Developing the Eclectic Paradigm of Internationalization on the Issue of Multinational Contractors Bidding for Australian Infrastructure

Azmeri Rahman  
*Queensland University of Technology*

Adrian Bridge  
*The University of Hong Kong*

Steve Rowlinson  
*The University of Hong Kong*

Tommy Kwok  
*Queensland University of Technology*


**Recommended Citation**  

This Conference Paper is brought to you by the 36th Australasian University Building Educators Association (AUBEA) Conference at ePublications@bond. It has been accepted for inclusion in Conference Papers by an authorized administrator of ePublications@bond. For more information, please contact Bond University's Repository Coordinator.
Developing the Eclectic Paradigm of Internationalization on the Issue of Multinational Contractors Bidding for Australian Infrastructure

Azmeri Rahman and Adrian J. Bridge
School of Urban Development
Queensland University of Technology, Australia

Steve Rowlinson
Department of Real Estate & Construction
The University of Hong Kong, Hong Kong, PRC

Tommy Kwok
School of Urban Development
Queensland University of Technology, Australia

ABSTRACT
Against a background of already thin markets in some sectors of major public sector infrastructure in Australia and the desire of the Australian federal government to leverage private finance, concerns about ensuring sufficient levels of competition are prompting federal government to seek new sources of in-bound foreign direct income - as part of attracting more foreign contractors and consortia to bid for Australian public sector major infrastructure. As a first step towards attracting greater overseas interest in the Australian public sector market infrastructure market, an improved understanding of the determinants of multinational contractors’ willingness to bid in this market is offered by Dunning’s eclectic paradigm and which have been a dominant approach in international business for over 20 years and yet has been little used in the context of international contracting. This paper aims to develop Dunning’s eclectic framework and also gives a brief outline of a research plan to collect secondary data and primary data from international contractors worldwide in pursuance of testing the eclectic framework.

KEYWORDS
foreign direct investment, multinational contractors

INTRODUCTION
Given estimates of demand for infrastructure spending of US$53 trillion between 2007 and 2030 (OECD 2006), a key challenge for governments across the globe is not only to fund new infrastructure but at the same time deliver value for money (VfM) in its provision. In order to address both these concerns Public Private Partnerships (PPPs) are being seen as an important part of the procurement strategy in many countries, not least...
of which in the US; UK and in Australia (World Economic Forum 2010; HM Treasury 2010; KPMG and Infrastructure Australia 2010).

At the same time, although the role of PPPs in leveraging private finance and addressing government funding constraints is evident, the extent to which PPPs deliver VfM is a vexed question. To illustrate this, Hodge and Greve (2009) review the notable evaluations of PPPs from 1998 and conclude that the evidence for and against PPPs delivering value for money is at best mixed. Putting aside the debate concerning overall question of relative VfM realized through PPPs, there does seem to be consensus on the importance of the role of competition in ensuring that PPPs have the best opportunity to deliver superior VfM relative to other procurement modes (Grimsey and Lewis 2004; KPMG and Infrastructure Australia 2010). That is, achieving a sufficient level and balance of competition as part of the process of selecting a PPP bid not only creates downward pressure on prices (for example, on the service charge) but just as importantly encourages innovation and which crystallizes the benefits of output specifications and other measures designed to improve VfM in whole life terms.

Before the Global Financial Crisis (GFC), Runeson and de Valence (2008) observed the emergence of a two-tiered construction market comprising the more traditional local/national market and a new global construction industry based on high technology and a business strategy revolving more around VfM throughout the project's life cycle and fuelled to a significant extent by procurement modes like PPPs. Runson and de Valence (2008) consider that this market is oligopolistic and it seems reasonable to suggest that this market has become even less competitive, perhaps towards a duopoly in some sectors and locations - amidst and in the wake of the GFC. Indeed and in Australia for example, there are examples of projects that have been switched from a proposed PPP to a more traditional funded project due to a lack of expressions of interest from PPP consortia. At least as a partial response to the lack of competition in the PPP market, the Federal government has noted its desire to see new foreign entrants into the Australian public sector major infrastructure market and in pursuance of this, is developing a number of initiatives including trade-delegation style meetings and reforms to PPP procurement practice to reduce bid costs (Hepworth, 2010 and Cameron 2008).

