

INTRODUCTION

Multinational enterprises (MNEs) and their foreign direct investment (FDI) have driven the integration of national economies through the trade and investment flows that comprise global production networks (GPNs) (Henderson et al, 2002). A demand on the part of MNEs for host locations for their investment and reinvestment is met by a supply of suitable host national and subnational investment environments from which MNEs choose when making their (re)investment decisions. This relationship has been described as a ‘political market’ (Boddewyn, 1988), a ‘market for capital’ (Thomas, 2000) and a ‘market for social order’ (Bornschieer and Trezzini, 2001; Phelps and Wu, 2009).¹

The extent to and ways in which this market is shaped by a heterogeneous group of intermediaries are less well understood. The contribution of intermediaries such as location consultants to facilitating FDI is particularly under-researched. In this paper we sketch out a research agenda for the study of the location consulting industry and its role in mediating the global economy. We begin the next section by outlining an agenda on the intermediation of the global economy focusing on three themes: the knowledge mobilized by consultants, its implications for the organisation of the industry and for the value added to corporations and communities; the globally uneven contribution of these intermediaries to the spread of global business regulation associated with GPNs; and how the presence and role of location consultants varies with the political economic landscape in which GPNs touch down. To frame and begin to investigate these issues we undertook exploratory empirical work involving Europe-based location consultants and closely-related professional services

¹ ‘Governments produce “order” and “sell” this public utility to capitalist undertakings as well as to citizens which they rule ... By means of supplying this utility, governments affect the locational quality of their territory in the framework of the world economy’ (Bornschieer and Trezzini, 2001: 212-213).

companies and the research design is set out in the next section of the paper. We organise the discussion of the empirical material around the three themes developed in the literature review. In conclusion we draw attention to the need to examine further the global relevance of processes of intermediation in the national political economies that make up a ‘world market for social order’ (Bornschier and Trezzini, 2001).

LOCATION CONSULTING INTERMEDIARIES AND THE GLOBAL ECONOMY

A fuller understanding of the mediation of the global economy can contribute to existing theoretical concerns in the economic geography and international business literature. At the most concrete level of analysis it is important to understand the knowledge mobilized by intermediaries in the location decision, how this shapes the organization of the industry and the value added to corporations and communities. At more abstract levels, study of location consultants can reveal the variable depth and extension of GPNs and their effects on the transmission of norms of global business regulation and the prospects for coupling, decoupling and re-coupling.

The knowledge mobilised by location consultants as intermediaries

How does the knowledge mobilised by intermediaries such as location consultants shape the organisation of the consulting industry? Information economics provides one window onto the role of location consultants and public agencies as specialist bearers of information costs in the market for FDI (Casson, 1997). The extension and deepening of GPNs, the rise of ‘born global’ companies and the greater availability of information might imply an increasingly residual role for location consultants in the market for the (re)location of MNE investments. Counter to this, location consultants and other intermediaries help clients economize on search costs precisely *because of* the increasing availability of information

(Popp, 2000). Yet, *unlike* other professional service industries which have globalized significantly as a result of codifying and standardizing the knowledge content of their services (Beaverstock, Faulconbridge and Hall, 2010; Faulconbridge and Muzio, 2011), it is precisely the difficulty of codifying knowledge of location, or place, that has restricted the development of the location consulting industry (Phelps and Wood, 2018).

Information economics is similarly invoked in the academic (Harding and Javorcik, 2011) and policy-facing literatures (MIGA, 2000; UNCTAD, 1997) to account for and justify the emergence of the investment promotion agencies (IPAs) that seek to attract FDI to host (sub)national territories. Yet, the contribution of IPAs to the promotion of host territories varies significantly. Some are arms of government, others are public entities separate from government, or quasi-public and others are fully private entities charged with promoting territories to investors. In some cases promotional activities are separated from regulatory activities while in others they are not. Some perform a very strong advocacy and policy formation role within their respective governmental machineries while others are largely irrelevant or ineffectual in such terms.

Location consultants as intermediaries within GPNs

The attention paid to intermediaries or ‘power brokers’ within the GPN approach has been limited (Coe and Yeung, 2015) – this is despite the salience of intermediaries associated with investment and sourcing location decisions to the GPN approach within economic geography (MacKinnon 2012). Compared to the likes of labour market and finance intermediary actors and industries, location consulting companies have received remarkably little attention from economic geographers. **The organisation of economic activity into GPNs suggests a pervasive role for intermediaries, including location consultants, in driving regulatory change via processes of strategic coupling, de-coupling and re-coupling.**

As a result, intermediaries such as location consultants contribute to processes of regulatory reform not least because private sector actors have been central to regulation at a global scale (Braithwaite and Drahos, 2000). Moreover, the public policy process itself has become more roundabout in character (Majone, 1989), suggesting that analysis ought to extend to processes of intermediation *within* the public sector if we are to appreciate fully the nature of regulatory capitalism (Levi-Faur, 2005). Since the status and organisation of IPAs within their respective national state apparatus varies considerably **their relationship to location consultants and the effect this mix has on regulatory change will vary.**

