

Attraction and Retention of Foreign Direct Investment (FDI): The Role of Subnational Institutions in a Small, Highly Globalised Economy



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ABSTRACT

The interplay of foreign direct investment (FDI) with host locational characteristics has become an increasingly pertinent issue and this paper attempts to contribute to this proverbial 'black box' of research by profiling the host subnational location in a highly globalised economy. Building upon research on the activity of multinational enterprises (MNEs), this paper proposes that the subnational business system (SNBS) provides a novel theoretical framework upon which to explore FDI attraction and retention in the Republic of Ireland. Adopting this perspective, a profile of the subnational governance system and institutional network of actors in Ireland, particularly as it pertains to FDI, is illustrated through the lens of the SNBS. Sixteen key subnational institutional actors which have the potential to engage in the attraction and retention of FDI are identified and their role with MNEs categorised within the SNBS. From here, a potentially fruitful future research agenda is outlined which can deepen our understanding of the interaction between MNEs and institutional actors at the subnational level.

Key Words: foreign direct investment; multinational enterprises; subnational business system; institutional network; home and host location; national business system

INTRODUCTION

The internationalisation of a multinational enterprise (MNE) can provide significant competitive advantages to the organisation, such as access to new markets, labour supply and skills, availability of sub-suppliers and logistical support, proximity to raw materials and/or special financial incentives (Dunning, 1977, 1998, 2009). While the location of the

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MNE can offer many positive benefits to the organisation, the attraction and retention of foreign direct investment (FDI) can also have a significant impact on the environment in which it locates in terms of employment, productivity, workforce skills and knowledge transfer (Fuller and Phelps, 2004; Morgan, 1997; Phelps, 2000). Despite these evident advantages to both the host location and the MNE, the process by which MNEs engage with their surrounding environment remains a 'black box' in research (Beugelsdijk et al., 2010). This paper seeks to explore the realms of this black box, focusing on the attraction and retention process of FDI and identifying characteristics of the location which envelop the MNE.

Adopting the perspective of the subnational business system (SNBS) (Almond, 2011) in which a MNE subsidiary locates, this paper contributes a concerted view of the potentially dynamic affiliation between the institutional network of systems, actors and bodies in the attraction and retention of FDI at a subnational level. Proposing a research agenda, this paper first presents the SNBS as a suitable theoretical tool to explore the interaction of the host subnational environment in FDI attraction and retention. Secondly, the subnational environment of a highly globalised country is profiled to demonstrate the key institutional actors from the SNBS who may engage in FDI attraction and retention. For the purpose of this paper, the terms 'local' and 'subnational' may be used interchangeably.

The paper proceeds as follows. The next section establishes a theoretically grounded rationale for exploring this issue, with the construction of an analytical framework. The contextual dimensions of the research will then be outlined, locating it within an Irish context. Following this, the second section will describe the infrastructure of the SNBS, identifying and categorising the key institutional actors which potentially engage with FDI in Ireland. The concluding analysis will offer key observations on the subnational dimension of FDI attraction and retention, providing some core observations and detailing an agenda for future research.

ATTRACTION AND RETENTION OF FDI

In this instance, the attraction and retention process of FDI particularly relates to the location of FDI in a host environment. A substantial body of literature has discussed the role of location in the internationalisation of the MNE (see Dunning, 1998, 2009). Research on internationalisation has predominantly focused on economic factors, such as entry mode to markets, proximity to market and low transaction costs (Buckley and Casson, 1976; Caves, 1982; Dunning, 1977). While these factors are crucial, the current rhetoric on FDI location decisions has advanced from an identification of economic resources (Caves, 1982; Dunning, 1977) to include an awareness of the additional spatial characteristics, such as transportation, production linkages and infrastructure for optimal performance (Beugelsdijk et al., 2010; McCann and Mudambi, 2005), and location-based activities which pertain to FDI, including knowledge facilitating assets, learning opportunities and lower labour costs (Beugelsdijk et al., 2010; Buckley and Ghuari, 2004; Dunning, 2009). For example, knowledge provision is a key attraction of a location (Finegold, 1999; Florida, 2005; Gertler, 2003; Maskell and Malmberg, 1999) with access to higher value-added skills and knowledge capacity recognised as a significant competitive advantage for firms (Delbridge et al., 2006).