On the other hand and with respect the market for major infrastructure procured using more traditional government funded approaches, this market may still be oligopolistic in Australia (de Valance 2003) and this level of competition may be appropriate in the range of major projects from say $100million up to the very large end of the scale - exceeding $1 billion. That is, it’s important to note that research on the net benefits of a greater number of competing firms and more price competition is inconclusive (Layton, Robinson and Tucker 2009). More competitors and a high level of price competition can
lead to short term opportunistic behaviour and under investment generally. In contrast, particular markets with less competition may exhibit greater technological change, as above normal profits can be invested in new special purpose technology. Again, in Australia the level of mergers and acquisitions and particularly since 2000 is at least part of the evidence to suggest that indigenous contractors in the Australian market for major projects are performing well relative to the world class standards (de Valence 2003).

Based on this background, an investigation into the determinants of multinational contractors’ willingness to bid for Australian public sector infrastructure projects is warranted from both the perspectives of both government and multinational contractors (MNC) domiciled in Australia. On the government’s side, an improved understanding of which MNCs are better suited to the Australian market and which MNCs are closer to contemplating bidding for Australian public sector projects, along with surfacing any misconceptions held by MNCs of the Australian market appears to hold significant value. That is, in terms of allowing government to target MNCs from certain countries/regions and providing government with the basis upon which it can more effectively work towards eliminating any misconceptions in terms of its efforts to increase the attractiveness of Australia public sector infrastructure and attract more Foreign Direct Investment (FDI) to this market and particularly in the PPP sector. At the same time, a greater appreciation of the relative strengths of MNCs currently operating and not currently operating in Australia is useful to government in justifying resisting unduly seeking more competition in perhaps the more traditional government funded major infrastructure market in Australia and is of benefit to MNCs domiciled in Australia in terms of helping to develop strategies to enhance and develop sources of competitive advantage. The effectiveness of these strategies is likely to be further enhanced through knowledge gained concerning which MNCs not currently operating in Australia and which are the closest to contemplating competing for Australian projects.

Elsewhere and in pursuance of explaining the determinants of multinational contractors’ willingness to bid for Australian public sector infrastructure projects, Rahman, Bridge and Rowlinson (2010) summarize the relevance of Dunning’s eclectic paradigm of internationalisation. Dunning (1989) has explicitly explored the application of his eclectic paradigm or OLI framework to the service sector including construction services. Dunning’s eclectic paradigm has remained the dominant analytical framework for accommodating a variety of economic theories concerning the determinants of FDI and the foreign activities of MNEs for over two decades (Caves 1996; Dunning 2002). Rahman, Bridge and Rowlinson (2010) proceed to justify why they consider a federally funded research project they are progressing will be the first empirical study to deploy the OLI framework to explain in-bound FDI (to Australia as the host country) and using the
dominant economic theories advocated by Dunning mindful of the nature of the study and its context or multinational construction.

Dunning (2008: 99-100) notes that the principal hypothesis of the eclectic paradigm is “that the level and structure of a firm’s foreign value-adding activities will depend on four conditions being satisfied. They are:

1. The extent to which it (enterprise) posses unique and sustainable ownership (O) advantages vis-à-vis firms of other nationalities, in servicing of particular markets or groups of markets…
2. Assuming that condition (1) is satisfied, the extent to which the enterprise perceives it to be in its best interest to add value to its O advantages than to sell them, or their right of use, to independent foreign firms. These advantages are called market internalisation (I) advantages…
3. Assuming that conditions (1) and (2) are satisfied, the extent to which the global interest of the enterprise are served by creating, accessing or utilizing, its O advantages in a foreign location (L)…
4. Given the configuration of the OLI advantages facing a particular firms, the extent to which a firm believes that foreign production is consistent with the long-term objectives of its stakeholders and instructions underpinning its managerial and organizational strategic.”

