

IBM GRONINGEN
CASESTUDY



*UNDERSTANDING THE
DECISION-MAKING PROCESS
AND THE STAKEHOLDERS IN
MULTINATIONAL RELOCATIONS*

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Understanding the decision-making process and the stakeholders in multinationals relocations

Case study IBM Groningen

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Summary

The main focus of this research is about understanding the decision-making process and stakeholders involved in multinational relocations. The type of research is explorative qualitative research and semi-structured interviews have been conducted to gather the required data. The case study was particularly aimed at the following pillars of location decision-making: strategy, roles, motives and activities of internal and external stakeholders.

The moments and stakeholders involved in the IBM case study are described in chapter 4. Chapter 5 and 6 provide more insight into understanding the decision-making process and the scope to influence decisions in the case study. The moments of the IBM case study have been mapped including the stakeholders involved. These moments include the start of the decision-making process, searching for a Benelux location, forming a business case, location visits and comparing, location selection and the operational management forming and opening. The internal stakeholders involved in the case study are IBM and Plant Location International, whereas the NOM (Northern Investment Agency), the Municipality of Groningen, the Province of Groningen, the University of Groningen and the Hanze University of Applied sciences Groningen are considered the external stakeholders involved.

The scope of influencing the decision-making process is to avoid a mismatch between the multinational and government. Key is to influence the mechanisms of the decision-making process in terms of location, the aspects when making the decision, soft factors and heuristics. When the phases are combined with decisive moments and hard and soft factors, it is possible to know when influencing might have occurred and what has been influenced.

In the end, hard factors are decisive (human capital, operational costs and infrastructure) and the soft factors helped IBM to determine choosing for Groningen, especially since support and attractiveness both belong to hard and soft factors. The probability of influencing is at its highest during internal and external moments. Especially during the selection phase any form of influence might occur. The selection phase exist of the searching, development and evaluation phase.

Soft factors might influence the selection phase, only when hard factors are present. The hard factors are essential, especially since multinationals will not move if hard factors are missing. The decisive moments include visiting the locations (external moment) and obtaining internal approvals (internal moment). During the decision-making process of these moments, influence in terms of hard and soft factors (e.g. information & feelings) was possible.

It is important to keep in mind that during the whole selection phase any form of influence might occur. The multinational shifts back to the internal decision-making process during the implementation phase. However, it is very important to be focused until the location has truly been opened. The approval process is an internal process and is based on an (multi criteria) analysis with hard factors. However, soft factors do play an important role because support and attractiveness are also included in IBM its analysis.

I would like to conclude that it was very instructive and interesting to interview prominent organizations and parties that focus on international relocation and to analyze the experiences within the IBM relocation to Groningen. In my point of view, soft factors are in practice more present than in theories and the role of power is often too absent in studies. I hope more future researches will be conducted in order to find specific approaches in attracting and retaining multinationals to regions and cities.

Table of contents

1. Introduction

1.1 Motivation for the research	9
1.2 Social and scientific relevance	10
1.3 Case study IBM Groningen	12
1.4 Research problem, goal and research questions	14

2. Theoretical framework

2.1 Mismatch in communication between government and multinationals	17
2.2 The role of the decision maker	18
2.3 Scope to influence the multinationals decision-making process	21
2.4 Conceptual model	24

3. Methods

3.1 Explorative qualitative research with a case study	27
3.2 Operationalization	28

4. Moments and stakeholders in the IBM case study

4.1 IBM Groningen decision making process development	31
4.2 Stakeholders in the IBM location decision-making process	34

5. Understanding the decision-making process

5.1 Considerations in the decision-making process	39
5.2 Decision-making process phases	44

6. Scope to influence the decision-making process

6.1 Goals, roles and internal organizations	53
6.2 Communication, meetings and relationship	58

7. Conclusions and implications

7.1 Conclusions	65
7.2 Implications	66

References

69

1. Introduction

1.1 Motivation for the research

This thesis is about the decision-making process in multinationals relocations and attempts to understand the decision making of multinationals and involved stakeholders during the relocation. The relation between multinational enterprises (MNE's) and economic geography is been studied for over half a century and broadly there are two main types of questions. The first type relates to the behavioural determinants, motives and strategies of MNE's (why, where and how) and the second type of questions are related to the presence (impact and effect) of MNE's (Iammarino & McCann, 2013). Cohen (2000) states that organizations are changing the way they decide about where MNE's locate and relocate because MNE's can coordinate many functions in multiple locations. These location decisions have serious implications for regions and cities as they try to position themselves in a changing competitive environment between cities and regions. Firstly, improved information and technological advances over the last fifteen years has moved the location decision-making process to the center of MNE's strategic planning. This makes it more difficult for governments to attract and retain multinationals. Secondly, there is often a mismatch between the actions of public officials and the business community. In fact, business executives contend that public officials frequently do not understand business operations and what motivates location and relocation decisions (Cohen, 2000). The motivation for the focus on the decision-making process in multinationals relocations is based on the mismatch between MNE's and governments because better communication could lead to more opportunities for regions and cities. The second reason is the disregarding of the process in location theories (Pen, 2002). A combination of location theories and strategic business management theories about strategic decision-making is a necessary step to improve the limited usefulness of location theories (Pen, 2000). Pen (2002) adds that studying and understanding the strategic decision-making process of multinationals will explain the strategic behaviour of MNE's. It is not the outcome, but the development of the process and the influence of uncertainties, risks, perceptions, feelings, heuristics (decision rules), limited information, and the MNE's internal and external considerations in this process are the central questions (Pen, 2002). In this sense, this research gives insights into 'soft factors' when multinationals make location decisions by connecting location theories with business management theories.

1.2 Social and scientific relevance

Unraveling how multinationals decide during a complex and strategic process

To proceed with the statement of Pen (2002) that it is necessary to combine strategic decision-making with location theories, some insights of both fields are explained in this paragraph. From a business management perspective, business location and relocation decisions are influenced by changes in technological innovation, business organization and government policies. These three areas are the drivers behind the question if a multinational should stay or locate somewhere else. To determine where a multinational locates, five fundamental components are important. These are the business sector, the business function, the stage of product maturity, the location as a competitive strategy and the business culture (Cohen, 2000). In location theories are three central questions important. Namely, why do organizations prefer location A over location B (1), why does region A perform better than region B (2) and to what extent is it possible to influence location choices and economic development of regions (3) (Atzema et al, 2014). Both perspectives are mainly focused on their own theories and have few crossovers with other fields of research. Business management focuses on the organizations internal and external environment and location theories are about differences in characteristics of locations and regions. In location theories are three approaches: the neo-classical, behavioral and the institutional approach (Hayter, 1997). All these location theories have limitations and are not so useful to unravel the relocation decision-making process. Pen (2000) states that the studies on the decision-making process for locations has been problematic. The neo classical theory has unrealistic assumptions and the behavioural and institutional approaches are more realistic, but result in being too descriptive or are too much practical oriented or policy driven. Most of them are based on case studies, which makes drawing general conclusions vulnerable (Pen, 2000). Although there are limitations, combining business management with location theories give useful insights into how multinationals decide during a complex and strategic decision-making process.

Distinguishing different phases in location decision-making process

The first time that location theories were combined with strategic business management was in 1966. Louw distinguished three phases that are useful to unravel the location decision-making process and the business internal and external factors included. These are the orientation, selection and negotiation phases. Having only three phases seems

to be a simplification since the impact and complexity of the location decision. More phases helps to understand the different stages wherein decisions are made. Pen (2002) uses seven phases to clarify the orientation, selection and negotiation phases. The *orientation* phase includes the phases of identification (1) and diagnosis (2). In the *selection* phase are searching (3), development (4) and evaluation (5) the central phases and the strategy (6) and implementation (7) phases belong to the *negotiation* phase (Pen, 2002). In chapter 2 are the characteristics of all phases explained and distinguishing different stages of the location decision-making process is useful to unravel when internal and external factors play a role. It gives a framework to describe the development of the decision-making process of multinational relocations.

Improving governments knowledge about multinationals decision-making

It has become more difficult for governments and other organizations to attract and retain organizations since improved information and technological advances over the last fifteen years has moved the location decision-making process to the center of multinationals strategic planning (Cohen, 2000). Even with the seven process phases of Pen (2002) taken into account, it is still quite unknown how the decision-making process develops within the multinationals itself. Cohen (2000) argues that multinationals often compare alternative locations by themselves without the help of external location strategists. In most cases the chief executive officer has a particular kind of environment in mind such as a campus, urban business center or international airport. Sometimes an impression is enough to lead to a location decision. Multinationals hinge on identifying different location characteristics that are needed according to the nature of the industry, the stage of the firm and the business strategy. Questions about the costs of labour, the level of education, infrastructure and competition appear as well. It will help managers decide when governments and other organizations are able to articulate where their city or region is positioned. Managers will ultimately choose the location they believe it fits all their needs and help the company become the most competitive (Cohen, 2000). Helping the multinationals in their search for a location by showing the different location characteristics would help multinationals decide in this sense and can be objective and subjective as well.



Cognitive processes of decision makers in the decision-making process

Governments should better study and understand the behavioural determinants, motives and strategies of MNE's (why, where and how) referring to lammarino & McCann (2013) and Pen (2002). These include soft factors such as the influence of uncertainties, risks, perceptions, feelings, heuristics (decision rules), limited information, and the firms its internal and external considerations. From the business perspective, Dimitratos et al (2011) state that organizational decision-making largely remains a black box in the international business literature. Supposed is that the strategic decision-making process exist in internationalized firms, but the role of decision-making aspects has generally been overlooked in the firm its internationalization. Decision makers have considerable importance because top managers are strategists who set the enterprises direction. It influences the organizational performance as managers make decisions consistent with their own cognitive orientations, perceptual processes, values & experiences. This could also affect different aspects of the strategic decision-making process. Since managers have differences in cognitive processes such as searching information and processing information (Dimitratos et al, 2011). So, decision makers are assumed important in location and business theory, but the top decision makers and other managers involved in the process are constantly been disregarded and overlooked. That decisions makers have differences in cognitive processes and influence the organizations performance and directions proves the need to look deeper into the soft factors in decision-making.

1.3 Case study IBM Groningen

In the last years, some multinational enterprises chose to locate in Groningen. The names of the companies are for example Google, IBM and in the future Tesla might locate in Groningen as well. This draws attention and suggests that they were properly facilitated in their decision-making process for a location. A case study is therefore interesting to look thoroughly into how the decision-making developed in different phases. What information was important and who were involved in the location decision-making. Practical examples and theoretical insights will provide a better understanding about position of the government and the effectiveness of its activities. Eventually, this might result in a higher chance of attracting and retaining multinational enterprises and the positive externalities associated with the establishment of multinationals.

Facilitating multinationals in the Northern Netherlands

One of the organizations that try to attract multinationals to Groningen is the NOM. The NOM is the development and investment agency for Northern Netherlands and include the three Northern provinces Groningen, Friesland and Drenthe. A recent campaign of the NOM is TopDutch and shows the possibilities for Tesla in Groningen with the ambition to attract the organization to Groningen. The NOM has a special FDI-team that operates as a sort of marketing and sales organization. It assists businesses with all aspects involved in setting up a business in the Northern Netherlands such as: site selection, access to extensive networks, introduction to potential business partners, assistance with licensing and permits, advice on tax rulings & finance, labor solutions or with an independent partner (NOM, 2017). The NOM actually helps multinationals that are thinking about Groningen as a possible location. Multinationals might meet the NOM somewhere along the decision-making process and ask the NOM for assistance or the NOM tries to look for a multinational and starts a campaign to attract them.

Introducing the IBM Groningen case study and facilitating multinationals

IBM its relocation to Groningen is chosen as a case study to observe how multinationals are facilitated in Groningen during the relocation decision-making process. An interview that can be found online gives some background of the start. The director operations of IBM in Groningen became responsible in 2012 to open a local service center in the Benelux. It was still uncertain at that moment where IBM would locate. The pre-selection resulted in two locations (Eindhoven and Groningen). Groningen became an option because of the large talent pool from the University of Groningen, Hanzehogeschool and Hogeschool Stenden that are all situated in Northern Netherlands. Eindhoven was not chosen because in Eindhoven is a war for talent as all companies try to recruit the talent available. Therefore, IBM made the final decision for Groningen. In addition, it must be mentioned that the factors highly educated talents, short business connections and the support of the government came together at once. This was also the reason for the fast location growth to 125 jobs since the start in 2011 (Entrepreneurmagazine.nl, 2015). The NOM had a helpful role in the location decision-making of IBM and is highlighted by a quote of the director operations of IBM at the NOM website:

“In the choice for Groningen, the NOM acted as a catalyst by, for example, managing the right contacts between us and the external actors in Groningen. IBM has been very well facilitated" (NOM, 2015).

The Northern Provinces of the Netherlands have spoken out in 2015 to intensify the co-operation in attracting multinationals to the North. An agreement was therefore made between the national government, the Netherlands Foreign Investment Agency (NFIA), the NOM and the Provinces of Drenthe, Friesland and Groningen (NOM, 2015). So, many external stakeholders are involved and different phases as well. After the selection of the location, IBM had to look for an office building. IBM is now located in the city center at the Gedempte Zuiderdiep and hires an office that covers 3.000 square meters from Breevast Properties. The transaction between IBM and Breevast Properties occurred in co-operation with Hofbeek who were advised by DTZ Zadelhoff (Cushman & Wakefield) (Vastgoedmarkt.nl, 2017). The orientation, selection and negotiation phases are visible in this background of the relocation. IBM searched for a location, selected a location and negotiated about the location. Furthermore, some internal and external factors are present, but the internal and external involved decision makers and soft factors remain unclear in this background article. This thesis addresses these topics.

