Improving investment promotion agencies performance in attracting foreign direct investment

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Improving investment promotion agencies performance in attracting foreign direct investment

Abstract

Purpose – To investigate how investment promotion agencies attract funds effectively from emerging to established countries.

Design/Methodology/Approach – A qualitative action research study with data collected from focus groups and semi-structured interviews, observation and journaling. Comparative case studies are also presented in order to provide an external perspective to the researchers’ internal action researcher positions.

Findings – The research identifies four main factors that impact investment promotion agencies’ effectiveness in seeking a strategic asset in the United Kingdom from a developing country, China. The factors are policy advocacy, targeting industry, regional strategy and cultural adaption, which provide positive and significant influences on investment promotion agencies’ effectiveness.

Practical implications - The findings provide insights into the ways in which investment promotion agencies influence foreign direct investment flows. The research contributes to discipline knowledge and practice by identifying factors influencing funding in a non-traditional manner, that is from a developing to a developed country.

Originality/value – Little research has been published about the roles of investment promotion agencies in attracting foreign direct investment from a developing to a developed country. The study uses an action research approach and case studies, which have not previously been used to investigate investment promotion agencies’ performance. The study extends the sparse extant research and provides insights into what influences the performance of investment promotion agencies, thus contributing to knowledge and practice.

Keywords
Investment promotion agency, foreign direct investment, action research, China, United Kingdom.

Introduction
In this study we explored what influences investment promotion agencies’ (IPAs) practices in attracting foreign direct investment (FDI) from China to the United Kingdom (UK). Some universities in China seek to link to a strategic asset in the UK, namely the reputation, standing, programs and policies of a prestigious UK university. The financial investment is the flow of funds between China and the UK to make this happen. The research is about IPA performance through the lens of an educational case. IPAs have been systematically established to attract foreign direct investment to a wide variety of countries. The context of this research is the higher education sector in the UK. Published research into IPA activities is relatively recent having first started about three decades ago. The leading researchers in the IPA field are Wells and Wint (1990, 2000) who for the first time viewed IPAs’ activities as marketing promotions in which the “customers” are potential investors, and the “products” are countries. China is shifting from attracting inward FDI towards promoting outward FDI, with outward FDI overtaking inward FDI for the first time in 2015. Although China’s policies regarding FDI have become more open over the years the institutional framework is still very much regulated by the Chinese government, which remains the main operational decision-maker regarding the approval of investment projects at many levels (MOFCOM, 2018). In 2017, China’s government imposed a series of new regulations for foreign exchange controls which affected all deals involving currency outflows from China, in particular outbound investment by Chinese investors. This caused a dramatic drop in outward FDI, and IPAs faced challenges to remain sustainable because IPAs are regarded as making a significant contribution to the development of inward FDI in their own country (Clover and Mitchell, 2017). According to the Organization for
Economic Co-operation and Development (OECD, 2016), net FDI inflows increased by more than 50% in the UK between 2014 and 2015. The USA, investing in 570 projects, remained the UK’s top single source of inward FDI, followed by China including Hong Kong, with 156, and India with 140 (GOVUK, 2016). There is no doubt that emerging countries such as China and India play important roles in the UK’s inflow of FDI. A conclusion is that in a changing environment the major challenge for IPAs is business sustainability, therefore, a clear understanding of China’s investment flows is essential.

IPAs have contributed to the development of FDI in their own countries and there is a substantial body of research in this area. The impact of investment promotion in generating foreign direct investment has been studied for almost three decades. However, there is limited research into IPA activities in relation to finance flows from developing to developed economies. The deficit in knowledge resulting from sparse research into IPA activities in relation to FDI from an emerging economy to an established one is the gap this research aims to address, through the research question: *What factors influence IPA promotion in attracting FDI from an emerging market, China, to the UK?* The findings also inform the principal researcher’s practice in the IPA field. The research is a qualitative study using an action research approach and comparative case studies to collect and analyze data. The study is reported as follows: First, we provide an overview of literature relating to IPA activities in relation to FDI. Second, we link the literature to the organizational context of FDI attraction to the UK educational sector. Finally, we discuss the major themes that have emerged from the study along with their contributions to discipline knowledge and application to practice.