Study of the location consulting industry could help to elaborate the uneven geography of global neoliberalism (Peck, 2011; Peck and Tickell, 2002). This would include the mobility and adaptation of some of the constituent policies and practices related to FDI (Phelps, et al, 2007) as well as the manner in which inter-territorial competition for investment has responded to such policy orthodoxy (Klak and Myers; 1997; Schueth, 2011). As we highlight below, the location consulting industry remains unevenly developed at the global scale, suggesting that its appearance and effects on the regulatory environment cannot be reduced solely to generic processes of neoliberalization (Phelps et al, 2011; Phelps et al, 2007; Phelps and Wu, 2009). ***Future research can examine how intermediaries such as location consultants contribute to the promulgation of global regulation (neoliberal or otherwise) and specify the role they play within different coupling arrangements between MNEs and (sub)national political economies.***

Location consultants in a world market for social order

If processes of ‘coupling’ (and re- and de-coupling) are to be elaborated, attention to a meso-level analysis of the dynamics of interactions between MNEs and host territory institutions needs to be allied to the macro-level abstractions associated with the GPN

approach (Yeung, 2016). Here GPN analysis might mobilise insights from the extant literature on state-MNE relations (Dunning and Lundan, 2010; Safarian, 1993). State-MNE relations are often highly politicized (Phelps, 2000; Phelps and Fuller, 2001), prompting Boddewyn (1988) to speak of a ‘political market’. Drahokoupil (2008) and Phelps and Wood (2006) adapt the growth machine/coalitions concepts to understand the multi-scalar and politicized nature of strategic coupling processes centred on FDI. Yet given the national specificity of these concepts (Wood, 2004), the application of such analyses to MNE-state interactions is always likely to be restricted to a subset of western liberal market economies incorporated within GPNs.

Given that coupling involves intentional action and active deliberation on the part of MNEs, state and other actors, time and space contingent coalitions between actors pursuing a common objective can involve actors operating across different spatial scales (Coe and Hess, 2011: 131–132). Coe and Yeung (2015) have classified arrangements into: ‘indigenous coupling’ (the endogenous development of GPN segments as part of active industrial development strategies); ‘functional coupling’ (involving value capture by regions as firms perform a particular role within GPNs), and; ‘structural coupling’ (the opportunities for firms to gain cost-based outsourcing responsibilities associated with regional economic dependency and external control). However, the role of intermediaries within GPNs is moderated by the particular national political economies out of, but also into, which they operate when mediating FDI. Arguably GPN analysis is imbued with a sense of the *purposeful* coalitions that have emerged between East Asian developmental states and MNEs. While the role of intermediaries in the development of domestic industries as part of strategic coupling processes (Yeung, 2016: 91) is likely to be of more general significance, there is no necessary connection between the presence of intermediaries and processes of coupling. The purposeful coalitions found in the East Asian context may fail to emerge as a result of the under or

overly politicized and ad hoc nature of MNE-state relations in settings as diverse as rapidly emerging markets (e.g. China), (neo)liberal economies (such as the US and UK) and ‘predatory’ states (a term often applied to African nations).

For these reasons we suggest that the variety implied by the term ‘world market for social order’ (Bornschier and Trezzini, 2003) is preferable to the term ‘market for capital’ (Thomas, 2000) implying a single unified market. Thus, while the narrow objectives of MNEs place them in an advantageous position in their bargaining with host governments (Phelps, 2008), states also engage in complex and opportunistic strategies when engaging with MNEs (Encarnation and Wells, 1986). Variations in national political economies moderate the role that location consultants are able to play. Indeed, there appears to be a paradox regarding the globally uneven development of the location consulting industry; it is most developed in those country contexts where, from an information economics perspective, it is least needed.

As with other professional service industries, the role of location consultants in adding value to corporations may be greater than is often appreciated. The role of location consultants extends beyond the simple reduction of search costs into one of value-adding and market creation (Phelps and Wood, 2018). Yet information economics also provides grounds for believing that the value added of location consultants to communities may be less than assumed. Consultants may reduce the signalling costs of communities promoting FDI but they may also be implicated in positioning host territories and their institutions to bear some of the longer term of costs (risks) of FDI. The net effects of incentivising FDI remain the subject of debate although it seems certain that some portion of fixed investments is offset when communities offer them. A paradox exists here in that that some of the largest incentives are offered in the most transparent and developed markets. In the US this paradox

may be the result of political and ideological choices (Williamson, Imbroscio and Alperovitz, 2003). However, more generally, we suggest that it is the information asymmetries (in favour of investors over communities) surrounding FDI propositions that can prove decisive here in a context of a multi-dimensional prisoners' dilemma (Thomas, 2010). Moreover, these asymmetries potentially can be exacerbated by consultants who specialize in negotiating incentives.² The question that emerges is: *what role do intermediaries such as location consultants play in adding value to corporations and communities in a world market for social order?*