1.4 Research problem, goal and research questions

Research problem

Summarizing the previous paragraphs, some conclusions come up. At first, it is not clear what the behavioural determinants, motives and strategies of multinationals are in the location decision-making process of multinationals. Secondly, the decision makers are assumed to be important in location and business theories, but the top decision makers and other managers involved in the process are constantly been disregarded and overlooked. Thirdly, business organizations are changing the way they decide about locations and often there is a mismatch between public officials and organizations. The last conclusion is that it is necessary to combine business theory with location theory to improve the limited use of location theory alone. Adding the process phases will frame the development of the decision process and helps to understand how the decision-making process developed. All these conclusions together proves the need to incorporate individuals as decision makers and the soft factors in the decision making, since top managers are key drivers of organizational performance. Furthermore, no study has been carried out with a case study in Groningen by identifying the decision makers of multinationals (internal) and the roles and activities of the government and other organizations (external).

Research goal

The goal of this research is to elaborate the strategy & motives of IBM and the roles & activities of the government & other organizations within the different phases of the IBM relocation to Groningen. To achieve better understanding about the decision makers and the effectiveness of roles, activities and positions of stakeholders involved in the location decision-making process of multinationals. Resulting in a better approach to attract multinationals into Groningen and the positive externalities associated with it.

Research question

How did the process developed during the orientation, selection and negotiation phases in the IBM relocation and what are the explanations of IBM its internal and external considerations in the decision-making process for the relocation to Groningen?

Sub questions

- 1) Who were the internal and external involved stakeholders in the IBM relocation decision-making process?

- 2) How did the course of the IBM relocation developed within the different moments and phases of the relocation decision-making process?

- 3) What are the explanations of IBM its internal and external considerations in the relocation decision-making process?





2. Theoretical framework

This chapter illustrates the state of the art for the research questions. The core problem for decision-making in multinational relocations is twofold. On the one hand, there is a mismatch in the communication between multinationals and the government. They do not understand each other. On the other hand, there is barely information about the ins and outs of the decision-making process, decision maker aspects and to what extent soft factors play a role. This chapter tries to explain the possible influence by looking deeper into decision-making aspects of individuals and organizations. It focuses on individuals who are involved inside and outside the multinational organization and on how decisions are made. Secondly, the decision-making process is described with the expected influence in these different phases or moments in the process. Eventually, a conceptual model is presented wherein the relationships between internal and external decision makers are linked with the scope to influence during the relocation decision-making process.

2.1 Mismatch in communication between government and multinationals

As introduced, public organizations and multinationals do not understand each other and there is barely information on this topic. In economic geography, one of the two main questions is about the behavioural determinants, motives and strategies of multinationals. These questions answer why, where and how multinationals will relocate (Iammarino & McCann, 2013). This thesis is especially interested in the how type of question and will help finding answers to how the process is organized, who are involved and when in the process it is possible to influence. At the moment, there is not much information on this topic. A solution to improve this limited usefulness is to combine location theories and strategic business management theories (Pen, 2000). Dimitratos et al (2011) mentions that the role of decision-making aspects and the decision maker has generally been overlooked in the internationalization of the firm. Even when multinationals are changing the way they decide where to relocate (Cohen, 2000). Pen (2002) adds that these decisions also include soft factors such as the influence of uncertainties, risks, perceptions, feelings, heuristics (decision rules), limited information and multinationals internal and external considerations. To conclude, governments and public organizations must understand how multinationals decide, to better act on multinationals relocations. This includes the influence of soft factors and decision maker aspects and can be derived by combining location theory with business theory.

2.2 The role of the decision maker

If public organizations need to know how multinationals decide, business and location theories must be used to answer how the relocation decision-making is organized. Who are involved, who decides and how are decisions made. Within multinationals, relocation decisions are influenced by considerations from the internal and external environment. Decision makers from the multinational itself form the internal environment and decision makers or stakeholders outside the multinational form the external environment. To understand the internal and external considerations, a deeper look into the individuals who are involved and the way they think is needed. Pen (2002) states that governmental considerations and expectations about the multinationals situation change are drivers of relocations. It is also typical that subjective personal reasons play a role in relocations.

Decision maker aspects and how are decisions made

If personal considerations and other soft factors play a role, knowledge about decision maker aspects is useful. Also, it might be possible to influence decision makers when soft factors and heuristics are understood. Decision-making aspects are an important area of research in cognitive psychology, but are studied in location and business management theory as well. In location theory has been a lot of discussion about whether decision makers think rational or boundedly rational. From a business management perspective conclude Eisenhardt and Zbaracki (1992) that there are cognitive limits to the rational model. Decision makers often satisfice instead of optimize, rarely engage in comprehensive research, and discover their goals in the process of searching. Also, a heuristic perspective is emerging that decision makers are sometimes rational but not always (Eisenhardt and Zbaracki, 1992). In the research field of cognitive psychology, heuristics are often used. Heuristics are mental shortcuts that take some of the cognitive load off decision makers. Dietrich (2010) mentions that understanding the process by which individuals make decisions is important to understand the decisions they make. Many factors are important. Those are past experiences, cognitive biases, age & individual differences, belief in personal relevance and an escalation of commitment (Dietrich, 2010). All in all, soft factors and heuristics play a role in both research fields of location and business theory. These influence the outcomes of decision-making and many individual factors of decision makers are important. In this sense are decision makers not only rational but rely on their individual cognitive processes. This makes it possible for actors to influence multinationals decision makers.

Possibilities to influence in the multinational context of decision-making

The decision makers together make the decision to relocate. Decisions in a multinational are made with the involvement of internal and external stakeholders. For larger firms, Pen (2002) states that decisions are rational and about economic considerations and that the head office or the managing board often makes the decision to relocate. Dimitratos et al (2011) adds that the decision maker process is interesting because decision makers are strategists who set the enterprises direction. It influences the organizational performance as managers make decisions consistent with their own cognitive orientations, perceptual processes, values & experiences. This could also affect different aspects of the strategic decision-making process. Since managers have differences in cognitive processes such as searching information and processing information (Dimitratos et al, 2011). Salas et al (2009) state that intuition plays a major role in the decisions individuals make. Also, this strategic decision-making has become more important because the multinationals location decision is now at the center of the strategic decision-making process (Cohen, 2000). Heuristics or decision rules need to be taken into account today and McKinsey & Company (2018) mention that behavioural science has become a hot topic in companies and organizations, trying to address the biases that drive day-to-day decisions and actions. All in all, the multinational relocation decisions are made with the involvement of internal and external involved stakeholders, whose different heuristics and cognitive processes together form the relocation decision-making process. All these individual cognitive processes of the decision makers such as intuition give possibilities to influence relocation decisions. Although the multinationals operate more rational and try to reduce biases or uncertainties, the relationship between the decision makers and the process of the multinational remains interesting. The next paragraph describes how relocation decision-making is organized in multinationals.

Decision maker aspects in the multinational organization and tactics

Continuing on the decision maker aspects, individuals their own cognitive processes and heuristics form the decision-making in organizations. If so, it might be useful to look deeper into the tactics that individuals use and how the process is organized by the multinationals. Who decides in the multinational and which tactics are used? General findings in theories are that the strategic decision-making process is complex and political. Overall, it remains quite unclear who are involved and how internal decisions are made. Eisenhardt and Zbaracki (1992) point out that organizations are seen as



political systems wherein decision makers have partially conflicting objectives and limited cognitive capability. That individuals involved have conflicting preferences makes it complex and political. Powerful individuals, for example, will make sure they decide and others will use political tactics. The use of information is also different for individuals. Another tactic is that decision makers enhance information to their powers (Eisenhardt and Zbaracki, 1992). Influence is possible when conflicts about individual preferences arise. Arguments that could explain the influence are a political or information argument or a powerful decision maker argument. Pen (2000) adds that more individuals become involved when the organization is larger. This results in a more important, more complex and more political decision-making process whereby assistance in the implementation of the relocation is needed. External advisors are often hired for this reason. It leads to a strategic & professional attitude in the process and the external advisors try to reduce uncertainties caused by the external environment, manage the complex and sensitive process and use knowledge and expertise from outside the multinational. Sometimes a special commission of the multinational is responsible for the relocation. The role of such a commission is to coordinate external advisors and the conflicting meanings of stakeholders (Pen, 2000). Overall are multinationals not so open about their relocation process mentions (Pen, 2002). It is known that the managing board or the head office decides, but enterprises keep the relocation process often as a secret and the same is true for involving external advisors. Furthermore, there is a difference in the involvement of advisors if decisions are made by the head office or by the board of managers. When the managing board makes the decision are more individuals involved and they mostly use external advisors or a special commission. If the head office makes the decision are less external advisors involved. This is because there is more knowledge about location and site selection available at the head office. Most of the times is someone accountable for the property or location management and are the decisions by the head office made at a distance on the basis of strategic organizational considerations (Pen, 2002). It is possible to conclude that the relocation decision is a decision that can be characterized as a decision without interference from outside the multinational. The head office or the board of managers makes the relocation decision and multinational organizations are political systems wherein decision makers have partially conflicting objectives and limited cognitive capability. That many stakeholders are involved makes the decision-making process important, complex and political. Individuals use their own cognitive experiences, heuristics and tactics and strive to set the multinationals direction. For this

reason appear possibilities to influence when conflicts about individual preferences arise within the multinational organization. Also, organizations have heuristics and try to address biases and create rules about the decision-making and to reduce uncertainties. Arguments that explain the influence for this thesis are a personal heuristics argument (individual preferences, intuition), an organizational heuristics argument (the head office or special commission decides), a powerful decision maker argument (they get what they want), a political tactics argument (co-operate together) and an information argument (data, studies). Governments and organizations of the external environment could recognize these arguments and try to influence multinationals relocation decision-making process.

2.3 Scope to influence the multinationals decision-making process

It is now clearer how multinationals make internal decisions and how these relocation decisions can be influenced. But, more information is needed to know what the scope to influence the multinationals decision-making process. Especially for governments and external organizations. A combination of business theory and location theory helps to explain the scope to influence the decision-making by dividing the process in different moments. Pen (2002) states that the outcomes of the decision-making process are not the most interesting, but the development of the process and the influence on soft factors. Most interesting are the multinationals internal and external considerations. The different moments during the development of the decision-making process are described in this paragraph. It also describes the characteristics of different moments and takes the development and considerations in different moments into account. This results in the scope to influence the multinationals decisions-making process.

Phases in the relocation decision-making process

To unravel different moments in the decision-making process, location and business management theory has divided the process into phases to describe the development of the process. The decision-making process consist in practice of three and up to seven phases, according to Pen (2002). When a decision-making process is examined are the phases of identification, searching and implementing always included. Other phases can be recognized in a relocation process and these are diagnosis, development, evaluation and selection (strategy). In business management, many decisions follow the standard phases of problem identification, development, and selection (Eisenhardt and Zbaracki,



1992). However, decisions run mostly through various stages or repeat phases and decisions always follow different paths in fits and starts. The complexity of the problem and the conflict among the decision makers also influence the shape and path of the decision-making process (Eisenhardt and Zbaracki, 1992). All in all consist a decision-making process in practice of the identification, searching and implementing phases, and other decision moments could be recognized as diagnosis, development, evaluation and selection (strategy). Interesting is that the development of the process goes hand in hand with the organization of the decision-making in the multinational. Examples are the start of the process, the business case, stage of the organization and which phases are present and how the decision-making is organized. Those examples can be seen as organizational heuristics arguments.

The number of phases and duration of the process

As the different phases that can be recognized in a decision-making process depend on how the process is organized, it should have different possibilities to influence the multinationals relocation decision-making process. On average, relocations take more than two years and the duration and number of phases reflects the complexity, impact and course of the relocation process (Pen, 2000). This makes clear that the number of phases is a result of the complexity, impact and development of the process. Pen (2002) distinguished the relocation decision-making process into seven phases. The length of process and the number of phases result in different outcomes of the possible internal and external influence (Pen, 2002). This is because the characteristics of the present phases change when the process is organized differently by the multinational. The next paragraph describes these characteristics. Pen (2002) finds that the relocation process consist on average of five phases and it is quite unknown which phases are the most time-consuming. On average are the relocation decisions longer than most strategic decisions. The amount of external involved stakeholders is also related to duration. The more individuals involved, the longer the process takes, but organizations with more than 100 employees are an exception because these can decide faster (Pen, 2002). An explanation might be that large firms have a well-structured process. However, the involvement of a special commission leads to more phases and the involvement of an external advisor results in less phases (Pen, 2002). On the other hand, external advisors can slow down the process due to their more professional approach. More examples that slow down are old buildings, location preferences of employees, business strategy,

accessibility, (building) permits, the zoning plan and human capital issues. In addition, the searching phase is different from other phases. Namely, it is the only phase that is always recognized by the firms in practice without asking about phases. Conversely, the identification and the implementation phases are most crucial for the outcome of the process (Pen, 2002). Concluding, the way the process is organized actually results in different possibilities to influence the multinationals process. Namely, the number of phases result in different outcomes of possible internal and external influence because the characteristics change as the process is organized differently. Further, the longer the process, the more external individuals are involved. On average take relocations more than two years and the duration and the number of phases reflects the complexity, impact and development of the relocation process. In the sense of an organizational heuristics argument are the complexity and duration part of it as well. Most important is to influence the identification and implementation phases because the decision about where to locate is made in these crucial phases. Governments and other organizations must signalize these crucial moments and must be well prepared in these phases.

Orientation phase: identification and diagnosis

The orientation phase consists of identification (1) and diagnosis (2). Identification is the reason to start a decision-making process and is driven by opportunities, problems or crises. This start of the process is at some kind of point where the stress tolerance level has reached so high that it is needed to relocate. Diagnosis is a moment of recognition to formulate the problem that has caused the decision to relocate. Personal heuristics and organizational heuristics play a role in the orientation phase (Pen, 2002). Also, governments have some influence in the identification. The reason to start the relocation might be a powerful decision maker argument. When looking at the scope to influence, governments and other involved organizations could point out to the organizational and personal heuristics.