In relation to generalized predictions of the eclectic paradigm, or OLI framework, Dunning (2008: 100) also notes that:

*At any given moment in time, the more a country’s enterprises – relative to those of another - possess desirable O advantages, the greater the incentive they have to internalize rather than externalize their use, the more they find it in their interest to access or exploit them in a foreign location, then the more they are likely to engage out-bound FDI. By the same token, a country is likely to attract in-bound investment by foreign MNE’s when the reverse conditions apply.*

Rahman, Bridge and Rowlinson (2010) also explain the logic and selection of theories advocated by Dunning and which are to be used in their research project concerning in-bound FDI mentioned above. Building on this contribution and again with reference to this research project, the main aim of this paper is to develop Dunning’s principal hypothesis, first to more clearly articulate the four conditions within the context of MNC and specifically the reverse conditions to reflect a lack of in-bound FDI (at least in terms of observations of a lack of competition in some sectors of the PPP market in Australia and an oligopolistic market structure more generally in respect of large scale infrastructure projects) and second to address a weakness arising in the hypothesis that is based on a nominal (yes or no) approach to the O, L and I factors and which fails to speak
to the relative explanatory power of these factors. The paper also briefly outlines a research plan to collect secondary data and primary data from international contractors around the globe in pursuance of testing the developed version of Dunning's principal hypothesis.

**DEVELOPING DUNNING’S PRINCIPAL HYPOTHESIS**

The four conditions (or general statements) are first restated within the context of MNC and to reflect in-bound FDI as follows:

1. The extent to which it (MNCs outside Australia) posses unique and sustainable ownership ($O$) advantages *vis-à-vis* other MNCs outside and domiciled in Australia, in servicing the Australian market…

2. Assuming that condition (1) is satisfied, the extent to which MNCs outside Australia perceive it to be in their best interest to add value to their $O$ advantages than to sell them, or their right of use, to independent foreign firms…

3. Assuming that conditions (1) and (2) are satisfied, the extent to which the global interest of MNCs outside Australia are served by creating, accessing or utilizing, their $O$ advantages in Australia ($L$)…

4. Given the configuration of the OLI advantages facing a MNC outside Australia, the extent to which this MNC believes that foreign production in Australia is consistent with the long-term objectives of its stakeholders and instructions underpinning its managerial and organizational strategic.

The corresponding hypothesis is given in reverse terms to reflect in-bound FDI and more specifically to reflect a lack of in-bound FDI as per the introduction in this paper as follows: the *more* Australian-based MNCs relative to other MNCs possess *desirable* $O$ advantages, the *lesser* the incentive other MNCs have to internalize rather than externalize their use ($I$ disadvantages), the *less* other MNCs find it in their interest to access or exploit them in Australia ($L$ disadvantages), then the *less* Australia is likely to attract in-bound investment by other MNCs.

Having more clearly articulated the four conditions within the context of MNC and specifically the reverse conditions to reflect a *lack of* in-bound FDI (at least in terms of observations of a lack of competition in some sectors of the PPP market in Australia and an oligopolistic market structure more generally in respect of large scale infrastructure projects), attention is now given to addressing a weakness arising in the hypothesis that is based on a nominal (yes or no) approach to the $O$, $L$ and $I$ factors and which fails to speak to the relative explanatory power of these factors. That is, whilst there is evidence in the context of MNC that demonstrates the significance of these three factors in the FDI decision (including Cuervo and Pheng 2003a and b) there is an absence of research that...
reveals the *relative importance* of these factors with respect to a specific industry sector in a particular host country. This weakness can be demonstrated having discounted the $I$ factor in the context of the research project in this paper. Rahman, Bridge and Rowlinson (2010) justify discounting the $I$ factor on the basis of the immobile nature of construction and the dependent variable that concerns MNCs bidding for projects as head contractors. That is, the necessity to have on-the-spot interactions with the client, co-consortium members and subcontractors and suppliers, means that the issue is not so much *if* internalization occurs but more *how much* internalization occurs. Indeed, Abdul’s (1995) critique of Seymour (1987) seminal work and Chen and Messner (2011) support this view in so far as exporting and FDI in service industries like construction can be seen as almost inseparable. Moreover, although Abdul argues that licensing is a perfectly feasible alternative to FDI, the dependent variable in this research is solely FDI - to be measured both in terms of MNCs operating / not operating in Australia (categorical) and MNCs views of the level of attractiveness for FDI into Australia (interval/ordinal).