**Literature Review**

The literature review established a conceptual structure and theoretical framework. It also identified theoretical and empirical literature that could inform this action-oriented study. The array of available peer-reviewed academic and empirical findings provided alternative suggestions and directions for the research. The literature review focused on three core concepts: IPA, IPA investment promotion and FDI attraction, considering the dimensions of the concepts and the relationships between them (The World Association of Investment Promotion Agencies (WAIPA), 2019; OECD, 2018; UNCTAD, 2000, 2001, 2009, 2013; Charlton and Davis, 2007; Morisset, 2003; Morisset and Andrews-Johnson, 2004; Wells and Wint, 2000; Liu, 2005a, 2005b, 2008, 2015, MOFCOM, 2018). The review accessed Proquest, Emerald, Science Direct and Scopus to source peer reviewed research articles. We also reviewed the activities of typical IPAs in China and the UK (Buckley et al., 2008; Huang, 2005; Jones and Wren, 2016; Liu, 2015; United Nations Conference on Trade and Development (UNCTAD, 2001). In order to enhance the scope of the research, and to determine directions for future research, we considered FDI from other countries with emerging economies, namely Brazil, Russia, India and China (BRICs) (Dunning, 1977, 1988, 2001; Sauvant et al., 2010; Andreff, 2014, 2016; Andreff and Balcet, 2015). BRICs countries were selected as being most closely comparable in economic development to China. We broadened the scope of the review by sourcing books and articles in Chinese. In doing this the principal researcher used Chinese research databases, for example www.cnki.net, WANFANG DATA, Chinese Research Data Services, Baidu Scholar and also organizational publications about FDI reports from the Chinese Ministry of Commerce annual reports.

**Core concepts and definitions of IPA**

IPAs are often government agencies or non-profit organizations that function similarly to a chamber of commerce or business consulting service with a mission to attract investment to a country, region or city. Typically, these are implemented by a single agency, but some promotional techniques may be carried on in other ways (e.g. by economic ministries or by embassies) (Campisi and Sottilotta, 2016; Morisset, 2003). There are two different types of IPAs related to trade promotion, the first being joint investment and trade, the other being splitting the trade promotion from an IPA (UNCTAD, 2013). Harding and Javorcik (2011) found that joint investment and trade promotion may...
bring several benefits, including policy and strategy coherence in an industry sector and at the state level. In this research the organizations involved are joint investment and trade promotion agencies. Investment promotion is considered a typically public function although some tasks are usually handled by private organizations, for example, the marketing task (Wells and Wint, 2000, p.50). Wells and Wint (1990), Wint (1992) and UNCTAD (1997) identified three organizational modes under which IPAs operate, namely government, quasi-government/autonomous public body and private agencies. Some organizations have integrated functions where elements from both the public and private sectors contribute to the set-up (Harding and Javorcik, 2007; UNCTA, 2001). In 2000, two more categories of organizational structures with IPAs were added, joint private-public and others (UNCTAD, 2000). 

FDI is a long-term investment made by a firm or an individual from a different country with risks and profit opportunities (Sornarajah, 2010). The OECD describes FDI as a cross-border investment where an investor from one economy establishes a lasting interest in and a significant degree of influence over an enterprise in another (OECD, 2020).

CFDI has existed for many centuries and by the early twentieth century the UK was the largest source of investment, followed by the US and Germany. Today, foreign direct investments and foreign investors have changed, with the patterns shifting as US firms become the main source of FDI, thus increasing their importance in the global economy both for developed and developing economies (Twomey, 2000; Collins, 2017).

The China Britain Business Council (CBBC) and China Council for the Promotion of International Trade (CCPIT) play integral roles in trade and economic cooperation between China and the UK. CBBC and CCPIT are the two oldest and largest quasi-government-type IPAs and take initial responsibility for bilateral investment promotion among others (Liu, 2015). With 60 years of experience CBBC operates alongside the British Chamber of Commerce in China to support companies of all sizes and sectors from multinationals to small and medium enterprises (SMEs). CBBC cooperates closely with governments to highlight export opportunities for UK companies and investment opportunities for Chinese organizations (Foreign Affairs Committee, 2009; CBBC, 2017). As the largest international trade and investment committee funded by the Chinese government, CCPIT develops business cooperation and exchanges with foreign countries. Over the past two decades a rising number of experienced Chinese investment companies have entered the global market and played a major role in investment, with some predicting that Chinese funds will dominate the global market in the near future (Ministry of Commerce, People’s Republic of China (MOFCOM), 2018). CCPIT works with “Going Global” and the “Belt and Road Initiative” along with Chinese companies to support their outbound investments in key fields, including market knowledge, transaction efficiency and risk control to enable more Chinese companies to engage in global business successfully (CCPIT, 2017).

