Attraction and retention of foreign direct investment (FDI): The role of subnational institutions in a small, highly globalised economy

Sinéad Monaghan*, Patrick Gunnigle, Jonathan Lavelle

Department of Personnel and Employment Relations,
Kemmy Business School,
University of Limerick,
Limerick
Ireland

*Email: sinead.monaghan@ul.ie (corresponding author)

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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 (MNE), 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.

Keywords: Foreign Direct Investment, Multinational Enterprises, Sub-National 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 a market, labour supply and skills, availability of sub-suppliers and logistical support, proximity to raw materials and/or special financial incentives (Dunning, 1998; 2009). While the location of the 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 its surrounding environment remains a “black box” in research (Beugelsdijk et al.,
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; Dunning, 1977; Caves, 1982). While these factors are crucial, the current rhetoric on FDI location decisions has advanced from an identification of the resources and competitive advantage (Dunning, 1977; Caves, 1982), to include an awareness of the additional spatial characteristics 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 to 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). These advances have demonstrated the significant role of location and spatial characteristics to FDI, including transportation, production linkages and infrastructure for optimal performance (Beugelsdijk et al., 2010; McCann and Mudambi, 2005).

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 (Buckley and Ghauri, 2004). However while significant research on FDI location has been conducted at the global (Clark and Knowles, 2003), regional – referring to a specific cohort of countries, defined by geographically proximity, with lower economic and institutional distance than at the global level, for example the European Union or North American Free Trade Agreement (Rugman & Verbeke, 2005) - (Buckley and Ghauri, 2004; Arregle, Beamish and Hébert, 2009) 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 education system and membership of the European Union (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 OECD and the highest ratio of employment in foreign affiliates in both the manufacturing and services sectors (OECD, 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 high production and labour costs 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 – have provided research on the strengths and capabilities of each regional location in Ireland, advocating that subnational competitiveness offers 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 – Sub-National Business System

At a localised level, research indicates that FDI is often considered a key activity for economic development (Potter, 2003) with technology transfer, enterprise development, spending on services, improved labour force, employment skills and training opportunities all noted benefits of FDI location (Amin and Thrift, 1994; Cooke and Morgan, 1998; Loewendahl, 2001; Morgan, 1997). There is an increased awareness of the potential to influence and engage with FDI at the local level (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 this array of potential advantages, different locations often compete with each other, using a variety of financial and policy incentives to attract FDI (Barrios, Gorg and Strobl, 2006; Basle, Castellani and Zanfei, 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, 2011).

The primary source of these activities are 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) illustrate that regional 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 levels 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 dynamics of 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; Whitely, 1999). The NBS model identifies the national-level institutional systems which govern organisational structures and practices and are both influenced and influencers of the needs and demands of MNEs, including governance regimes, educational institutions, industrial relations systems, financial systems and training systems (Whitely, 1999; 1998). The main contribution of this body of research has been to illustrate the influence of both ‘home’ and ‘host’ NBS 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 institutions 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 operates at the national level, referring to national institutions, structures and arrangements (Morgan, 2007) while opportunity exists to explore different levels, particularly the supra-national (Djelic and Quack, 2003) and subnational level (Crouch et al., 2001).

Utilising the same systematic framework of the NBS, the SNBS positions the systems, institutions and actors at a local, subnational level (Almond, 2011). Almond (2011) posits that while the SNBS maintains the general characteristics and aspects of the greater 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. 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 the 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 potential 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, such as 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 a host environment. Having outlined the benefits of applying a subnational approach to explore the processes of FDI attraction and retention, the next section profiles the SNBS in Ireland, thus identifying the subnational systems, institutions and actors which have the potential to engage in this process.

**The Irish Subnational Business System**

It is clear that significant opportunity exists for the subnational business actors to interact with their most important employers, by facilitating strategies for the attraction and retention of FDI. As institutional actors are strongly present at this interface, the following section will explore and identify the governance structures and institutional actors which engage in FDI attraction and retention at a subnational level in Ireland. The first section profiles the sub-national 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.