This research has primarily evolved from an integration of theories in economic development, economic geography, regional science and regional economies (Amin and Thrift, 1994; McCann and Mudambi, 2004, 2005; Phelps, 2000; Rugman, 2003; Scott, 1988) with traditional international business and international management theories (Caves, 1982; Dunning, 1977, 1988; Vernon, 1966).

Despite the awareness of these location-specific assets, the interaction of place, space and the organisation requires further research (Beugelsdijk et al., 2010). It has been noted that MNE subsidiaries are more strongly associated with their local economy and proximate firms than with national level institutions and factors (Phelps, 2000). However, while significant research on FDI location has been conducted at the global (Clark and Knowles, 2003), regional – in this context referring to a specific cohort of countries, defined by geographical proximity, with lower economic and institutional distance than at the global level, for example the European Union (EU) or the North American Free Trade Agreement area (Rugman and Verbeke, 2005) – (Arregle et al., 2009; Buckley and Ghauri, 2004) and national level (Dunning, 1998, 2009), there is a dearth of empirical research on the subnational level (Beugelsdijk et al., 2010; Meyer et al., 2011). This is no more evident than in the Republic of Ireland, a highly globalised economy – considered one of the most FDI-intensive economies in Europe (Barry, 2007) – in which the overwhelming majority of research has been conducted at the national level (Barry, 2004; Barry and Bergin, 2010; Brennan and Verma, 2010; Rios-Morales and Brennan, 2009; Ruane and Buckley, 2006).

Research on Ireland's capacity to attract FDI has primarily focused on national level strategies, including government economic policies, a priority of which was low corporation tax and liberalised trade policies, the activity of IDA Ireland (the Industrial Development Agency), the education system and membership of the EU (Barry, 2004, 2007; Gunnigle and Maguire, 2001; O'Higgins, 2002; Rios-Morales and Brennan, 2009; Ruane and Buckley, 2006). Ireland is one of the most MNE-dependent economies in the world, with the fifth highest ratio of inward FDI stock to gross domestic product (GDP) in the Organisation for Economic Co-Operation and Development (OECD) and the highest ratio of employment in foreign affiliates in both the manufacturing and services sectors (Organisation for Economic Co-Operation and Development, 2010; UNCTAD, 2007). However, recent changes in the global and Irish economy have challenged Ireland's ability to attract and retain FDI, including the global financial crisis (Brennan and Verma, 2010), greater geographical competition for FDI (UNCTAD, 2010), pressure on Ireland's low corporation taxation regime (Barry and Bergin, 2010) and production and labour costs which escalated during the Celtic Tiger (Brennan and Verma, 2010).

While Ireland remains an attractive location for investment, with decreasing costs of location and production, the current fiscal and budgetary constraints facing Ireland illustrate a need to explore alternative avenues to sustain FDI attraction and retention (Brennan and Verma, 2010). One potential avenue is the subnational and local context. Recently, Forfás, the national policy advisory body in Ireland, has provided research on the strengths and capabilities of each regional location in Ireland, advocating that regional competitiveness offers the potential to generate an environment conducive to industry (Forfás, 2009).

Similarly, Meyer et al. (2011) have noted that the specific characteristics of a local context are becoming an increasingly important factor for MNE location and embeddedness.

RESEARCH FRAMEWORK – SUBNATIONAL BUSINESS SYSTEM

At a localised level, there is an increased awareness of the potential to influence and engage with FDI (Loewendahl, 2001; Phelps, 2000) through activities such as ‘aftercare’ policies, localised financial assistance packages and reduction of transaction costs which can mediate the interaction between the location and the MNE (Fuller and Phelps, 2004). Given the noted benefits of FDI to a location, different locations often compete with each other, using a variety of financial and policy incentives to attract FDI (Barrios et al., 2006; Basile et al., 2003; Ruane and Buckley, 2006), illustrated by a noted increase in ‘location tournaments’ for FDI (Oxelheim and Ghauri, 2003). For example, the investment of a US-owned media company in Ireland was effectively ‘won by IDA Ireland in the face of stiff competition from other European locations’ (IDA Ireland, 2011).