Core concepts of IPA investment promotion and FDI attraction

A theory of IPA, in terms of “classical IPA tasks”, has been formulated as a business process and appears to be accepted broadly (Cass, 2007). As the leading authors in the IPA field what is significant from Wells and Wint’s (1990, 2000) research is that for the first time they viewed IPA activities as marketing promotions in which the "customers" are potential investors, and the "products" are countries. Wells and Wint (1990) also proposed three key activities of IPA’s as including investor facilitation services, image building and investment generation. These activities are referred to as "classical IPA tasks" as foreshadowed above (Cass, 2007). In a 2000 revision of previous research
FDI on IPA’s performance evaluation. Dunning’s eclectic paradigm (OLI framework) is a mix of activities. Research into IPA performance evaluation leads to findings that investment promotion has a significant impact on the level of the FDI attracted (Morisset and Andrew-Johnson, 2004, Lim 2018). Guimón and Filippov (2012) emphasized the importance of quality rather than the quantity of transactions as central to IPA effectiveness. In 2017, the Chinese government imposed a series of new regulations for foreign exchange controls which affected all deals involving currency outflows from China, in particular outbound investment by Chinese investors. This caused a dramatic drop in outward FDI (Clover and Mitchell, 2017). IPAs have faced challenges to remain sustainable, so it is essential to understand the factors influencing China’s investment in the UK.

In other research IPA performance was found to be associated with a country’s investment climate, organizational functions, governance, finances and structure (Lim, 2018). Performance was also found to be instrumental in promoting re-investment by large foreign-owned firms (Ni, Todo and Inui, 2017) while earlier research had presented a case study of Lithuanian and Ukrainian IPAs activities in attracting FDI (Miskinis and Byrka, 2014). The authors proposed five areas of good IPA practice, which include: 1) targeting FDI activities; 2) FDI facilitation; 3) aftercare; 4) co-operation with other actors; and 5) internal management of IPA activity. The corollary is that IPAs operate as marketing entities by providing investment promotion. Also, IPAs activities demonstrate the understanding of profit maximization strategies of foreign investors considering entering new markets. The policy advocacy role of IPAs is underlined by their role in providing complex and sophisticated instruments, networking and individual support services to new potential investors and to already existing subsidiaries or joint ventures.

Loewendahl (2001) argued that investment promotion needs to be coordinated at national and regional levels. Likewise, Liu (2005b) found that a large country has often developed a network of autonomous agencies and not subsidiaries of the national agencies. National IPAs often took coordinating roles to avoid needless competition and to direct investors to local agencies (UNCTAD, 2013; Jones and Wren, 2016).

Emerging economies play import roles in the UK’s inflow of FDI. Currently, FDI outflows from emerging economies like China to established economies like the UK account for an increasing proportion of global FDI flows, reversing the ‘traditional’ one-way flow of FDI from developed to developing economies (Sauvant et al., 2010). Filippov (2012) argued targeting of FDI from emerging economies is a controversial subject, with arguments both in favor and against. According to the UNCTAD (2013), around one-third of the IPAs surveyed replied that they had set up a network of sub-national investment promotion branches in their countries. Sub-national IPAs were usually autonomous agencies and not subsidiaries of the national agencies. National IPAs often took coordinating roles to avoid needless competition and to direct investors to local agencies (UNCTAD, 2013; Jones and Wren, 2016).

FDI attraction and evaluating issues have determined the effectiveness of IPA practice and activities. Research into IPA performance evaluation leads to findings that investment promotion has a significant impact on the level of the FDI attracted (Morisset and Andrew-Johnson, 2004, Lim 2018). Guimón and Filippov (2012) emphasized the importance of quality rather than the quantity of FDI on IPA’s performance evaluation. Dunning’s eclectic paradigm (OLI framework) is a mix of...
various theories of FDI. Dunning is recognized as being influential in the field (1977, 1981, 1988) by developing the eclectic paradigm, a comprehensive framework that incorporates ownership (O), location (L), and internalization advantages (I). The OLI framework was one of the first rigorous attempts in understand the elements that drive a multi-national enterprise from an individual home country to invest in host countries. Investment decisions made by corporations were influenced by various issues and IPAs were never wholly able to claim credit from winning investment programs, even if they had undertaken significant roles during the process. The OLI framework helps IPAs to systematically analysis what influences investment promotion and FDI attraction (Dunning, 1977, 1981, 1988).