The weakness in Dunning’s hypothesis concerning revealing the relative importance of the remaining $O$ and $I$ factors is now demonstrated. Top-tier MNCs not operating in Australia with $O$ *disadvantages* relative to those observed in top-tier MNCs operating in Australia (vis-à-vis a particular sector in the Australian market) *and* with $L$ *disadvantages* (facing an inferior return/risk profile and including higher levels of home-host/Australia risk) are expected to rate the overall attractiveness of the Australian market lower than top-tier MNCs not operating in Australia with $O$ *advantages* relative to those observed in top-tier MNCs operating in Australia (vis-à-vis a particular sector in the Australian market) *and* $L$ *advantages* (facing a superior return/risk profile and including lower levels of home-host/Australia risk); and in turn these MNCs are expected to rate the overall attractiveness of the Australian market lower than top-tier MNCs *operating Australia*. However, based on Dunning’s theory it’s not logical to deduce where in the overall attractiveness continuum top-tier MNCs with $O$ *advantages* and $L$ *disadvantages* and where top-tier MNCs with $O$ *disadvantages* and $L$ *advantages* will be situated and ranked between the two types of MNC not operating in Australia mentioned above. Moreover, the notion that the $O$ and $L$ factors can display different levels of explanatory power can be expected – at least in the extreme conditions when MNCs have similar $O$ attributes or MNCs are from the same location such that the $L$ and $O$ factors would dominate.

Addressing this weakness in Dunning’s theory, looks to be a very important practical issue for MNCs and their clients as this knowledge would provide an improved basis upon which MNCs can assess competition for a host country and client’s could make more effective decisions concerning the extent and manner by which they may seek to encourage greater FDI (by targeting either issues associated with firms in the domestic
market and/or issues associated return and risk for all firms). More fundamentally, the ability to generate this knowledge would also represent a significant contribution to the overall explanatory power of Dunning’s eclectic paradigm. Hence, the hypothesis is subsequently developed across three propositions that are designed to extend the scope and explanatory power of the $O$ and $L$ factors (Dunning’s conditions 1 and 3) - contingent on the firm’s motivation (Dunning’s condition 4) and having discounted the $I$ factor (Dunning’s condition 2).

**Proposition 1 (an extreme condition pertaining to same location)**

With respect to the first condition and component of the reverse/lack of in-bound FDI hypothesis concerning $O$ advantages, sources of sustainable competitive advantage amongst MNCs within and outside Australia and vis-à-vis a particular sector in the Australian market are assumed to be unevenly distributed and associated with MNCs in the top-tier of contractors (Bridge and Tisdell 2004). Thus, in the following first proposition, it expected (subject to the firm’s motivation) that:

Foreign top-tier MNCs within the same country/region and not operating in Australia will display varying degrees of similarity/dissimilarity of $O$ attributes with key/common $O$ attributes possessed by both foreign top-tier MNCs within the same country/region but which operate in Australia and indigenous/Australian top-tier MNCs. The variation in the pattern of the profile of $O$ attributes is expected to match the variation in the pattern of overall attractiveness and with no pattern match expected between the $L$ factor and variations in the level of overall attractiveness.

**Proposition 2 (an extreme condition pertaining to same $O$ attributes)**

The third condition and component of the reverse/lack of in-bound FDI hypothesis concerning $L$ advantages is central to the issue of return-on-investment. With respect to a particular host market, although all MNCs may face similar upper levels of revenue and/or similar costs (arising from the size of the market; governments’ attitudes, polices and regulatory framework; industrial structure; resource and manpower quality and availability; bespoke costs associated with materials and specified suppliers) MNCs may perceive potential returns differently mindful of competing returns achievable at home and/or in other host markets. MNCs also face very different levels of risk generated from home-host induced differences. That is, differences arising from cultural, administrative, geographic and economic distances (Abdul 1995; Cuevo and Pheng 2003). Here, costs and associated risks are created by linking the firm and home advantages with the country specific advantage of the host country. With reference to the logic of Transaction Cost
Economics (TCE), Rugman and Verbeke (2005: 13) describe these costs and risks as location-specific linking investments and required to bring a new entrant’s operations up to a fully productive level and before it can contemplate achieving at least the expected normal industry rate of return in the host country. Thus, in the second proposition it is expected (again, subject to the firm’s motivation) that:

Groups of top-tier MNCs in different foreign countries/regions may have similar O attributes (at a high through low level of match to those possessed by both foreign top-tier MNCs operating in Australia and indigenous/Australian top-tier MNCs). The variation in the pattern of the L factor created by the different foreign countries/regions is expected to match the pattern of the level of overall attractiveness within each group and with no pattern match expected between the O factor and variations in the level of overall attractiveness – again within each group.

