R&D cost which no one company can afford alone. This has led companies to move towards "horizontal integration and cross-fertilization", often forming alliances with competitors. Moreover, because the technology is diffused so fast, a company cannot afford to establish a secure position in its market and then move abroad, so companies form alliances with "insiders" in other major markets to reach those markets faster.

(3) Differences in the life-style and taste of people, especially in the Triad have been reduced. Triad consumers recognize the same brand names, use the same infrastructure, and generally have a higher level of education and purchasing power than any other consumer group. This gives companies the opportunity to cut down on designing costs, designing products for the large markets of the Triad. Triad consumers constitute a prime market for international firms. This, coupled with the need for continuous innovation and the shift of importance to the lower end of production, make it important for companies to be close to these markets.

(4) The rise of trade blocks and the fear of growing protectionism within these blocks has led companies to establish operations within the Triad region to secure access to their lucrative markets.

Ohmae (1985) argues that "the Triad is where the main action is" (p. 27). More than 80% of world production and consumption takes place within the Triad. Industries critical to wealth generation are concentrated in these three regions. Also, most of the new technological developments are taking place in the Triad. He goes on to state that "over time, the performance of a firm becomes inversely proportional to the significance of each market it enters" (p.27). For a company to become a global player, it has to establish itself and compete directly with other global players in the important markets of the Triad.

From the above analysis, it appears that, in most cases, the net sum of FDI is positive for all parties involved. Recognizing that, most countries compete for a limited pool of world FDI resources. Intense competition has prompted a growing number of countries to develop plans to attract FDI. Promotional activities range from economic incentives (i.e. grants and tax holidays) to building country image and promoting countries as favourable places for foreign investment. In the sections that follow different promotional activities will be addressed.

2.2 Promoting Countries for FDI

Country-promotional activities are the result of intense competition by an increasing number of governments, each aiming to attract ever larger shares of a limited pool of FDI capital. Limited FDI resources and the troubled world-wide economic situation have intensified competition for FDI. More and more countries are putting together plans to attract foreign investment. From the relevant literature and practice three types of activities to attract FDI seem to emerge.

The first type of effort governments undertake to attract FDI involves opening their economy to foreign investment. In the 1980's many governments took steps to liberalise their economies and reform their legislation to make their economic environments more favourable to foreign investment. Such steps include deregulating foreign investment, equal

treatment for domestic and foreign companies, guarantees against nationalization, free repatriation of capital and profits, and so forth. Governments were keen to open their economies to foreign investors making the assumption that, if the economic climate in a country is favourable, investment will come. In some instances this was true, as in the case of Taiwan. There has been a substantial inflow of foreign investment into Taiwan since its government implemented changes in the regulatory environment in the 1980's. However, it has been argued that the increase of FDI inflows into the country were mainly due to favourable circumstances in the region at the time (e.g., Japan's strong Yen and increasing labour cost led many Japanese companies to look for other low-cost production opportunities in the region).

In a more proactive approach to attracting FDI, governments, especially in the developing world, put together attractive economic and fiscal incentive packages to encourage foreign investment in their countries. Incentives were used by a wide range of countries as the competition for FDI became stiffer in the 1980's. Incentive systems usually involve tax holidays and grants, loan guarantees and subsidies, accelerated depreciation rates, industrial free trade zones, export processing zones, and so on. Although incentive systems were, and to a certain extent still are, very popular, their effectiveness in attracting FDI has been questioned. Critics argue that incentive systems can be relatively easily matched by competing countries, can prove exceptionally costly, bring marginal returns, and, in some cases, the benefits are offset by the cost of providing incentives to firms that would have

invested in the country even without them. It has also been argued that firms make location decisions on a long-term basis and, therefore, short-term economic benefits will not affect their investment decisions. Indeed, in recent years a number of countries have reconsidered their incentive systems to give equal opportunities to domestic firms (South Korea, for example, recently reduced tax concessions and other incentives to foreign-owned firms), or aborted their incentive systems altogether (e.g., Canada eliminated its incentive system as costly and confusing in 1986). (UN: Formulation and Implementation... 1992, UNCTC: World Investment Directory 1992, Kotler, Haider, and Rein 1993).

A third category of activities that governments can choose in their efforts to attract foreign investment involves various promotional techniques. A growing number of governments have undertaken promotional efforts to communicate investment opportunities to foreign investors and position themselves as favourable investment sites. This kind of activity is especially important for countries which have recently reformed their investment environment. Changes in the investment laws or attractive incentive systems will not be effective unless investors are aware of them. Promoting their investment climate is especially important for nations which in the past have discouraged foreign investment, have a reputation as being unfavourable investment sites, or are practically unknown in investment circles (OECD: Promoting FDI in Developing Countries 1993). According to Wells and Wint (1990) "promotional techniques consist of providing information to potential investors, creating an attractive image of the country as a place to invest, and

providing services to prospective investors" (p. 1). Promotion techniques can include a wide range of activities such as advertising in the international press, direct mail and other marketing efforts, distributing literature and disseminating country information, organising and/or participating in investment seminars, investment missions, trade shows and exhibitions, matching prospective investors with local partners, preparing project proposals and feasibility studies, and servicing investors when established in the country.

Promotional activities are currently undertaken by both developing and developed nations and are carried out by government agencies such as Investment Canada and the Invest in Britain Bureau, quasi-government institutions such as Jamaica National Investment Promotion, Locate in Scotland, and Singapore's Economic Development Board, or private organizations like the Costa Rican Investment Promotion Program (Wells and Wint 1990).

Although the need for promotion of countries as investment sites is recognized in the literature (e.g. Papadopoulos and Heslop 1993, Kotler, Haider, and Rein 1993) and widely used in practice, there has been very little research to evaluate its effects. A noticeable exception is a study carried out by Wells and Wint (1990) under the provision of the Foreign Investment Advisory Service and the Multilateral Investment Guarantee Agency. In this study the authors looked at investment promotion activities of agencies in 50 countries. They identified three types of promotional activities aimed at achieving three objectives: (1) image-building activities aimed at improving the country's image in the eyes

of foreign investors; (2) investment-generating activities aimed directly at generating investment; (3) investment-service activities aimed at servicing investors after the investment was made. They also found that these objectives were addressed in sequence. Promotional agencies would develop, change, or enhance a country's image before attempting to directly generate investment.

From this and other findings the authors drew parallels between investment-promotion activities and industrial marketing. They argued that country marketers can manipulate marketing mix elements to promote their countries, much like industrial products, to buyers/investors. They contend that countries can be viewed as products with inherent advantages and disadvantages. The role of governments, as place marketers, is (1) to improve the country/product quality by improving the country's investment climate and infrastructure; (2) change the price of the product by manipulating economic incentives offered to investors, and (3) position their product by promoting its relative advantages vis-à-vis competing countries/products, disseminating information about the strengths of the country, and promoting the country's image as an attractive location for investment.

Another important finding of the study was that different promotional activities are effective in different stages of the investment decision process. In particular, impersonal techniques, such as advertising and country-image building, are more effective in influencing investors who are in the early stage of the investment decision making process, while personal

techniques (i.e. visits, presentations, and feasibility studies), much like personal selling, are the most effective technique of investment generation for investors who are in the later stage of the decision (i.e. have already decided to invest in a region, or are considering two or three different locations).

Perhaps the most important contribution of the Wells and Wint (1990) study is that, by statistically testing data of investment inflows in the sampled countries, they found that investment promotion activities have a "statistically significant influence in the investment flows" in the countries. In particular, they concluded that in their sample of developed countries promotion was found to have the strongest positive relation to foreign investment flows, followed by demand and political stability factors. In their sample of developing countries, promotion was third after income and political stability.

The notion of countries as products for the purpose of attracting foreign investment is gaining increasing support in the literature. Papadopoulos (1993) argues that countries can be viewed as "investment products" carrying specific value to foreign investors. He contends that this value-image of countries can be influenced by government promotional efforts and cites examples of promotional activities.

Three chapters in Papadopoulos and Heslop (1993), by Graby (1993), Morello (1993), and Wee, Lim, and Tan (1993), offer an exploration of the different facets of the notion of

countries as products. In the first of these, Graby (1993) views countries as companies. She draws parallels between company and brand name image and country's image. She, then, uses the example of France to show how government and private organizations can build a country's image using promotional techniques. In the second, Morello (1993) explores the concept of countries as companies using the example of Italy. He reports on a large scale study of the image of Italian products abroad which attempted to trace the country's image, and its strengths and weaknesses. Morello examines how the findings of the study influenced promotional efforts and communication strategies that the Italian government used to enhance the image of the country and its products. Lastly, Wee, Lim, and Tan (1993) approach the matter from an investment angle. They study investment decisions for FDI and think of countries as "investment products" and investors as "buyers". In their research they studied the attractiveness of Singapore as an investment location for U.S. investors. They found differences in how the product (Singapore) was perceived among investors, and they recommend that countries should build on their strengths and position themselves through promotion in the eyes of potential investors.

Kotler, Haider, and Rein (1993) expand on the concept of countries as companies and argue that countries, regions and cities need to develop marketing strategies to market themselves to investors, tourists, and inhabitants. Their "Strategic Place Marketing" approach involves manipulating marketing mix elements to improve (1) the "product" by improving the place's investment environment, infrastructure, services, and standard of living; (2) the "price" by

manipulating labour and living costs and offering attractive incentive packages to investors; (3) the "promotion" by creating and building an image for the place, positioning it against competing places, and capitalizing on its core competencies. The authors advocate that places should think like businesses, be market-oriented, know their strengths and weaknesses, monitor the competition and develop and operate long-term plans. They give numerous examples of states and cities in the U.S. that use marketing techniques to attract "place buyers".

2.2.1 Regional and Multinational Promotional Efforts

Although most "place" promotional techniques are handled at the national level, there is a variety of intergovernmental bilateral, regional, and multilateral agreements for promotion. Most countries have signed bilateral agreements as a measure to promote FDI. The majority of those treaties include a standard promotional clause that stipulates that both contracting parties will create favourable conditions for investment from the other party. Although these treaties do not change the regulatory environment of any of the parties involved, they constitute a measure to attract foreign investment in the country (UNCTC: *Bilateral Investment Treaties...* 1992).

At the multilateral level, there is a variety of international agreements which, by providing investment guarantees, aim at encouraging foreign investment to countries that have signed

them. Developing countries and NIC's often join these agreements to provide greater guarantees to foreign investors, since such international agreements are considered by investors to be more reliable, especially in the case of countries with a history of regulating investment or an unstable political situation. In the absence of a single organization regulating international FDI issues, there are several conventions and agreement concerning FDI matters such as the Multilateral Investment Guarantee Agency, a World Bank affiliate established in 1985, which provides investors with insurance coverage against such risks as nationalization or losses due to armed conflict. Other similar agreements include the New York Convention of the Recognition and Enforcement of Foreign Arbitral Awards (1958), the Paris Convention of the Protection of Industrial Property (1979), and the Washington Convention for the Settlement of Investment Disputes Between States and Nationals of Other States (1965); (UNCTC: World Investment Directory 1992).

At the regional level, groups of countries have come together to promote foreign investment, as is the case with the ASEAN⁵. ASEAN members signed in 1987 the "Agreement for the Promotion and Protection of Investment" which coordinates the actions of all country-members to attract investors in the region as well as promotes investment among the ASEAN members (UNCTC: World Investment Directory 1992). Other notable attempts for regional integration are the Roundtable of African Investment Promotion Centres, and talks on the creation of the Eastern European Common Market.

⁵ "Association of South East Asian Nations" to promote co-operation among its member-countries -- Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam.

From the above analysis, it is becoming apparent that the concept of countries as products, and the need for promotion in order to attract foreign investment, is gaining support in both literature and practice. Country promotion efforts are often built around creating, promoting, or changing a country's image. In the section that follows, the literature concerning country image and its implications in the investment decision making process is summarized.

2.3 Product-Country Image

According to Papadopoulos (1993) "image essentially represents a collection and judgement of both intrinsic and extrinsic attributes of objects and classes of objects. Intrinsic characteristics can range from the components of a product to the architectural design of a company's headquarters building and the physical appearance of a person. Similarly, extrinsic characteristics range from a product's price to a company's reputation and a person's name" (p.7).

The notion of "image" and its marketing implications has drawn a lot of attention in the business literature. Research has concentrated on the image of brands, firms, distributors, products, and, to a lesser extent, countries. In particular, the Product-Country Image (PCI) literature focuses on the effect the country-of-origin of a product has on its evaluation by

consumers. Numerous studies have shown that individual consumers as well as industrial buyers hold stereotypical images of countries and their products. These images constitute a significant information cue in consumers' evaluation of the products' attributes and affect consumers' attitudes towards the products.

Schooler (1965) is commonly cited as the first to report that identical products were evaluated differently in different countries. He argued that these perceived differences were due to consumer attitudes towards the people of the country from which the product originated. Since then, over 300 publications have investigated the country-of-origin effect.

Most of the early research on the country-of-origin effect used semantic differential scales introduced by Nagashima (1970). Nagashima (1970) compared how the "made in..." the U.S., Japan, England, Germany and Italy labels were perceived by businesspersons in the U.S. and Japan. He found that "made in..." was reflecting different national stereotypes and that it was carrying a certain image of the products produced in these countries. In a follow-up study, Nagashima (1977) reported on an attitude change. He found that perceptions Japanese businesspersons hold of foreign products had significantly changed and reported that the relative status of the "made in the U.S." had declined vis-à-vis products from Japan and Germany in many aspects.

Bilkey and Nes (1982), in an extensive literature review, summarized the findings of the country-of-origin literature to that time. They concluded that research indicates that country-of-origin does affect product evaluation in general, and for specific product classes, types and brands, and that this holds true for developing and developed countries of origin and for both industrial and individual purchasing decisions. The authors also pointed out the many shortcomings of the reviewed studies namely that (1) the majority were single cue studies that by design were bound to overemphasize the significance of the variable under study; (2) in most of the studies the respondents were asked to evaluate products from only a verbal reference without seeing the actual products; and (3) the validity and reliability of the measures used were not always assessed, and a standard version of semantic differential scale had not emerged making the studies not comparable.

Bamossy and Papadopoulos (1987) in a later summary of PCI findings report that (1) consumers hold stereotype images of both foreign countries and their own; (2) these images are used as information cues in evaluating products of various origins; (3) this construct seemed to be salient in both industrial and consumer purchasing decisions; (4) the importance of origin cues varies according to buying situation, product categories and as other product attributes change; (5) buyers are not always aware of the product's true origin; (6) perceptions of the country-of origin may be influenced by the "halo" effect -- the authors define the halo effect as the situation where "a country's highly rated products from one industrial sector may influence evaluations of other products of that country" (p. 1); (7)

in some countries consumers tend to prefer domestic products over foreign ones whereas in others they do not; (8) country-of-origin may serve as a surrogate measure for product evaluation purposes, much like price or brand name, especially when other information is lacking.

Country image is believed to serve as a "halo" for consumers in some situations. Consumers use information about the country-of-origin of a product to make inferences about the product's attributes. The "halo" effect applies when consumers are unfamiliar with the product but have preconceived ideas about the country in which it was made. Heslop and Papadopoulos (1993) found that the largest number of consumers in six of the eight countries that they studied rated Japanese home computers as "most preferred". Yet, at the time of the study Japan-made home computers were not sold in any of the markets studied. The positive image of Japan as a high-technology manufacturer served as a halo to consumers in evaluating an unknown product.

Han (1989) took the country image research one step further. He argued that the country image may serve as a halo but it can also serve as a summary construct. He contended that, not only does a country's image spill over to the products that come from that country (halo effect), but also that when consumers are very familiar with a country's products but not with the country itself, they may abstract the product's qualities into a summary construct which, in turn, affects the country's image.

The country-of-origin literature does not try to downplay the impact other information cues (e.g. brand or price) have on the evaluation of a product by consumers. Research has shown that in the case of a product with a strong brand name, the country-of-origin has less or no significant influence on the consumers' attitudes towards the product (Erickson, Johansson, and Chao 1984; Johansson, Douglas, and Nonaka 1985; Johansson and Nebenzahl 1986; Han and Terpstra 1988). In those studies, country-of-origin was restricted to the country in which the product is manufactured. But, in an era of globalization of production and hybrid products (different parts of the product made in different countries) country-of-origin is not necessarily the country in which the product is manufactured. Country-of-origin is embodied in brands and company names and it can mean the country in which the product was developed, designed, or the manufacturer's home country. Toyota cars made in a U.S. plant may still be considered as a Japanese product by consumers.

In the more recent PCI literature there are several studies that have tried to overcome the shortcomings of the previous research (as Bilkey and Nes 1982 pointed them out) such as, multiple cue studies aimed at studying the country-of-origin effect in the presence of other cues. Johansson, Douglas and Nonaka (1985), Heslop, Liefeld, and Wall (1987), Han (1989), and Han (1990) all concluded that country-of-origin is one of the cues that consumers consider in their evaluation of the products.

Some research has been done on the impact of country-of-origin in industrial buying situations. Studies by Chasin and Jaffe (1979), White (1979), and Cattin, Jolibert, and Lohnes (1982) showed that the country-of-origin plays a significant role in the industrial buying process. Multiple cue studies in the field by White and Cundiff (1978) and Kaynak (1989) reinforce the beliefs that origin information is important in the industrial buying decision.

2.4 International Market Selection

"The process of selecting a country, International Market Selection (IMS), involves decision making activities which are employed in the selection of one or more suitable foreign markets, from at least two potential ones. The salient elements of the decision are the criteria on which the decision is based, the sources from which the information is gathered, and the methods of analysis used" (Sheridan 1988).

There is a considerable body of literature that aims at explaining the determinants of international expansion decisions, in general, and for the case of FDI in particular. Broadly speaking, there are two research approaches. One takes the company's point of view and aims to create checklists and models to assist decision makers in screening potential investment locations (e.g., Stobaugh 1969, Douglas and Graig 1983, Ehrman and Hamburg 1986, Papadopoulos 1987). The other examines the elements of the attractiveness of a

the criteria used by corporations in the screening process (Davidson 1980, Ajami and Ricks 1981, Tallman 1988).

D'Souza (1993) wrote an extensive summary of the IMS literature. She reviewed the most important studies in the field including hypothesis-testing survey studies, as well as theoretical studies and models developed to explain the IMS process, and grouped her literature findings in terms of the factors that influence IMS decisions in three broad categories:

- ◆ **Host country-related variables.** These are variables that pertain to the host country and were cited as important elements of host-country attractiveness as an investment site. Such variables include a favourable investment climate, promising market potential, potential for economic growth, attractive local technology, attractive infrastructure, political stability, and so on.
- ◆ **Firm- or product-related variables.** These are variables related to (1) parent firm characteristics such as experience and orientation of the company and (2) product specific characteristics such as freight cost, transportation difficulties, and product category (necessity vs. luxury).
- ◆ **Home-country related variables.** These variables include threats or difficulties in the parent company's home country environment which force the company to consider

production abroad. Such variables include unfavourable political climate in the home country, low levels of economic development, high taxation and/or labour costs, and unfavourable competition. This classification also includes bilateral agreements and foreign investment promotion agency activities in the home country that play a role in the decision to invest abroad. In Appendix 1 there is a complete listing of criteria that have been hypothesized in D'Souza's literature as relevant in the IMS decision making process.

D'Souza's overview of IMS determinants involves research in developed countries and does not focus on the literature concerning IMS for the purpose of FDI. On the other hand, a study by Pearce, Islam, and Sauvant (1992) focuses on the literature concerning IMS for the specific case of FDI in developing countries.

Pearce, Islam, and Sauvant (1992), in a study sponsored by the UNCTC, made a remarkable effort to summarize the principal empirical evidence concerning the determinants of FDI. They drew together and evaluated the most important studies concerning investment in developing countries. Their main objective was to derive policy conclusions for decision makers in developing countries.

The authors' review included both econometric and survey research in which they identified three broad categories of studies. The first category involved econometric analyses and models to distinguish a range of criteria and factors affecting the IMS process. The second

summarized surveys emphasising qualitative criteria involved in the IMS process. In the third category the authors incorporated research projects addressing specific issues, namely the effects of government-transnational corporation bargaining, the incentives offered by countries to companies in order to attract them, and the implications of the perceived political risk in a country.

Factors that appear as important in cross sectional econometric studies include:

- ☐ Research-and-development intensity
- ☐ Skill intensity
- ☐ Advertising intensity
- ☐ Scale economies
- ☐ Firm size
- ☐ Concentration
- ☐ Capital requirements
- ☐ Multiple operations
- ☐ Costs
- ☐ Protection
- ☐ Market-size and characteristics

Factors which were found to be important in survey studies concerning the motives and objectives of foreign investors, and that led them to invest in a production facility in a foreign country, include:

- ☐ Ownership advantages
- ☐ Wish to protect an existing market
- ☐ Market characteristics
- ☐ Trade restrictions
- ☐ Transport cost
- ☐ Wages and other costs
- ☐ Incentives
- ☐ Political factors
- ☐ Internationalization factors

There is a significant amount of research concentrated on the determinants of the IMS process. Studies cite a large number of criteria that managers can use in their screening of potential markets. Lists of criteria proposed in the literature range from 20 to over 100 variables. Yet, despite some areas of agreement, no single list of IMS criteria has emerged as generally accepted by researchers. On the practical side, there is evidence that most companies do not use any of the models proposed in the literature. In fact, research shows that most companies do not follow a "rational" decision making process in their expansion decisions. Studies have shown that most expansion decisions are made in an intuitive way, or as a response to an unsolicited order, and that factors such as managers' stereotypes of the potential countries and personal preferences play a major role in the decision to invest (Stobaugh 1969, Papadopoulos and Denis 1988, Sheridan 1988). The literature on the IMS decision making process is discussed in the following section.

2.4.1 The IMS Decision Making Process

Although there is a lot of research on the market selection criteria, the IMS decision making process itself has received little attention.

Papadopoulos and Denis (1988), in a summary of the relevant literature, grouped the most commonly used IMS decision making approaches into three categories: the intuitive

approach, the qualitative approach, and the quantitative approach, based on the amount and quality of information gathered for the purpose of selecting a market.

Similarly, Sheridan (1988), in his literature review, identified three IMS decision making approaches: (1) the intuitive approach where the criteria used are not clear and there is no seeking of information about the potential markets; (2) the unstructured approach whereby some kind of criteria are used in the decision making process but there is no systematic seeking of information; and (3) the structured approach where a rational and structured decision making process is taking place and there is a systematic seeking of information on the part of the decision makers. When he empirically tested this classification, he found that the majority of sampled firms select their markets on the basis of intuition and/or as a response to some external stimulus, such as word-of-mouth sales to consumers in foreign markets.

This is consistent with Stobaugh's (1969) argument that most foreign investments are made "by hunch" or because "the company president's wife likes a certain country or the chairman of the board knows the president of the country" (Stobaugh 1969, p. 136).

Firms do not use decision models and "objective" measures to screen their markets mainly because they are perceived to be time consuming, expensive, and complicated to use (e.g. see Stobaugh 1969). Moreover, Stobaugh (1969) argues that most of the IMS indicators in

use (e.g. gross national product, population, and per-capita income) are not only inadequate but they might also have serious drawbacks.

Bilkey (1978) points out that, especially in the case of small-and medium-sized firms, nonrational factors dominate in the selection of a market. He identifies factors such as "psychological proximity" (with or without geographical proximity), and "ethnic affinity" as being the determinants of IMS in many cases. He argues that, more often than not, market selection is based on the nationality of the CEO, friends or contacts in a country, or just because it is a nice place to spend summer vacations.

Kotler, Haider, and Rein (1993) agree that in many investment decisions (especially in the latter stages of the decision process) influential factors are the country's image and reputation, the quality of life (traffic, crime rate, clean air, attractions, school system), climate, or how the people of the country are perceived (as friendly or not friendly). The authors point out that with the technological advancements in communications (fax machines, portable computers, and teleconferences), all places are candidates for relocation and managers can afford to put more emphasis on factors such as attractive working conditions and quality of life.

2.4.2 Attitudinal and Perceptual Factors as Determinants of IMS

Attitudinal and perceptual factors as determinants in the IMS decision making process have received some attention in the literature. A few IMS studies have attempted to incorporate PCI, country and ethnic stereotyping, and personal preferences in the determinants of FDI location decisions.

Johansson and Moinpour (1977) made a first attempt to incorporate managerial perceptions in the evaluation of the attractiveness of a country. In their study, the authors compared the attractiveness of clusters of countries measured by using objective secondary data with the attractiveness of the same clusters as perceived by people familiar with international affairs (students, academics, and bankers). They concluded that there were major discrepancies between the "objective" and "perceived" image of a country when assessing market opportunities. They explained those discrepancies by incorporating in the analysis managerial perceptions about countries as the most important discriminate factor.