While Dunning’s (1977, 1981, 1988) research provides a theoretical framework for analysis there is a paucity of research into what drives IPA promotion activities. There is no reported research into IPA promotion between China and UK at the organization level as most research is based at the country level. This is the gap that this research aims to address, articulated in the research question: What influences IPA promotion in attracting FDI from an emerging market, China, to the UK?

Methodology
This is an action research (AR) inquiry that investigates what influences IPA promotion in attracting FDI from China to the UK. The choice of AR was driven by a need to address the gap in literature by generating knowledge from action and to apply the findings to the researcher’s organization. AR was selected as the research methodology due to its ability to engender change. The study was not designed to measure but to understand IPA promotion based on the lived experiences of organizational members. Therefore, the research adopted a qualitative action research methodology, complemented by comparative case studies method to explore the research question systematically (Coghlan and Brannick, 2014). Lewin originally defined AR as an approach that "consisted in analysis, fact-finding, conceptualization, planning, execution, more fact-finding or evaluation and then a repetition of this whole circle of activities” (Lewin, 1946, p.34). Lewin further explained AR as a specific research approach where the researcher generates new knowledge about a social system, while at the same time attempting to change it (Kock, 2004). There are three types of AR that are widely applied: 1) classical action research; 2) action learning; and 3) participatory action research (PAR). PAR differs from the other approaches as it often involves external stakeholders (Coghlan, 2010). We adopted PAR for this research as we wished to consider key organizations in FDI processes as external stakeholders. Action Learning is a significant procedure in which our team examined authentic problems, then took action and gained knowledge as individuals, as a group and as an organization. Action research assists in action learning and maintains organizational knowledge creation better than other research methods (Revans,1983). Data were collected by sequential qualitative methods, namely focus groups, interviews, observation and journal notes , with analysis from the first stage used to inform the second stage.

Two series of action cycles
The research design consisted of two series of action cycles in which we explored issues influencing IPAs in attracting FDI from China to the UK. As foreshadowed above, the first series of action cycles consisted of focus group discussions conducted in the principal researcher’s practice as an insider action researcher (Coghlan and Brannick, 2014). This cycle involved the principal researcher engaging with managers and executives in order to develop actionable knowledge. The second series of action cycles involved interviews of key personnel from CBBC and CCPIT in two comparative case studies that explored issues from an external researcher perspective. Interpretative phenomenological analysis was applied as the method for analyzing data generated by the case studies (Giorgi, 1985). Coghlan and Brannick’s (2014) four-stage empirical model of action research was used to guide the action cycles. The steps in the action cycles included constructing/diagnosing, planning action, taking action and evaluating action, see Figure 1.
The first series of action cycles in the workplace

In the first action cycles we conducted AR in a single organization in the UK education sector to find out what influences IPA practice and activities. Also, in this cycle we established how the effectiveness of IPA practice and activities can be improved. As background to this stage of the research an overseas organization, H Group, was undergoing a period of expansion supported by the provincial government of HN (Chinese province) and also the central Chinese Ministry of Education. As part of this expansion, H group wanted to enter into a partnership with an overseas higher education institution that would allow them to create a joint venture campus together. The objective was to establish high-quality university education in the capital city of HN Province. According to Dunning’s OLI framework, the Chinese investor was interested in the “ownership” factor in this project, namely the UK’s Top 20 University’s trademark and patents and the “technology/intellectual property” factor, namely the higher education curriculum setting and teaching management technology. The first step was to set up an action research project between the two countries for the purposes of conducting this study. Our group consisted of five colleagues, three from the UK and two in China making up the learning set. The first online meeting was held at the end of May 2017 via WeChat, which is an instant talk application that has a similar function to WhatsApp in the UK. At the commencement of the meeting with the learning set colleagues we encouraged them to contribute their individual experiences and wisdom on the matter, and to think independently. A series of guiding points for focus group discussion was established at the first meeting of the learning set.