Outcomes from propositions 1 and 2 towards revealing relative importance of O and L factors

By adopting the extreme positions and observing differences in the range of the level of overall attractiveness down the four columns of MNCs with dissimilar O attributes in the same countries/regions (Proposition 1) and in contrast to the range of the level of overall attractiveness across each of the three rows/groups of MNCs with similar O attributes in different countries/regions (Proposition 2) as shown in Table 1 (and which is a preview of part of the research plan), evidence is generated to indicate the relative importance of O and L factors vis-à-vis a particular sector in the host market (Australia).

Table 1 – Case studies

<table>
<thead>
<tr>
<th>Operating in Australia Group 1</th>
<th>Foreign country A</th>
<th>Foreign country B</th>
<th>Foreign country C</th>
<th>Foreign country D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating in Australia Group 2</td>
<td>MNC 1A</td>
<td>MNC 1B</td>
<td>MNC 1C</td>
<td>MNC 1D</td>
</tr>
<tr>
<td>Operating in Australia Group 3</td>
<td>MNC 2A</td>
<td>MNC 2B</td>
<td>MNC 2C</td>
<td>MNC 2D</td>
</tr>
<tr>
<td>Operating in Australia Group 4</td>
<td>MNC 3A</td>
<td>MNC 3B</td>
<td>MNC 3C</td>
<td>MNC 3D</td>
</tr>
</tbody>
</table>

That is, if a greater range of overall attractiveness is observed down the columns than across the rows, then this indicates that the O factor is more important and has more explanatory power than the L factor vis-à-vis the sector concerned in the host market (Australia) and vice versa.
Proposition 3 (full range of conditions pertaining to both O and L attributes)

In the next section, the rationale for selecting the matrix of foreign MNCs shown in Table 1 (along with indigenous Australian MNCs) is justified using the technique of analytical generalization. This approach uses purposive sampling in order to support claims for external validation or generalization of results beyond the cases studied. However, in order to make claims for the statistical generalisation of the results a much greater number of data points are required and hence Proposition 3 is given to facilitate this approach and contribute to the strength of the findings. Thus, in the third proposition it is expected (once again, subject to the firm’s motivation) that:

Notwithstanding the level of match of O attributes possessed by a foreign MNC to those possessed by both foreign top-tier MNCs operating in Australia and indigenous/Australian top-tier MNCs and in whichever country/region the foreign MNC is domiciled, the variation in the overall level of attractiveness correlates with, and is explained by, the O and/or L factors.

And in terms of helping to reveal the relative importance of O and L factors, it is expected that the relative strength of the correlation/level of statistical significance of the O and/or L factors/dimensions would be consistent with the outcomes from Propositions 1 and 2 vis-à-vis the selected sector concerned in the host market (Australia).

Exception to the propositions

The fourth condition of the reverse/lack of in-bound hypothesis FDI concerning the firm’s objectives or FDI motivation plays an important intervening role in terms of determining the MNC’s perception of the overall attractiveness of the Australian market with respect to the particular OLI configuration the firm calculates it faces. Rahman, Bridge and Rowlinson (2010) summarise the three types of type’s of firm objective/FDI motivation envisaged by Dunning (Market seekers; Strategic Asset Seekers: and Efficiency Seekers) within the context of MNCs. Market Seekers (MS) are likely to be highly specialized and operating in markets with very limited competition and in sector(s) with very large scale capital expenditure. These firms may seek to dominate and impose their expertise and may be able to seek lower levels of commitment in terms of the degree to which they localize within the host market with higher levels of central control and shorter investment timelines along with more mobile entry modes. In sum, these firms may seek a highly favourable risk/return profile. In contrast, Strategic Asset Seekers (SAS) firms may seek to gain expertise and knowledge from the host market and extend higher levels of commitment in terms of the degree to which they localize within the host market and lower levels of central control and longer investment timelines, along with more permanent entry modes (Anderson and Gatigon 1986). As such, these firms may
accept much less favourable risk/return profiles. Somewhere between these stereotypical extremes, Efficiency Seekers (ES) firms may be faced with spare capacity and seek overseas demand to return the firm to its minimum efficient scale in conjunction with moderate levels of commitment to the local/host market; control; and a timeline to recover investments made neither project-based nor open-ended but rather falling somewhere between these extreme types, as well as accepting moderate risk/return profiles. As such, the propositions are expected *not to hold* in respect of MNCs with an SAS motivation – as these firms may perceive the relationship between the overall level of attractiveness of a host country and the $O$ and $L$ factors in the opposite direction to that envisaged in Dunning’s principal hypothesis and by MS and ES firms. That is, an SAS firm may well view a host country attractive despite it possessing $O$ and/or $L$ disadvantages.