Another study by Reid (1981) examines the relation between firm, individual characteristics, and behaviour in the foreign market. Empirical evidence of this study points out factors such as decision-maker's attitude, experience, motivation and expectations as primary determinants in the decision to enter into a given country. Although the author recognizes that these factors might be more important in small- and medium-sized firms

where the decision process is less structured, he argues that the above factors are to be given serious consideration.

Nigh (1985) contended that inter- and intra-nation cooperation and conflict affect ethnic stereotyping, which in turn, has an impact on FDI location decisions. Johansson and Nebenzahl (1986) argued that products manufactured in a country with a more positive image are rated higher by consumers. Also, Johansson (1993) points out that country-of-origin has strategic implications that FDI decision makers cannot afford to overlook. Papadopoulos and Denis (1988), and Papadopoulos and Heslop (1993) argue that managerial perceptions and stereotyping of countries as investment sites have a direct effect on the selection of FDI location.

Wee, Lim, and Tan (1993), in a large scale survey on how U.S. investors perceive Singapore as a place to invest, also support the argument that FDI decision making is affected by the country image as perceived by decision makers.

2.4.3 International Market Selection: Globalization Aspects

The field of strategic planning for multinational corporations provides another angle for viewing the IMS criteria and the screening process. Foreign direct investment is one of the forces that integrate the world's economy. In the era of globalization, with multinationals

accounting for a big part of world trade, international market selection takes a different meaning. Companies are urged to look at the traditional set of evaluative criteria in a whole new light. Traditional IMS approaches focus entirely on the "stand-alone attractiveness" of a country (Yip 1992). Namely, they overemphasise econometric elements and "statistical facts" of the country's investment climate. From the globalization perspective a company should weigh those facts with other equally important factors. Each country should be evaluated within the trade block in which it belongs. Moreover, strategic implications of the decision to invest in a given country (i.e. global positioning, global competition) should be another consideration.

Various authors (e.g. Russow 1989, Papadopoulos 1987) incorporate strategic considerations in their step-by-step frameworks of IMS for small- and medium-sized firms. They propose multi-stage IMS frameworks that allow decision makers to screen a larger number of markets (i.e. individual countries, or regions) with minimal external information. The authors suggest that each company should screen potential markets taking into consideration and building on (1) the company's strengths and weaknesses, (2) its main strategic objectives, and (3) its strategic positioning in the global arena (i.e. is the company a "leader", "challenger", "follower", or "guerrilla" in the industry). Thus, the IMS decision is determined not only by statistical facts about a country, but also by global positioning objectives and the global competitive situation that the company is faced with.

Along the same lines, Yip (1992) builds a model for multinational decision makers. He identified three categories of relevant factors as having equal importance:

a. the "stand-alone attractiveness" of a country as indicated by its macro and micro economic indicators such as size and growth rate of the market, barriers to entry, competitive situation, price level and tax rates, macroeconomic conditions and political risk, and cost of adaptation in that country;

b. the "global strategic importance of country/region" as the home market of global competitors and/or global customers, a significant market for global competitors, and a major source of industry innovation and/or home of most demanding customers;

c. the "synergy with other business in country/region" in the case that the company under consideration can explore synergies with sister businesses in a given country such as sharing activities with other company business, utilizing upstream or downstream capacity, and having proximity to other important markets.

2.5 Foreign Direct Investment in Greece

From 1953 to the mid 1970's FDI in Greece was restricted and composed mostly of entrepreneurial capital under decree 2687/53. From the mid 1970's to the early 1980's FDI

in Greece grew rapidly, reaching \$1,100.9⁶ million in 1980, from \$211.3⁷ million in 1974. Since 1986 FDI in Greece has been liberalised and is subject only to authenticity and legality controls. Between 1985 and 1989 the level of average annual FDI inflow was \$1,084.6 million. In 1989 the estimated FDI stock was \$13,011 million (OECD: Economic Surveys; Greece 1993).

Even though FDI in Greece was liberalised only recently, the importance of foreign investment, especially in the form of direct investment, has been recognized by all Greek governments in the last two decades. Foreign investment is believed to be beneficial to the well-being and further development of the country by contributing to increased inflows of capital and foreign exchange, both of which are crucial for the Greek economy. Also, it assists in boosting the industrialization of the country, and the transfer of new technologies, especially in the field of electronics and high-tech products.

Greece needs foreign investment in manufacturing facilities to enhance R&D, managerial and market expertise, and to increase the rate of growth of the economy in general. Foreign producers are expected to stimulate domestic competition and, therefore, force Greek producers to improve their productivity, which will, in turn, increase the Greek industrial sector's competitiveness inside and outside of the country.

⁶ Excluding reinvested earnings and including \$740 million for real estate purchase, a major part of which is for non-commercial purposes.

⁷ Excluding reinvested earnings and real estate purchases.

All the above, viewed in the light of the convergence of European economies within the E.U. and the prospects of further integration in a monetary and political union, pose an unprecedented challenge to Greek policy makers. Greece is in a race against time to bring its economy and level of development in line with other European countries. The threat of Greece lagging behind its European partners and the fear that the E.U. will become a "two-speed" union is real.

In seeking FDI, Greece is faced with intense competition from all over the world. From its traditional competitors of the European South, namely Spain, Portugal and Turkey, and the low cost manufacturers of Latin America and the Pacific Rim which attract European industry, to the promising markets of the Eastern Europe, competition is intense and growing. Greek governments have undertaken promotion efforts to attract FDI in the country.

2.5.1 Improving and Promoting Greece as a Place to Invest

Although often sporadic and fragmented, there have been many attempts to promote Greece as a favourable place to invest. Promotion activities to attract FDI include:

- (1) The harmonisation of its investment legislation with the OECD standards. Investment laws were harmonized in the past with OECD principles for investment policies. Investment

ownership is guaranteed by the country's constitution since 1953. Gradually, restraints to the free flow of invested capital have been abolished. Today, Greek legislation concerning FDI is fully harmonized with the E.U. standards. All restrictions on the movement of capital between residents of Greece and other member states of the E.U. are abolished (Presidential Decree 96/93). Most categories of capital movements vis-à-vis third countries are liberated (with the exception of mines, broadcasting, and vessels and aeroplanes under Greek flag); (Act of the Governor of the Bank of Greece No 2227/30.6.93.).

(2) A comprehensive investment incentives system to attract and facilitate investment. The system includes direct and indirect development incentives under law 1892/90. For qualifying "productive investments" the law offers grants, interest rate subsidy for loans contracted, increased depreciation rates for fixed assets, tax allowances on the taxable net profit of companies, and tax-free reserves (ETVA: Investment Guide 1993).

(3) A dynamic development program to improve the country's investment climate and infrastructure. The aim of this program is to substantially improve the country's infrastructure in telecommunications, motorways, transportation, and so on (Foreign Services Department of Greece 1993).

(4) "Personal selling" techniques have also been used to promote Greece as an investment site. Contacts of political and economic figures with foreign banking institutions,

multinational corporations, and Greeks all over the world are high on the agenda for attracting FDI. Attracting U.S. investment in Greece was one of the objectives of the latest trip (April 1994) of the Greek Prime Minister, Andreas Papandreou, to the United States where he had contacts with U.S. business executives (Embassy of Greece in Canada 1994).

2.5.2 Advantages of the Greek Investment Climate

Greece has to offer several advantages to foreign investors in order to offset the impediments of the small market size, problematic infrastructure, and lower than E.U. average economic development level. The literature concerning the attractiveness of Greece as an investment location, offers several advantages of Greece. According to the Foreign Service Department of Greece (1993), investors are finding Greece more and more attractive for the following reasons:

- a. Greek government efforts to restructure the economy have paid dividends;
- b. generous tax incentives and interest rate subsidies and outright grants;
- c. easy access to Middle East;
- d. as a gateway to establish a foothold in the E.U. market;
- e. as a gateway to the Balkans;
- f. fairly good communications and improved banking and financial services;

g. its long tradition of hospitality, excellent weather, safety in the streets, rich cultural life, good food, adequate housing, and plenty of vacation opportunities.

Apart from its favourable geographic position, which has always been a major part of its attractiveness, Greece's leading role in the Balkans and its political stability compared to its neighbouring countries, give Greece a relative advantage in the region (Matziorinis 1993).

Greece's membership in the E.U. and western orientation are a major source of stability and strength in the economy. Its leading role in the region is gradually being recognized (New York Times, April 1994). Greece is now the biggest investor in Bulgaria and the second biggest in Romania. It is also the basic supporter of the Albanian economy, and the drachma has become the main exchange currency for 60 million people in the Balkan region (Washington Times, April 1994).

The "hard drachma", showing less fluctuation in recent years, is also cited as an important stabilising factor which will enhance investors' confidence in the Greek economy and, coupled with lower inflation and liberalised foreign exchange laws, is expected to bring more investment in the country (Matziorinis 1993).

Compared to its closer competitors, Greece is positioned as a favourable alternative. The fall of the Communist regimes in Eastern Europe gave Greece an advantage over two of its

main competitors in the region, Spain and Portugal, because of its geographic proximity to and traditional links with those countries.

Compared to the third main regional competitor, Turkey, Greece has the advantage of a) being a member of the E.U. and having a culture perceived as closer to the western culture, b) having a comparatively higher standard of living, economic and political stability, and a more developed infrastructure and service sector and c) having a longer land border with the Eastern European countries.

Vis-à-vis Eastern European countries, Greece has the advantage of its western orientation, E.U. membership, higher level of development, better infrastructure and political and economic stability.

With the right promotional plans, Greece appears to be in a position to take advantage of its core competencies and can present itself as a centre for international businesses in the region and a gateway to the E.U., the Eastern Europe, and the Middle East.

2.6 Literature Conclusions

As the above literature review shows, FDI is an integral part of today's world economy. More and more governments from both developing and developed nations are welcoming and encouraging FDI. As competition intensifies, a growing number of countries are putting together promotional plans aimed at attracting FDI. For these plans to be successful, a thorough understanding of the investment decision making process and its

determinants, as well as the specific strengths and weaknesses, real and perceived, of each individual country, are critical.

Policy makers can draw from a large body of literature concerning the determinants of investment decisions. As discussed above, from the field of IMS there is a long list of factors which are believed to influence decision makers in arriving at their decisions. PCI and country stereotyping, among others, have often been hypothesized as important determinants of location decisions. Yet, there is very little empirical research on the determinants of the IMS process for the purpose of FDI in light of the role of PCI and stereotypes, and most of it concentrates in a narrow range of large industrialized economies.

This research is an attempt to address considerations such as those above. It focuses on the determinants of the decision making process to invest in a small economy, namely Greece and draws from a similar Canadian study which makes international comparisons possible. By studying investors motives and their search of information in arriving at the investment decision, the study will aim to shed light to the determinants of selecting the country as a site for FDI. As will be seen in the specification of the research objectives that follows, the study intends to trace the image of Greece in the eyes of foreign investors and explore the effect that their perceptions and stereotypical images may have had in the investment decision as well as the overall investment experience. Moreover, in studying the investors experiences and degree of satisfaction with the investment, this study will explore the strengths and weaknesses of the Greek economy. The following sections present the study's objectives, its methodology and findings, and its implications and benefits for various constituents.

3. RESEARCH OBJECTIVES

The proposed study objectives are a composition of those of the JPH and D'Souza studies, adjusted to account for the different setting of this study and enhanced to enable comparison between this and the previous research. Specifically, research objectives 1, 3, and 5, are similar to those of the JPH study, 2 and 4 correspond to those of D'Souza, and 6 is specific to this study.

The present study's research objectives are:

1. To assess foreign investors' degree of satisfaction and/or dissatisfaction with the Greek investment experience in relation to their prior perceptions and initial expectations;
2. To directly and indirectly identify Greece-based foreign investors' perceptions concerning the economic, political, and social investment climate in Greece;
3. To identify the most common sources of information used in arriving at the decision to invest in Greece;
4. To identify the most common motives for investing in Greece;
5. To identify corporate and individual factors that correlate with the experiences and perceptions of foreign executives in Greece;

6. To compare the findings with those of D'Souza, and in doing so, identify and discuss the differences, and examine whether there are any similarities or patterns emerging concerning the FDI location decision regarding Canada and Greece.

4. RESEARCH METHODOLOGY

Great care was taken in the design and implementation of the study in order to balance its threefold objective, namely, to advance knowledge in the field, to adhere as closely as possible to D'Souza's methodology to allow for comparisons, and yet to be adapted to the reality of investment in Greece.

4.1 Research Design

The research design was a descriptive research survey using an *ex post facto* design.

4.2 Sampling Process

The sampling process was similar to D'Souza's with respect to population and sampling frame requirements, namely, the nature of companies sampled and of the sampling and respondent units. Yet, this research covered a different geographic area and investment context, and its sample size was slightly larger.

4.2.1 Sample Population

The population consisted of non-holding and non-resource-based firms owned by foreign companies that had invested in Greece through acquisitions or new business start-ups within five years prior to the start of data collection and with investment of more than 250 million drachmas (approximately US \$1 million).

Only direct investments through new business start-ups and acquisitions were included in this study as one of its main objectives was to investigate the FDI decision making process and explore its determinants. Holding companies were excluded from the sample since their investment decision making process is believed to be different than that of FDI as it involves more "passive portfolio interests in other companies" (D'Souza 1993). Along the same lines, and in light of the same objective, resource-based investments were also excluded because the motives to invest and the choice of investment location are driven by given characteristics of the physical environment that cannot be altered by policy makers. Foreign investments in tourism were excluded as a resource-based activity.

Only investments realised within five years prior to the data collection were included in the sample. This time constraint was necessary to minimise the recollection effect inherent to the *ex post facto* research design.

For a better understanding of the investment decision making process and to satisfy the comparability objective, only firms with a substantial amount of investment were included in the study. For this reason, and based on what the preliminary research at the proposal stage had shown, a dollar cut off point of 300 million Drachmas (or approximately US \$1.5 million) was originally selected. This was the same cut off point used in the Canadian study.

Another reason for selecting the particular cut off point was the fact that, as early research had shown, three public institutions in Greece were responsible for overseeing incoming FDI of more than 300 million drachmas, namely, the Ministry of Industry and Trade, the Hellenic Bank of Industrial Development (ETVA), and the Agricultural Bank of Greece. Initially, it was believed that company lists would be easily obtained from them.

However, as is often the case in countries with less developed services in the public sector, the lists were not available and the researcher had to draw upon contingency plans identified in the proposal stage. Company lists were obtained from the Chambers of Commerce of Athens and Piraeus, the Municipalities of the Attica region, the ICAP: Financial Directory of Greek Companies, and the Federation of Greek Industries. Other lists were used as cross-references. In all, approximately 850 company names were identified. After combining and cleaning the lists obtained, there were only 42 companies found that met the sample requirements with investments larger than 300 million Drachmas. Subsequent to

that, the sample requirements with regards to the amount of investment in the country were lowered to 250 million Drachmas or approximately US \$1 million in order for the sample to include the top 50 investments, dollar wise, in Greece. The new cut off point is more representative of the Greek reality in foreign investment. Of these companies, 31 agreed to participate in the study generating a response rate of 62%.

4.2.2 Sampling Frame

The sampling frame was drawn from combining the lists mentioned above. The listing of companies obtained is directly comparable to the one used in the Canadian study in terms of completeness. The sampling frame area included the Athens region, Piraeus and Thessaloniki. The sample geographical area encompasses over 50% of the population of Greece and an even larger percentage of the economic activity of the country. However, in the Thessaloniki region there were no companies found with an investment large enough to qualify for the sample. In the analysis that follows the reason for this will become clear from the responses of the executives interviewed concerning the selection of the location for their headquarters.

4.2.3 Sampling Unit

The sampling unit was companies that met the population requirements and had an expatriate senior executive residing in Greece. The respondents were senior-level, English- or Greek-speaking foreign executives and senior-level Greek executives of the sampled companies. By the end of 1992 there were 17,115 working permits issued to foreigners from France, Germany, Italy, and Britain and 941 from Canada and the U.S. At the end of 1992, there were 3,079 foreigners occupied in manufacturing, 6,411 in transportation and communications, and 10,092 in banking, insurance and services (National Statistical Service of Greece, 1993). The number of expatriates working in Greece, especially those coming from EU countries, was expected to have grown due to the free movement of population in the EU. Although there was no available breakdown according to occupation, it was expected that a large proportion of those working permits would be issued to foreigners occupying higher level positions. Moreover, due to the level of economic development of the country, it was expected that most companies would start out their operations in Greece having at least one senior executive from their home country.

4.3 Data Collection

The data were collected through in-depth interviews and self-administered questionnaires. The researcher personally conducted the interviews in Greece following the format used in

the data collection of the Canadian study. Specifically, after the population list was obtained, contact was made with the firms to confirm that there was an expatriate executive residing in Greece and to obtain the names and addresses of their most senior foreign and Greek executives. Following this, a letter requesting the executives' participation, followed-up by a telephone call to confirm participation, was sent to the 50 companies. Personal interviews were conducted with a total of 62 executives who agree to participate in the study, one Greek and one expatriate from each of the 31 companies. The self-administered questionnaires followed at the end of each interview and were completed at this time.

4.4 Research Instrument

Two separate research instruments were administered, one for foreign and one for Greek executives (Appendix 2). Each included a personal interview schedule and a self-administered questionnaire.

The research instruments administered to foreign executives were in English, while the ones for the Greek executives were translated into Greek. This was necessary because, although it was expected that most Greek senior executives would have some knowledge of English, there was the risk of misinterpretation if a language other than their native one was used. The survey instrument was translated in Greek and back-translated by the researcher and the research supervisor, both of whom are fluent in both languages. Great caution was taken in

order for the translation to be both functionally and conceptually equivalent to the English version.

For the personal interviews, D'Souza's interview schedule was used with only minor adjustments. It included both open- and closed-ended questions dealing with issues of personal and company history, parent company activities and experiences before, during, and after the decision to invest in Greece. As well, company objectives that led to this decision, and the interviewee's current perceptions about the Greek investment climate and future opportunities were sought.

The self-administered questionnaire included demographic questions (company and interviewee information), as well as ordinal rating scales, such as semantic differential and Likert scales. These scales were similar to the ones used in the Canadian study and involved rating the importance of the objectives for making the decision to invest in Greece, factors that influenced the investment decision, and the level of satisfaction based on the investment experience and compared to what was expected prior to the investment.

For comparison purposes, great care was taken to maintain the integrity of the original Canadian questionnaire. Efforts were concentrated on keeping the same question context and the same measurement scales. Yet several changes were necessary in order for the questionnaire to be adapted to cross-cultural differences and specific characteristics of the

Greek market. Specifically, all references to the U.S. were omitted and all comparisons between U.S. and Canada were replaced with a different line of questioning aimed at comparing Greece to its neighbouring countries. Also, references about the role of Greece as a gateway to the Eastern Europe and the Middle East were added to some of the scales because these appear in the literature as reasons for investing in Greece.

4.5 Data Analysis

The exploratory nature of the study, coupled with the comparability objective, dictated that much of the data analysis was to be descriptive. Frequencies and means are calculated to profile the firms and describe their behaviour. Measures of central tendency are also used to report the most common objectives for investing in Greece, information sources, and managers' perceptions. Tests of significance were performed to detect differences in the responses between greenfield investments and investments in acquisition, among companies with different operation and parent companies' experiences with FDI. Still, most of the comparisons involved qualitative analysis.

Part II RESEARCH FINDINGS AND DISCUSSION

In the sections that follow, the research findings are presented. Section 1 is a general discussion of the demographic profiles of both the parent and Greek companies as well as the characteristics of the respondents. Section 2 examines the most influential objectives in arriving at the decision to invest in Greece as they appear in both the interviews and questionnaire responses. Section 3 is a discussion of the information sources used and their role in the decision making process as well as a special examination of the role and importance of information gathered through personal sources, experiences and acquaintances and its effect in the decision making process.

The present investment climate in Greece and its implications for FDI are the focus of Section 4, and an assessment of the satisfaction and/or dissatisfaction of the foreign companies interviewed with the Greek experience is presented in Section 5. The last section of the analysis is an attempt to compare the finding of this study to those of the Canadian study. Similarities and differences are identified and general conclusions drawn.

1. GENERAL PROFILE OF THE SAMPLE

Of the 31 companies that agreed to participate in the study, 19 were new business start ups and 12 were acquisitions. Five of the acquisitions were companies that had acquired their distributors (Table 1).

Table 1

Number of Companies by Type of Investment	
New Business	19
Acquisitions*	12
Total Sample	31

* Five had acquired their distributor / agent in Greece

All of the sampled companies were located in the Attica region which includes the cities of Athens and Piraeus as well as surrounding municipalities. As mentioned above, in the Thessaloniki region there were no companies found with invested capital large enough to qualify for the sample. Table 2 shows the location of the headquarters of the companies interviewed. It should be kept in mind that this is a general classification and goes beyond administrative city limits given that the two cities have merged into one.

Table 2

Location of Sampled Companies	
Athens	25
Piraeus	6
Total	31

From every company, the CEO and another senior executive were contacted for an interview. In the cases, however, that the CEO was not available for an interview, he/she was asked to indicate to the researcher another senior executive who was then approached and interviewed. Table 3 shows the job titles of the respondents.

For reasons of simplicity and comparability, the highest ranking executive of the Greek company is reported as the CEO. However, it should be kept in mind that Chief Executive Officer as a job title is not as commonly used in countries outside North America. The job titles of the executives interviewed were diverse and corresponded to the hierarchy and customs of the country of origin of the parent company. Reported as CEO positions include titles like: General Manager, Director General etc. In all cases that an executive other than the highest ranking was interviewed, the job title of the interviewee is specified in Table 3.

Table 3

Job Title of the Respondents			
Job Title	Foreign	Greek	Total
CEO	22	2	24
Owner/Partner	1	3	4
CFO / Controller	0	7	7
Marketing / Sales	1	11	12
Senior manager	7	8	15
Total	31	31	62

All interviewees were asked how many years they had worked with the Greek company. The foreign executives were also asked the number of years they had worked with the parent company. Section B of the self-administered questionnaires for both foreign and Greek executives indicates the number of years worked with the parent and Greek company.

Foreign executives averaged 12 years with the parent company. Of the respondents, 43.3% had worked with the parent for less than 7 years, 46.6% between 13 and 20 years, and the remaining between 20 and 25 years (Appendix 3). The median number of years worked with the Greek company was 3*, and 30% of the foreign executives had been with the Greek company for less than 1 year (Appendix 4). Moreover, the median number of years the Greek executives had worked with the Greek company was 3.5* and 71% of the respondents had worked there for less than 5 years (Appendix 5).

From both the job titles and the seniority of Greek and foreign executives, it becomes apparent that most of the highest positions in recently-established foreign-owned companies in the sample are held by expatriates (22 out of the 31 cases). Furthermore, the expatriates holding the highest positions in Greek companies had worked for their parent companies, on average, twice as many years as the Greek executives had for the subsidiaries. This indicates a possible preference to have experienced executives of the

* The median was selected as the most appropriate measure of central tendency because the distribution was skewed to the high end.

parent companies placed in charge of the new Greek operations. In nine companies the opposite was the case.

1.1 Demographic Characteristics of the Parent Company.

Table 4 shows the country of origin of the parent companies. Twenty six companies (or 83.9% of the sample) came from Western Europe, 25 of which were from EU countries. One company came from Eastern Europe, 2 from the USA and 2 from Japan. Both companies from the USA belonged to the European division of their parent companies. One company from Japan also belonged to the European division while the other was fully owned by the parent in Japan.

Table 4

Country of Origin of the Parent Company	
Country	Companies
United Kingdom	11
France	4
Italy	3
Germany	3
Luxembourg	2
Japan	2
USA	2
Switzerland	1
Sweden	1
Holland	1
Poland	1

The breakdown of sampled companies by sector is shown in Table 5. Almost half of the companies (45.1%) were in the service sector. This may be attributed to the sharp world-wide increase of the service sector in the last five years as well as to the recent deregulation in Greece of services provided in the past by the public sector that led to a great increase in the number of companies in the service area. Close to one third of the companies (32.2%) had trade operations, and only 22.5% had manufacturing operations established in Greece. The apparent reluctance of foreign companies to have manufacturing operations in Greece was also a common theme among the interviewees and it was often attributed to the small market size that makes it uneconomical to produce in Greece. The words of the CEO of a large multinational company best describes the situation:

"I don't think we would consider this country as a candidate for manufacturing site, so at the moment we don't have any plans for anything else than sales companies for Greece, for the domestic market"

Appendix 6 contains a list of the detailed operations of both the parent and the Greek companies.