After signing the contract with H group, the focus moved from China to the UK. We took planning as the second step, collaborating with H group stakeholders. We set up a focus group to plan collaborative action. The focus group included five team members from our organization and two stakeholders from H group. Discussion allowed the group members to enter into a more natural conversation pattern than typically occurs in a one-to-one interview. In combination with participant observation, the focus group discussed issues from strategy, tactics and operations in three layers of investment promotion, and learned about groups and their patterns of interaction to explore a specific set of issues. In the third step, taking actions, we ran three internal action cycles to elucidate H group’s ongoing international cooperation program. At the last step evaluating action, we evaluated the situation, identified codes, refined categories and organized patterns (Miles et al., 2013). We maintained a journal from the beginning of the action cycles, wrote notes and made connections in the information. Analysis of the data showed similarities and differences across three universities in both contributions and inducements together with combining new ideas and pieces of information.
Each stage was followed by a review and reflection process exploring meanings and interpretation of the findings (Coghlan and Brannick, 2010).

Figure 2 Action Research Cycle One Timeline  
May 2017-May 2018 (12 months)

The second series of action cycles about CBBC and CCPIT case
In order to mitigate any possible bias associated with insider research, and to expand the scale and scope of the research, we conducted comparative case studies to allow a move away from insider researcher towards a position of impartial observers, where any new or different information engaged would enhance understanding of the cases. At the first step constructing, we selected two large investment promotion agencies between China and the UK, CBBC and CCPIT, to investigate. The second step, planning action, was recruiting participants. We identified six interviewees from CBBC and CCPIT based on their job title, two senior executives responsible for the overall IPAs promotions strategy, two middle managers from the education sector who were expected to deliver on IPAs promotions practices strategy, and a further two key staff members who were team members from the marketing department working on IPA promotion activities. In purposively selecting the respondents from these IPA organizations we identified those individuals who could best assist in understanding the case, as they would provide a variety of viewpoints from different positions.

Figure 3 Action Research Cycle Two Timeline  
May 2018- Nov 2018(6 months)
At the third step, taking action, we held interviews and coded ideas into a manageable form and then used an interpretive phenomenological approach for analysis (Giorgi, 1985). The fourth step was evaluating action. Here we examined assumptions/propositions and found potential biases emanating from role duality as an inside practitioner and researcher, and partly from an SME work background. The CBBC and CCPIT comparative case studies provided evidence to inform the research question.

**Data collection and analysis**

Data were collected using qualitative methods that allowed extended understanding of what influences IPA promotion in attracting FDI from an emerging to an established market and to evaluate the performance between CBBC and CCPIT. During data collection we were engaged in gaining a deeper and richer understanding of the content relating to the phenomena through an action research approach (Weber, 1990; Hsieh and Shannon, 2005). In the first instance data were collected through focus group discussions and field notes from observations. The focus group included seven individuals: two team members from H groups and five from CBBA China and the UK, with discussion providing evidence about what influenced investment decision from H group. Data were collection in the second action cycles by semi-structured interviews. We interviewed six participants with in-depth experience in international investment promotion. In determining sample size Creswell and Poth (2017) proposed that a phenomenological research sample should be between five and 25 while Morse (1994, p.225) claimed at least six. We chose six individual interviewees following Guest et al.’s (2006) suggestion that this is a sufficient number of interviews with sources of relatively homogenous data, which was the case. All questions from the focus group guide, together with the outputs from the first action cycle, were addressed with the interviewees in a random order to respect the flow of information exchange and the interviewee’s sharing. This allowed new ideas to be brought up during the interviews (Rubin and Rubin, 2011). Focus group, semi-structured interviews, observations and cases studies provided triangulation of method (Denzin, 1970). Trustworthiness and credibility of the research was ensured by use of multiple data sources, inter-judge reliability with co-researchers and the constant comparison of data during analysis.

Multiple Excel spreadsheets were used for coding and analysis of focus group discussions and interviews rather than a software computer program. In order to be close to the data the principal researcher transcribed the source material manually, organized data, identified codes, refined categories and organized patterns (Miles et al., 2013). Coding and data analysis of the information was a rigorous manual process with each phenomenon identified in the data being examined in a review process that explored meanings and interpreted findings. The central processes of content analysis originated in the data-reduction process by which the many words of text are classified into much fewer categories (Weber, 1990; Rubin and Rubin, 2012; Saldana, 2015). Analysis followed Giorgi’s (1985, p.10) four-step process for analyzing phenomenological data. The steps were: 1) read the whole transcript to get a sense of the data as a whole; 2) read the transcript again to identify “meaning units” with a focus on the phenomenon under investigation; 3) once meaning units have been identified express them more directly; and 4) synthesize the transformed meaning units to form themes that represent the structure of the experience. Following Giorgi’s approach ensured that meaning units emerging from analysis were constantly compared to other meaning units to form dense and robust themes as advocated by Johnson and Duberley (2000). Coding included labelling concepts, defining and developing categories based on their properties and dimensions (Saldana, 2015; Green and Thorogood, 2018). Similar properties were grouped under the same concept from focus group discussions and semi-structured interviews.
Table 1 AR analytical process: An example of interpretative analysis of the discussion data from the semi-structured interviews