**OUTLINE RESEARCH PLAN**

The research plan is depicted in Figure 1 and comprises three stages concerning four home countries/regions, namely China; Europe; Japan; and US *vis-à-vis* Australia as the host market. This plan is next outlined in pursuance of testing the above propositions.

![Figure 1 – Outline research plan](image)
**Stage 1: Census of world’s top 225 contractors.**

In this initial stage, the first step is to examine all top-tier Australian-based MNCs (that generate more than 50% of their primary revenue/sales from Australian projects) and extract these firms from the starting population frame and which comprises the list of the world’s top 225 contractors in published by *Engineering News Record* (ENR). Next, the sector that will form the basis of this research (in conjunction with Australian as the host country) is identified. This sector needs to be at least monopolistic across the entire population frame. Such that it can be inferred that firms in this sector are at least near top-tier firms. This decision to relax the market structure from oligopolistic to monopolistic and from top-tier MNC to near top-tier is justified on the grounds that only a small number of Australian-based MNCs appear in the world’s top 225 MNCs and near-top-tier MNCs in foreign locations may be equivalent in capability to top-tier Australian-based MNCs.

Here, ENR and websites are used to generate secondary data pertaining to the parameters comprising: *what; where; and how.* For example, project type and size; geographical operations; and procurement modes offered, may be are used in order to identify possible sectors and in which firms’ pricing decisions affect each other and who can be considered as operating in at least a monopolistic market structure (Bridge 2008). In order to judge whether these sectors are monopolistic, a Structure-Conduct-Performance (SCP) analysis is used to assign the market structure to the sectors and, in doing so, various proxies of performance are used including internationalization ratios developed by Pheng and Hongbin (2004). The monopolistic sector with the greatest number of MNCs is selected for study. In doing so, the population frame (top 225 MNCs less any top-tier Australian-based MNCs) may further reduce in number to reflect only at least the near top-tier MNCs operating in all locations and in the monopolistic sector selected – with a the target of at least 150 firms remaining in the population frame.

ENR and websites/annual reports are used to generate secondary (public domain/external) data to corroborate the primary data and secondary (private/internal) established from MNCs in Stage 2 and which are selected from four foreign/home locations in the remaining population frame. More specifically, keywords/phrases are identified to reflect MNCs generic capabilities/competencies in respect of the selected sector and which may be a proxy for firm specific *O* advantages. Websites and industry reports are also used to assess industry and home *O* advantages, along with the application of Porter’s (1990) diamond model in terms of home *O* advantages. Furthermore, this stage uses secondary data in relation to the selected sector to analyse the two *L* factor dimensions concerning return and risk and this factor’s contribution to the host/Australia industry overall.
attractiveness (Seymour 1987). The $L$ factor’s return dimension is surfaced by Porter’s (1985) five forces model and the $L$ factor’s home-host induced risk dimension is captured using Transaction Cost Economics (TCE). Rugman and Verbeke (2005) explain that TCE’s logic and variables (asset specificity; uncertainly; and frequency) can be used to reflect the influence of country specific investments. Here, asset specificity is measured in terms of the cultural; economic; administrative; and geographic differences created between each of the home locations and the host location/Australia. And Chen (2008) has usefully developed a number of measurements across cultural; economic; administrative; and geographic differences. Differences in financial measures, including credit risk ratings between home and host locations, are used to indicate likely perceptions amongst MNCs in home locations of the uncertainty of doing business in the host country/Australia, whilst differences in size of projects/pipeline between home and host location/Australia is used to indicate likely perceptions amongst MNCs in home locations concerning opportunities to recover and justify country specific investments. Finally, this stage again generates secondary data mainly from MNC’s websites/annual reports concerning keywords/phrases used to describe MNCs overseas business strategies in respect of the selected sector and which may be a proxy for each firm’s objectives/motivation.