The primary source of these activities is generated from, and generally maintained by, institutional actors (Fuller and Phelps, 2004; Meyer et al., 2011; Phelps, 2000). Exploratory research by Fuller and Phelps (2004) illustrates that subnational institutions are best positioned to respond to the needs of MNEs. To this end, different regional locations can harness resources, engage with MNEs at a more informal and pragmatic level and respond appropriately to the needs of MNEs. Almond (2011) presents a model of the subnational business system (SNBS) as the primary sphere of interaction and influence between the local host location and FDI and it is thus proposed that this theoretical lens can offer the most locally insightful framework for exploring specific strategies and activities of the process of FDI attraction and retention and the dynamic interaction between MNEs and their environment.

The SNBS refers to the system (or systems) of institutions, actors and arrangements which are located at a local, subnational level (Almond, 2011), based on the principles of the national business system (NBS) (Whitley, 1998, 1999). The NBS model identifies the national level institutional systems which govern, coordinate and control organisational structures and practices, including governance regimes, educational institutions, industrial relations systems, financial systems and training systems (Whitley, 1999, 1998), and are both influenced by and influencers of the needs and demands of MNEs. The main contribution of this body of research has been to illustrate the influence of both ‘home’ and ‘host’ NBSs on the transfer of policies and practices in MNE foreign subsidiaries (Almond and Ferner, 2006; Ferner, 1997; Ferner et al., 2001; Gunnigle et al., 2005; Kristensen and Zeitlin, 2004). The NBS framework has highlighted the ‘dynamic interplay’ (Morgan, 2007: 135) between MNEs and these institutional systems which shape and influence their interaction, particularly the nature of investment and the employment practices of the MNE subsidiary unit (Almond and Ferner, 2006; Ferner and Quintanilla, 1998). However, one notable limitation of this model is that the NBS predominantly relates to the national level, referring to national institutions, structures and arrangements (Morgan, 2007), while opportunity exists to explore different levels, particularly the supranational (Djelic and Quack, 2003) and subnational level (Crouch et al., 2001).

Utilising the same systematic framework as the NBS, the SNBS positions the systems of institutions and actors at a local, subnational level (Almond, 2011). Almond (2011) posits that while the SNBS retains the general characteristics and systemic aspects of the greater governing NBS, it also has a specific degree of autonomy, differentiation and legitimacy to the subnational, local environment, offering potential for the SNBS to interact and engage with MNEs at a more proximate level. Therefore, the SNBSs comprise similar institutional structures to the national level but are represented in a subnational system of economic organisation. Subnational institutional arrangements are defined by their geographical boundaries and it is suggested that they can engage more fluidly and efficiently with MNEs or other institutions within their jurisdiction due to their close proximity, thus offering the capacity for 'institutional innovation at subnational levels' (Almond, 2011: 27). Institutional innovation relates to the capacity of subnational institutions to initiate novel transactions, enhance local linkages by networking and interaction with MNE subsidiaries and potentially embed MNE subsidiaries within the local environment.

In summary, the SNBS provides an important theoretical lens through which to explore FDI attraction and retention, particularly as it illustrates the vital role of the host subnational network of institutions and systems, including subnational governance systems, local educational and training institutions and the industrial relations infrastructure. Adopting this framework can inform and enlighten the process by which FDI engages with its immediate host environment.

THE IRISH SUBNATIONAL BUSINESS SYSTEM

While subnational governance structures vary in nature, Almond (2011) establishes a strong rationale for the institutional parameters of the SNBS and illustrates the need to consider all governance systems and institutional actors which demonstrate a role for engaging with FDI at the subnational level. The following section will explore and identify the governance structures and institutional actors which potentially engage in FDI attraction and retention at a subnational level in Ireland. The first subsection profiles the subnational governance system, outlining the key governance actors, their mandate and where they derive their legitimacy and authority from. Following this, a visual representation of the SNBS as it operates in Ireland is offered, which identifies the range of industrial bodies and actors which pertain to FDI attraction and retention and the process of identifying these institutional actors is described.