METHODS

In setting out elements of a research agenda on the economic geography of location consulting intermediaries we draw upon exploratory research that seeks to understand the supply, demand and intermediation that constitute the geography of FDI facilitation that shapes the uneven 'world market for social order' (Bornschier and Trezzini, 2003). The exploratory – ostensibly inductive - nature of the research is appropriate for an emerging field of economic geographical research on intermediaries, in which there is a plurality of relevant approaches from inside and outside the geography discipline. With regard to location consultants specifically there is little weight of empirical findings or conceptual consensus. Although extensive, the practice and policy-facing literature has rarely sought to define this intermediary set of activities let alone reflect on its relation to other professional services. The academic literature on location consultants is sparse and that with an economic geographical leaning sparser still. At this initial stage, then, our research has been focused on

² Extreme information asymmetries are the root of a market for 'lemons' (i.e. faulty second hand cars). Similarly, there is enough evidence in a stream of failed FDI projects to observe the existence of a market for 'FDI lemons'.

a manageable number and spread of interviewees from Europe-based organisations directly and indirectly involved in the facilitation of FDI. With their base in Europe these organisations cannot represent a truly global picture of the location consulting and related industries involved with the facilitation of FDI. However, the companies interviewed are some of the world's largest and most active specialist and related companies and operate in perhaps the most complex continental setting with significant regulatory variety or discontinuities (Beugelsdijk and Mudambi, 2013) involved in FDI decisions.³ The interviewees are well-placed to offer a perspective on FDI rather than the domestic investment central to the US-based consultants examined in a separate but related study (Phelps and Wood, 2018). In the following section we use the interviews to elaborate on the questions for future research set out in the preceding agenda. Future research could go further in using cross-national secondary data to explore the extent and impact of location consultants on the geography of investment decisions and/or comparative research designed to explore the supply, demand and intermediation of FDI in contrasting political economic contexts.

Our research involved interviews with senior representatives (often the managing directors, section heads or owners) of nine of the largest location consulting companies (or sections of companies) operating from the UK and mainland Europe but excluded smaller, one person or nationally-oriented companies whose exact number remains unknown. In order to further contextualise the organization of the location consulting industry, we extended the research to cover interviewees from a multinational investment bank, a multinational legal company, a tax advisory business, an organisation involved with specialist publications on

³ Separate research has examined the industry in the US where it is more developed but where the context contains far fewer regulatory discontinuities.

FDI trends and an individual who might be regarded as a serial entrepreneur within the investment promotion industry having established or been associated with a number of FDI-related businesses. These additional interviewees worked in companies closely related to the location consulting industry in its strictest and narrowest definition and allow for a broader insight into the dynamics of the business of facilitating FDI flows and their relationship to IPAs as intermediaries.

Thus, in total, fourteen interviews were conducted face-to-face or by telephone during the period from 2010 to 2013. In interviews that lasted an average of one hour interviewees were asked: to describe the location consulting industry and its boundaries, the organisations involved and their geographical reach; to estimate the quantitative significance or ‘market share’ of the industry; to describe the reasons for the presence or absence of the industry in various regions of the world; and to describe how members of the industry shape both perceptions of host territories on the part of investors and the perceptions of investors on the part of host government institutions. The European focus clearly limits our understanding of the *global* picture but the small scale of the location consulting industry means that the companies interviewed represent the major part of the industry in Europe.

KNOWLEDGE AND THE DEVELOPMENT OF THE LOCATION CONSULTING INDUSTRY

The knowledge mobilized by location consultants reflects the ‘in between’ character of place itself (Entrikin, 1991). Place or location is only partly codifiable via the desk-based assembly of quantitative data (what the industry refers to as the ‘tangibles’) (Yaseen, 1955). An important part of the knowledge mobilized by location consultants is therefore based on field-

work to validate quantitative data and obtain a qualitative ‘feel’ for places and communities (the ‘intangibles’).

As a consequence, the location consulting industry remains indistinct and underdeveloped as compared to many other professional service industries which have managed to both professionalise and globalize (Phelps and Wood, 2018).⁴ As a result, there are only a handful of major specialist companies or units within companies which compose this core of the industry in Europe (see Table 1). Figure 1 depicts these specialist location consultants nested within a broader landscape of professional service activities. At the core of Figure 1 is a supposed private-public sector schism which, in the practice of the activities of location (or site selection) consulting, lead generation and investment promotion, can become blurred.

Interviewees expressed uncertainty about how to label and bound the industry.⁵ One interviewee described FDI as an industry in itself, in that flows of FDI provide a source of revenue to many of the professional services.⁶ If it is an industry, as another interviewee went on to highlight, ‘it is still a niche market, differently addressed by specialised boutiques, and by large corporate global players... each of the big four and real estate advisors.’⁷ Another

⁴ Site selection is included under the six-digit heading 541611 ‘Administrative Management and General Management Consulting Services’ in the North American Industrial Classification System (NAICS, 2012) as part of ‘Professional Scientific and Technical Services’ (sector 54). However, it does not receive specific mention in the Nomenclature statistique des activités économiques dans la Communauté Européenne (NACE, 2008) classification.