Table 5

Profile of the Greek companies	
Service	14
Trade	10
Manufacturing	7
Total	31

It is difficult and not meaningful to calculate the average age of the parent companies in the sample, since almost half of them were established prior to 1900. The oldest company is over 200 years old and was established at the time the UK had trade with the British colonies in the Far East. Of the remaining companies, 4 were established before the Second World War and another 4 shortly after. The youngest 4 companies were established between 11 and 13 years ago.

As is to be expected, in the case of most of the companies established over 100 years ago, the executives interviewed were not familiar with the first foreign investment activities of their respective companies. In the case of 8 out of the 14 companies which fall into this category, an exact year when they started FDI could not be provided. Of the remaining companies, 1 started foreign investment in the early 1800's, 2 had FDI activities before WWI, and all the rest started investing abroad after 1945 and the end of WWII. This seems to be consistent with the rise of FDI in the years following WWII and when the reconstruction of the European economies took place.

Accordingly, not all of the executives interviewed were familiar with the first country the company had invested in. Appendix 7 is a listing of the parent company's country of origin and their first FDI destinations. Since most of the companies in the sample come from Europe, it is not surprising that their first FDI activities would be within Europe. In the case of 2 of the oldest companies in the sample, their first FDI was in the colonies of their respective countries (i.e. from France to Algeria and from England to India and the

Far East). It is noticeable that for four firms, Greece was the place they started their FDI activities. One of them first invested in the early 1960's and the rest within the last 5 years. All of them expanded their FDI activities in other countries.

Over three quarters of the companies interviewed (24, or 77.4% of the sample) were fully owned by their parent company. Of the 2 American companies, one was 99% owned by the Belgian subsidiary with 1% of the shares belonging to the French subsidiary, and the other was fully owned by the European division of the parent in Holland. One of the Japanese companies was partly owned by the European division in Germany and the rest of the shares were held by the parent in Japan. The other Japanese company, as already mentioned, was fully owned by the parent in Japan. This could perhaps be attributed to taxation and other EU regulations that give advantage to EU companies over non-EU companies investing in any EU country. Of the remaining 7 companies, 2 had gone public with a percentage of their shares quoted on the Athens Stock Market Exchange and the rest were owned by the parent. Another 3 companies were majority controlled by the parent. There were 2 joint ventures in the sample, both between a Greek and a foreign company. In one case there had been an exchange of 20% of the shares between the foreign and the Greek company.

Less than one third of the companies had no prior dealings with Greece (32.2%). Of the remaining, most had operations through agents, distributors, franchising, or business partners. Some had other investments or full operations in the form of exports and/or

manufacturing in other industries. Table 6 shows a breakdown of the different operations the parent companies had in Greece prior to the investment studied.

Table 6

Parent Companies' Prior Operations in Greece	
Operations	Companies
Agents / distributors / franchising / business partners	10
Operations in other industries (investments, manufacturing, exports)	7
Other operations in a minor way / contracts	5
Off-shore operations	1
Sister divisions	1
No prior operations	10
Total	34

Note: The total amounts to more than 31 companies due to some firms having more than one type of prior operations in Greece

In Section B of the interview schedule (Exhibit A) foreign executives were asked to elaborate on the foreign investment activities of their parent companies. From their responses, the parents studied can be classified into two general categories: large multinational companies with operations in many countries covering a large geographic area and, firms with operations in less than 12 countries⁸ of the same geographic area, e.g., countries in Eastern Europe. For the purposes of analysing possible differences in their motives, seeking of information sources, and views on Greece, the former will be hereby referred to as "multinational" companies and the latter as "international" companies. One could argue that the role of the Greek investment and, therefore, the

⁸ Of the companies that reported having limited investment experience, the one with the most investments reported having 12 subsidiaries all within the Eastern European region. Of the rest of the firms classified as "international" the great majority had 2 - 5 affiliates outside the home country.

behaviour and expectations of the companies, would be affected by the weight the Greek investment has in global operations. Furthermore, the global exposure, experiences and funds available to multinational firms is expected to be considerably larger than that of international ones and that could potentially have an effect on their views of Greece and the Greek investment. Table 7 shows a breakdown of the sampled companies by multinationals versus internationals and by acquisitions versus new businesses.

Table 7

Multinational vs. International Companies and New vs. Acquisitions			
	New	Acquisitions	Total
Multinationals	11	11	22
Internationals	8	1	9
Total	19	12	31

Results in Table 7 suggest that multinational companies choose to invest through either acquisitions or new business start ups, while companies with smaller scope of operations or less widespread network of investments prefer to start their own new business. One possible explanation to that could be that multinationals have large capital resources and, therefore, can afford to acquire existing firms while internationals with less resources choose to open up their own companies often requiring smaller capital investment. Another possible explanation could be the fact that, as one might expect, international companies have their own niche markets in innovative industries and do not directly compete with large multinationals. If this is the case, then chances are there were no

suitable companies for them to acquire in Greece and, therefore, they established their own new business.

1.2 Profile of the Greek Companies and Their Multinational Operations.

In question 12 of the interview for foreign executives (Exhibit A), respondents were asked if their company had exports and/or international operations from Greece. Eleven of the Greek companies exported from Greece. Table 8 shows the export destinations of the companies interviewed. The great majority are countries neighbouring to Greece with the Balkan countries being the most popular destination. This can be attributed to historical links with the countries in the region as well as the leading role Greece has recently undertaken in both trade and investment in the countries of Eastern Europe and the Balkans. Exports of the Greek companies range from 3%-4% to 50% of total production.

When asked about their international operations, 25 companies reported having no international operations from Greece. Of the 6 that had, two had affiliates in Cyprus and the Balkans and another in Cyprus and Germany. Their responsibilities for those operations included managerial and sales support. One company was undertaking contracts in the Balkans and the Near East (Syria and Palestine), another had an affiliate

in Bulgaria, and yet another, reported undertaking projects from other affiliates of the parent all over Europe.

Table 8

Responses Regarding Companies' Export Destinations From Greece	
Country / Region Mentioned	Number
Bulgaria	3
Balkans	2
Cyprus	2
Europe	2
Germany	2
Middle East	2
Scandinavia	2
Turkey	1
Romania	1
Russia	1
South Mediterranean	1
Near East	1
North Africa	1
North/South America	1
Other neighbouring countries to Greece	1

Another 4 executives reported that it was within the short-term plans of their companies to undertake international activities through the Greek operations, one of which was to be in Bulgaria and another in Spain.

Approximately one third of the Greek companies carry only certain products and/or activities of the parent companies and not the full line of products (Appendix 6). This may be explained by the fact that the companies are new in Greece and, therefore, have an

introductory line of products/services, or to the small size and unique factors of the Greek market that does not support the full line of activities.

2. OBJECTIVES FOR MAKING THE DECISION TO INVEST IN GREECE

Section C of the interview schedule for foreign executives involved a discussion of the most important objectives in arriving at the decision to invest in Greece. In addition, in Section D of the self-administered questionnaire for foreign executives, they were asked to rate a list of objectives that could have influenced the investment decision. The findings are separately discussed in the following two sections.

2.1 Interview Responses for the Most Important Objectives Influencing the Decision to Invest in Greece

There was a variety of interview responses concerning the most important objectives leading to the decision to investing in Greece. For the purpose of better understanding and/or detecting possible differences between the various company categories and their investing objectives, responses were grouped according to the parent company's status as either multinational or international and by new and acquisitions (as grouped in Table 7). The total number of objectives is larger than the number of companies interviewed since most of the companies reported a combination of objectives that prompted the decision to invest. The following exhibit includes a listing of all the objectives as reported in the interviews and grouped in four categories according to the type of investment.

EXHIBIT 1: Objectives of Multinational Parent Companies Investing in a New Business

Objectives	Frequency
Localisation strategy: fully owned operations in every country the company is in	6
Profit, market factors	5
Prospects of growth	4
Future centre of the Balkan operations	3
Ease of entry due to underdeveloped industry	2
Support the business partner in light of new opportunities in the Greek market	2
Investing in an influential sector in the market	1
Opportunity from inefficiencies in the distribution industry	1
Opportunity to be in a non-core business and & have it in their business portfolio	1
Opportunity to be the first in the market (new product/service)	1
Opportunity for high profile operations in a new activity of the company	1
Failure of their franchising agreement	1

Objectives of Multinational Parent Companies Investing in Acquisitions

Localisation strategy	4
Expansion and profit	3
Large market potential	3
Better service to existing customers in Greece	2
First step to a full expansion in Greece with the full line of products	2
Be the first in the market	1
Less expensive than the average European production costs	1
Ease to export from Greece	1
Flexible mentality of Greeks	1
Follow international clients	1
Historical links as bridge between Europe and the Middle East	1
"Interesting company and in a good price"	1
Interesting plant to acquire	1
Lower manufacturing and transportation costs	1

Objectives of International Parent Companies Investing in New Business

Growing market	4
Large market size	4
Greece is of strategic importance to the company, first step to full expansion	3
Profit	2
Building a European network	1
International exposure	1
Expansion and benefit for transfer of technology from Greece	1
Opportunities from inefficiencies in the industry	1
Opportunity arising from recent deregulations in the Greek market	1
Similarities in the consumer behaviour with the home country	1
Take control of the agent operations for better service	1
Competition in Greece is not as stiff as in the home country	1

Objectives of International Parent Companies Investing in Acquisitions

The environment in Greece was appropriate for the kind of operations	1
--	---

From an analysis of the objectives reported, they can be classified into six general categories:

1. Profit and market related objectives:

In this type of objectives, the most influential factor for the decision to invest in Greece appeared to be the increase in the profit of the company by adding another country/market to its operations. In some cases, the executives interviewed pointed out that the Greek market is very large for their type of product, while in others it was seen more as yet another market that could add to company profits. Market related objectives seemed to be more common among the "new - international" companies. This could be due to the fact that these companies were in their first stages of international expansion, and it was in their interest to start by being present in the most promising and lucrative markets.

Below are some of their comments:

Potential customers in Greece.... "Make up 50% of the total number of candidates world-wide."

"There is lots of money in Greece."

"To explore the large potential of the Greek market."

"We are a trading company and we are in Greece for the profit."

"There were not too many competitors in Greece and they made quick profit, and gained experience from the investment."

However, this was not the case with some of the large multinational firms that view Greece as a very small part of their global operations. As the CEO of a large multinational Japanese company put it: "Greece was the last country in Europe where we established our sales operations. It's not a secret, the market is not big. From a business point of view this has to be reflected in the investment priorities".

2. Cost related objectives:

Although most of the foreign executives gave little importance to cost saving objectives, in two cases these were mentioned as important factors that prompted the investment. Cost related factors had to do with: **a.** savings in the transportation costs of exports; "Greece is a place in Europe and close to Middle East markets, that could mean less cost of transportation", and **b.** competitive labour cost in Europe; "the labour cost is less than all the other European countries". Both of the companies had invested through acquisitions and had manufacturing activities in Greece.

3. Strategy and expansion related objectives:

This category of objectives includes factors that make the Greek investment of strategic importance or a part of the general strategy of the parent company. For the latter, the most commonly cited objective is the implementation of a localisation policy on behalf of the parent company. Thirteen expatriates stated that the investment in Greece was a step towards a presence and control with all company-owned operations in a geographic

region (e.g. EU) or for the core activity of the parent company. This was more commonly cited among multinational companies that had invested through acquisition or a new business.

"We had a local distributor but it is our general plan to own all the distributors in the European countries."

"It is a very clear strategy to have our own outlets and our own companies all over the world in the three main groups' companies."

"We have a very firm policy to cover as many potential markets as possible by ourselves, because we believe that in this way we make better business. This is a very firm belief. We don't let the third party, the distributor, take care of a country, except for cases like East Europe or quite underdeveloped markets and there it is our option to use the third party, and we do that in some countries still, but in other cases whenever we see good potential, it's our very firm policy to invest ourselves."

Other strategic objectives put forward by expatriates include establishing in Greece a centre for future expansion to neighbouring countries, exploiting the advantageous geographic position of the country, and using the investment as a first step to introducing the entire line of company products in Greece.

"Greece is one of the strategic countries. The company decided to invest and create a permanent establishment here in order to follow the project that we are in, but also, to find other business and opportunities."

"Greece was selected as one of the strategy plants to supply to the Middle East and to the Mediterranean markets."

4. Opportunity related objectives:

A large number of objectives for investing in Greece were related to exploiting a certain opportunity that had presented itself at the time the decision was made. Some were related to recent deregulations in certain industries, especially in industries previously closed to the private sector. Others were related to inefficiencies in the distribution networks or the ease of entry in an underdeveloped sector. The great majority of the opportunity-related investments were in new business start ups, and, only in the case of one company, the investment was through an acquisition. The following are some examples:

"It was the possibility to supply the network and that followed the decision of the government to give Greece that kind of service to private companies. So we got the license to supply the service... and from this point all the investment was made."

"Greece was an opportunity because the distribution structure is not so developed and we came to fill in the gaps."

"The Greek market had a number of restrictions on consumer banking which had been lifted over the past few years and we take this opportunity of deregulation to position ourselves as known company in the area of international services and to carve out for ourselves a large share of the banking consumer market in Greece and again, the market is emerging as a result of the deregulation."

"To introduce to Greece new forms of trading, customer oriented and dealer network oriented that have definitely enhanced the function of motor trading in Greece."

A different type of opportunities exploited by the investing companies had to do with acquiring Greek firms that had a good fit in the parents' worldwide activities, were of high profile, would broaden the scope of the parents' operations, add to the portfolio of activities, or help the image of its parent worldwide.

"It was the idea to purchase the company which we felt would aid us internationally. This was a company involved in a business which we were interesting in getting into."

"The job represented an increase in the profile of (specific company) in the international market, it is a sophisticated job of a good size of a genre different than they have historically done, and so, getting this one on our C.V. qualifies us in a general way to expand on our being able to bit around the world on the job. So it was a strategic decision."

5. Support and expand prior operations through agents / distributors:

For many companies the primary objective for investing in their own operations in Greece was to expand their activities and have a stronger market presence in the country in light of good market potential as well as to introduce their full line of products or services mainly in support of the recent large flow of foreign investment in the country. Flexibility and quick responsiveness to the needs of current and potential clients were also among the objectives mentioned by executives:

"For the time being we are here in order to service our clients of the future, so if you have to do investment decision for the present, from the present market condition we would have not invest. We believe in this market's potential; that's why we are here."

"The company has been in Greece (represented by agents) for over 100 years so it is one of the important countries. The investment was made to give more autonomy to the Greek company and to make decisions faster and expand in the country. The parent company is backing up this company's efforts with a very large investment."

"For the company to have flexibility and to be quick to respond to the needs of the Greek market. They felt that the Greek company is a mature company for the group and that it was time to be on its own."

"This company is now 100% owned by (the parent company) and this gives us the ability to expand and invest more in the company's interest and carry more products and offer better service to our clients."

"To provide better service to our customers and to gain full control of the Greek operations. We felt that we should expand in Greece and we wanted full control of the Greek operations. Within the last 5 years we have invested over 1 billion drachmas. The distributor didn't have the capabilities for that kind of investment."

6. Historical other reasons:

In the case of one company, taking advantage of the historical links between Greece and the Middle East and Eastern Europe, as well as the image of Greeks as being "big and great travellers" were reported as important objectives for selecting Greece as an investment location. Another objective for the same company was to exploit the advantages of the combination of having the benefits of an EU country and the flexible mentality of Greeks. As the CEO of the company explained: "...European and vet, flexible"... and "flexibility kept under control can be a very valuable tool".

Other companies had more unusual objectives for investing.

One executive describing the decision to invest stated: "It is more emotive than subjective".... "That was probably because the individuals of the company would like to do that. Now, of course, they had to do business as well, but they were more a tactic to do business in some strange place than concentrate in and around Great Britain". The company had acquired a business in Greece. When it failed, they decided to stay and "see it through". In a similar situation, another expatriate credited the investment to a Greek entrepreneur who approached the main shareholder with a business proposition. When that company failed, the parent decided to follow up with its own investment. Yet another expatriate said: "(business field) being something that he (the main shareholder) had not an interest in and obviously wished to, so the decision was more one of a personal desire as opposed to a strategic plan or study that saw that there will be higher than expected rewards by investing in this particular business."

From the long list of objectives it becomes apparent that many diverse factors affected the investment decisions of the sampled companies. Market and profit considerations were often mentioned but in most cases coupled with other objectives and by themselves they didn't appear to be the primary objectives of the investment. Expatriates appear to give greater importance to strategic factors, and view the investment in Greece as a continuation of the parents' international policy of "think global, act local", as a mean to explore its geographic position advantages, or as a response to an opportunity. An

2

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

analysis of the questionnaire responses of the same foreign executives sheds more light on the objectives for making a decision to invest in Greece.

2.2 Questionnaire Findings of the Ratings of the Most Important Objectives for Investing in Greece.

Table 9 displays the mean ratings of objectives for investing in Greece as reported by expatriates in Section C of the self-administered questionnaires. The highest rated objective is market-related; namely to be close to potential customers. Being close to existing customers, and establishing a presence in the Mediterranean tied in second place. The location and links of Greece to the Balkans seem to be a major attraction for foreign companies. The objectives to "establish a presence in the Balkans" and "use the Greek investment as a stepping stone for a future investment there", rate high in the questionnaire responses. In fact, all but one of the remaining objectives rating above the midpoint of the scale have to do with exploiting advantages of the geographic location of the country. Establish a presence in the EU, use the investment to export to the Balkans, and use the investment as a stepping stone for a future investment in Central and Eastern Europe, are all rated as more important. Another set of objectives ranking high and very close to each other is related to the export opportunities from Greece to Middle East, North Africa, the EU, Central and Eastern Europe, and other European countries in the Mediterranean. "To use the investment as a stepping stone for a future investment in

other European countries in the Mediterranean" and to "Protect existing markets" also ranked high.

Table 9

Mean Ratings Of Objectives For Investing In Greece	
Objectives	Mean
To access raw material(s)	1.51
To access special design, engineering and other skills	1.59
To be close to major supplier(s)	1.50
To be closer to existing customers	<u>3.57</u>
To be closer to potential customers	<u>4.37</u>
To benefit from Greek government grants and financial incentives	1.88
To benefit from higher productivity	1.92
To benefit from lower labour costs	2.23
To establish a presence in the Balkans	<u>3.41</u>
To establish a presence in the EU	<u>3.15</u>
To establish a presence in the Mediterranean	<u>3.57</u>
To follow an existing customer who moved to Greece	1.88
To follow competitor who have made investment in the region	1.76
To lower manufacturing costs	2.19
To meet government requirements, e.g. offset obligations	1.76
To overcome trade barriers	2.16
To protect existing markets	2.88
To protect from domestic currency appreciation	2.07
To provide employees with the benefit of living in Greece (e.g. nice weather, Greek culture, vacation opportunities)	2.11
To use the investment to export to the Balkans	<u>3.00</u>
To use this investment as a stepping stone for a future investment in other European countries in the Mediterranean	2.70
To use this investment as a stepping stone for a future investment in the Balkans	<u>3.32</u>
To use this investment as a stepping stone for a future investment in Central and Eastern Europe	2.95
To use this investment as a stepping stone for a future investment in the EU	2.52
To use this investment as a stepping stone for a future investment in Middle East	2.45
To use this investment as a stepping stone for a future investment in N. Africa	2.45
To use this investment to export to North Africa	2.75
To use this investment to export to other European countries in the Mediterranean	2.70
To use this investment to export to the EU	2.70
To use this investment to export to the Middle-East	2.84
To use this investment to exports to the Central and Eastern Europe	2.70
Underlined are the highest ranking objectives on a scale of 1 to 5 where 1 was not important and 5 was very important	

The questionnaire findings suggest that market and geographic location related factors are the most important objectives for foreign companies to investing in Greece. For a better understanding of the importance of the different objectives for the different categories of companies further analysis of the questionnaire responses was undertaken.

A Mann-Whitney U test of significance was used to detect significant differences in the response of multinational versus international companies. A non-parametric test was used due to the non-normal distribution of the data. In Table 10, the mean ratings of each objective are provided separately for multinational and international companies. Only one significant difference was observed in the importance of protecting the existing market in Greece. Multinational companies rated this objective significantly higher than international companies. Multinationals being more mature companies, one could argue that they are more interested in preserving their markets, whereas international companies appear to be more interested in getting new ones.

Table 10

Objectives	Mean Rating of Objectives of Multinational vs. International Companies	
	Mean Value	
	Multinationals	Internationals
To access raw material(s)	1.70	1.00
To access special design, engineering and other skills	1.80	1.00
To be close to major supplier(s)	1.68	1.00
To be closer to existing customers	<u>3.90</u>	2.57
To be closer to potential customers	<u>4.38</u>	<u>4.38</u>
To benefit from Greek govt grants and financial incentives	2.21	1.00
To benefit from higher productivity	2.21	1.14
To benefit from lower labour costs	2.53	1.43
To establish a presence in the Balkans	<u>3.45</u>	<u>3.33</u>
To establish a presence in the EU	<u>3.24</u>	<u>3.00</u>
To establish a presence in the Mediterranean	<u>3.83</u>	<u>3.00</u>
To follow an existing customer who moved to Greece	2.16	1.14
To follow competitor who have made investment in the region	1.74	1.86
To lower manufacturing costs	2.33	1.87
To meet government requirements, e.g. offset obligations	1.95	1.29
To overcome trade barriers	2.39	1.57
To protect existing markets	<u>3.37</u> *	1.57
To protect from domestic currency appreciation	2.11	2.00
To provide employees with the benefit of living in Greece	2.16	2.00
To use the investment to export to the Balkans	<u>3.05</u>	2.86
To use this investment as a stepping stone for a future investment in other European countries in the Mediterranean	2.65	2.86
To use this investment as a stepping stone for a future investment in the Balkans	<u>3.30</u>	<u>3.38</u>
To use this investment as a stepping stone for a future investment in Central and Eastern Europe	2.59	<u>4.00</u>
To use this investment as a stepping stone for a future investment in the EU	2.29	<u>3.00</u>
To use this investment as a stepping stone for a future investment in Middle East	2.47	2.43
To use this investment as a stepping stone for a future investment in North Africa	2.47	2.43
To use this investment to export to North Africa	2.83	2.50
To use this investment to export to other European countries in the Mediterranean	2.83	2.33
To use this investment to export to the EU	2.71	2.71
To use this investment to export to the Middle-East	<u>3.00</u>	2.33
To use this investment to exports to the Central and Eastern Europe	2.67	2.83

Underlined are objectives ranking above 3 on a 1 to 5 scale, 1 being not important and 5 very important. Objectives are listed as they appear in the questionnaire.

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

Objective ratings were also tested for differences in the responses of new business start ups versus acquisitions. The mean scores of the two groups of companies are presented in Table 11. No significant differences were identified at the $\alpha < .05$ level. At the $\alpha < .08$ level however, one difference approaches significance between new businesses and acquisitions in rating the importance of gaining access to special design, engineering and other skills. New businesses rate this objective as more important than the companies investing through acquisitions. Still, the rating of its importance is below average (2 on the 1 to 5 scale).

Two other objectives were identified in the questionnaire responses when respondents were asked to specify other objectives that may have played an important role in their decision. One objective was for the company to diversify in a known market, and the other objective was to achieve vertical integration of the company operations.

In conclusion, from the analysis of the interview and questionnaire response, it is becoming clear that geographic location and market factors were the major points of attraction for the foreign companies that invested in Greece through new business and acquisitions within the last 5 years. In addition, significant differences between multinational and international companies and between new business and acquisitions were detected only in two cases. Multinationals regard the objective of protecting an existing market as more important than the international companies, and new business

start ups regard the access to special design, engineering, and other skills as more important than the companies investing through acquisitions.