Selection phase: searching, development and evaluation

The selection phase include searching (3), development (4) and evaluation (5). The first phase searching consists of collecting information and processing different reactions and views. A multinational will only start when a new location improves the situation. This is based on personal and organizational heuristics arguments. Also, external stakeholders have a role in the searching and governments have a small role. The second phase is



development and is used to develop & design solutions or alternative options. Every organization has their own kind of rules and considerations to look into a new location, which is an organizational heuristics argument. Evaluation is the last one and weighing different solutions or options is the central goal of this phase. The strategic approach of the relocation is incorporated in the daily routine of multinationals and is formed by the personal heuristics (Pen, 2002). It might be possible to influence the searching phase as multinationals find representative locations important. To find one is time-consuming and governments or other organization can provide information about attractive locations. It is also possible to influence decision makers with all kinds of information during phases.

Negotiation phase: strategy and implementation

Strategy (6) and implementation (7) are the last phases and are part of the negotiation phase. The strategy phase consists of defining one or more definitive strategies for a location after evaluation. In the implementation phase is the final decision made and that makes it a crucial phase. The organizations strategy is implemented and the process of building, which is time consuming, is often underestimated. Current contracts for rent or property, or expiring ones, can have accelerating role and could be used in favor during the negotiation (Pen, 2000). Facilitating building permits or changes in zoning plans by the government can thereby influence the time of the process. Another role is there to mediate in conflicts between the multinational and the external environment. Personal heuristics and external stakeholders are important in the negotiation and are possible to influence but organizational heuristics dominate the implementation.

2.4 Conceptual model

Concluding into a conceptual model for the scope to influence multinationals relocation decisions, governments and other organizations operate on the sidelines of the process. This is illustrated with the external influencers in the model. The influence of the government is particularly in the phases of identification and searching, and later on in the communication between the government and the multinational. Internal influencers make the decisions in the decision-making process and external influencers might best focus on possibilities to influence personal and organizational heuristics. Also, external influencers need to understand the multinational decision-making as best as possible. Therefore, external influencers need to understand who will make the decisions, how the process is organized, which phases are most crucial and when it is a good time to take a

role. Heuristics and tactics can be influenced when this is clear. The conceptual model below describes the relationship between the internal and external influencers. Internal influencers decide during the relocation whereby personal considerations (heuristics and tactics) play a role. External influencers attempt to influence internal influencers whereby is tried to respond to the appearing circumstances the multinational needs to deal with.

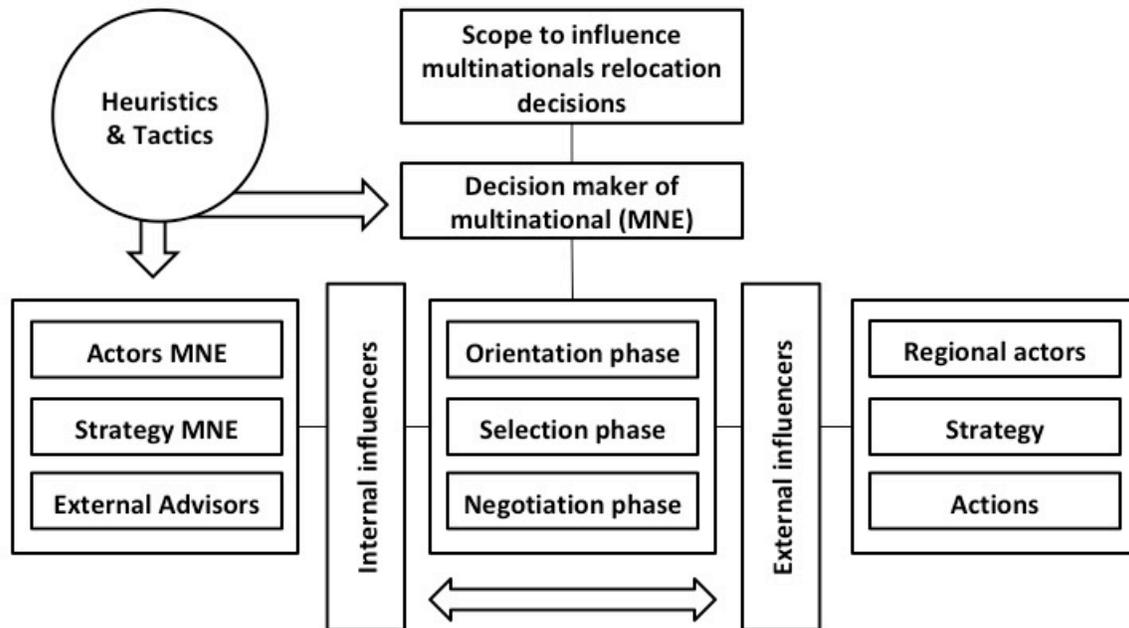


Illustration 1: conceptual model scope to influence multinationals relocation decisions

The decision maker of the multinational is the head office or managing board and herein is the orientation and negotiation phase important. Multinationals operate rational without interference from the outside. However, possibilities to influence appear when conflicts about individual preferences arise. Individuals and organizations have own heuristics & tactics and results in how the decision-making is organized. It offers different possibilities to influence the multinationals relocation decisions in the phases of orientation, selection and negotiation. Each phase has its possibilities to influence. Arguments that could explain the influence for this thesis are a personal heuristics argument (individual preferences, intuition), an organizational heuristics argument (the head office / special commission decides), a powerful decision maker argument (they get what they want), a political tactics argument (co-operate together) and an information argument (data, studies). Governments and external involved actors could recognize the arguments and phases and be well prepared to influence multinationals relocation decisions.



3. Methods

The methods used to answer the research problem are described in this chapter and includes the type of research, the operationalization, the data collection and the data analysis. Explorative qualitative research with a case study is the chosen method for this thesis. The data is collected with qualitative interviews and the case study is about IBM its relocation to Groningen. This chapter describes the choices that have been made for the chosen method, how the data collection and analysis was done and also the validity.

3.1 Explorative qualitative research with a case study

This thesis attempted to understand the decision-making process of multinational relocations. It focused on finding explanations about the behaviour and considerations of the multinational and the position, roles & actions of stakeholders involved. Especially, to better understand how internal and external stakeholders communicate and organize during the decision-making process. To get this information, explorative qualitative research is chosen as the research method and the combination with a case study is used to examine how a decision-making process develops in practice. Qualitative interviews were held to get insights into the process development and the opinions regarding the relocation decision-making. The case study is about the relocation of IBM to Groningen and IBM and external stakeholders that had a role were interviewed.

The scope to influence and the IBM Groningen case study

With the attempt to understand the decision-making process is tried to find possibilities to influence the relocation decision-making of multinationals. This scope to influence is based on that external influencers can influence the heuristics and tactics of the internal decision makers. It is also assumed that the influence depends on different moments to influence and therefore are the orientation, selection and negotiation phases included in the conceptual model to influence the multinationals relocation decision. Arguments to explain the heuristics and tactics of individuals and the organization are personal heuristics, organizational heuristics, powerful decision maker heuristics, political tactics and information tactics. In this thesis is with interviews in the case study of IBM explored how different moments or phases developed and which heuristics and tactics were used in the considerations of IBM. For the external influence is focused on their roles, goals and internal organizations. There is especially focused on the communication, meetings and the relationship when internal and external influencers interacted with each other.

3.2 Operationalization

Data collection with the case study

Qualitative research is chosen because such a case study on the soft factors was not done before. So, the heuristics and tactics had to be explored wherefore explorative qualitative research with a case study is a suitable approach. It makes it possible to observe how the process develops in practice and to collect data, which could result in new findings and to test the conceptual model. The type of interviewing was with semi-structured interviews and the respondents were IBM, NOM, Municipality of Groningen and the Province of Groningen. Questions were asked about topics such as functions, roles, development of the process, organization of the decision-making and internal & external communication. To better collect views about the development of the process, a timeline was filled in by hand during the interviews.

The interviews were taken in Groningen at the locations of the organizations, took one hour on average, were voice recorded and were taken with one person in the organization. Exceptions were that the interview with the NOM was taken with two persons of the same team in the organization and that the interview with the Province of Groningen could not be voice recorded. With interviewing four organizations, there was already overlap in the answers of the respondents. On behalf of this was chosen to skip the interview with the schools involved in Groningen because it would not provide new sufficient information. To find the right respondents, an online search was done and resulted in finding the directors responsible for the IBM location in Groningen and the FDI-team of the NOM that was involved in the process with IBM. After interviewing IBM and the NOM was asked who were involved from the Municipality and Province of Groningen. This has led to finding the persons that were involved in the process. For interview guide with the interview questions, see Appendix I.

Open coding used for the data analysis

For the analysis, the semi-structured interviews were coded. Coding is a way to organize and sort the data, which makes it possible to interpret, to compare and to conclude about similarities and contradictions. Firstly, all interviews were transcribed. Only the one with the Province was summarized because it was not possible to voice record the interview. Secondly, the transcribed interviews were coded by using the topics of the interview design to organize and sort the data. The topics can be found in 'appendix I –

interview guide' and are about functions, roles, development of the process, organization of the decision-making and internal and external communication. The third step was to compare and interpret the transcriptions of the interviews by splitting different codes of the interview topics into new codes. With open coding, it resulted into the next codes: idea near shore, decisive moment, time process, competitors, meetings & collaboration, roles and goals, communication & relationship, internal organizations, and location. The codes were merged together by using the interview transcripts from the different respondents and resulted in the data that is used in this thesis.

Validity and reliability

For the data collection with interviews, the respondents openly communicated about how the decision-making process developed and gave their opinions and considerations, which makes the data more reliable. However, getting insights about the heuristics was difficult to collect during the interviews and needed to be deducted from the answers from the respondents. This limits the validity of the research because there can be discussions about the interpretation of the heuristics. Also, the case study is done five years after the actual situation and some detail might be forgotten, but the respondents had the same functions and could replicate their experiences because of the impact of the IBM case and had time to reflect on it as well. Another point for the validity is that the used codes during the analysis could be connected with the conceptual model and the literature. This resulted in that the data relates to the research question. In addition, this type of research with a case study has limitations in drawing general conclusions. The behavioural and institutional approaches give a clear view about a situation but result in being too descriptive and are therefore not applicable to a different or similar relocation process. However, it is not the direct goal of this research since it focused on exploring the internal and external considerations of IBM and the development of the decision-making process. Offering a view from different perspectives makes it possible to draw conclusions and to find important factors that could improve the roles & activities of the governments, other stakeholders involved and multinationals. All in all, this research method served the goal of the research and the quality of the data is good, but depends on the interpretation and is not applicable in drawing general conclusions.





4. Moments and stakeholders in the IBM case study

This chapter gives insights into the moments and stakeholders in the IBM case study to better understand the next chapters. In 4.1 is introduced how the different moments of the relocation were experienced from the perspective of IBM. An overview of the internal and external stakeholders involved is given in 4.2 and describes the development of the process and the organization around it.

4.1 IBM Groningen decision making process development

Start of the decision making process

The IBM relocation decision-making process started in April 2012 when IBM global, the head office, decided to make a plan for a local near shore services delivery centre. This resulted in a large international project. IBM did research whether it was possible to start local locations within Europe on the national level. This study was driven by the context that there were difficulties with the concept of global delivery (offshoring). IBM started offshoring their services between the late nineties and the beginning of 2000. Over time, some difficulties came along with global delivery such as data security & privacy law, language, time differences, flexibility and some clients preferred assistance from IBM nearby. The model with offshoring worked, but these mentioned reasons above led to the search of near shore locations. IBM had already some local delivery centres during that time in Eastern Europe that did business in the Benelux and that made IBM decide to search a location in the Benelux (interview IBM, 2018). So, the head office IBM Global decided to start the relocation process and was driven by legislation and organizational preferences for a better balance between the global and local delivery of services. This led to researching the possibilities of local delivery in the Benelux.

Searching for a Benelux location

The location search started after the decision to start a location. Therefore, IBM global formed an international operating team (IOT-team) that did research if it was possible to set up a new local business in the Benelux. It looked into every aspect needed to start a business and was done by employees of IBM with different functions and also included a team of IBM that is specialized in location selection. This last mentioned team is called Plant Location International (PLI) and used data to look into location factors to compare locations such as costs, facilities and infrastructure. IBM Global introduced the project

and had a European lead and led to the conclusion that it was possible to search on site for a Benelux location (interview IBM, 2018). So, the research for a location was done by employees of IBM and did not use an external bureau for assistance. IBM had their own knowledge and formed an international team on the European level and involved PLI. Data and a multi criteria analysis was used with the assistance of PLI to compare locations and led to options visit some possible locations.

Forming a viable business case

The location search began with the Netherlands, France and Germany with the goal to form a viable business case for locations in these countries. Forming a viable business case did run parallel with the location search. During the research between May and November 2012, it became clear for the IOT-team that it was possible to establish local delivery centres in Europe. Separate teams searched locations for France, Germany and the Benelux. The Benelux team was formed in the end of November and searched for a location with assistance of PLI. Where the new location would establish in the Benelux has been the question for IBM since the location search started until the implementation. However, there were some prerequisites in the location selection and the Netherlands had the preference. Firstly, IBM excluded the west of the Netherlands out of the analysis because of the high operational costs or generic operational expenses in this region and because of the war for talent. The war of talent means that all businesses are willing to hire the same personnel causing less available talent or a tight labour market in a region. Especially, technical job profiles are hard to recruit in the Randstad. It looked impossible for IBM to start a new location there with the ambition to grow fast. So, IBM continued searching in the eastern part of the Netherlands. The analysis started with 6 possible locations and resulted in a shortlist of 2 locations whereby after the pre-selection only Eindhoven and Groningen were left. Framing this decision was done with the criteria attractiveness, support, infrastructure, cluster and talent (interview IBM). All in all, a multi criteria analysis was used to select locations and the location selection did run parallel with forming a viable business case. Framing the decision was done with the criteria attractiveness, support, infrastructure and talent and resulted in two locations after the pre-selection, Eindhoven and Groningen. The war for talent and the high operational costs excluded the Randstad out of the search. Reason for this is that it is hard to recruit technical job profiles as all organizations try to recruit the same talent and in Amsterdam are the operational costs higher because of land prices and human capital.