⁵ This core of location consulting companies is itself subject to a measure of specialisation with companies like IC Associates and Core basing their business propositions on the use of technology and software applications.

⁶ Interview, Blick Rothenberg, London, 9 March 2012

⁷ Interview, European Location Advisory Service, Ernst & Young, 21 June 2011

law company interviewee described how: ‘We talk about the inward investment community because it crosses so many different industries. ... Commonly we work with accountants but then it is people like payroll companies, recruitment agencies, real estate brokers, relocation companies’.⁸ Furthermore, the boundaries of this evolving industry are porous as companies diversify into and out of location consulting from human resources and personnel relocation consulting, plant and construction engineering, real estate brokerage and the like. As another interviewee elaborated:

‘They are basically all intermediaries between investors and the suppliers of the location. And they intermediate in many different ways. There are recruitment agencies that nowadays state in their brochures that they are doing site selection work for their clients. There are engineering companies that have done this for many years. There are real estate brokers ... There are a lot of organisations, lawyers are part of them, that help companies in that process with elements of location assessment. But there are not many that are really indeed specialised to the extent that they focus on it.’⁹

Presently the widespread preference among client MNEs for the outsourcing of certain functions and business activities has seen companies in the business process outsourcing (BPO) industries begin to offer location search as part of their services to clients.¹⁰ Depicted in the outer layer are specialist media. The magazine *fDi Intelligence* (published by the *Financial Times* group) has become one source of data used by the industry. Moreover, one media company Conway Data which publishes *Site Selection* magazine in the US has recently embarked on a series of acquisitions (of Red Hot Locations, Terrain Consulting and

⁸ Interview, Taylor Wessing LLP, London, 14 February 2012

⁹ Interview, IBM-PLI, Brussels, 14 November 2011

¹⁰ Interview, Head of UK Inward Investment, HSBC, London, 28 September 2011

Pont) to create a measure of hitherto unseen vertical integration between investment promotion consulting, event management and public relations.¹¹

The private sector companies involved in location consulting are diverse and generate revenue in a number of different ways. They range from specialized one person consultancies to the giant accounting and management consulting MNEs offering a full range of professional services to investors. As an interviewee from an investment bank described,

‘Within the professional services a lawyer or an accountant will have a very different view of a commercial ‘win’ than, for example, a banker. ... Lawyers and accountants can charge for their time, a bank can’t. The bank makes its money by arbitrage that occurs from transactions’.¹²

Thus, there are companies that: arbitrage on the scale of the financial transaction concerned (banks); charge for their time (lawyers and accountants); charge flat rate fees (such as site selection); charge piece-rate fees (per lead generated) or; may gain bonuses according to the incentives obtained. The different ways in which profit is drawn from FDI flows provide incentives and disincentives for involvement in particular types of FDI projects. For example, the accountancy and management consulting MNEs are primarily oriented towards the largest MNE clients and are therefore unlikely to get involved in the smallest FDI ‘transactions’. Such firms are highly sensitive to profitability to the point where one interviewee noted his bank’s withdrawal from the Scandinavian market as a consequence.¹³ For one interviewee, then, there was a clear hierarchy apparent in which ‘the industry is driven by the big four companies and then the SMEs more or less well established with international presence in different places, and then there is a big bunch of one person companies or freelancers who

¹¹ Interview, Terrain Consulting, Berlin

¹² Interview, HSBC, London, 28 September 2011

¹³ Interview, HSBC, London, 28 September 2011

work in investment promotion. You don't know who they really are but they pick up a lot of work'¹⁴ The views of our interviewees differ on the fortunes of these two ends of the industry spectrum. Some see a continuing role for a specialist location consulting business within professional service and real estate MNEs. Others suggest that, for these MNEs, their location consulting activities are a side line that periodically is acquired and tolerated for its value as a loss-leading marketing or integrative operation and divested at moments when insufficiently profitable.¹⁵

This dynamic produces a paradox in the organisation of the location consulting industry. As one interviewee observed,

‘By its very nature this is an industry that calls out for someone who has a global presence. Yet the trend is exactly in the opposite direction. The companies that were in the position to do this globally - the big consultancy firms - are moving out of the industry, so you are left with companies who don't really have a global reach.’¹⁶

Despite that fact that several specialised companies have become trans-national, the industry as a whole is anything but global in its organisation. ‘So while the clients globalise and while the projects get more and more of a globalised flavour, the service industry has not’¹⁷ As Table 1 indicates, the specialist companies’ or units within MNEs are generally small. For those units that are part of professional services MNEs, their location consulting operations are multinational by virtue of the global office network associated with their main line of business. The specialist companies such as OCO, Terrain and Buck Consulting have a limited

¹⁴ Interview, Global Location and Facilities Services, Deloitte, Brussels, 21 June 2011

¹⁵ Interview, Buck Consulting International, Nijmegen, 16 May 2012

¹⁶ Interview, Terrain Consulting, Berlin, 23 August 2013

¹⁷ Interview, Buck Consulting International, Nijmegen, 16 May 2012

number of foreign offices operated directly or as joint ventures. Some, such as Oxford Intelligence, have a multinational presence through a network of associates.