Table 11

Objectives	Mean rating of Objectives of New Business vs. Acquisitions	
	Mean Value	
	New Business	Acquisitions
To access raw material(s)	1.73	1.25
To access special design, engineering and other skills	2.00 *	1.00
To be close to major supplier(s)	1.73	1.18
To be closer to existing customers	<u>3.44</u>	<u>3.75</u>
To be closer to potential customers	<u>4.47</u>	<u>4.25</u>
To benefit from Greek govt grants and financial incentives	1.93	1.82
To benefit from higher productivity	2.06	1.70
To benefit from lower labour costs	2.19	2.30
To establish a presence in the Balkans	<u>3.50</u>	<u>3.27</u>
To establish a presence in the EU	<u>3.29</u>	2.89
To establish a presence in the Mediterranean	<u>3.69</u>	<u>3.40</u>
To follow an existing customer who moved to Greece	1.93	1.82
To follow competitor who have made investment in the region	1.87	1.64
To lower manufacturing costs	2.19	2.20
To meet government requirements, e.g. offset obligations	2.00	1.45
To overcome trade barriers	1.93	2.45
To protect existing markets	2.73	<u>3.09</u>
To protect from domestic currency appreciation	2.33	1.73
To provide employees with the benefit of living in Greece	2.47	1.64
To use the investment to export to the Balkans	<u>3.35</u>	2.45
To use this investment as a stepping stone for a future investment in other European countries in the Mediterranean	2.80	2.56
To use this investment as a stepping ... investment in the Balkans	3.41	<u>3.18</u>
To use this investment as a stepping stone for a future investment in Central and Eastern Europe	3.36	2.33
To use this investment as a stepping ... investment in the EU	2.69	2.22
To use this investment as a stepping ... investment in Middle East	2.53	2.33
To use this investment as a stepping stone for a future investment in North Africa	2.53	2.33
To use this investment to export to North Africa	2.93	2.50
To use this investment to export to other European countries in the Mediterranean	2.86	2.50
To use this investment to export to the EU	2.69	2.00
To use this investment to export to the Middle-East	2.53	2.60
To use this investment to exports to the C. and Eastern Europe	<u>3.20</u>	1.89

Underlined are objectives ranking above 3 on a 1 to 5 scale, 1 being not important and 5 very important

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

3. INFORMATION SOURCES USED IN THE DECISION TO INVEST

Section D of the interview schedule for foreign executives examines the companies' experiences in making the investment in Greece. The questions are aimed at a discussion of the information sources decision makers sought in order to make their investment decision, which of these were the most influential, and how readily accessible they were. Another line of questions was specifically aimed at investigating the importance of information gathered through personal sources, and exploring the role of expatriates working in Greece as a source of information for executives abroad interested in the Greek investment climate. In the sections that follow, the interview findings are discussed first, followed by the questionnaire responses.

3.1 INTERVIEW RESPONSES

This section discusses the companies' use of information in their decision to invest in Greece. In particular, in Questions 18, 19, and 20 of the interview for foreign executives, respondents were asked to list the information sources their companies used in making the decision to invest in Greece, identify the single most influential one, and assess the level of difficulty in accessing that information.

3.1.1 Use of Information Sources

A list of all the sources reportedly used by the parent companies in their decision to invest in Greece, as they appear in the interviews of foreign executives, is presented in Table 12.

Table 12

List of Information Sources Used in the Decision to Invest	
Information Sources Used	Frequency
Agents, business partners, distributors, affiliate company in Greece	11
Prior experience in Greece (previous sales figures, other investments)	9
Market studies	9
Feasibility studies	6
Acquired company	4
International press	3
Public information / Greek government publications	2
Home county publications on Greece	2
Historical data of sales of other companies in the industry	2
Other companies in the industry	2
International sources in the banking industry	2
Greek consultants	2
Parent auditing office	2
International organization's information	1
Personal contacts with other people in the industry	1
Employees of the joint venture partner in Greece	1
Executives already working in Greece	1
Personal contacts of business partner	1
One person's idea	1
Parent company intelligence assigned to find business opportunities	1
Greek sources in the banking industry	1
Business visits	1
Clients moving to Greece	1
Potential clients	1
Commercial Office of Embassy of Greece in home country	1
Finding the right Greek person to be the chief executive	1
National exhibitions	1
Trade fairs	1
License obtained by the parent to operate in Greece	1
Greek lawyer	1
External auditors	1
International auditing firm	1
International consulting firm	1

The two most commonly cited information sources are related to the parent's prior experience in the country, whether it was in the form of a) agents, business partners, distributors, or affiliate companies in Greece (11 companies), or b) prior experience through export sales, other operations or investments in other industries (9 companies). The acquired company as a source of information, which in the case of four firms was their prior distributor, also falls into this category. More than three quarters (77.4%) of the firms interviewed reported obtaining some of their information about the business environment in Greece through these sources.

Another commonly cited category of sources is related to a systematic search of information in the form of a) market studies (9 companies), b) feasibility studies (6 companies), or c) use of Greek or international consulting firms (i.e., international sources in the banking industry, international or Greek external and internal auditors, Greek and international consultants, and Greek lawyers) (10 companies).

Yet another category of information sources that assisted in the decision making of at least 12 firms included publicly available information such as deregulation laws and bidding announcements, as well as other types of published material on Greece both from the local and international press.

Executives and employees of companies in the same or other industries in Greece, as well as personal contacts and experiences of the parent company's personnel, were also often cited information sources. Sources of this type were used by 7 companies in the sample and included personal contacts with other people at the same industry, other executives already working in Greece, business visits of executives of the parent firm, potential clients or clients that moved to Greece, personnel of the joint venture company, and personal contacts of business partners.

3.1.2 Importance of Information Sources Used

Even though there appears to be a balance between the systematic search for information, and information gathered through personal sources, an in-depth analysis of the executives' responses indicates that prior experiences and personal sources had a larger impact on the decision process. In particular, in the case of 25% of the sample companies, knowledge gained through prior experience, agents, and the acquired company were the sole information sources used to support the companies' investment decision. In the rest of the cases, a combination of information sources was used and no single information source appeared to be adequate enough to support an investment decision.

Furthermore, as discussed in Chapter 2 in the analysis of the reasons and motives of investing in Greece, a large number of companies had strategic reasons for investing. This also appears to have influenced the information sources sought. Eleven firms reported that their investment was based solely on the parent's policy. Their search for information, both systematic and through personal sources, appeared to be more geared towards familiarizing themselves with the business practices in the country and / or finding the appropriate company to acquire rather than deciding to invest or not. The words of one CEO best describes this:

"Well, I would say honestly, no matter what data we might have presented, the decision would have been the same, because, you know, we just follow this policy to cover all markets directly. In a group like ours, decisions are taken on a very simple principle. In this case the principle was: we want to establish our company in Greece. This is enough. Then you start looking from where to start and at that point you take into consideration surveys and all that, and then where and who. So then you go into more detail. But the first move was: Okay, we want to establish ourselves in Greece."

This was also echoed in the expatriate's responses when asked their opinion on which of the sources used had the most influence in the actual decision to invest. Their answers were varied and in some cases were different than the information sources they mentioned in Question 18. Two respondents that had reported extensive research on the business environment before investing, revealed that the most influential factor was the decision maker's personal desire to invest in the country. Still, as shown in Table 13, the single most influential information source for investors about to invest in Greece

appeared to have been their prior knowledge of the country, either through their own operations or through their agents and distributors.

Table 13

Most Influential Source of Information	
Information Source	Frequency
Agent / distributor / prior experience / knowledge of the country and business	6
Company strategy	4
Personal desire to invest	2
International auditing / consulting firm	2
Banking industry source	2
Strategic factors, attractive contract, and credibility of business partner	1
Public information (about deregulations)	1
Market figures	1
Friends / other people in the industry	1
Contacts with the Greek partner and other people in the industry	1
Company intelligence	1
Combination of market research and currency fluctuations	1
Combination of business visits, employees of the JV, and feasibility study	1
Agent and acquired company	1
Acquired company being a "good deal"	1
Obtaining the license to operate in Greece	1
4 executives replied "don't know"	

3.1.3 Accessibility of Information Sources

Respondents were also asked to assess the availability and accessibility of information in Greece. Their responses range from "very easy" and "straight forward" to "very difficult" and "almost impossible". Five executives report that the search for information was very difficult due to the lack of official and reliable data. Lack of

market data in their field was another reason that reportedly made the information search difficult.

"I believe that it was very difficult for our people because in every statistic the recipient has to read between the lines. I believe that this decision was based on unofficial statistics they received from the market. I call bad the statistics we received from the authorities and other official sources."

"It was very difficult because in this country there are no reliable market data available."

Two executives revealed that the only information they ever sought was getting a license to operate in Greece. The rest of them reported having no trouble finding the information they needed as shown by their responses:

"It took one month to get it all together. Greece is a European country and as such the work was a task I'm sure, but it was manageable."

"It was simple and straight forward. Compared to 10 years ago it is paradise."

It should be noted here that the great majority of the respondents that reported no difficulties in their information research attributed the fact to good knowledge of the Greek environment through their prior operations and help from their business partners. On the other hand, of the 12 companies that invested through acquisitions only 5 report the acquired company as a source of information and of these only 2 identified them as the most influential source. Another company's CEO reported a systematic search for

data about Greece and then noted that the most influential factor of all was the acquired company being a "good deal".

Overall, familiarity with the business environment through prior operations, and personal experiences and contacts, along with strategic goals and systematic collection of data, appear to be the most common sources of information sought in the decision to invest in Greece. In the section that follows, the executives' views on the influence of personal sources of information in decision making, as well as the role of expatriates working in Greece as a source of information on the business climate to executives in their home countries, are discussed.

3.2 Personal Sources in the Investment Decision Making Process

The last two questions of the questionnaire for foreign executives dealt with the role of personal information sources in an investment decision. In particular, executives were asked their opinion as to how influential personal sources are in a decision to invest, in general, and if, in their particular case, information gathered through personal sources had been important.

All but 4 executives (87%) revealed that, in their opinion, information gathered through personal acquaintances or personal experiences affected the decision making process to

invest in a country. The weight they attributed to these sources was varied. Some felt that personal sources carry the most weight in the investment decision:

"Predominately. Very much so. Decisions are made based on personal experiences and personal acquaintances which actually provide the expertise for that particular area and the confidence to work with local partners or managers or whatever."

"The answer is clearly Yes. A 95% is personal and 5% is the rest."

"Seventy percent is related to personal feelings and relationships in the market. This is the most important of all the figures in the world."

"Very much so, I feel that it is very important that you keep informed on what is going on and you do that not only by newspapers, magazines, books and so forth, but also by walking in the street, if I may say, just keeping in touch with the people."

Other executives stated that, in their opinion, "hard data" were collected only to rationalise a decision made on the basis of personal experiences and acquaintances.

"Most people make the decision and then spend one year trying to rationalise the decision. The CEO has a gut feel and sends the assistants to gather information and then they "fix" the figures. Most decisions are based on other factors, other than figures and accountants can always "fix" the figures."

"Sure personal experiences affect the decision to invest very, very much. The paper work is solely done to have objective criteria."

One executive had a more middle ground answer:

"There are always two factors taken into account for foreign investment. It is important that we know the business environment before we make investments. Of course we study the market. We send people from the headquarters to study the markets. We use consultants and of course, when there are people involved in a decision making process, of course their personal experience. We would never make an investment only from

the green table. We have to go to this country we have to look at the country and then we make the investment. But most of the time is because we need our own investment because if it is our own money we approach the market better."

The importance of personal information sources was also reflected in expatriates' answers when asked to reveal if personal sources had an effect on the decision that led to the investment in Greece.

"Neither business was chosen because Greece is a good place to invest based on some arbitrary factor measured on such and such a scale. They were both based on circumstantial experience, acquaintances, and timing. If we had not done this investment in Greece at that time, we probably wouldn't have invested anywhere else. We were not looking to invest but knowing the person, knowing the company and that the opportunity was there, and having talked to the person for hours, we invested."

"Without that I would not have recommended (the investment), It scores 9 out of 10."

"We would not have looked at Athens on our own because we are a (particular business field). That is the core of our businesses. The opportunity was brought to us, we evaluated it and we said yes, but if we had not had the personal contacts by that experience, and the people that I have met and got a rapport with within that time... because working with people within Greece.. it is not what you know, it is who you know. It was about the people we knew and we had a base, a sound foundation. Without that, I feel now, I would have not recommended Athens, without that personal contacts."

On the other hand, the four executives who disagreed with the rest strongly felt that this type of information has no place in such a decision and some even considered it a dangerous possibility. All four answers are presented below:

"The business of starting a new venture or expanding one is often tied to financing and forecasts of rate of return and therefore, has to be tied as

scientifically as possible to understanding what you are going to do, how much are you going to do it with, and how are you going to get back the profit. Convincing the banks and the stock holders of this, is typically a violent experience and something that is done on a scientific basis rather than show-and-tell. So the personal experiences are more retrospective but they will have a hard time representing a substance or justification."

"Going into it there was some knowledge of the fact that Greece is unique. There might have been, therefore, some fear that we might make a wrong move or a bad decision. Those played into it and ultimately have been reflected in the budget, but they have not been by any means show-stoppers. Actually the amount of personal experience the company had coming in here was null anyway, all of the little sunburned folks that came back from the weekend in the Islands, and that was all. But anytime you go to a new place you load some contingency into that."

"If I look back 16 years that I have experience with our company, in those days, 16 years ago, personal advice on certain issues in a country had a major role to play. Today I believe such role is negligible. So I would look very much on such figures as the market potential, buying behaviours and that's it."

"I think it doesn't affect it directly. Definitely the process of investment in a country is related to strategic move, related to market and the potential profit. But there is another aspect, acquaintances and all that can accelerate or not the process. Obviously, before you make a major move in a country you want to know, to feel, so it takes some preliminary years that you make minor investment just that you know and understand, to have some people that you have confidence on. So, if, of course, you already have a network it accelerates the process. It is a question of acceleration but I can't imagine that an industrial group would invest in a country just because they know people. this seems very stupid."

3.3 Executives Working in Greece as a Source of Information

It has been often hypothesized in the literature that expatriate executives living and working in a country are a source of information for foreign investors looking to invest in that country. Foreign executives interviewed in this study were asked if they had been

approached in the past by other companies or executives from their home country with regards to their experiences and views of the Greek business climate.

The findings support this hypothesis. Twenty four (or 77.4%) of the respondents reported often being asked about their views of Greece by executives and companies in their home countries. The great majority of them reported it as being a common phenomenon. Their responses range from "often" to "all the time". One respondent stated:

"Yes, they do (ask), probably not in detailed investment terms. I've been approached by mostly banks for information on Greece. I'm usually quite balanced about it, not perhaps as positive as I'm to you because it is dangerous to being positive to another businessman who wants to invest, but not negative. I say these are the opportunities, these are the problems. Yes, it does happen. So the (home country's same industry companies) will phone me up on a professional courtesy basis and ask about the business environment in Greece."

"We are advising other companies on how to come and start because everywhere is difficult at the beginning and we are advising them about regulations because they are different in every country. We are trying to save them time for formalities."

Seven of the expatriates interviewed reported never having been approached for their opinion of Greece. This may be explained by the fact that five of them had been living in Greece for less than one year.

All respondents were asked what they recommend to those who ask them, or if they had never been asked, what would they have replied if asked. The great majority stated that they would recommend to other companies to invest in Greece. Some raise concerns and give

advice on how other investors could overcome hurdles that they had been faced with. The quotes that follow best describe this:

"I tell them to come but be prepared to find a Greek partner."

"I tell them that it is a unique place and that it requires a different approach than they may have been accustomed to, but that may be effectively managed, and it is in fact a good place to be."

"It is a good place, a good market, if they are prepared to change every time the government changes."

"If they plan to come for a long term I advise them to come. If they are for a short time, then it depends on what they are interested in doing."

About one quarter of the respondents pointed out that their answers largely depend on the field the company is looking to invest in. Two expatriates stated that they were going to discourage new investors looking to enter into their field due to the saturation of the market in that particular field of business.

"In (specific business) I would say that at the moment it is probably too late, if they have no connections whatsoever. But 10 or 15 years ago, I would have said that it was a reasonable investment. Now it is too late for somebody who has no base in Greece. If he has some agency which he could buy, yes, that is reasonable."

"If it is a (specific business) company, I would say, think very carefully because of the saturated market and have a Greek specific product, very specialized."

The above analysis of the questionnaire responses with regards to the information sources decision makers sought in their decision to invest in Greece revealed that a good

knowledge of the business environment through prior operations, business visits, and contacts with Greek business partners played a key role in making the investment. In addition, an investigation of the role of personal experiences in decision making in general, and in the case of the Greece in particular, indicates that personal information and personal experiences, as well as expatriates working in a country, are decisive sources of information about the country. Questionnaire findings discussed below present a similar picture.

3.4 QUESTIONNAIRE RESPONSES

In Section C of the questionnaire, foreign executives were presented with a list of information sources and were asked to indicate whether their parent company had made use of them and, if so, rate their importance in the investment decision. The findings are analyzed in the section that follows.

3.4.1 Use of Information Sources

Respondents were provided with a list of information sources that could have aided the investment decision. The number of firms that reported using each information source, along with the percentage of sampled firms that made use of each source, is presented in Table 14.

Table 14

Use of Information Sources		
Information Source	Firms	Percentage*
Business visits by parent company executives to Greece	27	96.4
Greek consultants	23	82.1
Greek suppliers/customers/distributors	23	82.1
Competitors	23	82.1
International media	19	70.3
Pleasure visits by parent company executives to Greece	16	64.0
Home country consultants	18	62.0
Home country magazines/newspaper	16	61.5
Publications by international organizations	17	60.7
Chambers of Commerce	17	58.6
Greek magazines/newspapers	16	57.1
Media portrayals of Greece in home country	14	50.0
Discussion with home country co. with investment in Gr.	13	46.4
Greek Embassy personnel	11	39.3
Investment promotion material by Greek government agencies	10	37.0
The acquired Greek company (if acquisition)	8	36.3

* Percentage calculated excluding the missing values

By far, the most widely used information source appears to be business visits of executives of the parent companies in Greece. Other types of personal information sources such as Greek consultants, suppliers, customers, and distributors, as well as the competition all come second, and international media is in third place. All these sources were used by 70% or more of the sampled firms. On the other hand, sources like Greek government promotional material and Embassy personnel rank at the bottom of the list. From the 12 companies in the sample that have invested through acquisitions, 8 reported using the acquired company as a source of information about Greece.

Questionnaire responses are comparable to those of the interviews. Sources like the parent's distributors are ranked high in both the questionnaire and interview responses. Greek consultants also seem to have been a common source of information, as well as other means of familiarity with the business environment such as suppliers, distributors and their overall personal experiences in the country.

3.4.2 Importance of Information Sources Used in Influencing the Decision to Invest in Greece

As mentioned above, respondents were asked to rate the importance of each of the information sources they used in influencing the investment decision. The mean scores of their responses are shown in Table 15.

Table 15

Mean Rating of the Importance of the Information Sources Used	
Information Source	Mean
Business visits by parent company executives to Greece	<u>4.3</u>
Greek consultants	<u>3.5</u>
Greek suppliers/customers/distributors	<u>3.5</u>
Competitors	2.8
International media	2.4
Pleasure visits by parent company executives to Greece	<u>3.1</u>
Home country consultants	<u>3.3</u>
Home country magazines/newspaper	2.3
Publications by international organizations (e.g. U.N., World Bank, E.U.)	<u>3.1</u>
Chambers of Commerce	2.3
Greek magazines/newspapers	2.6
Media portrayals of Greece in home country	2.1
Discussions with other home country companies with investment in Greece	<u>3.4</u>
Greek Embassy personnel	1.9
Investment promotion material by Greek government agencies	1.7
The acquired Greek company (if acquisition)	<u>4.3</u>

A few noticeable things come out of the ratings of importance. Sources that have not been used by the great majority of firms, appear to have a great influence in the investment decision of the firms that used them. Such sources are: discussions with other home country companies with investment in Greece, publications of international organizations, home country consultants, and pleasure visits of high ranking executives in Greece. The exact opposite occurs with international media and competitors. Although they appear to be used frequently, they do not rank high in influencing the investment decision. Other sources like the business visits of executives of the parent company, Greek consultants, and suppliers consumers and distributors maintain their high place in the preference and importance of decision makers.

In order to better understand the influence of each information source in the investment decision, the percentage frequency of reporting of use and the rating of importance of information sources were multiplied to create a combined index of influence ($\% \text{Frequencies} \times \text{Mean Ratings}$)⁹. The results are shown in Table 16.

Business visits by parent company executives to Greece appears to be, by far, the most influential means for decision makers to get information about Greece. The index of influence of Greek suppliers, customers and distributors, and Greek consultants as sources of information about Greece brings these sources to second place in importance, with competitors in third place. Home country consultants also rank high in influencing the

⁹ The same index was used by D'Souza in the Canadian study.

investment decision. Greek Embassy personnel and promotion material from Greek government agencies place last in the sphere of influence.

Table 16

Influence of Information Sources Used in the Decision to Invest in Greece	
Information Sources	% Frequency x Mean Rating
Business visits by parent company executives to Greece	<u>4.14</u>
Greek consultants	<u>2.87</u>
Greek suppliers/customers/distributors	<u>2.87</u>
Competitors	<u>2.29</u>
International media	1.68
Pleasure visits by parent company executives to Greece	1.98
Home country consultants	<u>2.01</u>
Home country magazines/newspaper	1.41
Publications by international organisations (e.g. U.N., World Bank, E.U.)	1.88
Chambers of Commerce	1.34
Greek magazines/newspapers	1.48
Media portrayals of Greece in home country	1.05
Discussions with other home country companies with investment in Greece	1.57
Greek Embassy personnel	0.74
Investment promotion material by Greek government agencies	0.63
The acquired Greek company (if acquisition)	1.56

Underlined are the 5 higher values

Further statistical analysis was performed to better understand the information sought by decision makers and detect potential differences in the behaviour of investors depending on the type of investment, the parent company's international experience and/or its operations. Table 17 shows the mean ratings of used information sources broken down by new investments and acquisitions.

A Mann-Whitney test of significance was performed to detect differences between the two types of investment. Significant differences were detected in the use of publications of international organizations ($\alpha < .05$). Greenfield investments rated this source significantly higher than the investments in acquisitions. This could perhaps be attributed to the fact that investors through acquisitions might have used the acquired company as a source of information or were more interested in its performance. Therefore, they put less weight on the overall situation of the country as seen through publications of international organizations.

Table 17

Mean Rating of Information Sources Used by Type of Investment		
Information Sources	Type of Investment	
	New Investments	Acquisitions
Business visits by parent company executives to Greece	<u>4.41</u>	<u>4.20</u>
Greek consultants	<u>3.80</u>	3.13
Greek suppliers/customers/distributors	<u>4.00**</u>	2.89
Competitors	3.07	2.44
International media	2.46	2.33
Pleasure visits by parent co. executives to Greece	3.00	3.33
Home country consultants	3.09	3.57
Home country magazines/newspaper	2.55	1.80
Publications by international organisations	3.50*	2.20
Chambers of Commerce	2.27	2.33
Greek magazines/newspapers	2.91	2.00
Media portrayals of Greece in home country	2.33	1.80
Discussions with other home country companies... ..	3.33	<u>3.75</u>
Greek Embassy personnel	2.00	1.50
Investment promotion material by Greek govt. agencies	1.87	1.00
The acquired Greek company (if acquisition)		<u>4.75</u>

Mann-Whitney U test of significance

Underlined are the three highest mean values for each category

* Significant at $\alpha < .05$

** Significant at $\alpha < .09$

Another difference approaching significance appeared in the use of distributors, customers, and suppliers ($\alpha < .05$). This source was rated more important by the new investments. However, this could be attributed to the fact that acquisitions sought the same information through the acquired company which in 4 cases was the prior distributor of the company.

Another breakdown of the sampled firms that was investigated was between companies with a lot of international experience and those with less ("multinationals" versus internationals" as defined in this study). Table 18 shows the ratings of all sources and the one significant difference in the use of home country consultants.

Table 18

Mean Rating of Information Sources Used by Type of Parent Company		
Information Sources	Type of Parent Company	
	Multinationals	Internationals
Business visits by parent company executives to Greece	<u>4.35</u>	<u>4.29</u>
Greek consultants	3.69	3.29
Greek suppliers/customers/distributors	3.42	<u>4.25</u>
Competitors	2.67	3.40
International media	2.43	2.20
Pleasure visits by parent co. executives to Greece	3.17	3.00
Home country consultants	3.69*	2.20
Home country magazines/newspaper	2.42	2.00
Publications by international organisations	3.00	3.67
Chambers of Commerce	2.38	2.00
Greek magazines/newspapers	2.36	3.20
Media portrayals of Greece in home country	2.11	2.40
Discussions with other home country companies	3.64	2.50
Greek Embassy personnel	2.29	1.25
Investment promotion material by Greek govt. agencies	1.50	2.00
The acquired Greek company (if acquisition)	<u>4.67</u>	3.50

Mann-Whitney U test of significance

Underlined are the highest mean values

* Significance in $\alpha < .05$

Companies with extensive operations outside the home country tended to rate higher the information gathered through consultants of their country. Conversely, firms with less investment experience do not seem to have used their home country consultants. This may be attributed to an expectation that companies with a lot of investments abroad are more likely to have their own internal services to gather information about potential investment sites or consultants in their home country that they have worked with in the past.

A third breakdown of the sample was among service, trade and manufacturing firms. Table 19 shows the mean ratings for each category as well as two significant differences found. Greek suppliers, customers, and distributors for information on Greece among the trade companies has a mean rating of 4.00, which indicates that it was of major importance. The same source is rated low (2.25) among manufacturing companies. Since manufacturing investments often require a large initial capital investment and are often made to cover a wider geographical area than that of Greece, it may be that investors are looking more in-depth at the business climate and the long term potential of the country and do not rely as much on the opinions and views of their suppliers, customers, and distributors. Along the same lines, manufacturers often have their own suppliers and, therefore, may not have to rely on Greek ones.