Stage 2: Case studies

As shown in Table 1, 12 MNCs are case studied, as well as up to three Australian-based MNCs. The approach is to begin with local case studies (comprising the Australian-based MNCs and foreign MNCs operating in Australian) before proceeding to the overseas case studies and which comprise two foreign-based MNCs not operating in Australia in each of four foreign locations. One of these two foreign-based MNCs studied overseas is selected as the closest rival of the foreign MNCs operating in Australian studied locally. In contrast, the other foreign-based MNC studied overseas is selected as being a lesser/least rival of the foreign MNC operating in Australian studied locally. Here, the intention is to create the greatest opportunity to observe the relative effect of differential $O$ advantages across each of the two foreign-based MNCs that do not operate in Australia. Multiple sources of evidence are generated from a structured questionnaire, interviews and private internal documents in terms of variables from the Resource-Based Theory (RBT) to indicate the MNC’s sources of competitive advantage and its nature and extent of $O$ advantages vis-à-vis the selected sector in Australia. To help operationalise the RBT variables, as well as both the return and risk dimensions on the $L$ advantages, empirical studies by Pheng and Hongbin (2006) and Cuervo and Pheng (2003 a and b) are adapted.
Moreover, a semantic different scale is used to capture MNCs’ perceptions of their competitive advantage (O advantages); the return and risk (L advantages); and the overall attractiveness of the Australian market in the selected sector. Finally in this stage, a categorical scale comprising the three sets/ranges of attributes pertaining to business strategy; control; commitment and entry mode (based on Anderson and Gatignon 1996 and Chen and Messner 2009) is used to assign each MNC to one of the three stereotypical firm objective/motivation types.

A key outcome from this stage would be to indentify a MNC not operating in Australia with similar/superior O advantages and the same firm objective/motivation as one of the MNCs from the same home location but which does operate in Australia. In this case, a different risk and return profile pertaining to L advantages is expected to be creating differences in the perceived overall attractiveness of the Australian market and it will be very useful from both government and contractors’ perspectives, to explore these differences and to see whether any misconceptions exist on the part of either or both of the MNCs concerned.

**Stage 3: Primary data only from top-tier MNCs not operating in Australia**

A structured questionnaire survey is developed that distils and replicates the approach in Stage 2 and is administered to all MNCs in the population frame established by the end of Stage 1. The aim is to go beyond analytical generalisation used in Stage 2 case study approach and to develop statistical generalization and increase the validity and strength of the overall findings.

**CONCLUSIONS**

The research plan outlined in this paper employs multiple sources of evidence and research methods that allow the relative strengths of different approaches to be combined to more effectively test the propositions developed out of Dunning’s principal hypothesis. A number of theoretical contributions are expected including extending the scope of Dunning’s eclectic framework for the first time to the issue of in-bound FDI to Australia and in the context of MNC, as well as the development of Dunning’s principal hypothesis as reflected by the propositions in this paper. More specifically, these propositions will reveal for the first time the relative importance of the O and L independent variables with respect to a particular sector and host location, and which is progress that Seymour (1987) indicated would be very valuable and difficult to achieve. And in total, this answers Seymour’s call to seek to significantly advance the OLI framework and increase our understanding of the FDI decision. The research will also contribute to method. To the authors’ knowledge, this will be the first operationalisation of TCE and RBT in this
context. Furthermore, the research will yield some very important practical contributions including a global map of the relative attractiveness of the Australian market, and within this map, indications of the relative competitiveness and productivity of indigenous contractors, identification of location factors that can be influenced by government and the surfacing of any misconceptions of the Australian market.

ACKNOWLEDGMENTS
This research was supported under Australian Research Council’s Linkage Projects funding scheme (project number LP0989743).

REFERENCES