ON AND OFF THE MAP? GPNs AND LOCATION CONSULTANTS

The globally uneven geography of the location consulting industry reflects the variable nature of the demand for social order represented by the FDI of MNEs. In the BRIC (Brazil, Russia, India and China) economies, the presence of the location consulting industry is likely to remain limited. To this point China presents a context in which the larger MNE investors seem likely to have undertaken the site selection decision in-house with little or no input from specialist advisors. It has been a market too large to ignore, prompting market-seeking FDI and ‘oligopolistic reaction’ among MNEs (Phelps and Wu, 2009). As one interviewee described,

‘With India and China, for example, the labour cost differential was so compelling that it just made people think we need to be there ... you would rarely get a detailed analysis. ... A lot of the companies that were first movers tended to be the larger companies that had the resources to do it properly and who had the resources to say, “well, if it goes wrong, we will just pull out”.’¹⁸

Moreover, where parts of the outer layers of the non-specialist location consulting industry are present, their role has not yet evolved into questions of location to any significant degree.

Commenting on China, an interviewee in the investment banking field noted how:

‘When you have a very hot economy like that then really it is about fulfilment. ... there is very little discretionary conversation in terms of why should we choose China or somewhere else. I think that will change but at this moment in time because of the growth of their economy then the professional services out there are all about fulfilment ... because they are in that burgeoning economy they do not have to promote themselves or market themselves.’¹⁹

¹⁸ Interview, Global Corporate Services, CBRE, 20 September 2013

¹⁹ Interview, HSBC, London, 28 September 2011

There are important regional differences within China that might form the basis of more selective or targeted strategies of FDI promotion. However, the non-discretionary nature of much FDI makes both the explosive growth of city and provincial investment bureaus and the intense competition among cities and provinces across China (Yeung, 2003) all the more alarming for what it implies about the unnecessary incentivisation of FDI.

In other emerging markets a location consulting industry is unlikely to develop significantly let alone exercise a major role in the promulgation of norms of global business regulation for the foreseeable future. Much of the FDI attracted to Africa to date is resource-seeking.

‘Most of the investment in Africa is natural resources and commodity related. That kind of FDI is different because of the nature of it. ... it is not a site selection kind of decision. This is where the resources are, we have to go there. It is much more of a risk calculation. It is all about funding because they have to finance these highly risky big investments. It is the financial institutions and the legal companies that will be much more involved in these kinds of projects. To say that there is no consulting industry in Africa would be incorrect, because if you look at the banks, the legal companies and the finance companies they are playing a huge role.’²⁰

Lending for resource extraction is often inflected with geopolitics (via sovereign wealth funds) or underwritten significantly via regional development banks and international organisations, which presents a particular and intriguing twist to the story regarding the mediation of FDI in ‘emerging markets’. In this context, then, some of the outer layers of the investment promotion industry rather than the specialist location consultants may be developing a presence, although it is one that is emerging slowly. Thus, as one interviewee observed:

‘If you go to Africa, for example, in banking we have an obligation beyond point of sale. Being on a due diligence and KYC [know your customer] circumstance there are some countries we will not get involved with unless we have a thorough

²⁰ Interview, WAVTEQ, 30 August 2013.

understanding of the position of the client and the purpose of the business. That is probably why you will have seen - if you look at our global map - that void in Africa. Whilst we have ... looked to build our Africa position, for various reasons they have always fallen through.'²¹

This presence may, as we describe below, be an important precursor to the future development of a specialist location consulting industry in Africa. However, despite much attention from international organisations in the sphere of reform of FDI policy and regulation and despite the growth of national IPAs, this particular continent seems likely to remain largely off the map in terms of the location consulting industry.

Finally, behind the macro-scale geographical picture lie a further set of issues concerning how this geography reflects the corporate organisation and business services industry infrastructure related to FDI flows *within* nations. The development of a specialised location consulting industry is unlikely to simply appear with the onset of FDI flows into a territory since it depends on a raft of related professional services industry activities (as depicted in Figure 1). In turn, these other professional services are only likely to develop as part of the head-office-business service complexes that characterise world cities at an international scale and some gateway cities in certain continental national settings (Beaverstock, Smith and Taylor, 1999; Scholvin et al, 2017). It is only where we find significant collections of head offices and professional services industries that a specialised location consulting industry is likely to develop. Such head office business service complexes have certainly arisen anew in East Asia, notably in Singapore and Hong Kong but they remain stubbornly underdeveloped even in some BRIC countries, most notably Russia. As one interviewee seeking to explain the geography of the location consulting industry put it:

²¹ Interview, HSBC, London, 28 September 2011

‘One needs to look at the time lines ... if you go to the sectoral players in the BRIC countries, because their economies are more recently developed ... it is not a long time to suddenly get a whole range of people who play in this space. That is why a lot of the professional firms from the west are very keen to set up in India, China, Brazil, Russia because they feel there is a gap there and they can fill that gap. Their clients will feel more comfortable with their office there ... whilst the local guys are still trying to bring themselves up to the standards that those inward investors expect.’²²

However, for others the distinctive geographies of the origin and destination of FDI flows are just one part of the puzzle. Rather than focusing on the characteristics of the potential host countries the established geography of location consulting activity is also liable to change as a result of the demands for, and experiences of, their clients.