<table>
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<th>Interviewee</th>
<th>Description of the phenomenon</th>
<th>Concepts</th>
<th>Categories</th>
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<td>CBBC senior manager</td>
<td>“I think the regional strategy is one of the main factors determining the effectiveness of investment promotion agency practices and activities at the provincial and central government levels.”</td>
<td>Regional Strategy</td>
<td>Factors influencing IPA promotion</td>
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<tr>
<td>CCPIT Senior manager</td>
<td>“.... strong government support is one of the main factors to determine the effectiveness of investment practices and activities in China. The provincial policy is specific, and central government level is more general than local ...” ... “create new employment opportunities from business start-up expansion and investment retention in target sectors...”</td>
<td>Policy advocacy, Regional strategy, Target sectors</td>
<td>Factors influencing IPA promotion</td>
</tr>
<tr>
<td>CBBA manager</td>
<td>“...target sector combined with market access can increase inward FDI from China to the UK” “the investors lack information about UK businesses …language barriers cause communication difficulties for Chinese investors...”</td>
<td>Target sector, Information accuracy</td>
<td>Increasing inward FDI from China</td>
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For all discussions and interviews, we also documented perceived sentiments and mannerisms, and both positive and negative emotions were noted in a journal during the two series of action research cycles. This was the key to ensuring accuracy when identifying and explaining the meaning of the data. Notes were inserted at the actual time they occurred during the recording of the interviews to match the topics and interview content at that specific time of the interview. These memos were saved to reference back during analysis.

At the conclusion of analysis four main themes influencing IPAs investment promotion between China and the UK had emerged. Three of the four themes that emerged from the first AR cycle were later confirmed by the second AR cycle. In the second cycle the theme labelled “Information Accuracy” was changed to “Regional Strategy” to provide a more accurate description of its content. The four themes finally identified were:

- **Policy advocacy**: We reflected on the focus group discussion with H group stakeholders and colleagues after the second meeting. This project relied heavily on provincial government policy - H group wanted to apply for free land and a vast amount of government funding support on the basis that the provincial government had a plan to invest 10 billion CNY to the regional education sector...
for improving higher education competitiveness. In explaining how policy advocacy influences the project, the Chairwoman from H group said: “based on the actual development of higher education in XXX, the provincial government made it clear that a high-level university with independent legal qualification should be co-built by Chinese and foreign universities as soon as possible.” She then provided examples of further attractive incentive policies from local government saying, “the first year will not only allocate 500-2000 acres of construction land, but also provide 5 million CNY funds to support the project.” Her opinion matched our colleagues’ argument in China that government policy advocacy is the dominant factor influencing overseas investment opportunities that leads local industry/sectors development.

(2) Targeting Industry: H group was particularly interested in introducing a world first-class overseas university to H province, though we fully understood the expectations between H Group and the UK’s top university were very different. In addressing how targeting the education sector affects the project, a senior director from Q University said: “I think the education sector in the UK has been targeted by Chinese investors and now is mature regarding Chinese collaborations and that we were really being asked to ‘fish’ in the wrong pool and a very small one at that” and also my colleague R in the UK office added “as we know, the Russell Group of UK universities have already done their collaborations, probably for a generation.” After two meetings with top universities in the UK, H group found that top universities in the UK fiercely protected their brand and reputation (consistent with the O ownership dimension of Dunning’s OLI framework) and were very careful about choosing potential Chinese business partners. They would not cooperate with universities or parties that could not meet their criteria (for example, potential partners must have a good reputation from the top-level universities group in China). The reason is the cooperation impact on a UK’s university’s future ranking and reputation worldwide, especially on a research university. The above provides evidence that the UK’s advanced sectors, for example the education sector, have attracted investment attention from China.