Level of Analysis – Subnational Governance System

As approximately 94 per cent of all public expenditure decisions are made at national level (O'Broin and Waters, 2007), Ireland has a strongly centralised administration, characterised by weak regional and local government in which subnational infrastructure is quite fragmented (Boyle, 2000), as illustrated in Table 1. While the strongly centralised nature of the Irish governance system means that subnational governance institutions operate with limited autonomy and decision-making power, almost 491 such institutions have been identified in Ireland (O'Broin and Waters, 2007). Therefore, this paradox positions Ireland

as an interesting context in which to explore the dimensions of the SNBS. The Irish governance system is briefly explored to identify and establish the subnational location which provides most similarity and relevance to the definition of the SNBS.

Table 1: Structure of Local/Regional Governance

Number	Regional Governance Structures
2	Regional assemblies (Border, Midlands and Western Regional Assembly, and South and East Regional Assembly)
8	Regional authorities (Border, Dublin, Mideast, Midlands, Midwest, Southeast, Southwest and West)
34	Local authorities, which consist of a variety of groups such as: <ul style="list-style-type: none"> • County/city councils (29 counties and 5 cities) • City/county development boards (34) • Vocational Education Committees (33) • Enterprise boards (35)
80	Town councils

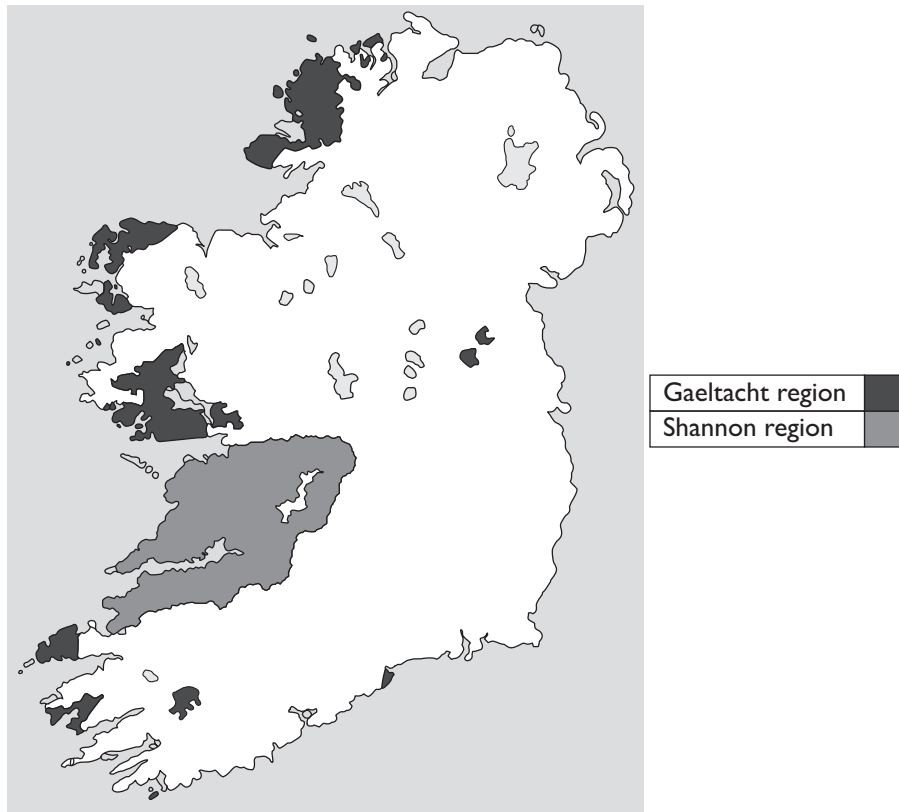
O'Broin and Waters (2007: 35), © TASC, 2007. Reproduced with permission.