Location visits and comparing locations

To compare locations, location visits were done and a reference case was used to look deeper into the operational situation. At the beginning of December 2012 took IBM the lead in contacting the BOM in Eindhoven and the NOM in Groningen and visited both locations. The programme included a visit to the universities and colleges in the cities, possible sites for a business office and meetings with the municipalities and provinces. Comparing locations took place with the information of PLI. Groningen and Eindhoven had the best numbers in the multicriteria analysis. The first one was the operating costs, which are the costs to establish in a certain city or region. A second variable was the availability of talent in the target group of highly educated graduates. For IBM was the total number of students in the talent pool important and also the total labour costs. The next and third variable was infrastructure. Therefore looked IBM if the location was accessible and easily reachable because of the international travels of employees and that clients and other guests could visit the location easily. Also is looked at the support and attractiveness. The attractiveness is about the business climate and support about the willingness of the environment or ecosystem in the cities (interview IBM). Interesting is that IBM took the lead to contact the NOM and the BOM because this is the moment that they became involved in the decision-making process. Furthermore, the different criteria were based on preferences of IBM and the strategy to locate in a city where highly educated graduates are available in combination with a large talent pool with relatively low operational costs, and was also accessible and reachable for international contacts.

Location selection

The location selection took place from December 2012 till January / February 2013 and more options were open. A final choice was not made and one of the options was about support and collaboration. It was the question whether IBM should choose for a city with many established IT companies or choose for a niche market in IT, which is the case for Groningen. IBM kept both options open until the implementation and data was decisive in the end. The decision was made in February / March 2013, when IBM chose for Groningen (interview IBM). So, IBM knew internal that Groningen looked a better option than Eindhoven around March 2013, but it was uncertain until the implementation. The question remained if IBM should locate in a city with many competitors (Eindhoven) or in a more niche market (Groningen). IBM chose for Groningen in the end, whereby data was decisive. Hard factors were thus more important than soft factors.

Operational management and opening

IBM opened the IBM Services Center on July 1st in 2013 and had to make sure before the opening that it could start their business. An intensive internal and external decision-making process took place and many meetings and visits were held. IBM went through a business case refinement process and had to make sure to get the approvals inside and outside the organization. All aspects took place in four months and many stakeholders became involved. For the business case refinement, all organizational requirements of a real business had to be formed within IBM and consist of fine-tuning human resource, site selection, finance, legal, marketing and recruitment for example. The site selection, or choosing an office, occurred between April and May 2013. When IBM finally had chosen for Groningen, a launch event was organized on June 19th in 2013. Short after the launch was a first recruitment day held by IBM on the 26th of June to select young talents and academics that could already start in August 2013. Just after the opening of the location in Groningen, which is now called the IBM Client Innovation Center Benelux (interview IBM). Most important after the location decision was to make sure the near shore location could start. Hereby were many stakeholders involved and most necessary was to get all the approvals and the fine-tuning for every business aspect. The timeline of illustration 2 illustrates when the different moments developed in the IBM relocation.

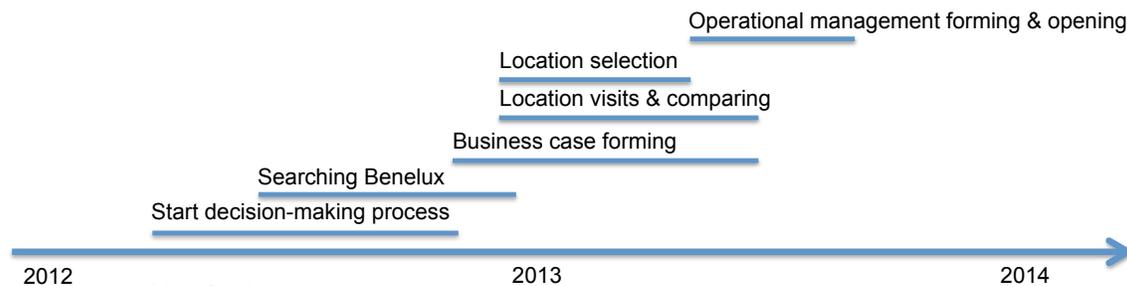


Illustration 2: development of the IBM relocation to Groningen

4.2 Stakeholders in the IBM location decision-making process

Overview of the stakeholders involved

The stakeholders involved in the decision-making process were individuals and groups from inside IBM (internal) and from the external environment, which include different levels of governmental organizations, schools, advisors, businesses and other networks or public organizations. In this research are the internal stakeholders the individuals &

groups from inside IBM or their advisors and the external stakeholders are from outside IBM. So, PLI and IBM are internal stakeholders. The external stakeholders are the NOM (Northern Investment Agency), the Municipality of Groningen, the Province of Groningen, the University of Groningen and the Hanze University of Applied sciences Groningen. These stakeholders were the most involved in the decision-making process and behind the organizations are individuals & groups that represent the organizations.

Development of the stakeholders involved

IBM Global started the process, or project as IBM named it, and a European team of IBM had the lead of the project. IBM formed a team with employees of IBM that became responsible for setting up a location in the Benelux. The Benelux team had assistance of PLI and contacted the NOM and visited Groningen. The NOM organized a programme for IBM and PLI and arranged meetings with stakeholders. The stakeholders that came in sight on the day of the visit are the Municipality of Groningen, companies in the IT-businesses, the University of Groningen and the Hanze University of Applied sciences Groningen. The Province of Groningen involved later in the process and the real estate agents and real estate property owners as well. Furthermore was the UMCG involved because it was part of a partnership (interview IBM). So behind the organizations are the managers and teams or individuals & groups that represent the organization at certain internal and external moments during the relocation. This is illustrated by illustration 3.

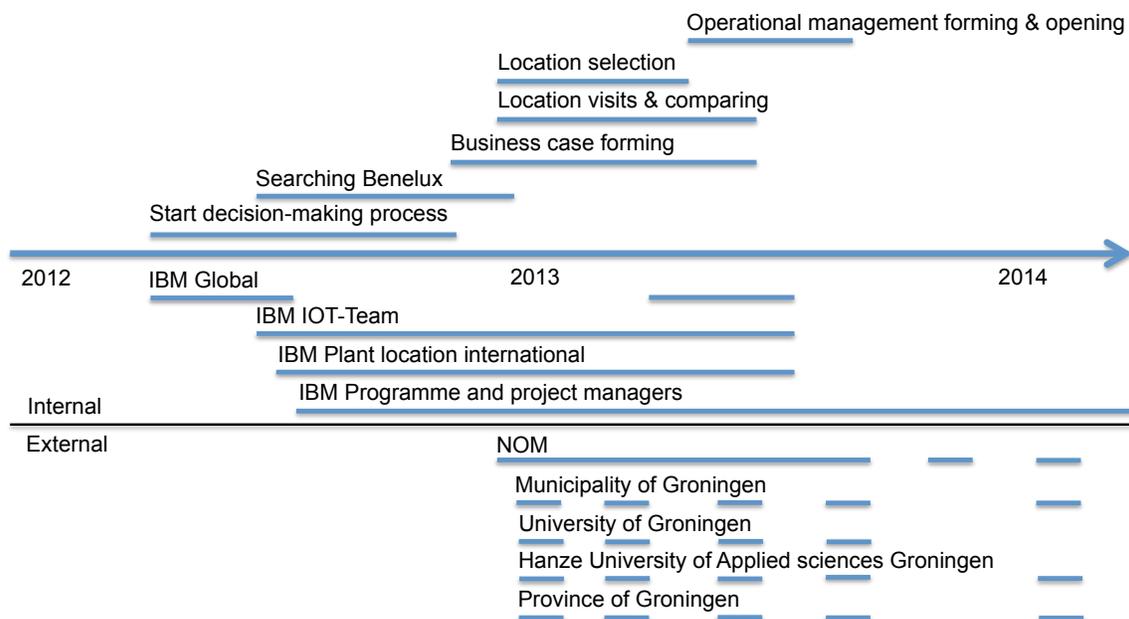


Illustration 3: development of the IBM relocation and the stakeholders involved



Organization of the IBM internal process

As described, the head office IBM Global took the final decision and started the project and IBM Europe had the lead of the project. With the goal to start three local service centres in Europe, as now called the CIC's (client innovation centres). Therefore, IBM chose to set up a separate entity that was responsible to open multiple locations in Europe. This entity was a team on the European level with employees that already had a function at IBM and is called International Operating Team (IOT-team). The team included all possible functions of a business. These functions are human resource, plant location international, legal, marketing, communication, resource management, resource & capacity management, finance and operations. Alongside the process of the location search in the Benelux searched two other teams locations in France and Germany. These were established in Lille, France and in Magdeburg, Germany (interview IBM).

To find a location in the Benelux, a programme manager and a project manager officer became responsible for all business functions. These were copied from the European entity. Therefore were many contracts arranged and stakeholders were informed during the process. The internal business case had to be refined and all internal approvals had to be held within the IBM organization. Getting internal approvals was linked to a design that the IOT-team made about how the business would look like. This internal design was discussed with teams within IBM. There was internal discussion about the teams its preferences but after the design was made, there was no discussion possible (interview IBM). This illustrated the organizational heuristics inside IBM. IBM Benelux worked together with IBM Europe and IBM Europe communicated with IBM Global, see illustration 4. The IOT-team operates at the European level and the programme and project managers are responsible for all business functions of the Benelux location.

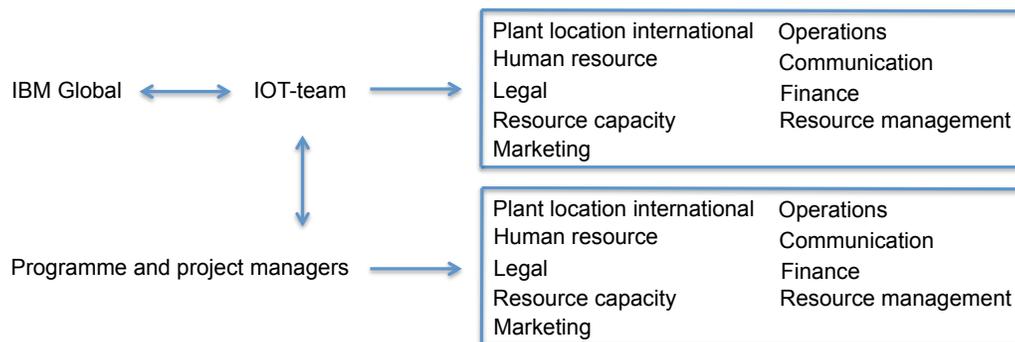


Illustration 4: internal design of the IBM relocation and the stakeholders involved

In the end chose the IBM Benelux team for Groningen. The decision was also made with the support of the GBS director of IBM Netherlands, who is responsible for the services in the Netherlands. Getting the internal approvals at IBM Global was done by preparing arguments why Groningen was a suitable location and was also accepted because of that the Benelux team had better local knowledge about the situation in the Benelux than IBM Global had (interview IBM). To conclude, the design of the internal decision-making process was discussed before the location search started. IBM Benelux worked together with IBM Europe and IBM Europe communicated with IBM Global and this decision-making structure was clear for the internal stakeholders. This is probably a reason for the short time of the total process, which is discussed later in this thesis. Furthermore was information and support from stakeholders important to get the internal approvals.

Organization of the external stakeholders in Groningen

The external stakeholders became involved in December 2012 at the moment when the location selection started. PLI took the lead and contacted the NOM that an IT-company would make a location visit in Groningen. That IBM was this IT-company was found out later by the FDI-team of the NOM, but it was not mentioned at that time. The NOM is a semi-public organization for economic promotion for the three Northern Provinces in the Netherlands and has different teams. It has a special team for Foreign Direct Investment (FDI-team), which took a role in the communication with IBM. This FDI-team of the NOM has the goal to promote the economic strengths of the regions on the right moments in different places or networks. Especially, the NOM works together with the NFIA, other regional partners and has specific knowledge about what is going on in the markets of the Provinces Groningen, Friesland and Drenthe and has the right contacts within the Northern network, such as businesses and governments. As communicating partners for IBM, a role was there to arrange the right contacts and to make programmes for the location visits. The first location visit was a two-day programme wherein Groningen was showed and IBM could speak with the University of Groningen, the Hanze University of Applied sciences Groningen, Noorderpoort and with similar businesses. IBM wanted to know the situation in Groningen for human capital and the IT-market. Therefore, IBM visited schools, similar businesses such as Atos, Yacht, VCD, RDW and some smaller businesses. The IT-company IBM intended to attain 350 employees within three years after the start and especially focused on young graduates. In the time that IBM spoke to the government were the alderman and civil servants present and discussed with IBM

about the possibilities of IBM in Groningen. This was the same in the conversation with the Province. At the Province of Groningen, the royal commissioner was involved and some programme managers. In a later stage in the process was recruitment important for IBM. Recruiting new human capital for IBM came together with the collaboration of stakeholders in Groningen. Different meetings took place and in the end a letter of intent was signed to make sure IBM could recruit the personnel. The municipality and province of Groningen, the University of Groningen, the Hanze University of Applied sciences Groningen, the University Medical Center Groningen and IBM signed this letter of intent. The stakeholders involved from the schools are the board of directors, multiple faculties and the marketing departments and employees organised the recruitment day (interview NOM). All in all, IBM took the lead and involved the NOM in the process, which involved the other stakeholders in Groningen on their behalf and arranged location visits. Also, many public, private and semi-public organizations were involved in the IBM relocation decision-making process and collaborated with IBM. The NOM was present at all meetings and communicated constantly with IBM and other external stakeholders were not constantly involved but were present at different moments. In illustration 5 can be noticed that stakeholders were present at different moments and that the external stakeholders became involved later in the process. The process can be split into a internal phase and internal & external phase. The internal & external phase is the best possible phase to influence the decision-making.