(3) Regional Strategy: As a senior executive from CBBC pointed out during her interview in the second action research cycle “IPAs need to be coordinated at the national and regional levels. I think the regional strategy is one of the main factors determining the effectiveness of investment promotion agency practices and activities at the provincial and central government levels. A strong provincial brand encourages tourists, trading partners and investors simultaneously”. Provincial IPAs are increasingly adopting/copying the marketing tactics that national IPAs use to raise their profiles in China. A line manager from CCPIT also said “The ‘go global’ strategy is not only applied by Chinese institutions/companies, but also regional governments.” In the UK, the government as a regional strategy promotes the “Midland engine” to develop the Midlands region. Similarly, China has devised regional development strategies, for example, the Guangdong, Hong Kong, Macau Great Bay Area, Yangtze River Delta, etc. Our education project with H group was rooted in provincial strategy in the education sector. Based on two action research cycles we identified that regional strategy plays a critical role in attracting investment and FDI.

(4) Culture differences adaption: It was a long-term project and UK culture, traditionally conservative, would not make a quick decision in just one year to build an overseas campus for 15,000 graduates and post-graduates. H group hoped to accelerate the process based on “Guanxi”, although “Guanxi” doesn’t work in this case because of cultural differences. In all the Chinese dominated societies in Asia, including mainland China, Taiwan, Hong Kong and Singapore, the Guanxi network is a social and cultural dimension with a human element. It represents a major pattern of cultural adaptation. On the surface, Guanxi may seem very similar to Western business networking, but it is radically dissimilar. The foundations of Guanxi present a new framework from the business perspective that involves adaptation, trust, opportunism and favor (Wong and Chan, 1999; Gu et al., 2008). Identifying Guanxi’s gateway ties contributes to the power of corporations and individual businesses to thread their way through Chinese bureaucracy and hierarchical levels. We acknowledge that our investment performance could improve through Guanxi networks; this would give us more opportunity to access the market and grow. The Chairwoman proposed “I will rent a house nearby the Vice Chancellor and visit him regularly for few months, first step is to know each other in person,
after we build up trust and then we talk about business.” By contrast, the international cooperation
director from L university insisted “Whether or not we carry on this international project depends on
the due diligence report provided by the third party”. Through observation, we also witnessed first-hand
the different characteristics of Chinese entrepreneurs: competent, practical, possessing strong
leadership qualities and having a good relationship with the regional government. However, H group
was not familiar with British culture and thought that “Guanxi” would work in the same way in the
UK as in China.

In summary, the first action research cycle showed that assumptions about the factors influencing
IPAs’ investment promotion were consistent with previous research. This was on the basis of
interpretive analysis where the emergence of four main factors: policy advocacy, targeting industry,
information accuracy and adaptation to cultural differences was noted. The second action research
cycle involved interviews with CBBC and CCPIT staff and managers, all of whom were senior
executives who provided valuable inputs relating to the research question. The primary interview data
were based on three open questions. After data collection and analysis, the four factors were re-examined and a potential misinterpretation of the factor “regional strategy” was noted. This further
reflection allowed deeper understanding of the impact of the variables in IPAs’ activities and
evaluation of the performance between CBBC and CCPIT. Following reflection, we realized that the
four main factors influencing inward FDI attraction were: 1) policy advocacy and regulations; 2) regional strategy; 3) targeting industries; and 4) adaptation to cultural differences between East and
West. Action research assisted in sustaining the organizational learning processes effectively.

Discussion and outcomes of research
The research has reported and discussed the main issues influencing IPA promotion in attracting FDI
from an emerging market to a developed one. The main issues are represented by the themes: 1) policy advocacy; 2) targeting industry; 3) regional strategy; and 4) cultural differences adaption. The
accounts of individuals working in IPAs have informed and assisted in addressing the research
question: What factors influence IPA promotion in attracting FDI from an emerging market, China,
to the UK? The study provides a platform for further research into the role of IPAs in facilitating what
are in effect contra-flows of finance from developing to developed economies.

The research is important as it elucidates a key challenge facing all IPAs in how to evaluate
their performance appropriately. Since investment decisions made by organizations are often affected
by a range of issues IPAs can never claim full credit in the success of any investment project, even if
they have played a significant part in the process. A clear understanding IPA performance facilitates
understanding of IPA roles. Moreover, it is particularly challenging to develop methods to assess the
viability of not-for-profit activities, such as investment climate improvement. The four main themes
proposed by the research are significant in explaining IPA roles including the relatively recent
phenomenon of IPAs attracting ‘contra-flows’ of finance from a developing economy to a developed
one, in this study China and the UK respectively. Identifying these assists in developing appropriate
methods for improving and measuring IPA performance between China and the UK.