‘Better than trying to categorise by region or by country you have to do it by the level of maturity of the organisation which sometimes fits with geographical distribution and sometimes not. ... There are more and more actors in the market. These organisations learn by themselves and their needs from consultants are different depending on how experienced they are’.²³

This view hints at some potentially more complex and emerging global geography of the location consulting industry and its role in shaping FDI flows. For some time now MNEs have been accelerating their moves abroad (Vernon, 1979) or are even ‘born global’ (Gereffi, 1999). This suggests a rapidly changing international context to which the location consulting industry seems likely to respond. It also suggests that those parts of the globe currently ‘off the map’ may soon be on it. The ‘strange’ geography of ‘emerging markets’ has been explored elsewhere (Sidaway and Pryke, 2000), although research might certainly go much further to explore how FDI into these markets is facilitated by consultants.

LOCATION CONSULTANTS IN A WORLD MARKET FOR SOCIAL ORDER

²² Interview, Blick Rothenberg, London, 9 March 2012

²³ Interview, Global Location and Facilities Services, Deloitte, Brussels, 21 June 2011

While competition for FDI is not new the intensity of that competition has increased (Wells and Wint, 2000; Phelps and Raines, 2003). Yet, despite the widespread neoliberalisation of investment law, regulation and policy of the last three decades, it is important to recognise that the supply side of host locations is comprised of a variety of national political economies within which the intermediary activity of location consultants is uneven.²⁴

Despite the growth of the location consulting industry the proportion of FDI in which the industry plays a role remains unknown. Estimates by those in the industry suggest that its role remains modest in quantitative terms. As one interviewee suggested,

‘Quantitatively I think the site selection consulting industry just does not have the mass or the workload to impact on flows in a global way. It is really a small minority of the projects that are assisted by consultants and most of the work is done by the companies themselves.’²⁵

As another interviewee put it, the investor making location decisions entirely in-house provided ‘this company’s biggest competitors’.²⁶ This seems likely to have been the case historically as the largest MNEs’ international expansions preceded the formation of much of the specialist location consulting industry. However, the vast majority of MNEs are only multinational by virtue of having entered a single overseas market. It may be here that location consultants have played a larger role. As Thomas (2011: 10) suggests, the use of location consultants has ‘opened the way for smaller firms to benefit from stronger information asymmetries than they otherwise would have been able to’.

²⁴ Trends in favour of FDI policy liberalisation as opposed to greater restrictions on and regulation of FDI remain strong (UNCTAD, 2012), though perhaps not as strong or as they had been in the 1990s (UNCTAD, 1995).

²⁵ Interview, IBM-PLI, Brussels, 14 November 2011

²⁶ Interview, Buck Consulting International, Nijmegen, 16 May 2012

Across our interviews, practitioners were hesitant to put a figure on the proportion of FDI flows in which private sector consultants played a role. Much depends on where the boundaries of the industry are drawn. As one interviewee described

‘You are opening up the issue of M&A [mergers and acquisitions] specialists, venture capital people, bankers, lawyers. There is a whole raft of people for whom that is not their business per se but companies when thinking about relocating will quite often talk to their lawyers or people they know who will put them in touch with other people. If that’s how you view a consultant then it could be quite high. If it is going about and formally retaining companies to do particular pieces of work then my guess is that it is pretty damn small.’²⁷

The same interviewee went on to estimate the figure to be less than 10% of all FDI projects which corresponds with a figure estimated some years earlier by one industry source (Spee, 2003).

Yet, there is certainly a greater degree of organisation of intermediation across both private and public sectors:

‘The global economy is so much more competitive now perhaps in the 1950s or 1960s there were a handful of countries, now when you come to those big multinationals they have to make decisions about how they allocate resources no longer among a handful of countries but across forty or fifty potentially and at that end of the market that is where this bureaucratic industry has arisen. ... There is discretionary business to be won’.²⁸

The growth of this discretionary business – reflecting the growing demand for capital and the consequent increase in choice in a world market for social order – has produced a corresponding growth in the number of IPAs charged with investment promotion.

Information economics suggests that the role for market intermediaries is greatest where there are market failures resulting from missing or asymmetric information. Yet, ironically the location consulting industry remains best developed in the regional contexts –

²⁷ Interview, Oxford Intelligence, Milton Keynes, 21 February 2011

²⁸ Interview, HSBC, London, 28 September 2011

North America and Western Europe – in which MNE investors have accumulated the greatest experience with domestic and foreign investment choices, in which information is most freely available, and in which the business environment is generally seen as most transparent. In contrast, and as we indicated above, the location consulting industry has a very limited presence in much of the rest of the world including emerging markets and even entire continents. The intriguing question is why?