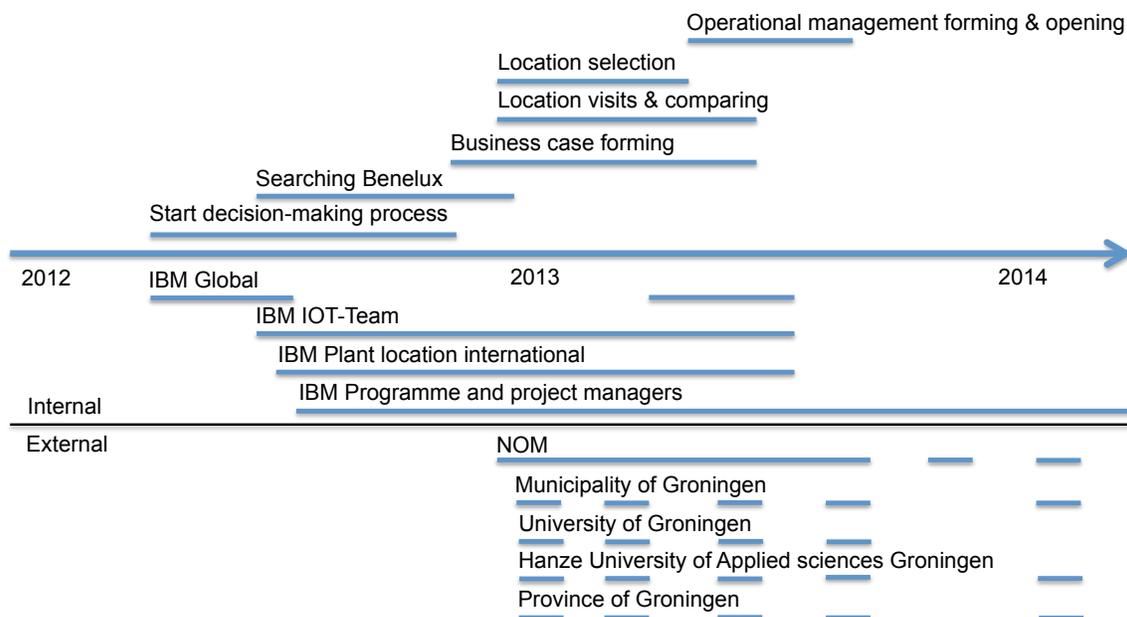


Illustration 5: development of the IBM relocation and the stakeholders involved

5. Understanding the decision-making process

With the overview of the process development and the stakeholders involved in mind, a deeper look into the decision-making process is presented in this chapter. The different moments are distinguished and are positioned in the theoretical framework that exists of the different phases in the decision-making process. This is done by firstly unraveling the internal and external considerations of IBM in 5.1 and secondly to connect moments and considerations of IBM in 5.2 with the orientation, selection and negotiation phases. The influence and heuristics in these phases will be touched on in the next chapter.

5.1 Considerations in the decision-making process

From the idea till the implementation, multiple moments can be recognized. These are the start of the decision-making process, searching for a Benelux location, forming a viable business case, location visits and comparing locations, location selection and the operational management forming and opening. All moments together are related and form one decision-making process for a location, see illustration 6 below. Within this process, IBM constantly considered different location options in a setting with internal and external stakeholders. All with their own heuristics, which are individual & group-decision rules that arise from rules in the organization and from personal perceptions & feelings. Also, individuals and groups use tactics and information to enhance their ability to make a decision. These heuristics will be touched on later in the thesis.

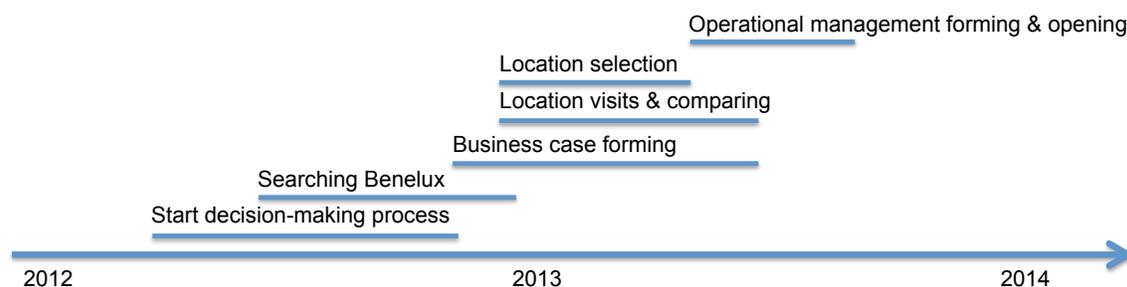


Illustration 6: development of the IBM relocation to Groningen

What kind of considerations had to be made?

Regarding the moments in the decision-making process, the connecting theme was comparing locations and forming a viable business case. This came along with the used criteria in the analysis, which were hard factors but also soft factors. Dealing with the preferences in the organization and fine-tuning these elements or business functions of

the future location is another example of attaining a final location choice. Not to mention all the meetings and constant communication with internal and external stakeholders. These kinds of considerations illustrate the environment of the location decision-making process. Illustration 7 makes clear that the analysis for comparing locations goes together with internal & external considerations and internal & external communication. It makes it therefore possible for governments and other organizations to influence the internal considerations during communication with multinationals.

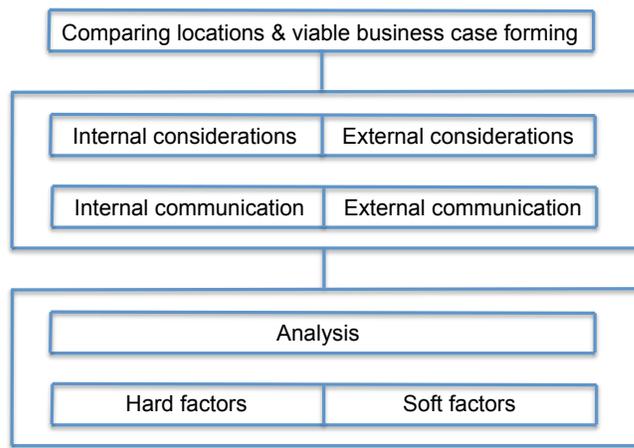


Illustration 7: Considerations in the IBM decision-making process

Prerequisites of the client innovation center

Considering and comparing options for new locations, IBM had to find out how to design the client innovation center. At that moment, it was still uncertain how to design the business case and where to locate. Today are system maintenance & integration and application development services that the IBM Client Innovation Center in Groningen delivers. A creative part is also covered with the IBM interactive studio that creates customer journeys to test and create user experiences. Multiple prerequisites were taken into account when setting up the new business center. To acknowledge, IBM transfers their resources between different parts of the world as a multinational does. So, it had to fit in the global strategy wherein IBM wanted to deal with the difficulties that existed within the concept of offshoring. Although offshoring has been successful wanted IBM to have multiple near shore establishments in Europe. Regarding the Benelux location search were the hard prerequisites the operational costs, availability of talent and the accessibility & reachability of the location itself. The support from the environment in the

city and the attractiveness to establish in the city were the other prerequisites (interview IBM). The prerequisites were concerned in most considerations of the IBM relocation, which is presented in illustration 8. Even though the business cluster (attractiveness) and the willingness (support) are hard factors are these related to soft factors since these factors are driven by personal or organizational intentions. The next paragraphs elaborate the internal considerations of IBM for the prerequisites.

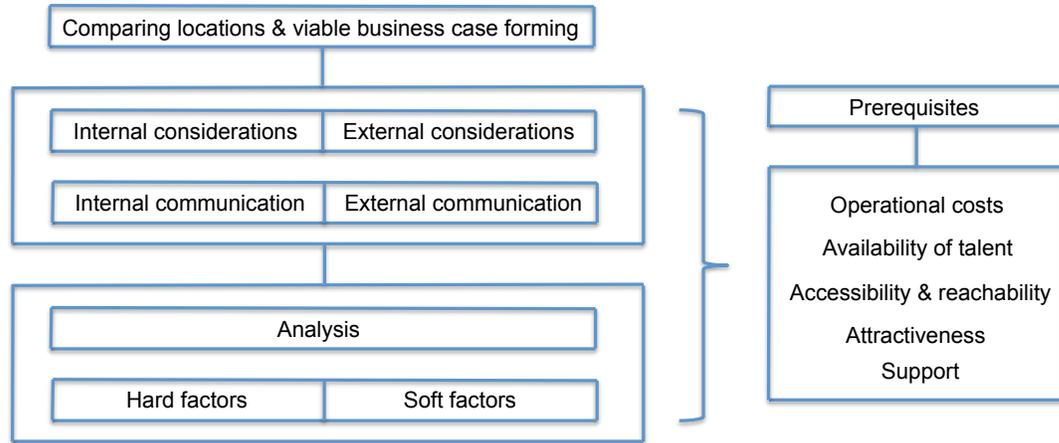


Illustration 8: Prerequisites and considerations in the IBM decision-making process

Comparing locations: operational costs and infrastructure

To establish a location somewhere, underlying aspects such as the costs, facilities, environment and infrastructure were considered and compared. How all aspects fit each other ends up in the viability of the business case. For the location, IBM had a requirement to establish in the city center. It must also be possible with international contacts to travel to the office building easily. Therefore, IBM looked into the accessibility & reachability of the location and the office building. It was also needed to find a site at the location that had some characteristics, so that it was possible to start the services center there. An underlying consideration was that the building was attractive. However, the factor of operational costs was more important. With the criteria of the pre selection, the west of the Netherlands (Randstad) was not an option because of the high labour costs, which would result in having to high operational costs. IBM looked into the eastern part of the country and Eindhoven and Groningen became the two options. Of course with the other criteria combined (interview IBM). All in all, IBM could find a location that fits the operational costs and could find an office building in Groningen that is attractive and easily accessible & reachable within the international context.

Comparing locations: availability of talent

Human capital was one of the hard factors for IBM. It is necessary to have a viable business case and without the right employees for IBM, it would not have been possible. In the search for human capital, IBM looked upon the opportunities that Groningen and Eindhoven had to offer and the human capital was a decisive factor in the location decision. Therefore, it looked at the total talent pool and the labour costs.

In Eindhoven, with many IT-companies, was already a “war for talent”. It was probably even harder than in the west of the Netherlands to find the right human capital. This war for talent means that all companies demand human capital and have to fight for the talent that is available. Phillips, Cofely, ASML for example and competitors such as Atos, Capgemini, Accenture and other international companies will all go for the same talent as IBM does. When starting up a business and to grow fast in numbers of employees, the war for talent in Eindhoven was maybe not the right location. The comparison for the total talent pool was an important factor as mentioned before. In Eindhoven consists the labour pool of the cities Eindhoven, Tilburg and Nijmegen and was just smaller than in Groningen. In Groningen was more talent available. Groningen has 60.000 students on a population of 200.000 and at the time of the decision 55.000. The talent available was enormous in Groningen and it was harder to get talent in Eindhoven (interview IBM). In the end, human capital was a decisive factor in the location choice. The labour costs were in Groningen also lower than in the west, which results in lower operational costs, and the talent was available in Groningen and human capital is necessary when delivering services to costumers of IBM.

Comparing locations: support and attractiveness

IBM experienced the location visits differently. It felt more support in Groningen than in Eindhoven. For Eindhoven, IBM was probably yet another IT-company to visit the city. The difference was that IBM was surprised by Groningen its focus on the relationship and the accessibility. A phone call to the Royal governor or the alderman could be made instantly. This focus and willingness to build a relationship has indeed influenced the decision of IBM (interview IBM). So the fast and decisive network in Groningen was an important factor in IBM its decision-making. It offered the choice to operate in a city with many established IT-companies or the other option of a more niche IT-market with more support in Groningen. All considerations to compare the locations are presented in the next table.

Operational costs	Availability of talent	Accessibility & reachability	Attractiveness	Support
No high operational costs	Total talent pool	Infrastructure	Business cluster, niche market or established market	Willingness
No high labour costs	War for talent	International contacts	Attractive image business office	Focus on relationship
	Affinity with IT		City center location	Network
	Fast to find			

Forming a viable business case in an internal-external environment

All these described hard factors and soft factors, or prerequisites of the location, were considered within an environment that is internal and external. Constantly, the business case refinement was at the core of the decision-making process and was influenced by information sharing and experiences such as numbers, facts & figures, meetings and moments in the process. This business case refinement is about thinking and re-thinking how it would look like. At first, it has been researched if it was possible to set up a local delivery center and the business case refinement started in November until the opening. It was about the business functions such as human resource, site selection, finance, legal, marketing, recruitment and all other requirements of a business. Not to overlook considering what to achieve with the new location? Or what kind of culture or identity to acquire? Many considerations come along with starting a new business and IBM had a high ambition. It wanted to grow to 350 employees within 3 years after the start. In summer 2018 had IBM 280 employees in Groningen and 60 in Amsterdam (Interview IBM). The process of the decision-making about these questions is on the one hand internal and on the other hand external. However, many internal and external processes run parallel in the decision-making process. Some phases are mostly internal and other phases are more interwoven. Regarding the business case refinement, internal and external approvals need to be obtained wherefore meetings and information from both sides is shared. This can be seen as a form of collaboration where both stakeholders need one another, which makes the process complicated & political and also gives the possibility to influence the internal decisions. The analysis for comparing locations goes together with internal & external considerations and internal & external communication. It makes it therefore possible for governments and other organizations to influence the internal considerations during communication with multinationals

5.2 Decision-making process phases

In this paragraph are the moments and considerations of IBM connected with the decision-making phases to structure practical experiences of the case study, and to combine it with business management and location theory. This is done to understand how the process developed and to get sense about the moments that can be influenced, which is been touched on in the next chapter.