In terms of traditional subnational infrastructure, the Republic of Ireland has 26 counties which Laffan (1996: 322) notes offer the 'critical focus for collective identity' for Irish people. A local authority resides within each county, with some counties having two authorities due to their size and/or the presence of a city. Overall, there are 34 local authorities in Ireland: 29 county councils and 5 city councils. Their primary role lies in the provision of local government services at a county and city level, namely the delivery and maintenance of physical infrastructure in the locality, such as planning, water supply, sewerage and roads. Counties are collectively amalgamated into four provinces – Ulster, Connaught, Munster and Leinster – but provinces have no governance role in the Irish economy. In 1994, regional authorities were established in Ireland and are composed of members of the local authority within their jurisdiction. In this instance, the term 'region' pertains to a collection of counties within Ireland which are governed by a specific system. There are eight regional authorities: Border, West, Midlands, Midwest, Southwest, Southeast, Mideast and Dublin. Each regional authority has two main functions: to coordinate public service provision and to monitor the administration and delivery of EU structural funds assistance to the region. In addition to this, there are two regional assemblies – the Border, Midlands, West Regional Assembly (BMW) and the Southern and Eastern Regional Assembly (S&E) – which operate under the Nomenclature of Territorial Units for Statistics (NUTS) III system of regional subdivision by the EU. The regional assemblies were created in 1999 in response to a call from the Agenda 2000 European Structural Fund. Their role is similar to that of the regional authorities, in that it relates to the coordination, management and dissemination of EU funding within the region. Until Agenda 2000 Ireland was considered a single region by Europe but now it is divided into two NUTS III regions. As

these regional bodies were primarily established to attract EU funding, their governance role is largely elusive (Boyle, 2000).

In addition to the subnational governance system in Ireland, there are two regional structures which have responsibility for industrial and regional development within their jurisdiction. The Gaeltacht region and the Shannon region both have an FDI-related body in operation which has considerable autonomy from national bodies to carry out industrial development activities. The Gaeltacht region is governed by *Údarás na Gaeltachta* and the Shannon region is governed by Shannon Development, and these regional development agencies – both of which were established in the late 1950s – organise, manage and engage in industrial development within these regions. The choice of these two regions as a location in which to explore the SNBS is premised on the presence and operation of these long-standing regional development agencies (see Figure 1), which is supported by Almond (2011: 541), who notes the role of regional development agencies as the ‘main interlocutor for MNCs’.

Figure 1: The Shannon Region and Gaeltacht Region in Ireland



The region under the governance of Shannon Development relates to a geographical area surrounding the lower Shannon River in the midwest of Ireland, taking in parts of five different counties – Clare, Limerick, Kerry, Tipperary and Offaly – and accounts for 11 per cent of the Republic of Ireland's population. Established in 1959, Shannon Development was commissioned to encourage industrial development in the area surrounding Shannon Airport – the Shannon Free Zone (SFZ) – in addition to general tourism and publicity for the region. With both an international airport and low labour costs in its region, Shannon Development also offered special tax incentives and arrangements for manufacturing and export-orientated companies to locate in the SFZ. These tax incentives were largely credited with the initial attraction of FDI to the Shannon region (Callanan, 2000) and there has been a traditionally strong industrial base in the region, including manufacturing, engineering and information communication technology (ICT), largely concentrated in Limerick city and the SFZ.

Until the early 1990s Shannon Development actively promoted tourism and industrial development in the Shannon region both nationally and internationally, a key element of which was focused on FDI attraction and retention. However, in response to the Culliton Report (1992) the activities of Shannon Development were curtailed, with its industrial development activities confined to the SFZ. IDA Ireland subsequently received the sole mandate to promote Ireland as a location for FDI on both a national and international scale, including areas in the Shannon region which were previously under the remit of Shannon Development. Additionally, a 12.5 per cent tax incentive was extended to all of Ireland with Shannon losing its unique tax incentive. Despite these changes, Shannon Development continues to host almost 120 indigenous and foreign-owned companies, 69 of which are MNEs, in over 57 business parks in the area, including the SFZ, and maintains an active stance in all aspects of property development and tourism in the greater region (Shannon Development, 2011).

The Gaeltacht region is more dispersed, comprising of geographical areas in which Irish (Gaelige) is the first language. The predominant core of the Gaeltacht region is along the western seafront in counties Galway, Mayo, Kerry and Donegal but also includes smaller areas of Cork, Meath and Waterford. These areas are quite rural with the result that just 2 per cent of the Irish population is located in the Gaeltacht region. The first regional development agency for this region was established in 1957, Gaeltarra Éireann, to promote social, cultural and industrial development in all areas in which Irish was widely spoken. In 1980, this agency was restructured and renamed Údarás na Gaeltachta and maintained a core commitment to the promotion of Irish through social, cultural and industrial development within the region. The industrial base of the Gaeltacht region is quite limited although there is evidence of FDI in sectors such as life sciences, medical devices, aquaculture and ICT. Údarás na Gaeltachta offers assistance to both indigenous and foreign-owned companies within its remit, yet the level of FDI within the Gaeltacht region is quite low, with four MNCs identified out of 27 companies in its 2009 Annual Report (Údarás na Gaeltachta, 2009).