A first answer to this question highlighted by one interviewee is that it is precisely the *lack of transparency* surrounding the business environment in certain countries (for example, those characterised by predatory states) that explains the absence of a specialist consulting industry. In other words, corporate clients prefer to deal directly with local and national political leaders precisely because the investment process is so heavily politicised.²⁹ Presumably it may not always be possible to realise some of the locations for an investment identified in the third party advice of a specialist consultant. Furthermore, it may simply not be possible to ascertain all information germane to the site selection process (whether this be the costs of doing business or possible location incentives) when these themselves can vary considerably on the basis of local politics and the political behaviour of the MNE.

A second answer to this question is that liberal market states of the global north have deeper pockets with which to incentivize FDI. This argument accords with a popular and academic concern in the UK and the US (Le Roy, 2005) regarding the incentives offered to MNEs. In the UK, such concerns persist in what a National Audit Office (2003) report regarded as a ‘grants culture’ in which the same MNEs have been able to draw down financial aid for their UK operations. To set against this however, evidence suggests that

²⁹ Interview, IC Associates, 13 November 2013.

investment promotion efforts *do* stimulate FDI flows (Harding and Javorcik, 2011; Morrisett, 2003; World Bank, 2012). Harding and Javorcik (2011) estimate that a dollar spent on investment promotion leverages US\$189 of FDI inflows.

A third, and rather more mundane, answer centres on the history of the location consulting industry itself which originated in the US with the establishment in 1934 of the Fantus Factory Locating Service (Cobb, 1982; Wood, 2003). Location consulting activity subsequently spread to Europe as US firms began to expand abroad. Historically, the bulk of FDI stocks and flows are comprised of investments between North America and Europe. In the view of one interviewee, the scale of the location consulting industry in the US may also reflect the fact that public IPAs are typically less well developed.³⁰ Private actors (most notably railroad and utility companies) with connections to consultants have long played a role in industrial recruitment within the US (Wood, 1993). Finally, anecdotal evidence suggests that the advisory and advocacy activities of location consultants are also strongest here.

Several interviewees were clear that the nature of the US location consulting industry differs from that in Europe in terms of its overall scale, the proliferation of smaller consultancies, the greater proportion of projects in which consultants are involved, and the greater specialisation in services offered.³¹ According to one interviewee: ‘It is a bit different in North America. In North America the market is such that a lot of the companies are used to using consultants for this type of work and the site selection industry is much broader there.’³² As a result, the market share of the industry in FDI flows *may* be greater in North

³⁰ Interview, fDi Intelligence, London 7 August 2013

³¹ Interview, Oxford Intelligence, Milton Keynes, 21 February 2011

³² Interview, IBM-PLI, Brussels, 14 November 2011

America ‘where there is a habit of going to a consultant, and especially in the field of international expansion, it is probably close to 50% [off all investment events]. In Europe there are various situations. My colleagues in the UK think that that proportion is probably close to 20-25%. But I would think in France it is probably no more than ten per cent.’³³ In sum, the greater development of the industry might simply reflect the accumulated importance of FDI flows between these two global regions, while its relative absence in other continents, most notably Africa, may reflect the lack of demand as a result of the historically low stocks and flows of FDI.³⁴

While the proportion of global FDI flows accounted for by North America and Europe has been subject to decline, the stocks remain dominant and the flows not insignificant in international terms.³⁵ The nature of these markets has changed from being net exporters to net importers of capital in the form of FDI, altering the dynamic to an international investment regime that the countries of these two continents have largely shaped (Brown and Miles, 2011; Sauvant and Alvarez, 2011; Sornarajah, 2010). Yet even as the nature of these established FDI markets has changed, the market for location consultants remains robust. As one interviewee highlighted in connection with the UK, ‘If you see this leakage from your bucket, so to speak, you are desperate to try and fill it up from the top as well which again creates this industry’.³⁶

CONCLUSION

³³ Interview, European Location Advisory Service, Ernst & Young, Brussels, 21 June 2011

³⁴ Interview, fDi Intelligence, London 7 August 2013.

³⁵ Developing economies absorbed more FDI than developed countries for the first time in 2012. The US ranked first and the highest ranked European nation was the UK in terms of FDI inflows (UNCTAD, 2013).

³⁶ Interview, HSBC, London 28 September 2011

In this paper we have outlined a research agenda concerning the mediation of the global economy by location consultants. The industry is a curious one: seemingly central to any number of location decisions and, yet, unevenly developed such that it is of limited significance in many parts of the world. The knowledge that sustains the location consulting industry resonates with the staples of economic geography as traditionally taught. This might seem quaint given how far economic geographical theory has travelled but it also raises some unsettling questions concerning how we as researchers and teachers value and regard ‘old’ economic geographical knowledge. On the one hand, in mediating capital’s search for order, the activities of location consultants are centrally involved in the symbolic construction of MNEs’ brands, products, services and FDI projects as well as those of host territories and their institutions. Here, then, the study of the location consulting industry is open to cultural-economic interpretation that goes well beyond the staples of economic geography and the likes of information economics. **Indeed, the full value added of location consultants in the location decision is rarely appreciated or realised in actual location consulting practice or business location decisions (Phelps and Wood, 2018). In this sense, practice and the knowledge of location mobilised by consultants might be seen to lag economic geographical theory. On the other hand,** ‘old’ economic geographical knowledge and the techniques associated with producing that knowledge continue to be refined practically in ways that are only now beginning to be fully appreciated, as a range of policy challenges regarding corporate taxation, transfer pricing and the escalation and cost per FDI job re-emerge with vigour. In this sense, **location consulting practice might be thought to lead economic geographical theory driving shifts in the location of FDI that demand our attention.**