Table 19

Mean Rating of Information Sources Used by Type of Operations			
Information Sources	Type of Operations		
	Trade	Service	Manufac
Business visits by parent co. executives to Greece	<u>4.38</u>	<u>4.21</u>	<u>4.60</u>
Greek consultants	<u>4.20</u>	3.75	2.67
Greek suppliers/customers/distributors	<u>4.00*</u>	3.73	2.25
Competitors	3.00	2.60	3.00
International media	3.25	2.20	2.20
Pleasure visits by parent co. executives to Greece	2.75	3.14	3.40
Home country consultants	<u>4.00</u>	3.10	3.33
Home country magazines/newspaper	2.50	2.29	2.20
Publications by international organisations	3.20	3.57	2.40
Chambers of Commerce	2.50	2.43	2.00
Greek magazines/newspapers	2.50	3.14	2.00
Media portrayals of Greece in home country	2.67	2.17	1.80
Discussions with other home country companies	<u>4.40**</u>	2.40	3.67
Greek Embassy personnel	2.33	1.50	2.00
Investment promo material by Greek govt agencies	1.50	1.67	2.00
The acquired Greek company (if acquisition)	<u>5.00</u>	4.00	†

Kruskal-Wallis one-way analysis of variance

* Significance at $\alpha < .09$

** Significance at $\alpha < .03$

† No valid cases found

A significant difference was also detected between trade and service companies in their rating of other companies from their home country with investment in Greece as a source of investment information. This may be explained by the recent increase of the service companies in Greece and especially in new types of services. Recent deregulations of services and increased foreign investment brought into the country new types of services and opened new industries that companies already in Greece were unfamiliar with.

In conclusion, from the analysis of the use of information by foreign executives from both the questionnaire and the interview responses, it is becoming apparent that familiarity with the environment through prior operations, and personal experience and acquaintances are important sources of information that led to investments in Greece. Business visits of parent company executives, as well as information coming from business partners in Greece, were also very influential in the investment decision.

4. ASSESSMENT OF THE CLIMATE FOR FOREIGN INVESTMENT IN GREECE

In order to trace the image of Greece in the eyes of foreign investors, expatriates interviewed were asked their opinion on the present investment climate in Greece. In question 23 of the interview schedule they were asked to assess the present climate and identify its most and least attractive elements. In addition, in Section E of the self-administered questionnaire, they were asked to assess a list of factors provided. Their answers are of great value to the research since, as discussed in Chapter 3, their opinions are often conveyed to potential investors in their home country and are likely to shape the perceptions of investors abroad about Greece as an investment site. Their interview responses are discussed in the next section followed by the questionnaire findings.

4.1 INTERVIEW RESPONSES

4.1.1 Assessment of the Present Investment Climate in Greece

Foreign executives were, in general, positive about the investment climate in Greece at the time of the interviews. All but one, identified attractive factors in the environment and more than 50% stated that Greece has a generally positive climate for foreign investment. Following is a discussion of the unattractive and attractive factors of the

Greek investment climate as they appear in the interview responses. Table 20 presents a summary of the unattractive factors for FDI in Greece.

Table 20

Unattractive Elements of the Greek Investment Climate	
Unattractive Factors	Frequency
Bureaucracy	12
Bad reputation / false perceptions on the climate	7
Taxation system	6
Small market	5
Unstable and confusing legislation	4
Infrastructure	3
General climate not supportive for industrial investments	3
High interest rates	2
Unstable economic environment	2
Adverse economic conditions	2
High inflation	1
Restrictive labour laws	1
Strikes	1
Low return on investment	1
Highly centralised government	1
Hostile government attitude towards foreign investment	1

It is notable that at least half of the unattractive elements of the Greek environment as reported by expatriates are directly or indirectly linked with the government and/or the public sector in Greece. Factor in Table 20 can be grouped into the following categories:

a. Administrative-Political Factors. By far the most unattractive element of the Greek reality to foreign investors appears to be the bureaucratic nature of the State. Twelve out of the 31 executives (38.7%) cited bureaucracy as one of the most irritating factors of the Greek environment. As one of them stated: "What would take one hour in country A,

would take three in Greece". However, some of the respondents recognised the fact that the Greek government has taken steps towards reducing bureaucracy and many stated that it is a factor of discontent in most other countries where their firms have investments.

One executive felt that the government was "hostile" to their particular investment due to the sensitive nature of their product, and stated that "the Greek authorities have used all possible means to try and prevent us from establishing in Greece". This, however, appeared to be an isolated incident.

Another executive cited the highly centralised government as an unattractive factor implying that it was very difficult to do business anywhere else but the capital where the government is located.

b. Financial Factors. Six expatriates found the taxation system to be a disincentive for investment due to its complexity and unpredictability. The taxation system was seen as a very complex and difficult to interpret set of laws that "scares investors away". Adding to this was the fact that taxation laws have been changed many times over the last few years and that introduced uncertainty as to what foreign firms would have to pay in taxes.

Two other executives cited high interest rates as discouraging for investors by making it very difficult for them to re-finance their investments in Greece.

c. Economic and Legal Factors. Perceived as similarly confusing to the taxation system was the legislative system. Four executives reported finding it difficult to interpret, and very unstable. Executives complained about the laws constantly changing, and making the "rules of the game" variable.

Another two respondents reported having difficulties due to adverse economic conditions in Greece and in Europe in general. One executive cited the high inflation in the economy as an unattractive component of the Greek reality.

d. Production Related Factors. Production related factors that were seen as unattractive were the lack of appropriate infrastructure and in particular in telecommunications and the road system (mentioned by 3 executives), the restrictive labour laws that enforce minimum wages (1 executive), the high ratio of strikes per working days (1 executive), and the low returns on investment (1 executive).

In another 3 cases respondents who reported viewing the investment climate in Greece as positive in general, mentioned that in their opinion, in the case of industrial investments, the climate is much more discouraging. They attributed this to the small market size that cannot support the economies of scale necessary for large investments, the high taxation, as well as the production related factors mentioned above.

e. Market Related Factors. Similarly, 5 executives cited the small population of the country as limiting the market potential and making it unattractive for large industrial investments. However, as it will be discussed below, the market is also one of the most attractive factors of the Greek environment.

f. False Perceptions about the Greek Environment. Next to bureaucracy, the second most important factor hindering foreign investment in Greece, was the bad reputation that the country has built up over the years as a place where the investment climate is not good for foreign investors. One executive cited that the ratio of salaries to expenditure is misleading to foreign investors. She stated "Salaries are low compared to the money spent in the country so the potential (of the market) is not obvious to investors" and another added "Greece is a poor country but there is a lot of money in the hands of Greeks."

Another aspect of the bad reputation of Greece had to do with the cultural particularities of the country. One expatriate said, "It can be unattractive if people come with a pre-conception of what it should or ought to be. If you come here with your ears instead of your mouth [ed. note: meaning, prepared to listen and adjust], you find out how it is and you make the most of it" and another added "You must get used to idiosyncrasies that apply only to Greece. ... The general climate is different from most of the countries in Europe, which is difficult for European investors to understand."

Yet another respondent cited the false perceptions about the country and how little all of the things that the Greek state is working towards are known to foreign investors. He said that "Foreign executives often fear the situation in Greece because they do not understand it very well and they think that it is unstable economically. I personally, think that this fear is very exaggerated and that conditions in Greece have improved dramatically." Then he proceeded to say that, "For many executives Greece seems like a country in anarchy in which people only care about their personal benefit, but this is not true, and Greeks are well behaved, know their limits, and where to stop."

In conclusion, government issues like bureaucracy, and unstable and confusing legislation and taxation environment, coupled with false perceptions abroad about the country and fear of a different culture in the business environment are the most unattractive elements of the Greek investment climate as seen by expatriates living and working in it.

Still, the great majority of expatriates viewed the investment climate as positive. Its elements of attraction are summarized in Table 21. The attractive factors of the Greek investment climate can be grouped into the following categories:

a. Market Related Factors. Among the attractive elements of the Greek investment climate, market attractiveness ranks first (8 executives). The attractiveness of the market consists of the spending habits of Greeks, the good market potential, and the proximity of Greece to the emerging markets of Eastern Europe and the Balkans. As one expatriate

stated, "You have all around you all the Balkan countries, and with that, you can really triple your market size, you can go up to 50 million if you want to".

Table 21

Attractive Elements of the Greek Investment Climate	
Factors	Frequency
Large market and market potential	8
Good geographic location	4
Good weather conditions and nice people	3
Good future investment opportunities in under-supplied industries	3
Positives steps towards less State and better taxation and legislation	3
Access to skilled and educated labour force	2
Emerging industries in energy and alternative energy source	2
Receptivity to new ideas & change / great opportunities for entrepreneurs	2
Low labour costs	2
Available unused infrastructure	1
Good potential of infrastructure development	1
Positive attitude towards FDI	1
Falling interest and inflation rates	1
Good incentives / tax holiday system	1
Not bureaucratic	1
Healthy return on investments	1
Deregulated economic environment and good competition	1

b. Advantageous Geographic Location. The proximity of Greece to the Middle East, Eastern Europe, the Balkans and Africa was seen as an important elements of its attractiveness by another 4 executives. Export opportunities to these countries as well as the more stable environment in Greece, adds to the attractiveness of the country as an investment site.

c. Good Potential for Improvement. A large part of the attractiveness of Greece is attributed to its potential for future development. Expatriates cited good potential concerning underdeveloped industries, infrastructure development and utilization of excess infrastructure, as well as emerging new industries in the energy and alternative energy sources fields. Optimism for the future also appears to be derived from what are perceived as steps in the right direction from the government to improve the conditions in the country concerning taxation and legislation (3 executives), as well as to decreasing inflation and interest rates.

d. General Attitude of Greece and Greeks. The generally positive attitude of Greeks to FDI, as well as their receptivity to new ideas and change are also seen as positive factors to foreign investment (2 executives). In the same category fall the nice weather and good living conditions in Greece, as well as Greeks being perceived as likeable (3 executives). As one expatriate stated, "People are wonderful and from a climate point of view it is very nice, not from a personal point of view but from a business sense".

e. Production Related Factors. Other factors adding to the attractiveness of the business climate are the easy access to skilled and educated work force (2 executives), low labour costs, good incentives and tax holiday systems, and the opportunity in many fields for investors to make a healthy return on their investment. The good deregulated business environment allowing healthy competition was also cited as an advantage of the country.

In conclusion, the interview findings indicate that the assessment of the business climate in Greece was viewed as positive. Foreign executives' main concerns revolved around bureaucracy, unstable legislation and taxation systems, and the bad reputation that the country has in the eyes of investors abroad. The market size was viewed as small and limiting by 5 executives but as the most attractive element of the Greek environment by another 8. Other elements of attractiveness include a good geographic position granting access to emerging markets in neighbouring countries to Greece, good living conditions, business opportunities in emerging industries, and optimism for the future development of the country and the region.

In the following section, the questionnaire findings on the assessment of the investment climate in Greece are presented.

4.2 QUESTIONNAIRE RESPONSES

In Section E of the questionnaire for foreign executives, respondents were asked to rate various lists of factors of attractiveness for Greece on 5-point semantic differential scales. Scales provided included market-related factors, production-related factors, financial, economic and legal, as well as political and social factors. On a separate scale, executives were asked to rate their general view of the country and its people. Each category of factors is discussed separately below.

a. Market Related Factors

In this category of factors the market potential ranks high (3.27 in a 5 point scale) and the market size ranks above average (Table 22). This, coupled with the interview answers, suggests that most investors view the market size as fairly good and the potential of the market as an attractive element of the Greek investment climate. The distribution cost ranks as lower than average even though it was never mentioned in the interview responses.

Table 22

Mean Rating of Market-Related Factors	
Market-Related Factors¹⁰	Mean
Market size	2.10
Market potential	3.27
Distribution costs	2.83

To further understand the assessment of market factors, Mann - Whitney U tests were performed to detect possible differences between the responses of new business start ups versus companies with investments in acquisitions, and between companies with little multinational experience (i.e., "internationals" as defined in Chapter 1 of this study) and multinational parent companies (i.e., companies with investments all over the world).

Results indicate that at $\alpha < .01$ level, a significant difference exists between respondents from companies with greenfield investments versus those which invested by acquiring a

¹⁰ All factors in this section are presented in the order in which they appear in the questionnaire.

firm. Companies with new investments rated the market potential as 3.56 on a scale of 5, whereas the acquired ones gave it a mean of 2.83. This was to be expected, however, since companies investing in acquisitions take over an existing market and the market share of the company that they acquired. The potential of a dramatic increase in their market is significantly lower than that of companies coming to a new market for the first time.

The market potential rating was also found to be significantly different when responses of multinational and international companies were compared. A difference at $\alpha < .02$ was detected with multinational companies rating this factor significantly lower than international ones (2.95 vs. 4.00). This may be attributed to the fact that multinational companies, having a lot of investments all over the world, attribute lesser importance to the Greek investment and, therefore, have lower expectations for the increase of their market. In addition, any increase in the Greek market would still be small by a multinational company's standards, whereas companies identified as international in the sample have significantly less investments and, therefore, higher expectations from the one in Greece.

b. Production Related Factors

Assessing production factors, executives appear to perceive manufacturing and energy costs in Greece as relatively high (3.05 and 2.95 respectively) (Table 23). The

availability and skill level of Greek workers, as well as the availability of expert management were also rated high whereas their level of productivity was perceived as average. Other manufacturing costs such as the cost of raw materials and labour costs were also rated average, and so was the technology level in the country. However, the quality of communication and transportation systems are viewed as well below average (1.93 and 1.85 respectively) which is consistent with the interview responses.

Table 23

Mean Rating of Production-Related Factors	
Production-Related Factors	Mean
Availability of raw materials	2.13
Cost of raw materials	2.43
Cost of energy	2.95
Manufacturing costs	3.05
Labour costs	2.56
Availability of skilled labour	2.88
Skill level of Greek workers	2.96
Availability of expert managers	2.93
Level of productivity	2.58
Technology level	2.56
Quality of transportation system	1.85
Quality of communication system	1.93

Three significant differences between tested groups were detected, one related to the type of investment (new vs. acquisitions), and two to the parent's experience with FDI (multinationals vs. internationals). The availability of skilled labour was rated significantly higher by international companies (3.38) compared to multinational ones (2.65) ($\alpha < .06$). Along the same lines, and at $\alpha < .07$, executives of international companies rated the level of productivity in Greece significantly higher than

multinational ones (3.00 vs. 2.39). Both differences may be explained by the limited investment experience of international companies that lowers the standards by which the Greek investment is judged.

A Mann - Whitney U test showed a significant difference in the rating of manufacturing costs in Greece ($\alpha < .06$). Firms which invested through acquisitions gave manufacturing costs a mean rating of 3.75, whereas new business start ups viewed it as much closer to average (2.62). One possible explanation of this could be related to inefficiencies in the management of the Greek companies before being acquired. If the productions costs were high before the acquisition, then the foreign investor might be faced with higher production costs which might explain their response.

c. Finance-Related Factors

The tax structure and tax advantages, as well as the currency exchange rate, were the finance environment factors that executives were asked to rate. The tax structure ranked about average and the tax advantages ranked lower (Table 24). This was also reflected in the interview responses where foreign executives reported viewing the tax structure as complicated, confusing, and constantly changing. The currency exchange rate was perceived as slightly above average in stability.

Table 24

Mean Rating of Finance-Related Factors	
Finance-Related Factors	Mean
Tax structure	2.52
Tax advantages	2.17
Currency exchange rate	2.63

A Mann -Whitney U test shed more light on the responses concerning the financial environment. A significant difference was detected between multinational and international executives rating the tax advantage. International companies viewed Greece as offering important tax advantages (3.00) whereas multinationals perceived them as well below average (significance at $\alpha < .03$). This might be related to the international experience of the companies as well as the tax advantages offered to middle size companies in Greece and in the E.U.

Another split in the responses was found between new business and acquisitions rating currency stability. New businesses rated Greece's stability as above average (2.89) whereas acquisitions rated it below average (2.18). The new business perceptions might be explained by the recent stability in the drachma's performance. However, the history of the drachma within the last decade is one of high fluctuations and many devaluations. This had a profound effect on Greek firms and it might be the case that it was passed on to the new foreign owners of these companies (significance at $\alpha < .09$)

d. Economic and Legal Factors

As was the case with the interview responses, the level of bureaucracy and the complexity of the legal system were negatively assessed by expatriates. In fact, the level of bureaucracy had the highest mean rating of all the factors assessed in the questionnaires, with a mean value of 4.57. In accordance with the questionnaire responses, the legal system was given a mean value of 1.81 ranking well below average in foreign executives' perceptions. The discontent, confusion, and uncertainty that many executives reported in the interviews is well represented by this mean value (Table 25).

Table 25

Mean Rating of Economic and Legal Factors	
Economic and Legal Factors	Mean
Ease of obtaining work permit for expatriate personnel	3.39
Legal System	1.81
Restrictions on ownership	2.17
Inflation rate	3.81
General level of Bureaucracy	4.57

A mean value of 3.39 indicated that it is relatively easy to obtain a working permit in Greece. However, this should be interpreted in light of the fact that the majority of the sample companies are from E.U. countries and expatriates from E.U. countries do not require a working permit in Greece. All of the executives from countries other than E.U. countries reported having problems obtaining a working permit. Mann - Whitney U tests

performed for this category of factors showed no significant differences between either the new versus acquisition category or the international versus multinational one.

e. Political and Social Factors

All but one of the factors included in this category had a mean value higher than 3.00 (Table 26). Expatriates perceived having in Greece a high quality of life (3.90) with low crime level (4.19), good housing (3.94) and school facilities (3.68), and a culture tolerant to other cultures, religion, or races (3.58), and receptive to new products, methods and ideas (3.19). The political climate was perceived as fairly stable (3.00), and the attitudes of the Greek government (3.10) and public (3.35) as positive towards FDI.

Table 26

Mean Rating of Political and Social Factors	
Political and Social Factors	Mean
Political climate	3.00
Receptivity to new products, methods and ideas	3.19
Government's attitude towards foreign investment	3.10
Quality of life style	3.90
Cultural similarities to parent company's country	2.50
Attitude towards cultures, religions, races	3.58
Public's attitude towards foreign investment	3.35
Schooling and other facilities for children of expatriates	3.68
Housing facilities	3.94
Crime level	4.19

The one factor which was rated as moderate is the closeness of the culture between the parent's home country and Greece. This was also reflected in the interview responses where, as discussed, executives view Greece as having a very distinct culture.

When examined more closely, the results of this category of factors showed some interesting and somewhat unexpected differences. The crime level was rated significantly lower by international firms with a mean close to the lowest end of the spectrum (4.78 in a 5-point scale where 5 is low). Multinational firm respondents also thought it was relatively low (3.95) but there was a statistically significant difference between the two means ($\alpha < .01$). Similarly, a significant difference was detected in the assessment of the quality of life in Greece ($\alpha < .03$). Again, international firms rate the quality of life in Greece very high (4.78) whereas multinational ones gave it a lower mean rating (3.95). Both differences may be attributed to less international exposure of international firms and their executives.

Difference in the perception of the quality of life in Greece was also detected between the new business start ups and acquisitions ($\alpha < .01$). New business start ups rate the quality of life at 4.32 and acquired companies at 3.25. This may be attributed to the experience of the Greek executives from the acquired companies that were passed on to the foreign executives.

Yet another difference in the responses was found with regards to the public's attitude towards foreign investments in Greece ($\alpha < .09$). Acquired companies' executives viewed Greeks' attitudes towards foreign investment as much less positive (2.92) than the new business executives did. This might be due to some resistance from the general public to Greek companies being bought out by foreign ones. On the other hand, the general public appears to have been more receptive to the idea of new foreign companies establishing in the country.

The receptivity of Greeks to new products and ideas was also a factor with split mean results (significant difference at $\alpha < .03$). New companies rate this factor as significantly higher, with a mean value of 3.47, whereas acquisitions rate it as closer to the midpoint of the scale, with a rating of 2.75. It is more likely, however, that the investors through acquisitions had little experience with introducing a new product in the country and, therefore, their answers were close to the midpoint.

f. General View of Greece and Greeks

The national image of Greeks in the eyes of the foreign executives interviewed appears to be fairly good (3.58) with Greeks being perceived as likeable (4.00) and with a generally good outlook (3.03), but rated lower on trustworthiness (2.90) and even lower on industriousness (2.45) (Table 27).

Table 27

Mean Rating of General View of Greece and Greeks	
General View of Greece and Greeks	Mean
National image	3.58
Industriousness	2.45
General outlook	3.03
Likeability	4.00
Trustworthiness	2.90

In further analysis, one significant difference was detected between new and acquired companies in their rating of national image ($\alpha < .05$). New companies rate this factor higher (3.97) than the acquired companies (3.25). The lower rating in acquisitions may be attributed to the effect Greek executives had in the perceptions of foreign executives and appears to be consistent with the differences on the "quality of life" ratings. More specifically, a not so positive image that Greeks have about themselves might have been passed on to the new owners of the companies. In this category of factors, no differences in the means between multinational and international companies were found.

From both the interview and questionnaire responses, it is becoming clear that the level of bureaucracy and the confusing legal and taxation systems are the main unattractive factors of the Greek investment climate as assessed by foreign executives. In addition, problems with the infrastructure were reported and especially in the transportation and communications systems. Foreign executives perceived the quality of life in Greece as good and Greeks as likeable. Overall the mean ratings of the questionnaire factors were either good or moderate.

4.3 GREEK EXECUTIVES' RESPONSES

4.3.1 Parent Companies' Assessment of the Greek Investment Climate

In Section C of the questionnaire for Greek executives, respondents were asked to indicate their parent companies' assessment of Greece as an investment location on the same semantic differential scales that were used in the questionnaire for foreign executives. The findings are presented in Table 28 along with the mean values from the foreign executive's own beliefs.

In order to detect differences in the perceptions Greeks held concerning the views of their parent companies and those of the foreign executives, a Wilcoxon rank sum test was performed. Of the 38 investment climate factors assessed, 10 were found to be significantly different at $\alpha < .05$ (Table 28).

From the Market-related factors, the size of the Greek market was perceived by the Greek executives as significantly larger (2.77) than by the foreign executives (2.10). The Production-factors assessed were found to have the most significant differences. Greek executives rated higher the availability of raw materials and skilled labour in the country as well as the technology level and the quality of the transportation systems. This suggests that Greek executives believed that these factors are better assessed by the parent company than the foreign executives cited.

Table 28

Factors and Factor Categories	Mean Ratings	
	Foreign Exec's	Greek Exec's
Market-Related Factors		
Market size	2.10	2.77
Market potential	<u>3.27</u>	<u>3.58</u>
Distribution costs	2.83	2.90
Production-Related Factors		
Availability of raw materials	2.13	3.09
Cost of raw materials	2.43	2.41
Cost of energy	2.95	2.43
Manufacturing costs	<u>3.05</u>	2.45
Labour costs	2.56	2.48
Availability of skilled labour	2.88	<u>3.61</u>
Skill level of Greek workers	2.96	3.46
Availability of expert managers	2.93	3.54
Level of productivity	2.58	3.07
Technology level	2.56	3.25
Quality of transportation system	1.85	2.26
Quality of communication system	1.93	2.29
Finance-Related Factors		
Tax structure	2.52	1.74
Tax advantages	2.17	1.97
Currency exchange rate	<u>2.63</u>	<u>2.68</u>
General View of Greece and Greeks		
Ease of obtaining work permit for expatriate personnel	3.39	3.55
Legal System	1.81	2.26
Restrictions on ownership	2.83	4.23
Inflation rate	3.81	4.00
General level of Bureaucracy	<u>4.57</u>	<u>4.33</u>
Political and Social Factors		
Political climate	3.00	3.19
Receptivity to new products, methods and ideas	3.19	3.35
Government's attitude towards foreign investment	3.10	3.55
Quality of life style	3.90	4.00
Cultural similarities to parent company's country	2.50	2.45
Attitude towards cultures, religions, races	3.58	3.94
Public's attitude towards foreign investment	3.35	3.94
Schooling and other facilities for children of expatriates	3.68	3.90
Housing facilities	3.94	<u>4.35</u>
Crime level	<u>4.19</u>	4.32
General View of Greece and Greeks		
National image	3.58	3.19
Industriousness	2.45	3.03
General outlook	3.03	3.58
Likeability	<u>4.00</u>	<u>3.90</u>
Trustworthiness	2.90	3.03

For ease of comparison, the foreign executives' means are included

Underlined are the highest means for each category of factors and for both Greek and foreign executives

Bolded are the mean values that are significantly different at $\alpha < 0.05$

While there were no significant differences found in the assessment of the Finance-related factors, among the Economic and Legal factors the legal system was rated as simpler by Greeks (2.26) than by foreign executives (1.81). A possible explanation for that may be that Greeks were more familiar with the system and, therefore, have learned to cope with its complexity. In addition, Greek executives believed their parent companies viewed Greece as having significantly fewer restrictions on ownership than the foreign executives reported (4.23 vs. 2.83, where 5 indicated low restrictions). The Greek executives' responses are likely to be reflecting the decrease in restrictions on foreign ownership.