Connecting the moments within a time frame, chronological or various stages?

The moments of the relocation process seem to develop in a chronological time frame, as can be seen in illustration 9, but a more thoroughly look presents a clear view of the overlap between multiple moments. The overlap can also be seen in the table below.

Moments	Example	Time frame
Start of the decision-making process	Start a local services delivery center	April – November '12
	Research possible within Europe	May – November '12
Searching for a Benelux location	Comparing locations in Benelux (Same as France, Germany)	Till December '12
Forming a viable business case	Pre-selection and decision framing	November '12 – May '13
Location visits and comparing locations	Location visits to Eindhoven and Groningen: locations, sites and schools	December '12 – May '13
Location selection	Selection between Groningen and Eindhoven	December '12 – February '13
	Definitive location decision	March '13
Operational management forming and opening	Internal and external approvals	March '13 – July '13
	Site selection	April '13 – May '13
	Launch event	June 19 th '13
	Opening	July 1 st '13

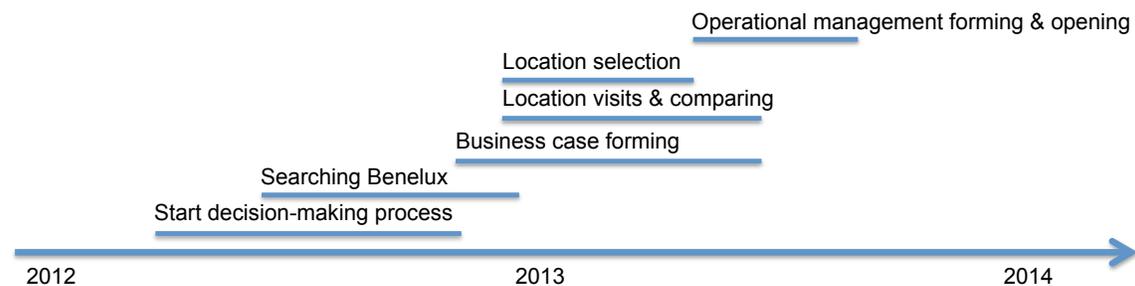


Illustration 9: development of the IBM relocation to Groningen

The considerations of IBM are all about looking towards a new location and within these moments, the connecting theme was comparing locations and forming a viable business case. It might be an explanation for the non-chronological time frame but it does not improve understanding about the right moment to influence the process. An explanation for the non-chronological time frame can be found in business theory. Eisenhardt & Zbaracki (1992) state that a decision-making process often run through various stages, that phases are repeating and that the process always follows different paths in fits and starts. This is because conflicts among decision makers influence the shape and path of the process (Eisenhardt & Zbaracki, 1992). So, the development of the process is not so structured, runs through various stages and has overlap between moments. It does not explain when influence is possible either. Hopefully, it will help to connect the orientation, selection and negotiation phases with the moments in the time frame of the case study?

Connecting moments and the time frame with decision-making phases

Location theories and business theories both distinguish phases in the total decision-making process. The phases of identification, searching and implementing are often used in business theory (Eisenhardt & Zbaracki, 1992). For location theory, Louw (1996) distinguished the location process into orientation, selection and negotiation and Pen (2002) uses more phases. Identification, searching and implementation form the standard phases and extra phases can be diagnosis, development, evaluation and selection (strategy). The table below presents how the theoretical phases relate to the IBM case study. Point of attention is that every process follows a different path in fits & starts and that depends on how multinationals will organize the process (Eisenhardt & Zbaracki, 1992). Which is an organizational heuristics argument.

Eisenhardt & Zbaracki 1992	Louw 1996	Pen 2002	Moments IBM case study
Identification	Orientation	Identification	Identification
		Diagnosis	Diagnosis
Searching	Selection	Searching	Strategy
		Development	Searching
Evaluating		Evaluation	Development
	Negotiation	Strategy	Evaluating
		Implementation	Implementation

In the IBM case study, the different path in the fits and starts is that the strategy was organized before the location search. The strategy phase consist theoretically of defining



one or more definitive strategies for a location after the evaluation. Practically, IBM made a design about how the organization would look like. Evaluating means that solutions are weighed. In the IBM case was the diagnosis (defining the problem and formulation) done in combination with the strategy. To be specific, at the moment when IBM was thinking about re-shoring was the diagnosis combined with the strategy phase by researching if it was possible to locate in Europe. This research is done on the European level by an international operating team (IOT-team), and the Benelux team did the search. The table below connects the theoretical phases with the moments of the IBM case study.

Theoretical phases (Pen, 2002)	IBM case study moment
Identification	Idea re-shoring
Diagnosis & Strategy	Research IOT-team
Searching	Location visits
Development & Evaluating	Building a viable business case
Implementation	Recruitment and opening

That the strategy was organized before the search with teams higher in the organization is logical in the sense of Dimitratos (2011) as top managers are strategist who set the direction of their enterprise. But that does not mean that managers on lower levels have no influence. This is because organizations are seen as political systems in which decision makers have partially conflicting objectives and or preferences (Eisenhardt & Zbaracki, 1992). Also, the strategic approach is incorporated in the multinationals daily routine (Pen, 2002). Which is also an organizational heuristics argument and seems a legit explanation for the IBM case since multiple levels of the organization were involved.

Time frame and speed of the process

Phase	IBM case study moment	Time frame
Identification	Idea re-shoring	April '12
Diagnosis & Strategy	Research IOT-team	April '12 – November '12
Searching	Location visits	December '12 – May '13
Development & Evaluation	Building a viable business case	November '12 – May '13
Implementation	Recruitment and opening	March '13 – July '13

Regarding the time frame and the speed of the process took it 1 year and 3 months for IBM to run through the whole process (see the table above or illustration 7). This is from the idea until the opening. It took only 7 months between the location visits & the opening and is incredibly fast in the experience of IBM. In the view of the Municipality of

Groningen had IBM the location suddenly up and running within 3 months after the decision to locate in Groningen. The NOM mentions that it was a fast and short process in comparison to similar relocation processes. Normally, it takes 3 or 3,5 years as in the case of Google and that are no exceptions. Sometimes it takes more than 10 years. Multinationals intensively undergo a selection and location research process wherein is searched within a wide range of locations throughout Europe. Reasons for delay are that internal stakeholders constantly come up with adjustments or other aspects that sometimes also lead to a different course of the process (interview NOM). In that sense was the IBM case a fast and short decision-making process.

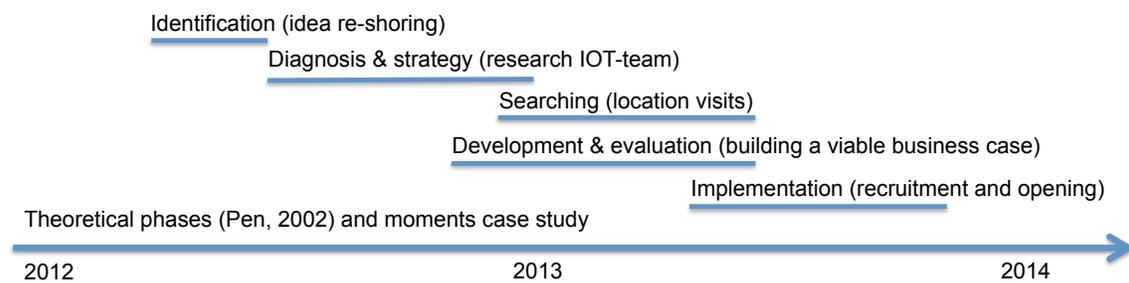


Illustration 10: Moments of the IBM relocation to Groningen and theoretical phases

Theoretical findings that cause delays are that external advisors can slow down by the professional approach and other reasons are old buildings, employees its relocation preferences, accessibility, business strategy, (building) permits, zoning plans and human capital issues (Pen, 2002). In the case of IBM, there were minimal negative experiences or difficulties. There were no external advisors involved, an relatively new office building was available, there were no difficulties in the permits or zoning plan because IBM is an IT-company and not a chemical company and it hired new personnel whereby current employees its relocation preferences and the accessibility were not an issue. However, recruiting the personnel was important and exiting since it was a hard factor. Also, due to the clout within IBM and the help of external stakeholders it has gone so fast thinks IBM. IBM mentions that in the opinion of the external (influencers) stakeholders, it was due to the proper agreements that were made internal and that the lines of communication in the North (Groningen) are short (interview IBM).



Moreover, the moments in the process were sometimes internal and sometimes internal & external. The identification, diagnosis and strategy phases between April 2012 and November 2012 were internal. Pointing on the idea of re-shoring and the research of the IOT-team. Since the start of the search in December until the implementation, it is a combination of internal & external cooperation. This statement is made on the behalf of findings about the communication, meetings and the relationship between internal & external influencers. Both need one another in sharing information and try to help each other. IBM mentions that the internal process runs parallel with external communication and meetings, and IBM had to cooperate closely with the stakeholders. On the other side of the table understood all stakeholders the importance of the establishment of IBM to Groningen and invested lots of time and energy in the process. This investment of the external stakeholders in Groningen has a strong link with their goals, roles and organization and the collaboration that comes with it. More on this is explained in the forthcoming chapter. The argument is that the time of the process is a result of the effort spent by both internal and external stakeholders and their strategies around the internal organizations. In this sense were the stakeholders in Groningen ready to support IBM in their search for a near shore location and was this readiness an important factor.

The decisive moments and when to influence in the process

Stakeholders	Decisive moments	Examples
IBM	Getting the internal approvals External: first visit to Groningen	Large international company and you have to involve and speak directly to the top (IBM Global). They have to approve on all elements. It impressed us. The agenda was well determined and the day went well. We have spoken to the stakeholders we wanted to speak.
NOM	First visit	Quite remarkable, the visit changed the mindset of IBM that Groningen was not just a reference case but also a possible option.
Province of Groningen	"Akkoord of Groningen" (letter of intent IT-academy)	Human capital was decisive for IBM and was also a great opportunity for Groningen. And during a meeting at the Hanze it became clear that Groningen was the place to locate.
Municipality of Groningen	The first visit but you have to ask IBM	The first blow is half the battle. We asked them how we could help and we arranged access to different networks and individuals at high levels in the organization.

During the interviews with the stakeholders is asked for the decisive moments, which are

given in the previous table. The first visit of IBM in Groningen was a decisive moment in the process. The day was experienced positively and it was well-arranged mentions IBM. The external stakeholders knew that Eindhoven was on the winning hand in the internal organization of IBM (interviews NOM and Municipality of Groningen). But that did change after the location visits to Eindhoven and Groningen. The examples in the table illustrate that it was a positive experience for both sides of the table. Getting the approvals with the top management at IBM was the most decisive moment internal. That did cost lots of time and energy and was challenging to do everything on the right way. Also due to the short time frame it was exiting sometimes (interview IBM).

The decisive moments in the table are mentioned as the most important. In addition, this thesis tries to find the moments when it is necessary to influence. Theoretical findings are that the identification and the implementation are the most crucial (Pen, 2002). However, empirical findings of the interviews result in that it is needed to stay focused during the whole process and to stay in contact after the establishment as well. At least, this is how the stakeholders (ecosystem) in Groningen think about the situation and roles in Groningen. The stakeholders mention that when it comes to the IT-sector, Groningen has to prove itself and has to put more effort to convince companies about the strengths of the human capital for technical profiles in Groningen. Pointing on cities with technical universities, than is the position of Groningen as a city with IT and tech companies not as prominent as Eindhoven or Delft for instance. Theoretical assumptions are that there is regional competition in whether a company should prefer location A over B and if it depends on the Groningen ecosystem, it will promote the hard & soft factors in the decision-making process to compete with other regions. Nowadays, this is needed because multinationals change the way they decide about where to locate because of improved coordination (Cohen, 2000). This has implications for regions trying to position themselves. Often there is a mismatch between the public officials and the business community states Cohen (2000) due to no understanding of what motivates location and relocation decisions. In the interviews with the external stakeholders in Groningen is mentioned that in other regions, there are more 'Chinese walls' between the government and other stakeholders. In Groningen, it is the other way around. Everyone works together intensively, attaining the same goal and joins fast to accomplish it with one another. This is how the Groningen ecosystem promotes the hard and soft factors and thinks that it is necessary from the first meeting and that it will continue after the



establishment of the company (interviews external stakeholders).

Regarding the decision making process in a broader way with the strategy in Groningen, three phases can be distinguished. These are branding or promotion, wherein the NFIA and the NOM play a role. The second and third phases are the acquisition and account management, wherein the NOM and the Groningen ecosystem have a role. In the table below is illustrated how the location decision-making phases relate to the phases in the strategy and the roles included. The Groningen strategy includes the orientation, selection and negotiation phases and goes beyond the theoretical relocation decision-making phases. Namely by focusing on the time frame in front and after the internal & external process. Especially, the acquisition is related to the case study because IBM contacted the NOM and the internal & external process started since that moment. The NOM and the NFIA have a role there but in this case study took IBM the first step in the contact with the NOM.

Groningen strategy	Location decision-making phases	Roles
Branding / Promotion	Orientation	NFIA and the NOM
Acquisition	Selection and Negotiation	NOM and regional partners in Groningen
Account management		Groningen ecosystem

When combining the phases with the decisive moments and the hard and soft factors, it is possible to look when the influence was necessary and what had to be influenced. In the end, hard factors were decisive (human capital, operational costs and infrastructure) and the soft factors helped IBM to choose for Groningen as support and attractiveness include both hard & soft factors. The influence is possible in the internal and external moments, which are searching, development and evaluation, or the selection phase to simplify. In the selection phase is a role to influence with the soft factors when the hard factors are available, which is a necessary point of attention. If the hard factors are missing than is the multinational not going to locate in the region. It will leave the location out of the search because this is based on hard factors that are considered within the internal organization. The decisive moments were the location visits and getting the approvals whereby it is possible to influence the multinationals decision-making with hard factors and soft factors such as information and feelings. This is possible during the whole orientation phase. In the implementation turns the multinational inside to consider the choice. However, there must be focus at the external environment until the opening of the new location. The approval process is internal but soft factors might be part of the

factors to relocate, as the support and attractiveness were for IBM. This is presented in the table below and gives a look into when and what kind of influence is possible in the location decision-making process.