Contribution to academic knowledge
The study contributes to academic knowledge in four ways. First, the four themes identified in this
research as influencing investment promotion agencies’ practice in attracting FDI from China to the
UK are consistent with themes identified in previous research (e.g. Wells and Wint, 1990, 2000; Cass,
2007; Dunning’s, 1988, 1977, 1981 eclectic paradigm as set out in the OLI framework). The research
confirms these studies across different cultures and contexts. Second, the research extends the
previous studies of Morisset and Andrews-Johnson (2004) and Wells and Wint (2000) who argued
that advocacy can influence public policy. This study extends the previous notion of advocacy as an
‘influence’ on public policy by identifying it as the dominant factor driving overseas investment
opportunities leading to local industry/sectors development. Third, the four themes identified in this
study provide a framework for future measurement and understanding of IPA functions. Fourth, the
study contributes methodologically by using AR to investigate issues associated with investment
promotion agencies. AR is a novel approach to investigating IPA activities in the context of contra-
flows of FDI. Gathering internal and external perspectives reinforces a novel approach.

In undertaking the research our organization did not know the main factors influencing the IPAs’
practices for attracting inward FDI from China to the UK. We had no clear strategies and approaches
to improve our investment promotion practices when a few deals failed. Through this research, we
attempted to solve our workplace problem gradually and make contributions to its practice. The
significance of contribution is the research has identified a gap between the views expressed in the
literature and the result of action-oriented research about the four factors influencing the performance
of IPAs. Regional strategy was a critical factor that was not evident from the literature review. After
interviewing participants from two agencies, we sensed that the provincial policies in the 31 provinces
of China were crucial because they took account of local resources and provincial development plans.
This was identified and an adjustment made.

**Implications for practice**
The outcomes arising from the study, as detailed above, have been implemented in the principal
researcher’s organization with a view to achieving sustainable organizational change. It is anticipated
that embedding the four major themes identified in this research into organizational processes will
lead to improved organizational effectiveness. The outcomes provide an opportunity for adoption in
other contexts, subject to the limitations noted below.

**Opportunities for further research**
There is an opportunity for further research in several areas, which include: First, the four themes
could be measured in a quantitative study to determine the influence each has on FDI flows. Second,
further research could extend to IPAs promotion between the UK, India and USA. Other BRIC
countries also offer opportunities for research. Third, researching whether all or some of the themes
identified in this research apply across other national cultures and contexts are also opportunities for
further studies. In the principal researcher’s own research plan, as the UK is in the process of leaving
European Union how FDI trends from Europe will change is a future area of interest.

**Limitations**
IPA research is limited due to its relatively short history and the complexity of IPA organizations
themselves. As with all qualitative research the findings of this qualitative study may apply in other
organizations, though no claim of generalizability can be made. However, this does not detract from
the importance of the study.

Action research differs from traditional social research since it integrates social science enquiries
with participants’ practical action. Also, IPA organizations vary in their history, legal status, size and
number of overseas offices, so it is hard to assess the benefit to all IPAs.

**Conclusion**
As scholar-practitioners, we provided a solution to our workplace problem while contributing to
discipline knowledge by addressing a gap in literature. On the basis of the literature review, we
integrated peer-reviewed research on IPA. We established a theoretical framework based on the
framework of "classical IPA tasks" articulated by Wells and Wint (1990, 2000) and the Eclectic
Paradigm theory (OLI framework) of Dunning (1977, 1981, 1988). The research employed a
qualitative action research approach and case studies method to investigate What factors influence
IPA promotion in attracting FDI from an emerging market, China, to the UK?

The methodology that guided the overall study is the cyclical model of action research proposed
by Coghlan and Brannick (2010, 2014). The research methodology detailed how two series of action
research cycles were applied. The research design was one action research cycle over a period of 12
months to establish influencing factors for FDI as an insider researcher, then a second action research
cycle over six months that involved comparative case studies of CBBC and CCPIT which explored
influential factors from an external research perspective. The research used focus groups, semi-
structured interviews, observations, journaling and comparative case studies to collect data. We chronologically investigated and analyzed the key factors in determining the effectiveness of IPA practice and activities. We identified four factors influencing IPA practice in attracting inward FDI from China to the United Kingdom, namely: 1) policy advocacy and regulations; 2) regional strategy; 3) targeting industries; and 4) adaptation to cultural differences between China and the UK. Finally, we discussed the implications of the research and how they could be investigated further in future research.

References
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