

Abstract

Göteborg University
School of Economics and Commercial Law
Department of Business Administration
P.O. Box 610, SE-405 30 Göteborg, Sweden

Author: Li Li Ekenstedt
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Decision Processes and Determinants of Logistics Facility Locations – Multinational Corporations' Perspectives

During the 1990s, the business environment has changed dramatically not least due to trade globalisation. One area of increasing importance for multinational corporations (MNCs) is the site location of logistics facilities. A common theme of the classic location theories is the importance of transportation costs in determining site location. However, the significant change in the business environment has given rise to dissatisfaction with the classic location theories. Despite the fact that many studies have been made on business locations, there is still a lack of consistency in the understanding of the current trends of location decisions.

This thesis examines multinational corporations' (MNCs') decision processes and the determinants of logistics facility locations in the Nordic countries and the northern part of Germany. The entire study is designed as a two-stage approach. Several dimensions in selecting MNCs were included in the study. First, empirical data was collected in the exploratory stage in Sweden by personal in-depth interviews, followed by the conclusive stage, where empirical data was collected in 10 countries by a mail survey. Multivariate analysis technique and other statistical methods were incorporated in the data analysis and interpretation.

The results suggest that within the scope of the study, the main motives for MNCs' location decisions include improving customer services, reducing total production costs, growth of the company, taking advantage of scale economies in distribution, synergy effects and changes of organisational structure. The study also shows that location decisions are mainly made by MNCs as top-down decision processes rather than bottom-up decision processes.

The study shows that MNCs' logistics location decisions are based upon multiple factors instead of pure cost factors. This implies that the importance of traditional factors (mainly cost-based factors) has declined and non-traditional factors (*e.g.* efficient and effective logistics and transportation, labour standard, business attitudes, quality of life, synergy effects and security, *etc.*) have become influential. This trend is believed to continue in the future.

Therefore, the results are helpful for MNCs' decision-makers concerning the logistics facility locations as well as for authorities of countries and regions attempting to attract new businesses. These decision-makers and authorities may gain from considering the well-thought influential location factors of MNCs that are opening new, expanding or relocating logistics facilities.

Key words: Decision Process, Determinant, Multinational Corporation, Logistics Facility and Location.