The concentration of FDI in both regions is not the sole criteria and focus of this study but, rather, it is the unique remit, activity and interaction of these FDI-related regional

development agencies which can offer primary insights into the process of FDI attraction and retention. While it is beyond the scope of this paper to present a comprehensive description of Shannon Development and Údarás na Gaeltachta, the similarities of their roles in the attraction and retention of FDI – in addition to their distinctive historical and industrial differences – demonstrate a rationale for exploring the body of institutional actors which engage with FDI within the subnational level.

Subnational Institutional Network

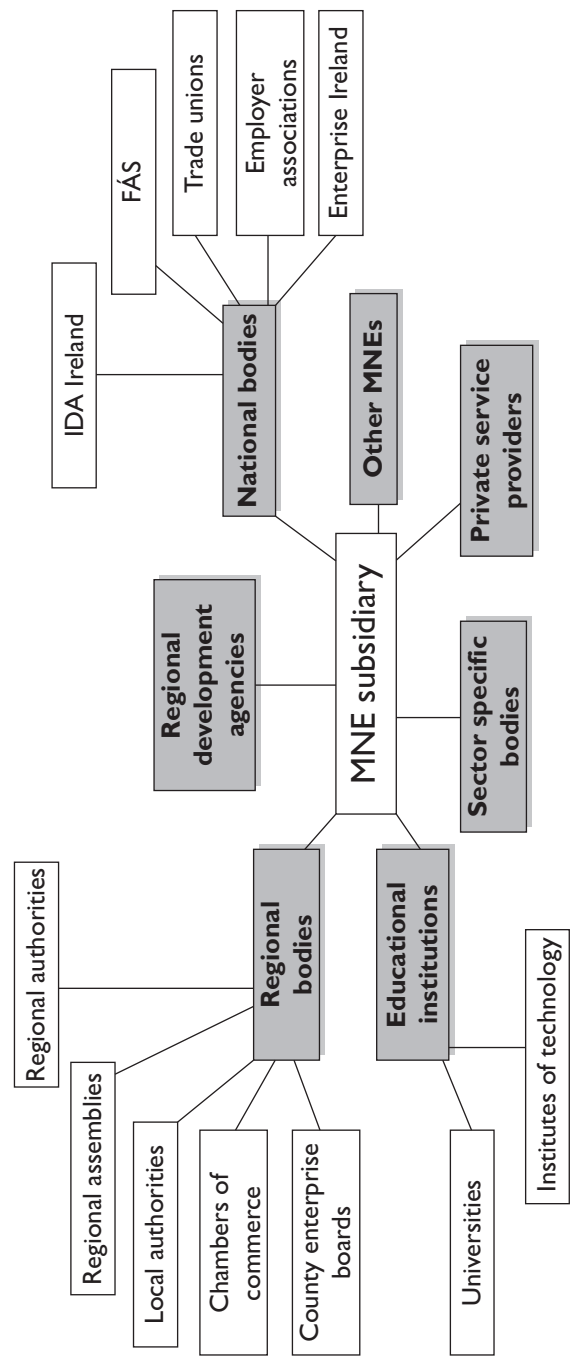
As the primary concern was to identify all institutional actors in the SNBS which engage with FDI, a listing of institutional actors was formed on the evidence of FDI-related activity within both the Shannon and Gaeltacht regions with the following criteria: a functional presence within the subnational location and an evident affiliation with current or prospective FDI within this location. The decision to generate a single listing of subnational institutional actors in Ireland, as informed by the Shannon and Gaeltacht regions, was based on Williams (1997), who states that if there is no comprehensive listing available it is good practice to collect information from a number of key sources and generate an accurate, representative listing. This method has been successfully used in a previous study on the employment practices of MNEs in Ireland, providing noteworthy results (Lavelle et al., 2009; McDonnell et al., 2007).