Another significant difference was detected in perceptions with regards to the attitude of the public towards foreign investment. Greeks executives appear to believe that their countrymen have a more positive attitude towards FDI than the foreign executives (3.94 vs. 3.35). This is not surprising since, one may argue that, Greek executives working in foreign owned companies are expected to have a slightly more positive attitude towards foreign investment than the rest of Greeks.

The last two differences were found in the ratings of industriousness and the general outlook of Greeks. Local executives reported that their parents assess Greeks as more industrious than expatriates think they are (3.03 vs. 2.45) and with a more positive general outlook (3.58 vs. 3.03). This apparent difference in views may be due to an effort on the part of the Greek respondents to present a good picture of themselves.

The above analysis shows that, overall, Greek executives' impressions of the parents' assessment of the investment climate were similar to those of expatriates. However, in several cases, their ratings were higher than the foreign executives, especially with regards to Production-related factors and the image of Greeks.

5. EXPERIENCES WITH THE GREEK INVESTMENT

This section examines the parent companies' experiences with the investment in Greece as well as the foreign executives' experiences with living and working in the country. Expatriates were asked a series of questions concerning their firms' experiences from the time the investment decision was taken. In addition, they were asked to compare their experiences with both their initial personal expectations and their company's point of view. The interview findings are discussed below.

5.1 INTERVIEW RESPONSES

5.1.1 Experiences in Operationalizing the Investment and Notifying the Government

In questions 21 and 22 of the interview for foreign executives, respondents were asked to comment on how easy or difficult it was to get help in operationalizing the investment decision and how simple or complex it was to apply or notify the government.

Not all of the respondents were present at the time the decision was taken and/or at the first stages of its implementation. Of the 31 foreign executives interviewed, 20 reported being with the company at the time the investment was decided, but only 8 reported playing a role at the decision making process. However, all responses are of great value

to this research since expatriates, as the highest ranking foreign executives in the Greek subsidiary, were likely well informed concerning the early stages of the implementation of the investment.

The great majority of the respondents cited having no problems in operationalizing the investment decision. Most of the positive comments had to do with the high quality and availability of consultants, accountants, and especially lawyers in Greece. One executive said, "You know that there are just in Athens, as many lawyers as we have in all of France. So, I think they are the champions world-wide, and to find a lawyer was not a problem. We had to make a selection because there was a lot of good competition so we started with a good lawyer. This part was not difficult." Approximately one third of the respondents praised their company's lawyer and credited the success of implementation on his/her efforts. Other answers along the same lines were:

"We found and continue to find that the professional services available here are top-notch. I've got good lawyers, I got good accountants. We tend to use on a contract basis people that are well established here, that have local professionals, so there is no shortage there. If I need something from the government it is there."

"We touch the government in terms of taxation, we have IKA, the social security tax and we have to keep our books in such a way that they pass the audits and it wasn't difficult at all. The accounting company that we used was very familiar with the regulations here and it is a matter of routine. Business have been going on in Greece for a long time and if you use the folks who are used to doing it, it is not a problem."

"It was very easy, the problem is only to find the most appropriate but after some experience, because there are many - many lawyers who are selling

their services to foreign companies, there is no problems. This, I think, is one of the most developed fields the services for the foreign companies. Greece as a country is so open and there are so many people who were living abroad and come back with speaking all those languages. However, the Greek language is difficult but is the easiest country to communicate."

Two executives in the sample though, had completely different experiences in the implementation of their investment. One reported difficulties in finding in Greece the quality of service accustomed to in other European countries, while the other reported having problems finding the right people and the correct answers to legal matters pertaining to the newly deregulated industry the company was in. Both complete answers are presented below.

"The only thing that was difficult was to find the right people, to find good protection and the real services that you get at the US, in UK and in France. It is quite easy to find good people than to find good service."

"We have difficulties with the lawyer, with the consultant companies and sometimes we were told that we can't get an answer to certain questions because some times the law can be interpreted in several ways so we had different consultancy from different lawyer or different companies."

The same executive who made the last comment called the process of applying or notifying the government about the investment a "terrible" experience. His words explain it best:

"Terrible. We spent more than one year to change the previous establishment which is legally different from this office [ed. note: meaning, to change the legal status of the firm] and to make this change, according to our research it normally takes less than one year."

There was just one other executive who reported having troubles dealing with the government. He stated: "It was difficult, firstly because the conditions were very complex by themselves and secondly the environment has not been that receptive to make those conditions efficient."

The rest of the respondents were satisfied with their dealings with the government when setting up their investments. Some mentioned the red tape that they had to overcome but added that it was nothing to hinder their investment. The following quotes summarize it best.

"There is some kind of bureaucracy but I don't think it is the biggest. I hear from colleagues from other countries everybody is saying that they have the biggest bureaucracy. Everywhere there are state employees who are working the way they are working, so bureaucracy is everywhere."

"Things have changed a lot, things have become much easier. When any government is dishing out public funds there are really have to be some controls and some qualifications. Nobody is going to give out money for nothing. So, I think that one should expect that who ever is going to give you funds they'll need to check up on you to make sure that you've used the funding, invested. They'll need to verify the amounts, there'll be an inspection. This is obvious, one should expect that. But in terms of ease of bureaucracy and paper work I think things have changes a lot lately and I think that it's straight forward and simple."

Companies that have invested through acquisitions, all reported not having to deal with government agencies in setting up their investments. The following quotes are indicative of their answers.

"We didn't. It was an acquisition and we didn't have to register with anybody. We wanted to buy and we bought, it was as simple as that."

"So you buy the company, you pay, you are the owner. It's always easy to take (ownership) papers against money, all the problems come latter."

Overall, the experience of starting out a new business in Greece was perceived as fairly smooth by the great majority of investors and most of them attributed this to the qualified and capable lawyers and consultants. In the case of investments through acquisitions the entire process appears to have been fairly easy for the companies in the sample.

5.1.2 Assessment of the Investment Experience to Date

Questions 26 and 27 of the interview schedule dealt with the satisfaction or dissatisfaction with the investment experience to date, from both the respondents and their parent companies' perspective.

All but three companies in the sample reported being either reasonably satisfied or very satisfied with the Greek investment. Of the executives who reported being very satisfied, nine attributed it to the good profit that the investment has shown so far.

"We didn't expect to make this much profit, so from this point of view, from the point of return on investment the climate is good."

"The company has been extremely successful since it started, therefore, and in spite of the difficulties, the company and myself are very satisfied."

"Quite satisfied. As I said, it is a good business for us. We started out and in the fourth year of our operations we reached a reasonable profit, and we broke even in three years and the picture is becoming to look quite positive

which would be the rate of return well above the cost of capital for the coming 2-3 years, so there is a favourable projection for the outcome of the investment."

"It is satisfied because we made good turnover we made good profit. We are satisfied."

The rest of the expatriates reported being satisfied or reasonably satisfied considering the limitations and drawbacks of a new investment. Some of the investments were less than one year old and it was within the parents' expectations not to break even in such a short time. Yet, expatriates appeared optimistic about the potential of the investment in Greece.

"They have considered a lot of their initial experience to be an education that will only bring a benefit with the continuous investment, so, to express this in terms of satisfaction or dissatisfaction, I think that being a mature business they recognise that new ventures are not expected to show the same margins as old establishments as long as there is a potential to continue the business and the impetus is there to continue the investment. They have gone to school on this one project and obviously if they were so dissatisfied they wouldn't be considering staying. That is a measure that they were able to manage with the environment here."

"Financially it is difficult but overall satisfied. I'm satisfied with the investment and all the good work that is being done. Quite pleased, lots of progress."

"Very satisfied. It is a good investment, the people working here are good. We are one of the best local centres in Europe and we have been praised by the parent company."

Only three of the executives in the sample reported being dissatisfied with the investment.

One may attribute this to the red tape difficulties he encountered in getting funding in the

form of incentives for the investment from Greece and the E.U. Another executive reported being very dissatisfied because the company was losing money, and yet another, was dissatisfied with the ways of the Greek authorities after the announcement, on the day of the interview, of high penalties for tax fraud following government auditing of many large multinational firms in Greece. All three responses are presented below:

"They had no problems with laws but if you want to get money from the funding programs of the E.U. it is very difficult. Incentive laws have been changed in the past after we made the investment. You can invest in Greece but you shouldn't rely on the incentives, both the E.U. and Greece are very bureaucratic."

"We had a lot of loss from this operation here. Our company's turnover in Japan is ¥16 trillion."

"Very dissatisfied because of tax regulations. Politics play a very big role on legal decisions. For no reason the government breaks in your books and closes up the company for a minor receipt mistake."

When expatriates were asked if they were personally satisfied or dissatisfied with the investment, all but four reported agreeing with the parent companies' views. Four executives, however, reported having slightly different views from their parent companies. One rated the parent's satisfaction as 5 on a scale of 10, and his personal satisfaction as 6 on a scale of ten. He explained this by saying, "Because I know the culture. They think that everything is like the rest of Europe. I can understand the country and the culture better than the hard figures that they see."

The other three executives were satisfied with the Greek operations but were disappointed by the lack of attention the investment suffered on the part of the parent company. All three cited that they had requested larger investment in Greece and felt that, due to inadequate financing, opportunities in the country were lost. The following quote summarised it best.

"I'm not satisfied as the company looks at it, I've seen opportunities missed but we recognised them as they slipped away and we are in a position to take advantage of them in the future. The satisfaction is more of an anticipation."

One of the three executives who cited their parent companies as dissatisfied with the investment, stated that, on a personal level, he viewed the experience as an educating one.

He said:

"Personally, it's an excellent experience because I learned a lot. It can't be worse so.. I have worked all over Europe but this is the most difficult company I ever worked with."

Generally speaking, the great majority of the companies reported being very to moderately satisfied with the investment in Greece. Some reported profits exceeding expectations, whereas others were just optimistic about their potential in the country. Most of the expatriate executives reported having the same views on the subject as their parent company.

Moreover, the overall satisfaction with the investment was also reflected in the responses in question 31 of the interview schedule where expatriates were asked to report on their parent companies' plans in Greece for the next five years. Significantly, all but one of the companies had expansion plans, some of which were already in the implementation stage. Only one company reported that "for the time being, we'll remain the same as sales and service operations of our product".

5.2 QUESTIONNAIRE RESPONSES

As discussed in chapter three of this study, respondents were presented with a list of factors believed to have an effect on the investment climate of a country and, based on that, they were asked to assess the investment climate of Greece. Following up on that, in Sections F of the questionnaire for foreign executives, respondents were asked to indicate the importance of each set of factors in influencing the decision to invest in Greece. Furthermore, in Section G of the same questionnaire, respondents were asked to rate the satisfaction / dissatisfaction of their parent company with the investment experience in Greece to date, based on the same set of factors. The results are presented below.

5.2.1 Factor Importance in the Investment Decision

The factors rated in this part of the questionnaire were Market-, Production-, and Finance-Related factors, Economic and Legal, Political and Social Factors, as well as the General View of Greece and Greeks. Findings are summarised in Table 29.

Table 29

Factor Importance in the Investment Decision	
Factors*	Importance
Market-Related	3.62
Finance-Related	3.19
Economic and Legal Factors	3.00
General View of Greece and Greeks	2.68
Political and Social Factors	2.61
Production-Related	2.25

On a scale of 1 to 5 where 1 is Not Important and 5 is Very Important.

* Factors sorted in descending order

Market-related factors played the most important role in the decision to invest in Greece, Finance-related factors were rated second, followed by the economic and legal factors in third place. It is notable, however, that all of these factors are rated very closely. This might be indicating that the attractiveness of Greece is a combination of factors, and that there is not a single core attractiveness element. Production factors did not appear to have been very influential in the investment decisions of the companies in the sample but this might be due to the small representation of manufacturing firms in the sample, reflective of the few foreign companies with manufacturing investments in Greece.

5.2.2 Experience with the Greek Investment

As mentioned above, in Section F of the questionnaire, respondents were asked to rate the experiences of their parent company with the investment on a 5-point scale. Results are presented in Table 30.

Table 30

Satisfaction/Dissatisfaction with the Greek Experience	
Factors*	Mean
General View of Greece and Greeks	3.35
Market-Related	3.23
Political and Social Factors	2.94
Production-Related	2.88
Finance-Related	2.77
Economic and Legal Factors	2.61

On a scale of 1 to 5 where 1 is Very Dissatisfied and 5 is Very Satisfied

* Factors sorted in descending order

Expatriates gave the highest rating of satisfaction to the General view of Greece and Greeks (3.35), followed by the Market-related factors (3.23). It should be noted that the Finance-related factors that appeared to have been influential in the decision to invest in Greece (Table 29), ranked next to last in the satisfaction assessment of the parent companies. Conversely, the Market factors that were the most influential set of factors for foreign investors to decide to invest in Greece, were also highly rated in the satisfaction assessment.

5.3 GREEK EXECUTIVES' RESPONSES

5.3.1 Factor Importance in the Decision to Invest in Greece

Greek executives were asked what they believed were the parent companies' most influential factors in the decision to invest in Greece. The findings are presented in Table 31.

Table 31

Factor Importance in the Investment Decision	
Factors	Importance
Market-Related	3.77
General View of Greece and Greeks	3.39*
Economic and Legal Factors	3.03
Political and Social Factors	3.03
Finance-Related	2.97
Production-Related	2.75

On a scale of 1 to 5 where 1 is Not Important and 5 is Very Important.

* Significant differences at $\alpha < .02$

A Wilcoxon rank sum test revealed that, overall, Greek executives rated the importance of various factors in their parents' investment decision, no differently than the foreign executives. The only significant difference detected at $\alpha < .05$ was with regards to the influence of the decision makers' perceptions about Greece and its people prior to the investment. Greeks rated this factors as more influential in the investment decision (3.39) than did the foreign executives (2.68).

To further investigate possible differences between foreign and Greek executives' responses, a Wilcoxon rank sum test was performed for each type of investment (i.e., new business start ups and acquisitions).

Among the new businesses in the sample, Production-related factors were rated significantly differently by Greek and foreign executives at $\alpha < .05$. Greeks rated these factors as more influential in the decision to invest in a new business in Greece (2.71) than expatriates did (2.17). Another significant difference was found in the importance of Views about Greece and Greeks in decision making. Foreign executives rated this category of factors as 2.78 at a 5-point scale whereas Greeks rated it significantly higher (3.26).

On the other hand, a Wilcoxon rank sum test detected no differences at $\alpha < .05$ between the responses of the Greek and foreign executives in acquisitions. This implies that in acquisitions, Greek executives' views were more representative of the parent companies' views than in new businesses. This could be explained by the fact that, in the majority of cases, the Greek executives were working with the company prior to its acquisition and, as a result, had followed closely the negotiations that preceded it or, in some case, were personally involved in the process. These executives had a better knowledge of the critical factors in the investment decision.

Along the same lines, the international experience of the parent firms appears to have an effect on the information flow between the foreign and local executives. Among multinational firms, a Wilcoxon rank sum test showed significant differences between their responses in the ratings of Political and Social factors ($\alpha < .05$), and the Views of Greece and Greeks ($\alpha < .09$). Political and Social factors were rated as moderately important by expatriates (2.50) and as important (3.18) by Greek executives. Similarly, the Views of Greece and Greeks were given moderate importance by the foreign executives (2.40) while Greek respondents gave them a higher rating (3.41).

On the other hand, among firms with less FDI experience (referred to in this study as internationals) the views of respondents were more uniform. Only one significant difference was found in the rating of Production-related factors (at $\alpha < .07$). Again, Greek executives rated this category of factors significantly higher than expatriates (2.38 vs. 1.75). Local executives in international firms appeared to have a better understanding of the factors that were important in the investment decision. This could perhaps be attributed to the larger personal involvement and greater risks involved in an investment abroad by a company with limited FDI experience. It would appear that, in these cases, relationships between foreign decision makers and Greek executives and thus, the information flow between them, are stronger in international than in multinational firms.

Overall, these findings suggest that, in general, Greek executives, with some exceptions, were well aware of the most influential factors in the investment decision of their parent companies. This was most pronounced in the types of investments where local executives were likely to have more personal involvement, such as in the case of acquisitions or international firms.

Greek executives' appeared, in general, confident that they were well aware of their parent companies' views. In Section G of the questionnaire, they were asked what their level of confidence was that their answers reflected their parent companies' views. This question was given a mean value of 3.45 on a 5-point scale, where 5 was very confident.

5.3.2 Parent Companies' Experiences with the Investment

In Section E of the questionnaire, Greek executives were asked their views with regards to their parent company's satisfaction or dissatisfaction with the Greek investment experience. Their answers are presented in Table 32.

Table 32

Satisfaction/Dissatisfaction with the Greek Experience	
Factors	Mean Rating
Market-Related	3.61*
General View of Greece and Greeks	3.58
Production-Related	3.46*
Political and Social Factors	3.29
Economic and Legal Factors	2.94
Finance-Related	2.90

On a scale of 1 to 5 where 1 is Not Important and 5 is Very Important.

* Significant difference at $\alpha < .05$

In order to better understand these findings, Greek executive responses were compared to those obtained from the foreign executives (Table 29). A Wilcoxon rank sum test revealed two statistically significant differences at $\alpha < .05$. The mean value of 3.61 that was given to the parent companies' satisfaction with the Market factors by the Greek executives, was significantly higher than the one given by the expatriate executives (3.23). Another significant difference was detected in the rating of satisfaction with the Production-related factors. Local executives rated their parent companies' satisfaction with this category of factors as significantly higher than expatriates did (3.46 vs. 2.88).

Wilcoxon rank sum tests were performed to detect discrepancies in the responses of Greek and foreign executives among new business start ups, acquisitions, multinational, and international firms. The findings are presented below.

Among new firms, one significant difference was detected in the rating of satisfaction with the Production-related factors of the Greek investment climate ($\alpha < .05$). Foreign executives rated the satisfaction of their parent companies significantly lower than the Greeks did (2.63 vs. 3.25).

Among firms that invested through acquisitions, one difference was found in the satisfaction with the Political and Social elements of the Greek environment ($\alpha < .09$). Foreign executives reported their parent companies as being less satisfied than did the Greek executives (2.67 vs. 3.17).

Among multinational firms, a Wilcoxon rank sum test detected a significant difference in the satisfaction with regards to Production-related factors. Greek executives reported a mean of 3.47 while the foreign executives gave it a mean of 3.00 ($\alpha < .05$). Among international firms there were no differences found at $\alpha < .05$ in the responses of Greek and expatriate executives. This is consistent with the findings from the comparison of foreign and Greek executives' responses in Section 5.3.1. International firms, having fewer FDI destinations, convey their views and experiences to the Greek executives better than multinational firms.

In conclusion, the comparison of Greek and foreign executives suggests that local executives had a good understanding of the views and perceptions of their parent

companies. Moreover, there is some evidence that the less international experience a parent company has, and, as it might be expected, the greater the importance it attributes to each subsidiary, the more accurately the parent views are conveyed to the local affiliates.

5.4 Country Competitors to Greece

The last section of the questionnaire dealt with comparing Greece with other countries as an investment site. It aimed at gaining a better understanding of Greece's competitive position and identifying its main competitors / countries. The findings of the foreign executives are presented below, followed by the findings of the Greek executives.

5.4.1 Foreign Executives Responses

In Section H of the questionnaire, foreign executives were asked to name the country that, in their opinion, is the main competitor to Greece in attracting FDI. Their responses are summarized in Table 33.

Turkey was the most commonly cited competitor to Greece, followed by Portugal, Eastern European countries, and Spain. With the exception of the Far East (noted by one

executive) the rest of the countries were from the Mediterranean region (noted by 17 executives) and the Balkans and Eastern Europe (noted by 7 executives).

Table 33

Countries / Competitors to Greece	
Country / Region	Frequency
Turkey	7
Portugal	4
Eastern Europe	4
Spain	3
Cyprus	2
Italy	1
Romania	1
Bulgaria	1
Balkans	1
Far East	1

Subsequent to identifying the main country/competitor to Greece, foreign executives were asked to compare the Greek investment climate to that of the country they had just identified, by rating a list of investment climate factors on a Likert scale (where 1 was "worse than its competition" and 5 was "better than the competition").

The overall means showing how Greece compared to its competitors are presented in Table 34.

Table 34

Investment Climate Comparison Between Greece and its Main Country / Competitor	
Factors	Means
Quality of life	4.00
Management expertise	3.52
Availability of technology	3.33
Skill level of workers	3.25
Receptivity to new products, methods, and ideas	3.20
Productivity	2.96
Overall investment climate	2.83
Distribution costs	2.77
Government attitude towards foreign investment	2.68
Manufacturing costs	2.57

All of the factors had mean ratings above 2.50, showing Greece as having a comparable or better investment climate than its competitors. By far the highest rated factor was the Quality of life in Greece. Other advantages of Greece vis-à-vis the competition were with regards to the quality of its work force, both in a managerial and workers' level, the level of technology, Greek's receptivity to new products and ideas, and the level of productivity. Weaker factors were the government's attitude towards foreign investment and the manufacturing costs in Greece.

The above findings suggest that Greece's main competitor in terms of attracting FDI are its neighboring countries in the Mediterranean, the Balkans and Eastern Europe. In comparing to these countries, Greece has several areas of competitive advantage including, quality of life, labour force skills, and technology level. In the section that follows the responses to the same questions by the Greek executives are discussed.

5.4.2 Greek Executives' Responses

In Section F of the questionnaire, Greek executives were asked to identify the country that, in their view, is the main competitor to Greece in attracting FDI and to compare its investment climate to Greece's using a list of climate factors provided. Table 35 summarizes the countries that were identified as Greece's main competitors by local executives.

Table 35

Countries / Competitors to Greece	
Country / Region	Frequency
Turkey	10
Spain	9
Portugal	9
Eastern Europe	3
Ireland	2
Mediterranean countries	1
Czech Republic	1
Poland	1
Cyprus	1

Consistent with the responses of foreign executives, Greeks identified Turkey as the main competitor to Greece for FDI. However, Spain and Portugal emerged tied in second place with Eastern European countries falling into third place. These findings begin to suggest that Greek executives viewed most of the competition for Greece coming from countries in the Mediterranean region, whereas that was not the case with the foreign executives (mentioned by 30 Greek executives vs. 17 expatriates).

The countries identified only by the Greek executives as competing with Greece were Ireland, the Czech Republic, and Poland. Ireland is the only country that is outside the immediate geographic regions mentioned by the foreign executives. However, its level of development, and its size and population are similar to Greece.

In comparing the investment climate factors, as shown in Table 36, the good quality of life was identified as the biggest advantage of Greece against its competitors. Management expertise and skill level of workers, and availability of technology were also perceived to be strong points of the Greek investment climate vis-à-vis its competitors. These findings are similar to the responses of the foreign executives.

Table 36

Investment Climate Comparison Between Greece and its Main Country / Competitor	
Factors	Means
Quality of life	4.00
Management expertise	3.88
Skill level of workers	3.69
Availability of technology	3.38
Receptivity to new products, methods, and ideas	3.35
Productivity	3.04
Overall investment climate	2.69
Distribution costs	2.68
Manufacturing costs	2.67
Government attitude towards foreign investment	2.42

In conclusion, foreign and Greek executives had very similar views regarding how Greece compares to the competition, while their views on which countries present competition to

Greece were not so similar. In particular, while Turkey was the most commonly mentioned competitor by both groups of executives, more Greeks cited countries of the Mediterranean as Greece's competitors than expatriates. Other countries competing with Greece for FDI, cited by both groups of respondents, were Balkan and Eastern European nations. In comparing the investment climate of Greece and its competitors, both Greek and foreign executives identified a combination of good quality of life, skilled labour force, and high level of technology as Greece's strongest advantage over the competition.

6. COMPARISON WITH THE CANADIAN FINDINGS

One of main objectives of this study was to compare, where possible, the Greek findings with those of the Canadian study. In accordance with this objective, this research was designed so as to adhere as closely as possible to the Canadian research and yet be adapted to the Greek reality. The similarities and differences in the methodological design as well as the sample sizes of the two studies were already discussed in the Research Methodology section of this study. In the sections that follow each of the main finding categories will be compared to the Canadian findings. It should be kept in mind that it is beyond the scope of the present study to repeat in detail the Canadian findings. Comparisons made are of a general nature and outline major similarities and differences in the findings.