**Subnational Governance System**

As approximately 94% 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. The strongly centralised nature of the Irish governance system means that subnational governance institutions operate with limited autonomy, power and decision-making (O’Broin and Waters, 2007). The subnational business system operates within a specific localised environment, with identifiable boundaries and the following section explores the variety of subnational locations in Ireland, the ambiguity of boundary conditions for a subnational region or location and thus, identifies the subnational location which provides most similarity and relevance to the definition of the subnational business system.

**Table 1: Structure of local/regional governance**

<table>
<thead>
<tr>
<th>Local/Regional Governance Structure</th>
<th>Description</th>
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<tbody>
<tr>
<td>National</td>
<td>Authority over all regions</td>
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<tr>
<td>Regional</td>
<td>Authority over specific regions</td>
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<tr>
<td>Local</td>
<td>Authority over specific localities</td>
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The above table illustrates the structure of local/regional governance in Ireland, showing how decisions are made and the level of autonomy for each tier of governance.
### Table

<table>
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<th>Count</th>
<th>Description</th>
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<tr>
<td>2</td>
<td>Regional Assemblies (Border, Midlands and Western Regional Assembly &amp; South East Regional Assembly)</td>
</tr>
<tr>
<td>8</td>
<td>Regional Authorities (Border, Dublin, Mideast, Midlands, Midwest, Southeast, Southwest and West)</td>
</tr>
<tr>
<td>34</td>
<td>Local Authorities, which consist of a variety of groups such as</td>
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<tr>
<td></td>
<td>• County/City Councils (29 counties and 5 cities)</td>
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<tr>
<td></td>
<td>• City/County Development boards (34)</td>
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<td></td>
<td>• VECs (33)</td>
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<td></td>
<td>• Enterprise Boards (35)</td>
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<tr>
<td>80</td>
<td>Town councils</td>
</tr>
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*Source: O’Broin and Waters (2007); Irish Regions Office (2010)*

In terms of traditional subnational infrastructure, the Republic of Ireland has 26 counties which Laffan (1996) notes offer the “critical focus for collective identity” for Irish people (p322). 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 primary 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, primarily 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 co-ordinate 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
European Union. 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 co-ordination, 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 these regional systems, the Shannon region, governed by Shannon Development, and the Gaeltacht region, managed by Údarás na Gaeltachta, are responsible for industrial and regional development within their specific geographical location. Their specific FDI-related infrastructure offers differentiation from other forms of regional governance and provides a considerable degree of autonomy from national government bodies to carry out industrial development activities. Thus, as the main criterion for selecting a subnational environment pertains to the existence and activity of an FDI-specific infrastructure within a location, the Shannon and Gaeltacht regions offer suitable parameters in which to explore the SNBS (See figure 1).

**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 - accounting for 11% of the Republic of Ireland population. Established in 1959, Shannon Development encouraged industrial development in the area surrounding the airport - the Shannon Free Zone (SFZ) – in addition to general tourism and publicity for the region. With both an international airport and low cost labour costs, Shannon Development 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 was actively promoting tourism in the Midwest and industrial development of 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 their industrial development activities confined to the SFZ and IDA Ireland 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 previously under the remit of Shannon Development. Additionally, a 12.5% tax incentive was extended to all of Ireland with Shannon losing their unique tax incentive. Despite these recent changes to the remit of Shannon Development, the Shannon region continues to host almost 120 indigenous and foreign-owned companies 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. In terms of FDI presence, Shannon Development currently offers assistance to 69 MNCs of the 118 companies within their subnational remit (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% of the Irish population are located in the Gaeltacht region. Údarás na Gaeltachta was first established in 1957 to actively promote social, cultural and industrial development within this region with a strong commitment to the use and maintenance of Gaelige. The industrial base of this region is quite limited although there is evidence of FDI in sectors such as life sciences, medical devices, aquaculture and ICT. Údarás na Gaeltachta offer assistance to both indigenous and foreign-owned companies within their remit,
yet the level of FDI within the Gaeltacht region is quite low, with four MNCs identified out of 27 companies in their 2009 Annual Report (Údarás na Gaeltachta, 2009).

The concentration of FDI in both regions is not the sole criteria and focus but rather, it is the unique remit, activity and interaction of these subnational governance systems to FDI which offers the primary insights on the process of FDI attraction and retention. Within each subnational location, a number of institutional actors are identified as having the potential to engage with FDI and the following section identifies and categorises these institutional actors which engage with FDI at a subnational level.