Phases	Decisive moments	Hard or soft factors
Identification		(Internal, hard)
Diagnosis & Strategy		(Internal, hard)
Searching	Location visit	(Internal / external, hard / soft)
Development & evaluation		(Internal / external, hard / soft)
Implementation	Approvals / Recruitment	(Internal hard (+soft))

To conclude, it is now clearer why IBM and the external stakeholders chose for their strategy, how IBM made the location decision and how the external stakeholders influenced the process and when it is possible to influence the location decision-making process. But it is required to get more and better understanding about the heuristics & tactics in the process, which is presented in chapter 6, the scope to influence the location decision-making process.





6. Scope to influence the decision-making process

Now it is clearer when the influence is possible and when the hard and soft factors play a role, the attention is pointed on how to influence the multinational considering the IBM case study.

6.1 Goals, roles and internal organizations

Roles and goals

How the IBM business case resulted into the investment in Groningen is linked with the roles and goals of the stakeholders in Groningen. IBM is clear about their roles and the communication with stakeholders in the Groningen community. The NOM had a role in making a relevant program, asked what IBM was thinking about and what IBM needed. Therefore, the NOM made a program for the visit and arranged multiple meetings with the right individuals & organizations at this first visit. The arrival was good and IBM could speak to the parties they wanted to speak with. These parties include the municipality of Groningen, the University of Groningen, the Hanze University of applied science and the Province of Groningen. All these parties are all connected with the City of Talent policy (interview IBM). From the external perspective, the external stakeholders in Groningen have mentioned their goals & roles in the interviews and are pointed out in the table.

Stakeholder	Goals	Role	Instrument
Province of Groningen	Digitalization, Greening the chemical industry	Project acquisition, investment and connecting the right persons	Project managers Investment policy and funds
Municipality of Groningen	Local economic development	Arranging permits and access to networks	Data, contact persons
NOM	Foreign direct investment	Acquisition, first contact, coordination	FDI-team, data analyst, research

The municipality of Groningen feels a responsibility for the local economic development and was therefore concerned with the IBM relocation to Groningen. They arranged access to the networks in Groningen, shared information and data with IBM and appointed a contact person from the municipality as a kind of case manager for the permits that IBM needed. The province of Groningen pointed out that digitalization was a driver within the acquisition of IBM. To attain their goals, the province can co-fund businesses and IBM is also co-funded. This co-funding was done with funds from the



investment policy to improve the digitalization. For this goal, the IT-academy was initiated wherein human capital is an important aspect. The role of the province for the acquisition is more internal in Groningen and the businesses can write an application for policy funds. The province makes the decision to approve or reject the application. The role for the acquisition outside Groningen is a role for the NOM. This acquisition is done at places of which the NOM thinks these have potential. Good timing in worldwide hotspots is essential. The acquisition focuses on American or Asian businesses that want to expand their business by entering European markets. When a possible business case appears, the NOM tries to utilize the strengths of the North such as knowledge, businesses and networks. In such occasion, the NOM will match the hard factors and soft factors with the business case or investment plan. The goal is to convince the investor that Groningen is the most suitable location.

Combining the opinions together, all stakeholders have their own role & position and are all concerned with the acquisition of companies that contribute to the stakeholders their goals. This was also clear for IBM and to know more about how the stakeholders influenced IBM in some kind of way, the next step is to look deeper into the internal organizations of the external stakeholders.

Internal organization of IBM decision-making and external influence

As mentioned before, the development of the relocation decision-making process of IBM can be categorized into internal phases and internal & external phases. The internal organization of IBM is thereby the subject to influence. Meaning that external stakeholders try to influence the internal decision-making process in the multinational organization. This setting wherein the decisions about the location and business case are made, as described in chapter 5.1, is not only internal because both need each other in sharing information. To influence the IBM decision, the heuristics and tactics of the IBM organization are important. Individuals & groups use tactics and information to enhance their ability to make a decision and have their own rules that arise from rules in the organization and personal perceptions & feelings.

In the search for a new location, IBM had organized it internal at multiple scale levels. Namely, at global, European and at the Benelux level wherein IBM Netherlands was involved as well. Within the internal organization, there were different responsibilities and roles that are connected to the decision rules. IBM Global made the final decision and the IOT-team at the European level was responsible for the design of the new

organization with all business case aspects. The European team operated between the Global and Benelux teams and had conference calls with both of them. Arranging the location visits and the argumentation about a suitable location was a responsibility for the Benelux team that had to get approvals at the IOT-team. This International Operating Team made the design that IBM Benelux had to follow in setting up the location in the Benelux. During the development of the organizational design, there was internal discussion about how it would work, what the costs would be and how it would be done. Herein, it was probably possible for the Benelux team to influence this design. However, after this design was made there was consensus about that design and that design would be followed (interview IBM). This is an example of how the structures around decision rules are organized within IBM. To influence the internal organization, it is needed to know what the structure of decision-making is and to act when information is shared between internal and external stakeholders such as meetings, visits and phone calls.

Influencing the internal decision-making of IBM

Interesting for this thesis is what the external stakeholders knew about the internal stakeholders and the strategy of IBM for finding a new Benelux location and how to influence the location choice. The opinion of the NOM about what happened was that there were other preferences inside IBM for a location than for Groningen. Eindhoven was on the winning hand at the start of the internal decision-making and the NOM heard later that Groningen brought the Benelux team in a difficult position. The visit was a turning point whereby Groningen became a possible option that had to be examined seriously. In the opinion of the NOM, IBM had to establish in Groningen and that can be explained or argued with the right numbers. It turns out that Groningen is the youngest city in the Netherlands. The student contingent is enormous which brings down the average age. Furthermore, the NOM acknowledged that there was internal competition between Groningen, Lille and Magdeburg about which location opened as first. Groningen came out as the winner although it was a close finish. About how it was organized internal thinks the NOM that some things became clear. At a certain stage, there was a direct line to America with a decision-maker who as well was present two times after the launch. And a person in London had to make the final decision. The NOM was also involved in two calls with that person but overall, the Benelux team were the counterparts of the NOM. The NOM had contact with them and not so with internal

processes. However, the real estate question of IBM was a kind of separate process. The NOM had a direct line to real estate team of IBM (PLI) and looked on a rational way into the situation. Although the NOM had a little knowledge about the internal decision-making, the process is always exiting because changes can occur instantly. The NOM remembered that just before the launch, IBM decided to postpone the decision, which was quite a shocking moment for the NOM and it was hard to understand. This is because there is not much sense about the political powers within the organization as an outsider. In the end, the company decides and can change the decision when that suits them better. The project managers of the NOM are familiar with the business and know these moments can occur. On very unexpected moments and aspects, changes can be made in the projects, which is surprising. Sometimes positive, sometimes negative and it stays always exiting and it is needed to be alert and accurate till the last day. Simply reading between the lines can help sometimes. In addition, the acquisition is one phase. After the final decision is the process not ended suddenly and the FDI-team stays in contact with the companies. Warm contact is important for the NOM since it helps gathering information about the experiences in Groningen of the companies and to know when the companies have some bumps on the road. Hereby, the NOM could signalize the difficulties and might advice the companies if needed (interview NOM). It can be seen as an account-managing role, which is less intensive as the acquisition stage but is also a way to influence or help multinationals.

Worldwide promotion of North Netherlands

On the strategy side of the NOM is cooperation with national, regional and local partners really important to promote the North of the Netherlands in the worldwide network. Promotion at the national level is based on national policy wherein the NFIA is an overarching organization. The NFIA is part of the Netherlands Enterprise Agency, which is part of the Ministry of Economic Affairs and Climate Policy. The NFIA has 28 offices worldwide at economic hotspots such as New York, Silicon Valley and London more offices in hotspots are to be expected in Asia and India in the upcoming years. Small teams operate out of a consulate or embassy at these economic hotspots.

The NFIA is an overarching body for regional partners and investment agencies of the Dutch regions. NFIA its core business is finding possible investors and market opportunities, generally by making use of its own network. FDI will be attained with one Dutch Proposition in this way and the regional partners operate on the scale level of a

province or multiple provinces. The Dutch proposition is based on the Dutch Top Sector policy and builds on improving the strengths of multiple top sectors and to promote these in the world because of the competition between countries. With the branding Invest in Holland, the top sectors are promoted and the NFIA need the regional partners so that the NFIA knows everything about the opportunities. The regional partners have the specific knowledge about their markets and have the contacts, networks and the physical locations. All partners need each other to spread the Dutch investment opportunities to the world. How the process of a foreign direct investment happens is that investors often get in contact with the NFIA and that the regional partners become involved later. This depends on the regions wherein the investment is best suitable and there are also some acquisition teams on the national level, meaning the Invest in Holland branding. Hereby, there is one proposition from the Netherlands and these teams need to know everything from all sectors and they need to cooperate together. For the NOM, there is a role to advise and to deliver factsheets or slides, so national teams can promote Groningen as best as possible. Quite explicit information about legislation, unique selling points and labour market is presented. The labour market is becoming more important due to the pressure on the labour market. Besides, distinctiveness between surrounding countries is also becoming more important (interview NOM). So, promotion is done by a network where multiple scale levels are involved and is important to compete with other regions with the goal to get in contact with possible investors.

Expectation and question of the company in the acquisition

Acquisition is time consuming and in the past, the NOM did not had time to communicate with companies that often. Today's practice is that the NOM always answer the main features of the companies question although the FDI-team has a busy schedule. The main features are mostly about personnel and site selection but that is not so important at the start. In the IBM-case, locations were examined in detail during the two-day visit. Within the acquisition, the NOM finds it important to know the expectation and the specific question the company has. The reason of the visit, what to do during the visit, who to speak and meet during the visit are important questions to ask. In the IBM case it was communicated properly and the NOM could give a good practical application to the days of the visit. Other cases are that it is a fact-finding trip to get information or there is less known about these parties. This might result in finding out that these parties are

looking for something different and that the agenda is wrong. The agenda needs to be made in a short time and can be reframed or changed and depends on the available information at the NOM. Listening to the companies is the key. Experiences learn that companies can change their expectations during the process and cultural differences play a role as well. In some cases, the possible investors are for the first time in Europe or the pre-information that arrives at the NOM is communicated between multiple organizations and can be wrong afterwards. So, the pre-information to make an agenda is not always clear at the first moment. Also land prices, permits and other internal aspects have influence on changes. Then, it is needed to act immediately on the on these changing demands. Companies do not always know how the process will go and it is a habit of individuals to give information, but listening is key in trying to help the companies. For the cultural differences are American companies more direct in the communication. Asian companies not and feedback will be acknowledged later because Asians will not provide negative feedback immediately, which makes it harder in comparison with Americans (interview NOM). So, cultural differences play a role as well and listening to companies is key to help them. Especially to get information for making an agenda for a visit that meets the expectations of companies or possible investors.

6.2 Communication, meetings and relationship

When we look at the process, there is a lot of effort spent in a short time by IBM and the stakeholders in Groningen. The argument is that this fast and decisive decision-making process is the result of the communication, meetings and the relationship between both sides of the table. Both need one another in sharing information and feelings about the location decision and try to help each other during the process. It is a combination of internal and external cooperation and the IBM decision-making runs parallel with the meetings and external communication. IBM had to cooperate closely with the stakeholders in Groningen, which understood the importance of the establishment of IBM on their behalf. The external stakeholders invested lots of time and energy to attain their goals, which are explained in 6.1, and this investment has a strong link with their own roles, internal organization and the collaboration that comes with it. In 6.2 is elaborated how these organizational heuristics help to influence the decision-making in the IBM case study and gives some examples for it in other cases.

Communication, information and relationship: open and hard or soft?

For the communication, IBM mentions that the communication was as open as was possible. The process is mainly internal and IBM mostly communicated with Eindhoven and Groningen. Meaning, both would benefit when IBM established in their city and IBM communicated how the IBM internal decision-making process developed. What needed to be done and considered, how the time frame of the process looked like and at what moments the NOM and the BOM would hear the decisions or other communication. IBM mentions for the outside world, that internal decisions are not entirely transparent and that outsiders do not need to know everything, which is also not necessary. However, IBM informed the NOM and BOM immediately when decision had been made. On the other hand, the information comes from both sides and IBM wants to be informed about everything that is happening. That information comes from external stakeholders. In this sense runs the decision-making process parallel with the communication (interview IBM). So, the internal decision-making of IBM is important and depends on building the business case and is information sharing concerned with the openness of multinationals in the communication.

The final decision for the location is also made with arguments that build on the information from the external stakeholders in Groningen. For example, the head office IBM Global who took the final decision is been advised as well with information from external stakeholders mentions IBM. Also, the way IBM was received by Groningen and how the stakeholders helped IBM to progress contributed to positive feelings in the decision-making process. Meaning, it was very important that IBM could grow in a short period of time, wherein the collaboration with the University of Groningen and the Hanze University of Applied sciences Groningen was essential. That helped in arguing the case to the head office. So not only the hard factors played a role, soft factors are of course important. Individuals choose for individuals mentions IBM. An example is that it is the same with sales and that is just the relationship. In that sense, the NOM did a good job. The NOM received IBM with all egards and invested lots of time and energy to let IBM chose for Groningen. The collaboration with the schools herein was essential. There were different meetings and IBM could speak to the board of directors, and later on with the marketing and communication department. This was about how to cooperate and organize the process for the recruitment and different faculties were involved. This collaboration of IBM with the external stakeholders in Groningen was essential for

seeking information and answers for the business case that was communicated to the decision makers (interview IBM). Moreover, this internal & external process is a combination of hard factors & soft factors whereby openness, information and feelings play an important role.