In this paper we have sought to contextualise the uneven role played by location consultants in processes of strategic coupling central to GPNs. Our research suggests that the

role of location consultants as intermediaries reflects the growth and build-up of the FDI market and is consequent upon a raft of other professional services. Accordingly our discussion of the location consulting industry underlines how processes of economic globalization are articulated through a quite circumscribed set of world cities in the global north or gateway cities in the global south (Scholvin et al, 2017) where the build-up of professional services agglomerations are based on a ‘rule-keeping’ mandate. Elsewhere, in emerging markets the specialist location consulting and professional service industries have yet to develop as a result of the politicised environment surrounding FDI. This is notably the case for contemporary resource-seeking FDI across the African continent. Here FDI leverage is underpinned by sovereign wealth funds (Dixon and Monk, 2012; Haberly, 2011) and therefore potentially inflected with the geopolitical concerns of *home* nations over resource security in a way which precludes the intermediation of FDI flows. In this context FDI also comes to fruition in highly politicised *host* environments in which MNEs seek to deal directly with political leaders. The picture is further complicated by the fact that former capital exporting countries are now net importers, prompting fundamental rethinking of the international regulatory landscape.

So where do these changes leave the location consulting industry? Well the industry appears positioned to play a subsidiary role in the (neo)liberalisation of regulation and policy pertaining to FDI flows. In the US the liberalisation of mobile investment both domestically and internationally has been a long time in the making. The contribution of location consultants to the promulgation of norms (neoliberal or otherwise) surrounding the promotion, regulation and incentivising of FDI remains poorly understood and is certainly one important area for further research. Here the varied landscape implied in the notion of a ‘world market for social order’ (Bornschieer and Trezzini, 2001) seems appropriate. Yet there

is nothing inevitable surrounding processes of intermediation and strategic coupling and indeed both may well be largely absent in the direct politically-inflected bargaining between MNEs and host governments that is found in predatory states. Elsewhere in (neo)liberal states where state-MNE relations have typically been seen to be arms-length or ad hoc in nature, location consultants have developed to play a more central role. Future research can go further to specify the role of location consultants within different coupling arrangements to varying (sub)national political economies, not least because their role raises a host of policy-redolent questions concerning both the efficiency and equity implications of competition for mobile capital (Le Roy, 2005; Tewdwr-Jones and Phelps, 2000; Thomas, 2000, 2011). Here the role of location consultants is simultaneously subject to critique from both the political left and right (Thomas, 2011). The demand, supply and mediation of FDI are generative of the sort of ethics of care that has been the subject of quite extensive discussion within human geography. We would suggest that the important ethical questions surrounding the (re)location decisions of MNEs are deserving of greater discussion not only in the practice and policy-facing fields of location and investment promotion consulting and industrial recruitment but in the annals of economic geography and international business.

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Table 1: Summary data on the leading specialist investment promotion consulting companies and units based in Europe

	Year formed	Method of formation	Location of headquarters and other offices or associates	Employment (Full Time Equivalents)	Services provided
Buck (c)	1984	New independent business	Nijmegen (Netherlands) plus joint venture office in the US	65	Investment promotion consulting, lead generation and site selection
OCO	2001	Buyout of unit within Price Waterhouse Coopers	Belfast (UK), plus two offices in London and New York	30	Investment promotion consulting and lead generation
Oxford Intelligence (b)	1996	New independent business	Milton Keynes (UK); international network of associates	22	Investment promotion consulting and lead generation
Deloitte (Global Location and Facilities Service) (b)	~1990s	Established as a new unit within Deloitte	Brussels (Belgium)	6	Site selection
Ernst & Young (European and International Location Advisory Service) (b)	1991	Established as a new unit within Ernst & Young	Brussels (Belgium)	50	Site selection
IBM-PLI (b)	1960	New independent	Brussels	25	Site

		business, acquired by Price Waterhouse in 1989 and by IBM in 2002	(Belgium)		selection
Terrain Consulting (a)	2010	New independent business, acquired by Conway Data in 2013	Berlin (Germany)	10	Site selection
CBRE (Global Corporate Services) (a)	2002	Created from existing units as a result of merger.	London (UK) Chicago (US)	10 30	Site selection
IC Associates (a)	2008	New independent business	Amsterdam (Netherlands)	10	Investment promotion consulting

Source: authors' interviews. (a) 2013. (b) 2011. (c) 2012.