6.1 Comparison of the General Characteristics of the Samples

The Canadian study included 22 firms from 12 countries of which 64% were from Europe and 36% from the Pacific Rim. This study included 31 firms from 11 countries. Of the firms sampled, 87% came from Europe, 6.5% from the USA, and 6.5% from Japan. The differences in the home-country mix of the two samples reflect the differences between FDI in Canada and Greece, since both samples are believed to be representative of the FDI inflows in the countries.

The average age of the parent companies was about the same in both studies. Approximately 50% of the parent companies were established prior to 1900, and of the balance, the majority were established before WWI. On average, the time companies in both samples started FDI was approximately the same and coincided with the large increase in FDI after WWII. Another similarity was observed in prior operations that companies had in the country before directly investing there. In Greece, 77.4% of the sampled firms had prior experience with the country whereas in Canada the same was true for 77% of the sampled firms.

In the Greek sample, as discussed in section 2.1, approximately 38% of the companies had invested through acquisitions while 61% were new businesses (Table 7). In the Canadian sample the percentages are reversed. Approximately 73% of the parent companies had invested through acquisitions and only 27% through new businesses. This difference may be attributed to more readily available viable companies in Canada that presented a good opportunity for foreign investors while in Greece this might not have been the case, possibly due to inefficient management or the "family business" mentality of Greeks that view foreign ownership as a sellout of their family business.

Overall, regardless of the differences in size and firm characteristics, which reflect the differences between the two countries, the two samples have no substantial differences that could prevent initial qualitative comparisons to be made, and inferences to be drawn.

However, it should be kept in mind that the inferences drawn are limited and situation dependent.

6.2 Determinants of the Decision Making Process: Main Investment Objectives

As discussed in the literature review section of this study, even though the decision making process to invest in a country has received much attention at a theoretical level, there is no unanimity among researchers as to its determinants. Both the Canadian and this study investigated elements of the decision making in FDI in the two countries. A comparison between the finding of these two studies is attempted here, in hopes that it will shed more light on the FDI decision making process. Even though both studies are limited in generalisability, the fact that they studied investment decisions made for two very different countries in many respects (e.g., size, geographic location, level of development) it is believed to be a positive step towards a theory concerning investment decision making.

An investigation of the objectives of the parent companies investing in Canada revealed that their most important objective was to be closer to potential customers. This factor was rated at 4.10 on a 5-point Likert scale (D'Souza 1993, Table 6). On the same scale, the same objective was found to be the most important motive for the investments in Greece with a mean rating of 4.37 (Table 9). To be close to existing customers was the second highest rating objective in both studies (3.90 in the Canadian versus 3.57 here).

Moreover, among the companies studied in Canada, the third and fourth most commonly cited objectives were related to the geographic location of the country. In particular, most of the investors were aiming to establish a presence in North America, and to use the investment as a stepping stone for future investment in the region. The attractiveness of the geographic location of Greece, namely its proximity to the Balkans and the Mediterranean, were also rated in third and fourth place, followed in fifth place by the objective of using the investment as a stepping stone for expansion into the Balkan region.

These findings begin to suggest that one of the main objectives for companies seeking investment outside their home countries may be an attempt from their part to be closer to their customers, and yet, strategically locate their investment in regions with good future market potential.

6.3 Use of Information Sources in the Decision Making Process

The most commonly used information source for companies that invested in Canada was business visits by parent company's executives to the country as reported by 90% of the companies (D'Souza, Table 10). The same source was also most commonly used by the companies that invested in Greece and was reported in 96.4% of the cases (Table 14). Similarly, the second most widely used source in both studies was local consultants, used

by 76% of the companies sampled in Canada and by 82.1% of the companies in Greece. Suppliers, customers and distributors were also among the sources most often used for both countries, used by 71% of the companies in Canada and by 82.1% of the companies investing in Greece.

Media portrayals of Canada and Canadian Embassy personnel were very widely used by companies that invested in the country (76% and 71% respectively). The same sources, however, were not as widely used in the investment decision in Greece (50% and 39.3% respectively). This may be attributed to the fact that government promotion through either the media or the Embassies is not widespread and as a result is not widely used by investors.

6.4 Comparison of the General Assessment of the Greek and Canadian Investment Climates

Executives in both studies were asked to assess the countries' investment climate using almost identical semantic differential scales. Among the Market-related factors, the market size and distribution costs were rated as slightly higher in Canada than in Greece (2.3 vs. 2.1 and 2.5 vs. 2.2)¹¹ while the market potential was perceived as higher in Greece than it was in Canada (3.3 vs. 2.5).

¹¹ In this section, for easy of comparison, scales in both studies were adjusted so that higher ratings indicate most favorable assessments.

All of the Production-related factors had higher mean values in the Canadian study. The most pronounced differences were, as expected, in the quality of transportation (1.8 vs. 3.5) and communication systems (1.9 vs. 3.8), both of which were rated very low in Greece. Another conspicuous difference was in the availability of raw materials that was rated higher in Canada than in Greece (3.3 vs. 2.1). This, however, was to be expected since Canada is among the richest countries in natural resources in the world.

Finance-related factors had comparable ratings. The tax structure was perceived as moderate (2.3 in Canada and 2.5 in Greece), the tax advantages as relatively low (2.2 in Canada and 2.1 in Greece), and the stability of the currency exchange rate of both countries was viewed as average (2.5 in Canada and 2.6 in Greece).

In comparing the Economic and Legal factors, Canada was perceived as having less restrictions on foreign ownership (3.8 vs. 2.8 in Greece, where 5 indicates low restrictions) and a much lower inflation rate (3.8 vs. 1.2, where 5 indicates a low inflation rate). The Canadian legal system was perceived as simpler than the Greek one (2.6 vs. 1.8, where 5 is simple) whereas the ease of obtaining a work permit for expatriate personnel was comparable (3.4 in Greece and 3.2 in Canada). These differences are reflective of the dissatisfaction with the Economic and Legal climate in Greece, as appears in both the interview and the questionnaire responses.

Differences were also found in the assessment of Political and Social factors. The political climate was perceived as slightly more stable in Greece (3.0) than in Canada (2.5), and the crime level as lower in Greece (4.2 vs. 3.4, where 5 is low). These differences, however, should be interpreted in light of the greater regions the two countries belong to. Greece being in the unstable Balkan region appears particularly stable. Along the same lines, perceptions of the crime level in Canada are likely to have been influenced by the general perceptions of the crime levels in North America.

Another difference worth identifying was that, on average, the investor's home country was perceived as culturally closer to the host country in the Canadian study (3.1 for Canada and 2.5 for Greece). This was to be expected since, as discussed earlier, most of the foreign executives reported perceiving Greece as having a unique culture.

A comparison of the responses with regards to the General Outlook of the two countries and their people revealed that Canada enjoys a better national image (4.1 vs. 3.6). General outlook (3.1 in Canada vs. 3.0 in Greece), and likeability (4.1 in Canada vs. 4.0 in Greece) were rated closely in both countries. However, Canadians were rated as more industrious than Greeks (2.9 vs. 2.5). The one factor where the difference between the ratings of the two studies was most notable was with regards to trustworthiness. Canadians were given a mean of 3.7 whereas Greeks were given a 2.9.

Overall, the comparison between the personal views of foreign executives who live and work in Greece with those of foreign executives who live and work in Canada, showed many similarities and differences between their perceptions of the two countries. In some cases the differences were reflective of real differences in the two countries (e.g., Canada has more natural resources and, therefore, more readily available raw materials) while in others they were reflective of differences in the perceptions of the respondents (e.g., levels of likeability). In both cases, however, they present a good picture of the perceptions of the two groups of executives for the country in which they are working.

6.5 Greek and Canadian Investment Factor Importance and Experiences¹²

In both studies, foreign executives were asked to rate the importance of a list of investment climate factors that may have influenced the decision to invest. In comparing the findings, Market-related factors were rated as the most critical ones in the investment decision in both studies. In second place of importance for the investors in Canada were the Political and Social factors, followed by the General view of Canada and its people, the Finance-related, and then the Production-related factors. Economic and Legal factors were rated as least important.

¹² Variations in the individual scales were necessary in order for the questionnaire to be adapted to the country in study. Although minor, they do not permit for comparisons between the means values of the different factors.

On the other hand, for companies investing in Greece, Finance-related factors were rated as second in terms of importance, followed by the Economic and Legal factors, the General view of Greece and Greeks, the Political and Social factors, and the Production-related factors (Table 29).

Based on the same set of investment climate factors, executives were asked to evaluate their experiences with the investment. Again, only the top ranking factors were the same in both studies. Respondents reported being most satisfied with the General View of the host-country and its people. Foreign executives in Canada rated the Production factors as second, followed by the Finance, the Market, and the Economic and Legal factors. Least satisfactory were the Political and Social factors.

Foreign executives in Greece rated the Market-related factors in second place, followed by the Political and Social, Production, and Finance factors. The least satisfactory factors in the Greek investment reality were the Economic and Legal factors.

The notable differences in the ratings of expectations and experiences between the investors in Canada and Greece are representative of the many differences in the two countries, in both the level of development and business climate. It should be expected that investors would have different expectations from an investment in one of the G7

countries as opposed to a small OECD nation. Moreover, the disparities in the business environment of the two countries left foreign investors with very different experiences.

In conclusion, it appears that, with the exception of the role of Market-related factors in the decision to invest and the general satisfaction with the country and its people, investors in Canada and Greece had different overall expectations from their investments and different experiences with different factors of the investment environment.

6.6 Summary

In spite of individual differences, and given the geographic and economic disparities between Canada and Greece, these findings begin to validate global investment decision making. Whether a firm is investing in Europe or North America, or in an industrialized or a less industrialized country, similar investment objectives such as proximity to markets and strategic location, and similar information sources like executives' visits and personal sources are used. Companies want to be located closer to their existing and potential customers (act local, think global) and value personal contacts and their views in decision making.

7. BENEFITS OF THE STUDY

This study has research, managerial, and policy implications.

7.1 Research Implications

This study is of value to researchers because it investigated the FDI location decision of companies as it relates to the attractiveness of country image. The research took into account the often hypothesised but scarcely tested role of PCI and stereotyping in the investment decision.

This study also added to the pool of knowledge on the decision making process to invest in a country and its determinants. It added another country to the research concerning the elements of country attractiveness as investment locations in the eyes of foreign investors. The choice of a country like Greece was of particular research value. Prior research in the field had been highly concentrated in the leading industrialised countries. D'Souza's research had limited generalizability because Canada is a very unique case especially when viewed in relation with the U.S.. Greece, on the other hand, is a country that can be perceived as competing with many other individual countries as well as a strong counterpart, the E.U. Adding a small, not highly industrialised country like Greece brought new focus and added knowledge to the field.

The research replicated and built on the findings of the JPH and D'Souza study in a different cultural context. This added to the cross-cultural validity of that study and inferences drawn from the comparison of the two studies enhance the generalizability of both. By building on the findings of others, this research added to the general knowledge in the field, and pointed to a pattern of key objectives in the decision making and information sources to be studied in other countries, and will hopefully be used as the base for future research, and be regarded as a step forward to the development of a theory.

7.2 Managerial Implications

Managerial implications of the study pertain to both Greek and foreign managers. Greek managers looking for foreign investors, partners or buyers for their firms, can capitalise on the perceived advantages of the country that were identified in this study, and downplay its disadvantages to position and better market themselves to foreign investors. Also, by being aware of the objectives and expectations of potential investors, Greek managers can better target their market and be more efficient in their search for foreign investment. In addition, this study can offer to Greek businesses a better understanding of their strengths and weaknesses by giving them a good indication of how they are perceived by foreign managers that live and work in the country.

The views of foreign managers about the Greek investment climate is of value to managers who are considering Greece as an investment site, since studies including this one, have shown that executives in a country are often asked their opinion on its investment climate by other executives in their home country and this is a good indication of the fact that potential investors value the experience and assessment of present investors about a country's investment climate.

7.3 Policy Implications

This study has significant policy implications for both Greek and foreign policy makers. Greek policy makers can gain a better understanding of the country's strengths and weaknesses, both real and perceived. This will allow them to design policies to more efficiently and effectively market the country to foreign investors and build on its perceived advantages and downplay or change its disadvantages in order to attract foreign investment. By understanding the problems in the image of Greece, especially with regards to the public sector, policy makers can undertake efforts to correct its bad reputation, disseminate better the positive steps that have been taken and the ones that will be taken in the future. Also, by identifying the main countries that compete with Greece for FDI they could stress the attractive elements of a better quality of life, higher level of technology and stability, to better position the country, and successfully promote it to foreign investors. Gaining insight on the motives and expectations of investors that led them to invest in Greece, namely its

good market potential and strategic geographic position will enable Greek policy makers to design better incentive packages, and to promote Greece as a centre for doing business in the lucrative emerging markets of its neighbouring countries. In addition, knowledge of the importance of business visits and personal information sources in influencing a decision to invest, would enable policy makers to be more efficient in disseminating the right information through the right channels, and thereby, to more efficiently and successfully promote the country to potential investors and better service and maintain existing investment.

Policy makers from other countries with similar economic conditions and development level can also benefit from this research. Smaller countries in the E.U. (i.e. Spain, Portugal, Denmark and Ireland) can use its findings as an indication and approximation of the situation in their own countries. Other countries with small domestic markets which are part of a region with a strong identity (e.g. Austria, and the Scandinavian countries that joined the E.U. recently, Eastern European countries which are bonded with a strong regional image, and smaller countries in the Pacific region like Singapore and Taiwan), can also draw useful inferences from the Greek example as to how they can differentiate and position their countries within their region.

8. LIMITATIONS

A first limitation of the study is inherent to the research design. Having an *ex post facto* survey design, one cannot control for recollection and selective memory effects. When asking executives to recall motives and rationales behind actions that took place in the past some of the information is bound to have been forgotten. To minimise the recollection effect, the sample was limited to companies that have established operations in Greece within the last five years prior to the data collection. Moreover, there is a chance that managers who took part in the decision to invest in Greece attempted to "justify" their decision, making it sound as the best one. This limitation was addressed by interviewing two executives from each company and comparing their answers. Interviewees aware of this are more likely to reflect the company's overall perspective as well as their own views. Along the same lines, executives who were not with the company at the time the initial investment was made might not be fully aware of the company's motives and objectives at the time. However, their current views on the success of the investment and their opinions about the Greek investment climate were of value to the research.

The narrow scope of the study is the source of its limited generalizability. The inferences that can be drawn from the study are both country and time specific. Moreover, the findings can only give an indication of the potential investors' perceptions. Perceptions and stereotypes are influenced by numerous factors other than the views and experiences of

investors established in a country. Yet, there is significant research to show, and it was found to hold true to this research too, that managers screening countries for investment purposes, value the views and experiences of managers already established in a country. Moreover, the comparison of this study to the Canadian one, through the great disparities in the level of development and business climate in the two countries, and the fact findings in many cases were comparable, dramatically increases the generalizability of both studies.

A third limitation of the study has to do with its aim to compare findings for data collected two and a half years apart. D'Souza's data collection was done during the summer of 1992, whereas this study's data collection was done in Spring 1995. Nonetheless, the time gap is not significant given that even single study data collection can often last longer than two years. Moreover, perceptions and country stereotypes, even though they are subject to change over time, have been proven fairly stable over short- to middle-time periods.

A last limitation of the study comes from the sampling process. Companies without a foreign senior executive residing in Greece were excluded from the population. Moreover, the sample size of 31 companies limits the generalizability of the study and dictates the use of non-parametric statistics, limits the range of possible further statistical testing that could be performed. Nevertheless, the statistical analysis performed gives a good indication of the general trends in the population, and adds to the value of qualitative data.

BIBLIOGRAPHY

- Ajami, Riad A. and D.A. Ricks (1981), "Motives of Non-American Firms Investing in the United States", *Journal of International Business Studies*, 12, Winter, p 25-34.
- Arpan, Jeffrey S., Edward B. Flowers, and David Ricks A. (1981), "Foreign Direct Investment in the United States: The State of Knowledge in Research", *Journal of International Business Studies*, 12, Spring/Summer, p. 137-154.
- Barnossy, Gary J. and Nicolas Papadopoulos (1987), "An Assessment of Reliability for the Product Evaluation Scales Used in Country-of-Origin Research", In K. Bahn and M. Sirgy, eds., *Third World Marketing Congress* (Barcelona, Spain: Academy of Marketing Science, International Conference Series, vol. III), p. 135-142.
- Bilkey, Warren J. (1978), "An Attempted Integration of the Literature on the Export Behaviour of Firms", *Journal of International Business Studies*, 9, Spring, p. 33-46.
- Bilkey, Warren J. and E. Nes (1982), "Country-of-Origin Effects on Product Evaluations", *Journal of International Business*, 13, Spring/Summer, p. 89-99.
- Cateora, Philip R. (1987), *International Marketing*, Homewood, Illinois: Irwin.
- Cattin, Philippe, Alain Jolibert, and Collen Lohnes (1982), "A Cross-Cultural Study of 'Made in' Concepts", *Journal of International Business*, 13, Winter, p. 131-141.
- Chasin, Joseph B. and Eugene D. Jaffe (1979), "Industrial Buyer Attitudes Towards Goods Made in Eastern Europe", *Columbia Journal of World Business*, 14, Summer, p. 74-81.
- Daniels, John (1970), "Recent Foreign Direct Manufacturing Investment in the United States", *Journal of International Business Studies*, 1, Spring, p. 125-132.
- Darling, John R. and Van R. Wood (1990), "A Longitudinal Study Comparing Perceptions of U.S. and Japanese Consumer Products in a Third/Neutral Country: Finland 1975 to 1985", *Journal of International Business Studies*, 21, Fall/Winter, p. 427-450.
- Douglas, Suzan P. and Samuel Graig (1983), *International Marketing Research*, Engelwood Cliffs, NJ: Prentice Hall.
- Davidson, William H. (1980), "The location of FDI Activity: Country Characteristics and Experience Effects", *Journal of International Business Studies*, 11, Fall, p. 9-22.

D'Souza, Ritoo (1993), "The Canadian Investment Climate: Foreign Investors' Experiences and Perceptions", Unpublished M.M.S. Thesis, School of Business, Carleton University, Ottawa.

Ehrman C.M. and Morris Hamburg (1986), "Information Search for Foreign Direct Investment Using Two-Stage Country Selection Procedure", *Journal of International Business Studies*, 17, Summer, p. 93-116.

Embassy of Greece in Canada (1994), Interview with Mrs. Smaragda Oikonomou, Commercial Attaché of Greece in Canada, May 14, Montreal.

Erickson, Gary M., Johny K. Johansson and Paul Chao (1984), "Image Variables in Multi-Attribute Product Evaluations: Country-of-Origin Effects", *Journal of Consumer Research*, Vol. 11 (2), p. 694-699.

ETVA (Hellenic Industrial Development Bank), (1993), "Investment Guide", 2nd edition, Athens.

Foreign Services Department of Greece (1993), "On the Track of Recovery; The Liberal Revival of the Greek Economy", Secretariat General for Press and Information, April, Athens.

Graby, Françoise (1993), "Countries as Corporate Entities in International Markets", In Nicolas Papadopoulos and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 257-283, New York: Haworth Press.

Graham, Edward M. (1992), "Foreign Direct Investment", In *The New Palgrave Dictionary of Money and Finance*, Vol II, London: The MacMillan Press.

Grosse, Robert E. (1989), *Multinationals in Latin America*, London: Routledge.

Han, Min C. and Vern Terpstra (1988), "Country-of-Origin Effects for Uni-National and Bi-National Products", *Journal of International Business Studies*, 19, Summer, p. 235-254.

Han, Min C. (1989), "Country Image: Halo or Summary Construct?" *Journal of Marketing Research*, 26, May, p. 222-229.

Han, Min C. (1990), "Testing the Role of Country Image in Consumer Choice Behaviour", *European Journal of Marketing*, 24, June, p. 24-40.

Heslop, Louise A., John P. Liefeld, and Marjorie Wall (1987), "An Experimental Study of the Impact of Country-of-Origin Information", In R.E. Turner (ed.), *Marketing*, vol. 8

(Toronto, Ont: Proceedings, Administrative Sciences Association of Canada-Marketing Division, June), p. 179-185

Heslop, Louise A. and Nicolas Papadopoulos (1993), "But Who Knows Where or When": Reflections on the Images of Countries and Their Products", In Nicolas Papadopoulos and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 39-75, New York: Haworth Press.

International Monetary Fund (1977), *"Balance of Payment Manual"*, IMF, Washington, D.C.

International Monetary Fund (1993), *"Annual Report 1993"*, IMF, Washington, D.C.

Johansson, Johny K. and Reza Moinpour (1977), "Objective and Perceived Similarity of Pacific Rim Countries", *Columbia Journal of World Business*, Winter, p. 65-76.

Johansson, Johny K., Suzan P. Douglas, and Ikujiro Nonaka (1985), "Assessing the Impact of Country-of-Origin on Product Evaluations: A New Methodological Perspective", *Journal of Marketing Research*, 22, November, p. 388-396.

Johansson, Johny K. and Israel D. Nebenzahl (1986), "Multinational Production: Effect on Brand Value", *Journal of International Business Studies*, 17, Fall, p. 101-126.

Johansson, Johny K. (1993), "Missing a Strategic Opportunity: Managers Denial of the Country-of-Origin Effects", In Nicolas Papadopoulos and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 77-86, New York: Haworth Press.

Kaynak, Erdener (1989), "How Chinese Buyers Rate Foreign Suppliers", *Industrial Marketing Management*, 18 (2), p. 187-198.

Kotler, Philip, Donald H. Haider, and Irving Rein (1993), *Marketing Places: Attracting Investment, Industry and Tourism to Cities, States, and Nations*, New York: The Free Press.

Matziorinis Kenneth (1993), "Greek Economy at a Turning Point: Recent performance, Current Challenges and Future Prospects", *Journal of the Hellenic Diaspora*, 19.2

Morello, Gabriele (1993), "International Product Competitiveness and the Made in Concept", In Nicolas Papadopoulos and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 285-309, New York: Haworth Press.

Nagashima, Akira (1970), "A Comparison of Japanese and U.S. Attitudes Towards Foreign Products", *Journal of Marketing*, 34, January, p. 68-74.

Nagashima, Akira (1977), "A Comparative 'Made In' Product Image Survey Among Japanese Businessmen", *Journal of Marketing*, 41, July, p. 95-100.

National Statistical Service of Greece (1993), "*Monthly Statistical Bulletin*", Vol. 38, No 10, October, Athens.

New York Times (1994), "*Athenian Games*", Robert Kaplan", April 21st.

Nigh D. (1985), "The Effects of Political Events on United States Direct Foreign Investment: A Pooled Time-Series and Cross-Sectional Analysis", *Journal of International Business Studies*, 16, Spring, p. 1-17.

Ohmae, Kenichi (1985), *Triad Power: The Coming Shape of Global Competition*, New York: The Free Press.

Organization for Economic Co-operation and Development (1992), "*International Direct Investment: Policies and Trends in the 1980's*", OECD, Paris.

Organization for Economic Co-operation and Development (1993), "*Promoting Foreign Direct Investment in Developing Countries*". OECD, Paris.

Organization for Economic Co-operation and Development (1993), "*Financial Market Trends*", number 54 (February) and 55 (June), OECD, Paris.

Organization for Economic Co-operation and Development (1993), "*OECD Economic Surveys: Greece*", OECD, Paris.

Organization for Economic Co-operation and Development (1994), "*Financial Market Trends*", OECD, Paris.

Papadopoulos, Nicolas (1987), "Approaches to International Market Selection for Small- and Medium- Sized Enterprises", In Philip J. Rosson and Stanley Reid (eds.), *Managing Export Entry and Expansion: Concepts and Practice*, p. 128-158, New York: Praeger.

Papadopoulos, Nicolas and Jean-Emile Denis (1988), "Inventory, Taxonomy, and assessment of Methods in International Market Selection", *International Marketing Review*, 5, Fall, p. 38-51.

Papadopoulos, Nicolas (1993), "What Product and Country Images Are and Are Not", In Nicolas Papadopoulos and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 3-38, New York: Haworth Press.

Papadopoulos, Nicolas and Louise Heslop A. (1993), *Product-Country Images: Impact and Role in International Marketing*. New York: Haworth Press.

Pearce, Robert D., Azizul Islam, and Karl P. Sauvant (1992), "The Determinants of Foreign Direct Investment; A survey of the Evidence", *United Nations Centre on Transnational Corporations*, New York.