According to the NOM, IBM was open in the communication. IBM was not so open at the start of the process, but the NOM is always seeking for answers in that stage of the communication. The NOM is willing to know more than the company will reveal and in a later stage the communication went well. Especially, when the agreement of Groningen (Akkoord van Groningen) was discussed put IBM their cards on the table. In addition, the NOM build a good relationship during the process with the programme manager and a project manager officer of IBM that were responsible for the IBM Benelux location search. Both were integer and did not put the NOM on a wrong track consciously or held things for themselves. It is more that IBM told what could be told and held for themselves what could not be told. The NOM mentions that in their position of IBM, it would have done the same. "You don't let them know that you have already made your decision". Meaning, that it is better to procrastinate the decision somewhat acted or truly, which keeps the stakeholders attention as well. "There might be more options left and you have to stay focused". This is what happens in most location decision-making processes mentions the NOM. Thinking that a company will certainly establish in your region or city is not the right mindset. Every scenario is possible mentions the NOM and it is not possible to sit back and relax because the company will surely establish in the region or city. The NOM often experienced that it was almost a certain case when suddenly the unexpected happened. It might be something internal or a client that falls away whereby the fundament for the relocation disappears. Or that a necessary agreement is missing or that an investment will be postponed or cancelled. In other sectors than IT, deals go often wrong and all the time invested is lost. Nevertheless, these persons involved know the situation in Groningen better which might lead to new opportunities in the future when these persons are looking for a new location for that company or in a new company. Decisions are made with personal preferences as well. An example for it is that the NOM once lost a case because of the directors wife would not want to move to the North (interview NOM). So, in some cases soft factors can set aside all the rational factors. All in all, it makes it possible to conclude that soft factors play a role in the IBM case study and that the more concrete the business case becomes, the more it is

possible to build a relationship with the decision makers within IBM. In addition, a short time frame requires good communication and in longer time frames it is needed to keep warm contact, although hard or soft factors can let the whole project stop. Focus on both hard and soft factors is thereby required in having good communication and a good relationship.

Regarding the IBM case, there were a lot of directors and other individuals at the highest organizational levels involved from the external stakeholders. It was important because they are decision makers and were also present at press conferences. In the meetings, individuals from higher and lower organizational levels were present for decision-making and information sharing. The NOM was mostly responsible for the communication and especially in the communication to IBM. Later on examples are given for the coordinative role of the NOM in the communication. Individuals involved at the highest levels are the Mayor, alderman, Royal Governor and other individuals from the Province and mostly public administrators at the lower levels. Assistance to IBM for permits in the Municipality of Groningen was organized as well, but this was a quite limited role on the grounds that IBM has their own employees with specific knowledge within the organization.

Internal & external collaboration in practice

The process developed around different moments and the later in the process, the more the business case was discussed and reframed in detail. Also, more individuals became involved mentions the NOM and merely on the operational level. This was for example about how to arrange human capital and the business case. The NOM thinks that IBM had quite good ideas about how it would work in practice but that it remains uncertain before until the actual implementation. To reduce the uncertainty or make things clear, the NOM shared numbers about the labour market situation in Groningen. Therefore, the research and consultancy firm CAB was commissioned by the NOM to draw a report about the IT labour market in the wide range of Groningen. This provides evident numbers wherein Eindhoven and Groningen were also compared. Groningen had the positive numbers and some positive feedback is not wrong mentioned the NOM. There was also a report available drawn by Yacht, which could be shared with IBM (interview NOM). So, multiple reports were used to inform IBM about the labour market question. This might be a successful information tactic of the NOM to influence the decision-making of IBM.

Information as the key to coordinate and influence

There was communication between the Groningen stakeholders and IBM, but the NOM was the key figure around information sharing and had a coordinative role. The FDI-team wanted to know everything that went around and was happening. There was a clear role for the NOM in being the first contact and being the direct contact partner to IBM. The NOM was the first contact until the other stakeholders were needed. Especially in information sharing, the NOM gathered information from stakeholders in Groningen and communicated that afterwards to IBM. This makes it possible to control information and to make sure that the right information will be delivered. Furthermore, to check if the information is complete, to notice when something is unnecessary or missing and to adjust the information when needed (interview NOM). So, for organizations it is key when influencing the decision-making to coordinate information and to control that the process continues.

Coordination, organization and a demand oriented approach

In the opinion of the Municipality of Groningen, the short lines were important to win the trust of IBM. After IBM visited the schools, the Alderman called to their board of directors during the time that IBM went to the city hall. With this conversation was the municipality immediately informed whereby the conversation could smoothly continue. These kind of small soft moments helps to win the trust of a company and that this also belongs to the ecosystem in Groningen. It is the environment in the city of Groningen with all the stakeholders in all sorts of networks that contributes to the feeling of a big small town that Groningen is. An example is that there was some resistance and fear at some companies when IBM arrived at Groningen and this was taken away by communicating with them. Noteworthy, IBM is collaborating within these networks now and is part of this ecosystem (interview IBM). The Alderman mentions that this also shows that IBM has done a lot since the establishment. All in all, soft factors such as the feeling of trust are important. Also, direct communication, which is a characteristic that belongs to the city of Groningen, plays a role in influencing the decision-making process as well.

Demand oriented approach in the IBM case

According to the Municipality, the first contact is mostly with the NFIA and the NOM and when the company gets in contact with the Municipality, conversations start on the administrative level. In here, the focus must be on what the company wants and is

looking for. Questions must be asked to the company, which is needed to know if the company is serious and if there are investors behind it. In the case of IBM, this was the first thing the municipality did.

If the question of the company is clear, the acquisition must be focused on the hard and soft factors, states the Alderman. It is important to find out that hard factors are available in Groningen, since companies will not move to Groningen when hard factors are not present. If the hard factors are available, it is important to communicate the hard factors properly and at the same time to make the company feel welcome. The showcase of the city is a combination of the hard and the soft factors, but there is no manual. Examples are to provide datasets, show locations & interesting places, have a lunch and go around the city or to visit companies or other organizations. There are differences between companies and it has to fit what the company demands. Some companies are fine with a short conversation and go further on their own. Sometimes, companies want to stay under the radar and are fine with an opening ceremony, whereby the mayor can show up. The municipality just asks for the wishes of the company. In this sense, there is no manual because it depends on the questions of the companies and is therefore a demand-oriented approach. In addition, the approach must be specific on the companies sector whereby is tried to introduce the company in that network and to organize meetings for the company to find answers to their questions. What these questions are depends on the companies and the external stakeholders are always trying to figure out what these are and to help them further. Also, it is needed to know who is in front, what their functions and roles are in the organization and sometimes individuals will not clarify their roles. So, focus has to be there all the time, even when a process takes 10 years.

In the IBM case, the hard factors were that there are so many students, so much young individuals, so much talent, and that the access to that talent was arranged mentions the Alderman. Meaning, the IT-academy started on the commission of IBM. Another example is that IBM wanted to locate in the city center because of the many students and the working environment it could offer with the building in the city center. Logical, finds the alderman if the focus is on such a young population and eventually IBM located in the city center. In addition to the hard factors, soft factors gives trust and that is what a company needs. In the opinion of the alderman, it is not possible that it will go wrong on the relationship and the organizations have to do that right. For the hard factors, it is a yes or a no if these are available or not. So in the end it is a combination of hard and soft



factors and both have to be right. It is a yes or a no for the hard factors and soft factors must be arranged. However, soft factors help to prove a feeling behind the choice and it is not possible in the mindset of the Alderman to lose a company because the alderman has no time for example. All in all, it has to fit a demand-oriented approach wherein the specific question of the company is answered.

To conclude, the IBM relocation decision-making process required focus on hard and soft factors to let IBM choose for Groningen. In a short time frame was collaboration and communication important to make the business case concrete. Visits & meetings were the moments for the external stakeholders to build a relationship and to help IBM in their search for a new location. Many external stakeholders were concerned with the acquisition of IBM and their involvement is directly connected to their roles and position. To influence IBM its internal organization was pointed at the heuristics and tactics, whereby it is needed to know the structure of the decision-making and to act when information sharing takes place between internal & external moments such as meetings, visits and phone calls. This internal & external communication process is needed to find a combination of hard factors and soft factors that fits the business case of the multinational. Openness, information, perceptions and feelings play an important role. For external stakeholders, to influence the multinationals decision-making, it is key to coordinate information and to let the process develop properly. Information tactics are informing the multinational with reports about human capital and other business aspects. A political tactic can be to give multinationals access to the networks and to arrange meetings with other businesses and the government for getting the right answers for the questions that multinationals have. Listening is key. A specific characteristic in Groningen is the direct communication, which plays a role in influencing the decision-making process. Groningen tries to address both hard and soft factors in the acquisition and a close community that collaborates closely could give a feeling of trust to multinationals. Also, Groningen was ready for the arrival of IBM to Groningen and the visit was a turning point. Listening is key for the Groningen community and is always focused to get information for making an agenda for a visit that meets the expectations of multinationals or possible investors. With a demand oriented approach that includes promotion, acquisition and account managing tries Groningen to compete with other regions and is always ready to help multinationals.

7. Conclusions and implications

7.1 Conclusions

The main focus of this explorative qualitative research is about understanding the decision-making process and the stakeholders involved in multinational relocations. The case study was particularly aimed at the following pillars of location decision-making: strategy, roles, motives and activities of internal and external stakeholders.

The moments of the IBM case study include the start of the decision-making process, searching for a Benelux location, forming a business case, location visits and comparing, location selection and the operational management forming and opening. The internal stakeholders involved in the case study are IBM and Plant Location International, whereas the NOM (Northern Investment Agency), the Municipality of Groningen, the Province of Groningen, the University of Groningen and the Hanze University of Applied sciences Groningen are considered the external stakeholders involved.

The scope of influencing the decision-making process is to avoid a mismatch between the multinational and government. Key is to influence the mechanisms of the decision-making process in terms of location, the aspects when making the decision, soft factors and heuristics. When the phases are combined with decisive moments and hard and soft factors, it is possible to know when influencing might have occurred and what has been influenced.

In the end, hard factors are decisive (human capital, operational costs and infrastructure) and the soft factors helped IBM to determine choosing for Groningen, especially since support and attractiveness both belong to hard and soft factors. The probability of influencing is at its highest during internal and external moments. Especially during the selection phase any form of influence might occur. The selection phase exist of the searching, development and evaluation phase.

Soft factors might influence the selection phase, only when hard factors are present. The hard factors are essential, especially since multinationals will not move if hard factors are missing. The decisive moments include visiting the locations (external moment) and obtaining internal approvals (internal moment). During the decision-making process of these moments, influence in terms of hard and soft factors (e.g. information & feelings) was possible.

It is important to keep in mind that during the whole selection phase any form of influence might occur. The multinational shifts back to the internal decision-making process during the implementation phase. However, it is very important to be focused until the location has truly been opened. The approval process is an internal process and is based on an (multi criteria) analysis with hard factors. However, soft factors do play an important role because support and attractiveness are also included in IBM its analysis.

7.2 Implications

To influence the multinational relocation decision-making, it is needed to focus on the hard and soft factors and to recognize specific moments in the relocation decision-making process. Especially, when the internal & external stakeholders interact. Hereby are different theories useful to better understand the multinational behaviour. This is more linked with business management theory than with location theory, since location theory is mostly focused on the characteristics of locations and regions alone. In fact, business management theory takes the internal and external environment into account. Combining location and business management theory as mentioned by Pen (2000) is therefore useful. It helps to better understand the decision-making process and to find out how the internal & external stakeholders interact with each other and how decisions are made within such an environment. It will also help to improve how regions or cities position themselves in a competition between regions.

For the location theories, it is possible to improve the hard factors of the city or region itself. For the business theories and cognitive psychology theories, it is more possible to influence the internal decision-making when stakeholders interact with each other. For the combination of location theories with business theories, it is possible to recognize in which phases interaction between the multinational and the cities occurs.

For the position of governments, it is necessary to have hard factors such as human capital, costs, facilities and infrastructure. These must be promoted by the city itself. Soft factors play a role in promoting the city and in the organization around receiving and facilitating multinationals in their search for new locations. These searches of multinationals differ in time frame, order of phases and openness in communication. Also, the relocation decision-making process is strategic and the internal process is not clear for outsiders. Multinationals operate in different sectors and development stages

and are looking for specific hard factors. It is required to understand these business aspects in the process.

For governments, it is possible to increase understanding about what the multinational is looking for with the right type of communication, listening, by helping them further and building a relationship gives trust and comfort to the multinationals. When hard & soft factors come together at once will multinationals be more open in their internal decision-making. To show the hard factors and also the soft factors is the readiness of the external influencers important.

All in all play soft factors and hard factors a role in the analysis for the decision-making but the internal decision-making remains a black box for the outside world. Insights are only known during the internal and external communication. Influencing these is possible but only in the selection phase. The identification and implementation phases are crucial for the outcome of the location choice. In the acquisition phase is it possible to influence the selection phase and it might be possible in the branding and promotion phase to influence the identification phase. This is additional to the hard factors that are already available. To what extent it is possible to influence the identification and implementation phases is not presented with this thesis. Decoding how individuals think, act and decide is still not clear and is interesting for further research. Examples are the role of powerful decision makers and political processes that appear.

However, it is not possible to influence top managers of multinationals but only indirect by influencing the lower management teams that is communicated with. Decision maker aspects play a role as they rely on their individual cognitive processes and are possible to influence when uncertainty and partially conflicting preferences arise in organizations. External influencers could evaluate different cases to measure the effectiveness of their actions and could learn of experiences in different cases to increase the effectiveness of the actions. More case studies wherein is reflected on branding, acquisition and account management will help to better influence the multinationals internal decisions.





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