Premised on theoretical and anecdotal evidence collected from both primary and secondary sources, seven categories were explored within the institutional network of FDI-related institutions – national bodies, regional bodies, regional development agencies, educational institutions, private service providers, sector specific bodies and other MNEs – the components of which are displayed in Figure 2. In order to verify the level and type of interaction, the individual website of each of these institutions was examined to ensure the validity and nature of interaction (McDonnell et al., 2007; Williams, 1997). Additionally, all institutions were compared across both subnational locations to substantiate their presence and role, resulting in the creation of one comprehensive profile of a general SNBS in Ireland which can be applied to either the Shannon or Gaeltacht region. This listing, and subsequent representation, was greatly informed by discussions with IDA Ireland and Forfás on the general process of FDI attraction and retention, in terms of validating the inclusion of institutions and also ensuring that all necessary actors were accounted for. The profile of the SNBS seeks to illustrate all FDI-related institutions within the SNBS; however, it must be noted that some weaker or less active institutions within this sphere may not have been identified.

National Bodies

The first stage was to explore the activity of national institutions with responsibility for FDI in both regions. Using information provided by IDA Ireland, Enterprise Ireland, Forfás and the Department of Enterprise, Trade and Innovation, the presence and activity of the subnational armatures of national institutions was explored. Two national level institutions were found to have a direct and functional interaction with FDI at the subnational

Figure 2: Subnational Business System in Ireland



level: IDA Ireland and Enterprise Ireland. In addition to these, further exploration into subnational divisions demonstrated local offices of an additional three national bodies: FÁS (the national training agency), employer associations (namely the Irish Business and Employers' Confederation, IBEC) and trade unions.

Regional Bodies

Given their remit to coordinate public services, infrastructural development and the administration of EU funding, regional assemblies and regional authorities have the potential to engage in the attraction and retention of FDI within the SNBS. The inclusion of regional bodies also serves to investigate whether these (relatively new) institutional actors engage with FDI. Similarly, the activity of local authorities facilitates the physical environment for MNE operations and thus warrants inclusion as a subnational actor. Information provided by the Department of Enterprise, Trade and Innovation identified the role of the local chamber of commerce offices at the subnational level and also illustrated the potential for county development boards to indirectly interact with FDI attraction and retention.

Regional Development Agencies

As previously noted, regional development agencies play a key intermediary role between the national and local governance structure while also operating as a coordinator for MNE subsidiaries with their immediate surroundings (Almond, 2011; Fuller and Phelps, 2004). Some of the activities of these bodies can include the provision of financial incentives, aftercare arrangements and access to key local resources. Interaction can occur during direct site visits, or through more brokerage relationships between the MNE and other institutions, such as sub-suppliers, skills providers and local government. The specific FDI-related activity of two regional development agencies – Shannon Development and Údarás na Gaeltachta – underlies their inclusion within the SNBS. Shannon Development and Údarás na Gaeltachta represent the only two regional development bodies in Ireland and other locations do not host such institutions.

Educational Institutions

Educational institutions are not classified as an FDI-related institutional actor, yet their role in the subnational environment is strongly evident. Almond (2011) notes the role of educational institutions in generating skills development, facilitating a skills ecosystem and offering a potentially strategic role in research collaboration at the subnational level. Similarly, Beugelsdijk and Cornet (2002) identify a positive relationship between the innovative activity of an organisation and the close proximity of a university. Therefore, both universities and institutes of technology were included as an institutional actor within the SNBS.

Private Service Providers

Informal discussions with IDA Ireland illustrated the significant role of private service providers to incoming and established FDI. These services include recruitment agencies,

further training and education agencies, accountancy, legal and tax specialists and other sub-supplier organisations which can offer access to localised skills and knowledge during the attraction and retention of FDI.

Sector Specific Bodies

Based on the membership of some MNEs to sector specific bodies, their inclusion in the SNBS was relevant. Sector specific bodies can provide more detailed and specialised information to FDI during the attraction and retention stage. Examples of sector specific bodies in Ireland include Bord Iascaigh Mhara (the Irish Sea Fisheries Board), the Irish Medical Devices Association and the Irish Pharmaceutical Healthcare Association.