Reid, Stanley D. (1981), "The Decision-Maker and Export Entry and Expansion", *Journal of International Business Studies*, 12, Fall/Winter, p. 101-112.

Root, Franklin R. (1981), *International Trade and Investment*, Cincinnati, Ohio: South-Western Publishing Co.

Russow, L. (1989), "Global Screening: The Preliminary Identification of Existing Product-Specific Market Potential Using Macroeconomic and Demographic Factors", Unpublished Ph.D. Dissertation, Georgia State University.

Schooler, Robert D. (1965), "Product Bias in the Central American Common Market", *Journal of Marketing Research*, 2, November, p. 385-387.

Sheridan, John V. (1988), "An Examination of International Market Selection Methods in Small- and Medium-sized Technology firms", Unpublished M.M.S. Thesis, School of Business, Carleton University, Ottawa.

Stobaugh, Robert B. (1969), "Where in the World Should we Put That Plant", *Harvard Business Review*, 56, January/February, p. 129-136.

Tallman, Stephen B. (1988), "Home Country Political Risk and Foreign Direct Investment in the U.S.", *Journal of International Business Studies*, 19, Summer, p. 219-234.

United Nations (1992), "World Investment Report 1992; Transnational Corporations as Engines of Growth", *Transnational Corporations and Management Division, Department of Economics and Social Department*, New York.

United Nations Centre on Transnational Corporations (1988), "Transnational Corporations in World Development", *United Nations*, New York.

United Nations Centre on Transnational Corporations (1990), "Transnational Corporations and Manufacturing Exports from Developing Countries", *United Nations*, New York.

United Nations Centre on Transnational Corporations (1991), "World Investment Report 1991; The Triad in Foreign Direct Investment", *United Nations*, New York.

United Nation Centre on Transnational Corporations, (1992), "Formulation and Implementation of Foreign Investment Policies: Selected Key Issues, *United Nations*, New York.

United Nations Centre on Transnational Corporations (1992), "World Investment Directory 1992; Foreign Direct Investment, Legal Framework and Corporate Data", Vol I Asia and the Pacific (1992), Vol II Central and Eastern Europe (1992), Vol III Developed Countries (1993), *United Nations*, New York,

United Nations Centre on Transnational Corporations (1992), "Bilateral Investment Treaties: 1950-1991", *International Chamber of Commerce*, United Nations, New York.

United Nations Conference on Trade and Development (1993), "Transnational Corporations", *United Nations*, Vol II, August.

Washington Times (1994), "What will Papandreou tell Clinton?", Roger Fontaine and Dannis Mullin, Thursday April, 21st.

Wee, C. H., David T.E. Lim and Gilbert Y.W. Tai. (1993), "The Image of Countries as Locations for Investment", In Nicolas Papadopoulos, and Louise A. Heslop (eds.), *Product-Country Images: Impact and Role in International Marketing*, p. 311-338, NY: Haworth Press.

Wells, Louis Jr. and Alvin G. Wint (1990), "Marketing a Country: Promotion as a Tool for Attracting Foreign Investment", *Foreign Investment Advisory Service*, Occasional Paper #1, Washington D.C.

White, Philip D. and E. W. Cundiff (1978), "Assessing the Quality of Industrial Products", *Journal of Marketing*, January, p. 80-86.

White, Philip D. (1979), "Attitudes of U.S. Purchasing Managers Towards Industrial Products Manufactured in Selected Western European Nations", *Journal of International Business Studies*, 10, Spring/Summer, p. 81-90.

Yip, George S. (1992), *Total Global Strategy: Managing for Worldwide Competitive Advantage*, First Edition, NY: Prentice Hall.

3

OF/DE

3

PM-1 3½"x4" PHOTOGRAPHIC MICROCOPY TARGET
NBS 1010a ANSI/ISO #2 EQUIVALENT

APPENDIXES

APPENDIX 1. List of Determinants of International Market Selection from D'Souza's Literature Review.

MARKET SIZE Stobaugh, Davidson, Ehrman and Hamburg. US Dept. of Commerce. Ajami and Ricks. Daniels	INTERNATIONAL EXPERIENCE OF FIRM Davidson. Reid
GOVERNMENTS WILLINGNESS TO PROVIDE A GOOD INVESTMENT CLIMATE Stobaugh	MANAGERS ORIENTATION AND COMMITMENT Ehrman & Hamburg
GOOD ACTUAL INVESTMENT CLIMATE Stobaugh, U.S. Dept. of Commerce	AVAILABILITY OF RESOURCES Ehrman & Hamburg
POSITIVE CONSUMER ATTITUDE TOWARDS FOREIGN INVESTMENT Daniels. Ajami & Ricks	HIGH QUALITY PERSONNEL Ehrman & Hamburg
AVAILABILITY OF LOCAL TECHNOLOGY Stobaugh	PRESERVATION OF EXISTING MARKET Ajami & Ricks
ATTRACTIVENESS OF LOCAL TECHNOLOGY U.S. Department of Commerce. Ajami and Ricks. Davidson	FEAR OF UNKNOWN MARKETS Reid. Davidson
POTENTIAL FOR ECONOMIC GROWTH Cateora	DECISION-MAKER PERSONALITY Reid
PREFERENTIAL TARIFF TREATMENT Cateora	DECISION-MAKER'S PERCEPTIONS ABOUT A COUNTRY'S IMAGE Johansson and Moimpour
POLITICAL STABILITY Cateora, Ehrman and Hamburg, U.S. Dept. of Commerce. Ajami and Ricks	
GEOGRAPHIC PROXIMITY Cateora	
CULTURAL SIMILARITIES Cateora. Davidson	
AVAILABILITY OF NATURAL RESOURCES & ENERGY SUPPLIES U.S. Dept. of Commerce. Cateora	
AVAILABILITY OF LABOUR Cateora. Ehrman & Hamburg	
CHEEP LABOUR Cateora. Daniels	
SKILLED LABOUR U.S. Dept of Commerce	

LIMITS ON FOREIGN OWNERSHIP Ehrman & Hamburg	
GOVERNMENT INTERVENTION Ehrman & Hamburg	
MARKET'S SOPHISTICATION Ehrman & Hamburg	
CORPORATE TAX LEVEL Ehrman & Hamburg	
QUALITY OF INFRASTRUCTURE Ehrman & Hamburg	
GOVERNMENT PROTECTIONISM AGAINST IMPORTS Arpan, Flowers and Ricks	
RESTRICTIONS IN CAPITAL MOVEMENT Ehrman & Hamburg	FREIGHT COSTS Stobaugh
DEVELOPMENT OF CAPITAL MARKET U.S. Dept of Commerce	ECONOMIES OF SCALE Stobaugh, Davidson
ANNUAL INFLATION Ehrman & Hamburg	NATURE OF PRODUCT Stobaugh
CURRENCY DEPRECIATION Ehrman & Hamburg	
CURRENCY FORECAST Ehrman & Hamburg	
CURRENCY CONVERTIBILITY Ehrman & Hamburg	
POLITICAL UNCERTAINTY Tallman, Arpan, Flowers & Ricks	STRATEGIC REASONS IN OLIGOPOLY Davidson, faith, Flowers
BILATERAL RELATIONS Tallman, Reid	
LEVEL OF ECONOMIC DEVELOPMENT Tallman	
LABOUR COST Tallman	
TAX LEVEL Tallman	
COMPETITION Daniels	

APPENDIX 2 RESEARCH INSTRUMENTS

1. INTERVIEW OF GREEK EXECUTIVES

INTRODUCTION

Good morning/afternoon, I am Katerina Kalligatsi a graduate student in the Masters of Management Studies program at the School of Business at Carleton University, Ottawa, Canada. I will be conducting this interview as a part of my thesis work and for a related research study which is being carried out by my professors.

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

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

- a) Experience with this investment decision.
- b) Their objectives in selecting Greece as a place for investment, and
- c) Your personal assessment of the Greek 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 finished. 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 Greece 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 also all results will only be reported in aggregate form. Perhaps we can begin now....

PERSONAL HISTORY

1. How long have you worked with the Greek company?
2. Were you there at the time of the decision to invest in Greece? *(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 Greek company and Greece 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?

GREEK 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 Greek company been in existence?
(if CEO Q 8 to 12, otherwise go to Q 13)
8. What is the nature of the investment?

PROBES

- Is it one of *(list the following)*:
 - a. Sole owner
 - b. Majority ownership and control
 - c. Joint venture with local company
 - d. Joint venture with other foreign company
 - e. Minority owned affiliate
- 9. Are there exports or other international operations from Greece? *(if No, go to 15)*
- 10. *(if Yes to exports)* To where do you export from Greece?
- 11. *(if Yes to other international operations)* What is the nature and extent of these?

RELATIONS WITH PARENT COMPANY:

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

PROBES

- Does the Greek company report directly to the parent company or through a regional office? *(If regional office, where is this regional office?)*
- How often do the personnel from the parent or regional headquarters, and who, come to Greece?
- How often do the people from the Greek company, and who, visit the parent or regional headquarters?

13. What level of autonomy does the Greek company have in decision-making?

PROBE

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

14. How does your parent company solicit your personal views about operations and investment in Greece 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 Greek company's experience when the investment decision was made?

PROBES

- Was the Greek company approached or did you approach the parent company?
- How did the negotiations proceed?

17. *(if acquisitions)* How has the investment affected the Greek operations?

PROBES

- What has been the effect in the area 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 in Greece to date? Why?

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

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

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

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

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 Greek environment?

Thank you for your help. Now, I would ask you to fill out this sort 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 on results of the study)

2. QUESTIONNAIRE FOR GREEK EXECUTIVES

We would like to thank you again for agreeing to participate in this study. Please answer this questionnaire as completely as possible. A few of the topics that we discussed during the interview may be repeated here, but the detail requested is essential for the quantitative analysis. All information will be held in strict confidence and only data across respondents will be reported.

Throughout the questionnaire the following terms will be used as indicated below:

Your company - Greek company
 Parent company - Parent company that made the investment (i.e. acquired or started the Greek company)
 Home country - The parent company's home country

PART A COMPANY INFORMATION

Please provide some general information about your company for the **most recent financial year**.

	Total Sales (<u>Million DRS</u>)	Export Sales (<u>Million DRS</u>)	Number of <u>Employees</u>
Parent Company	_____	_____	_____
Greek Company	_____	_____	_____

PART B PERSONAL INFORMATION

Please provide some information about yourself.

Number of years in the work force _____ years
 Number of years with the Greek company _____ years
 Number of countries worked in besides Greece _____ number

Do you have a Post Secondary degree? Yes No
 (*Circle One*)

If Yes, from (*please indicate*)

Europe? _____ North America? _____ Other? _____

Languages spoken besides Greek _____

PART C GREEK INVESTMENT CLIMATE: ASSESSMENT

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

Please indicate your parent company's views of the Greek 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
Labor costs	Low : _____ : High
Availability of skilled labor	Low : _____ : High
Skill level of Greek 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

High: _____:Low

Inflation rate

Low: _____:High

General level of bureaucracy

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 towards 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 Greece and Greeks

National image

Bad _____:Good

Industriousness

Low: _____:High

General outlook

Backward : _____: Progressive

Likeability

Low: _____:High

Trustworthiness

Low: _____:High

PART D GREEK 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 lists specific 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 Greece and Greeks	1	2	3	4	5

PART E GREEK INVESTMENT CLIMATE: EXPERIENCE

From your viewpoint how satisfied or dissatisfied is **your parent company** with the Greek investment experience?

Please rate the following categories of factors on a scale of 1 to 5, where **1 means very dissatisfied with the Greek 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 Greece and Greeks	1	2	3	4	5

PART F GREEK INVESTMENT CLIMATE: COMPARISON TO OTHER COUNTRIES

In your opinion which is the main country/competitor of Greece as a potential foreign investment location?

Based on your personal experience, how would you compare Greece's investment climate with its main competitor which you identified above?

Please rate the following factors on a scale of 1 to 5 where 1 is worse than its main country/competitor and 5 is better than its main country/competitor.

	Worse than its Competitor			Better than its Competitor	
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 Greek 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 a scale of 1 to 5, where 1 is not confident and 5 is very confident.

Not Confident			Very Confident	
1	2	3	4	5

3. INTERVIEW OF FOREIGN EXECUTIVES

INTRODUCTION

Good morning/afternoon, I am Katerina Kalligatsi a graduate student in the Masters of Management Studies program at the School of Business at Carleton University, Ottawa, Canada. I will be conducting this interview as a part of my thesis work and for a related research study which is being carried out by my professors.

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

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

- a) Experience with this investment decision;
- b) Their objectives in selecting Greece as a place for investment. and
- c) Your personal assessment of the Greek 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 finished. 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 Greece 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 also all results will only be reported in 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 decision to invest in Greece? *(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? Where?
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 outside its home country, 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 Greece rank in terms of order of entry?
- Which country has received the most investment in \$ value?
- Where does Greece stand in terms of order of investment?
- When did the company invest in Greece: _____(year)

8. Which investment is most important to the parent company? and why?
9. How does this Greek investment fit within the parent firm's strategy for foreign direct investment activities?
10. Was the parent company operating in Greece prior to this investment?

--Did any of the activities involve -- *(list the following)*

- a. Export via company-owned channels
- b. Exports via agents or distributors in the home country
- c. Exports via agents or distributors in Greece
- 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 the investment?

PROBES

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

- a. Sole owner
- b. Majority ownership and control
- c. Joint venture with local company
- d. Joint venture with other foreign company
- e. Minority owned affiliate

12. Are there exports or other international operations from Greece? *(if No, go to 15)*
13. *(if Yes to exports)* To where do you export from Greece?
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 Greece?
16. Were there any specific factors for choosing the particular city/part of the country?
(if No go to Q. 18)
17. Which factors and for what cities/locations?

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, ask 18a-22a -- otherwise go to 18b-22b)

- 18a. What information sources were used?
- 19a. Which of these information sources influenced decision making?
- 20a. How easy or difficult was it to access relevant information that was needed before making the investment decision about the Greek investment climate. (e.g. market, government regulations etc.)
- 21a. How easy or difficult was it to get help to operationalize the investment decision? (e.g. legal assistance, help from realtors, investment consultants etc.)
- 22a. 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 it was to access relevant information that was needed before making the decision about the Greek 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 Greece at the present time?
PROBES
 --What do you think is attractive or unattractive about it?
 --Why do you say that?
24. How would you assess the present investment climate in Greece 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 Greece to date? Why?
27. Overall how satisfied/dissatisfied are you personally with the investment experience in Greece to date? Why?
28. Overall how satisfied/dissatisfied are you personally with the experience of living and working in Greece to date? Why?
29. What do you think Greece should do to improve the investment climate and to attract foreign investment?
30. How do you think other investors from your home country view Greece?
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 Greece? (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 COMPANY

(if CEO Q 35 otherwise go to 36)

35. How is the Greek organization structured for reporting to the parent and in sharing decision making with the parent?
PROBES
 --Does the Greek company report directly to the parent company or through a regional office? *(If regional office, where is this regional office?)*
 --How often do the personnel from the parent or regional headquarters, and who, come to Greece?
 --How often do the people from the Greek company, and who, visit the parent or regional headquarters?
36. What level of autonomy does the Greek company have in decision-making?
PROBE
 --What decisions can the Greek company make on its own, and what does it have to refer to the head office?
37. How does your parent company solicit your personal views about operations and investment in Greece in general?
38. How influential are your views in the parent company's decision making?

COMPARISON TO OTHER COUNTRIES

39. Which other countries/regions were considered as alternative locations for this investment?
40. In your opinion which other country (ies) have investment climate similar to Greece?
- PROBES**
- Within the E.U.
 - Central and Eastern Europe
 - Other European countries on the Mediterranean
 - Middle East
 - North Africa
 - Other

41. Has your company invested in any of these countries? if yes, Which ones?

(if Yes go to 42, otherwise go to 45)

42. What is the parent company's experience with that investment?
(how satisfied/dissatisfied is it?)
43. Why is the company established in both countries?
-
44. Do they compete for parent company resources? *(if No to 41)*
45. Why did you choose Greece over these other countries?
46. What differences do you perceive between the investment climate in Greece and the rest of countries
- Within the E.U.
 - Central and Eastern Europe
 - The Balkans
 - Other European countries on the Mediterranean
 - Middle East
 - North Africa
 - Other

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 if so where to invest abroad, while others tell us that personal experiences, acquaintances and other personal information affect the decision making process.

47. In your opinion in what way does the information gathered through personal acquaintances or personal experiences, etc. affect the decision making process?
48. Were any such factors at play in your particular case and how?

Thank you for your help. Now, I would ask you to fill out this sort 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 and promise to get back to them with the feedback on results of the study)

4. QUESTIONNAIRE FOR THE FOREIGN EXECUTIVES

We would like to thank you again for agreeing to participate in this study. Please answer this questionnaire as completely as possible. A few of the topics that we discussed during the interview may be repeated here, but the detail requested is essential for the quantitative analysis. All the information will be held in strict confidence and only data across respondents will be reported.

Throughout the questionnaire the following terms will be used as indicated below:

- Your company - Greek company
- Parent company - Parent company that made the investment (i.e. acquired or started the Greek company)
- Home country - The parent company's home country

PART A COMPANY INFORMATION

Please provide some general information about your company for the **most recent financial year**.

	Total Sales (<u>Million DRS</u>)	Export Sales (<u>Million DRS</u>)	Number of <u>Employees</u>
Parent Company	_____	_____	_____
Greek Company	_____	_____	_____

PART B PERSONAL INFORMATION

Please provide some information about yourself.

Number of years in the work force _____ years

Number of years with the parent company _____ years

Number of years with the Greek company _____ years

Number of countries worked in besides
the home country and Greece _____ (number)

Do you have a Post Secondary degree? Yes No
(Circle One)

If Yes, from (please indicate)

Europe? _____ North America? _____ Other? _____

Languages spoken besides English _____

PART C INFORMATION SOURCES

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

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)					
		Not Important			Very Important		Don't Know
Greek magazines/newspapers	0	1	2	3	4	5	6
Home country magazines/newspaper	0	1	2	3	4	5	6
International media	0	1	2	3	4	5	6
Media portrayals of Greece in home country	0	1	2	3	4	5	6
Greek Embassy personnel	0	1	2	3	4	5	6
Investment promotion material by Greek government agencies	0	1	2	3	4	5	6
Chambers of Commerce	0	1	2	3	4	5	6
Home country consultants	0	1	2	3	4	5	6
Greek consultants	0	1	2	3	4	5	6
Greek 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, E.U. etc.)	0	1	2	3	4	5	6
Visit by parent company executives' to Greece:							
--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 Greece	0	1	2	3	4	5	6
The acquired Greek 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 also influenced it.

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

	Not Important			Very Important		Don't Know
	1	2	3	4	5	6
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 follow an existing customer who moved to Greece	1	2	3	4	5	6
To establish a presence in						
--The E.U.	1	2	3	4	5	6
--The Balkans	1	2	3	4	5	6
--The Mediterranean	1	2	3	4	5	6
To use this investment to export to						
--The E.U.	1	2	3	4	5	6
--Central and Eastern Europe	1	2	3	4	5	6
--The Balkans	1	2	3	4	5	6
--Other European countries in the Mediterranean	1	2	3	4	5	6
--Middle East	1	2	3	4	5	6
--North Africa	1	2	3	4	5	6
To use this investment as a stepping stone for a future investment in:						
--The E.U.	1	2	3	4	5	6
--Central and Eastern Europe	1	2	3	4	5	6
--The Balkans	1	2	3	4	5	6

	Not Important			Very Important		Don't Know
-Other European countries in the Mediterranean	1	2	3	4	5	6
--Middle East	1	2	3	4	5	6
--North Africa	1	2	3	4	5	6
To access raw material(s)	1	2	3	4	5	6
To access special design, engineering & other skills	1	2	3	4	5	6
To follow competitors who have made investment in the region	1	2	3	4	5	6
To protect existing markets 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 lower labor costs	1	2	3	4	5	6
To benefit from higher productivity	1	2	3	4	5	6
To benefit from Greek government grants and financial incentives	1	2	3	4	5	6
To provide employees with the benefits of living in Greece (e.g. nice weather, Greek culture, vacation opportunities)	1	2	3	4	5	6
Others (Please Specify): _____	1	2	3	4	5	6

PART E GREEK INVESTMENT CLIMATE: ASSESSMENT

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

Please indicate your personal view of the Greek 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

Labor costs Low : : : : : High

Availability of skilled labor Low : : : : : High

Skill level of Greek 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
General level of bureaucracy	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 towards 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 Greece and Greeks

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

PART F GREEK 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 list specific 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 Greece and Greeks	1	2	3	4	5

PART G GREEK INVESTMENT CLIMATE: EXPERIENCE

From your viewpoint how **satisfied or dissatisfied** is your **parent company** with the Greek investment experience?

Please rate the following categories of factors on a scale of 1 to 5, where **1 means very dissatisfied** with the Greek 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 Greece and Greeks	1	2	3	4	5

PART H GREEK INVESTMENT CLIMATE: COMPARISON TO OTHER COUNTRIES

In your opinion which is the main country/competitor of Greece as a potential foreign investment location?

Based on your personal experience, how would you compare Greece's investment climate to that of its main competitor which you identified above?

Please rate the following factors on a scale of 1 to 5 where 1 = Greece is worse than its main country competitor and 5 = Greece is better than its main country competitor.

	Worse than its Competitor			Better than its Competitor	
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 Greek 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

**APPENDIX 3 NUMBER OF YEARS FOREIGN EXECUTIVES WORKED WITH
THE PARENT COMPANY**

Number of years foreign executives worked with the parent company		
Years worked	Frequency	Percentage
.00	1	3.3
.75	1	6.7
1	2	13.3
3	2	20.0
5	2	26.7
6	2	33.3
7	3	43.3
13	2	50
14	1	53.3
16	4	66.7
17	3	76.7
19	1	80
20	3	90
25	3	100

**APPENDIX 4 NUMBER OF YEARS FOREIGN EXECUTIVES WORKED WITH
THE GREEK COMPANY**

Number of years foreign executives worked with the Greek company		
Years worked	Frequency	Percentage
.50	2	6.7
1	7	30.0
1.5	1	33.3
2	4	46.7
3	4	60.0
4	2	66.7
5	5	83.3
6	1	86.7
8	1	90.0
15	1	93.3
25	1	96.7
35	1	100.0

**APPENDIX 5 NUMBER OF YEARS GREEK EXECUTIVES WORKED WITH
THE GREEK COMPANY**

Number of years Greek executives worked with the Greek company		
Years Worked	Frequency	Percentage
0.5	1	3.2
1.0	2	9.7
1.5	5	25.8
2	6	45.2
3	1	48.4
3.5	1	51.6
4	3	61.3
5	3	71
6.5	1	74.2
7	1	77.4
14	1	80.6
15	1	83.9
17	1	87.1
18	1	90.3
21	1	93.5
25	1	96.8
30	1	100

APPENDIX 6 OPERATIONS OF PARENT AND GREEK COMPANIES

Operations of Parent and Greek Companies	
Greek company	Parent company
Telecommunications	Telecommunications Electronics
Retailing (Super Market chains)	Retailing (Super Market chains)
Trade of consumer goods	A wide range of products and services in Trade / Manufacturing / Service
Home appliances, auto spare parts and repairing shop machinery	Electronics (consumer and industrial use)
Super market chain	Consumer goods, energy and liquid gas
Super market chain	Retailing of consumer goods
Electronics for consumer and professional use and entertainment music and picture	Electronics for consumer and professional use and entertainment music and picture
Automobile marketing and distribution	Market distribution, marketing service, insurance and Shipping services and investments
Agricultural Fertilisers	Chemicals
Trade and service of automotive parts	Manufacturing of automotive and aerospace parts
Publishing and multimedia	Publishing and multimedia
Real Estate consultants	Real Estate consultants
International Transportation	International Transportation
Courier service	Shipping service
Oil and gas consultants	Transportation storage and treatment of hydrocarbons
Mobile phones (and trade)	Telecommunications (mobile phones)
Insurance	Insurance
Banking	Banking
Airline	Airline
Insurance	Insurance
Insurance and reinsurance	Insurance and reinsurance
Parking space management	Parking space management
Insurance	Insurance
Accounting and management consultants	Accounting and management consultants
Processing bottling and distribution of non-alcoholic beverages	Non alcoholic beverages international franchiser
Cable manufacturing and telecommunications	Telecommunications, transport and Energy
Production and trade of House-hold appliances	Production and trade of House-hold appliances
Cement and cement products	Cement and cement products
Cement and cement products	Cement and cement products
Power plants / Energy	Industrial
Energy and telecommunications	Industrial financial and Trade

END

2 2 1 1 - 9 6

FIN