**Subnational Institutional Network**

The institutional interface in Ireland is characterised by a multitude of actors, with the existence of almost 491 subnational institutions utilising varying functions (O’Broin and Waters, 2007). A listing of institutions was formed based on the following criteria; presence at a subnational location, and an evident affiliation and interaction with current or prospective FDI within this location. The decision to form a single listing of institutions actors was based on Williams (1997) which states that if there is no comprehensive listing available, it is good practice to collect information for 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, 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, and discussed below. The illustration below represents the potential institutional environment of any subnational location in Ireland. 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; William, 1997). Additionally, this listing was greatly informed by discussions with IDA Ireland and Forfás on the general process of FDI attraction and retention.
1. **National Bodies**

The first stage was to explore the activity of national institutions with FDI. 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 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 (national training agency), employer associations (namely the Irish Business and Employers’ Confederation, IBEC) and trade unions.

2. **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 interact with FDI attraction and retention within the subnational business system. The inclusion of these regional bodies also serves to investigate whether these (relatively new) institutional actors engaged with FDI. Similarly, the activity of local authorities facilitates an environment for MNE operations warrant inclusion as a subnational actor. Information provided by the Department of Enterprise, Trade and Innovation illustrate the potential role of county development boards, which may indirectly interact with FDI attraction and retention, and the local chamber of commerce offices at the subnational level.
3. **Regional Development Agencies**

As previously noted, two regional development agencies operate at a subnational level in Ireland – Shannon Development and Údarás na Gaeltachta. Shannon Development and Údarás na Gaeltachta represent the only two regional development bodies in Ireland and other locations do not host such institutions.

4. **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. Therefore, both universities and institutes of technology were included as an institutional actor within the subnational business system.

5. **Private Service Providers**

Private Service providers can offer access to localised skills and knowledge during the attraction and retention of FDI. These services include recruitment agencies, further training and education agencies, accountancy, legal and tax specialists and other sub-supplier organisations.

6. **Sector Specific Bodies**

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), Irish Medical Devices Association and the Irish Pharmaceutical Healthcare Association.

7. **Multinational Enterprises**

Kristensen and Morgan (2007) note the increasing need for institutional frameworks within a location to compose of an array of institutional actors and systems, but also integration with local MNE subsidiaries. Potential exists for other MNEs within the subnational business system 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 subnational business system in Ireland is populated by sixteen key institutional actors which have various potential to engage in the attraction and retention of FDI (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, Sector Specific Bodies, Private Service Providers, Other MNEs.

A Future Research Agenda

The institutional environment offers the most proximate surrounding to FDI (Almond, 2011; Phelps, 2000) and the profile of 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 subnational business system 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 subnational business system offers a synergy of practice between institutions and FDI and creates opportunities and/or confusion for FDI. The density of the subnational business system 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, retained and embedded to 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 view 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 interface, 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 institutional network with FDI.

Finally, Fuller and Phelps (2004) noted 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 HR practices within the MNE. The merit of such a focus lies in potential insights on the processes by which MNEs local HR strategies are shaped by the competences and resources available by 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 sub-national level can also be explored.

Conclusions

The process by which FDI is attracted and retained has garnered significant focus and credibility in recent times, with particular insights on the location of FDI, the spatial attributes of an environment and the potential interaction between location characteristics and enterprise characteristics. The use of the SNBS as a theoretical lens on localised interaction with FDI offers a unique perspective and profile of the host institutional network which surrounds an MNE subsidiary, identifying the key institutional actors which hold an FDI-related remit to engage with MNEs. 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. Additionally, research on the SNBS in Ireland offers a specific and detailed profile of the activity of subnational institutional actors with FDI in a highly globalised economy which can generate greater interest in the interplay of FDI and the host location in other locations. This paper also contributes practical insights on 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, with the future research agenda offering a provisional outline of how to operationalize this research. The author advocates that the SNBS receive greater consideration as an interactive arena for FDI and propose additional advancements to deepen the understanding of the role of the subnational institutional environment in the attraction and retention of FDI.
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