Other Multinational Enterprises

Kristensen and Morgan (2007: 197) note the increasing need for institutional frameworks within a location to include local MNE subsidiaries as 'active participants'. Potential exists for other MNEs within the SNBS to engage with FDI during the attraction and retention process and offer information, suggestions and knowledge on the subnational environment to the incoming organisation.

In summary, the SNBS in Ireland is populated by sixteen key institutional actors which have varying potential to engage in the attraction and retention of FDI at the local level (see Figure 2), namely IDA Ireland, Enterprise Ireland, FÁS, employer associations, trade unions, regional authorities, regional assemblies, local authorities, chambers of commerce, county enterprise boards, universities, institutes of technology, regional development agencies (Shannon Development or Údarás na Gaeltachta), sector specific bodies, private service providers and other MNEs.

A FUTURE RESEARCH AGENDA

The institutional environment offers the most proximate surrounding to FDI (Almond, 2011; Phelps, 2000) and the profile of an SNBS in Ireland, as illustrated by Figure 2, identifies a multitude of actors at the institutional interface between the subnational environment and FDI. Premised on this illustration, the SNBS can offer a platform from which further questions and issues can be explored, namely related to processes, linkages and interactions.

Firstly, further research is required on the extent to which the SNBS offers a synergy of practice between institutions and FDI and how it creates opportunities and/or confusion for FDI. The density of the SNBS in Ireland offers a novel avenue for future research, an issue which has been largely excluded from the understanding of FDI attraction and retention processes. Additionally, the Shannon and Gaeltacht regions differ in economic and cultural histories and research on the differences both *within* and *between* subnational locations, such as performance – both metric driven, in terms of financial gains, and non-metric returns, such as embeddedness within the location and positive spin-offs – can enhance the understanding of how FDI is attracted to, retained and embedded in a location. Related to this, international comparative research can greatly enrich the understanding of FDI

attraction and retention, by illustrating variations, factors of success or failure, and positive or negative characteristics.

Secondly, this paper presents a static representation of the SNBS and thus, a more dynamic view of the interactions between institutions and FDI may offer key insights into attraction and retention strategies and processes. Network analysis can offer a valuable tool to explore the relational interaction between FDI and the institutional network, as it explores and compares all aspects of a relationship (Borgatti and Foster, 2003). Based on the specifics of this research, network analysis can identify the extent to which the institutions identified engage with FDI and whether their role in practice relates to their official mandate. Also, issues such as network centrality, reciprocity, density and closeness can offer significant information on the activity and interplay of the subnational institutions with FDI.

Finally, Fuller and Phelps (2004) note the importance of labour market factors in the local environment for FDI and this profile can facilitate exploratory research on the linkages between institutional bodies, such as educational institutions and local training providers, on workforce skills and human resource (HR) practices within the MNE. The merit of such a focus lies in potential insights into the processes by which MNEs' local HR strategies are shaped by the competences and resources available in the local labour market and/or the extent and nature of coordination and synergetic interaction between the subsidiary unit and other regional actors in leveraging labour skills. Additionally, the interaction of FDI with the industrial relations infrastructure at a subnational level in Ireland is an interesting area for future research.

CONCLUSIONS

The process by which FDI is attracted and retained has garnered significant focus in recent times, with particular insights into the location of FDI, the spatial attributes of an environment and the potential interaction between location characteristics and enterprise characteristics. The application of the NBS model to the subnational environment offers a unique theoretical lens to explore localised interaction of institutional actors in the attraction and retention of FDI. The SNBS framework facilitates the profile of the host institutional network of actors which surrounds an MNE subsidiary and can assist in identifying, exploring and documenting FDI-related activity at a subnational level.

It has been demonstrated that the Republic of Ireland, as a traditionally successful and strong FDI location, is aptly suited as a research context for this issue and can largely benefit from this incisive and nuanced focus on FDI attraction and retention. This paper contributes practical insights into the Irish institutional environment, as visualised through the SNBS, facilitating potential for future exploration of the interplay between spatial and institutional characteristics of the host location for FDI. The future research agenda establishes a provisional outline of how to operationalise this primary research to explore more specific and dynamic elements of the attraction and retention of FDI. The author advocates that the SNBS receives greater consideration as an interactive arena for FDI and encourages additional research to deepen the understanding of the role of the subnational institutional environment in the attraction and retention of FDI.

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