The Hassle Factor
(rank ordered)

Andreas Schotter (Ph.D.) & Paul W. Beamish (Ph.D.)
About the Hassle Factor Research

The predominant assumption in business research and practice is that Multinational Corporations choose their foreign locations based on objective factors. Mostly economic and political considerations, these factors include market size, the presence of international customers, suppliers and competitors, the availability of cheap labor and natural resources, currency risks, political stability, geographic distance, etc. In addition, cultural similarities or dissimilarities play a role for foreign location choice. Rarely however are personal managerial preferences and the influencing effects of key individuals on foreign location decisions considered.

We conducted many interviews with executives about factors that influence their firms’ foreign location selection processes. We found that these location decisions are not detached from managerial preferences. Often location short lists and final location choices are based on how troublesome it is for certain influential managers to travel to or live in certain places. Not surprisingly, firms frequently end up with a location mix that is suboptimal for their future growth in certain regions.

Utilizing a multi-method research design, data from a large number of independent sources and in depth interviews and surveys that included more than 200 executives and foreign investment experts, we investigated the effect that managerial preferences have on the multinational investment intensity and sales activities across 131 foreign investment locations. The result is an 11-item measure composed of travel inconveniences that have a significant negative moderating effect on the relationship between foreign direct investment potential and investment intensity and multinational sales. We call this phenomenon the “Hassle Factor.”

This document provides a visualization of the Hassle Factor in the form of a world map and cobweb graphics for the individual countries in our study. The key advantages of these sorts of graphics for parent company leaders and potential subsidiary managers include the ability to (a) quickly obtain a comprehensive overview of a country’s non-economic location factors, (b) a breakdown of the various Hassle Factor dimensions by country, since some dimensions may affect certain firms/industries to varying degrees, and (c) the ability to easily compare the short list of candidate countries being considered for potential entry.

In addition, the Hassle Factor can be utilized to help calculate fair and effective expatriate compensation that complements the less personal cost-of-living differential.
About the Researchers

Andreas Schotter (Ph.D.), is Assistant Professor of International Business at the Ivey Business School at Western University. A dual German and Canadian citizen, he is a two-time “Wall Street Journal Distinguished Professor of the Year.” Dr. Schotter’s primary research interests are multinational corporate development and subsidiary evolution, corporate strategic change, global innovation and technology management, emerging markets, and the role of boundary spanners in global firms. Before embarking on an academic career, Dr. Schotter was a senior executive with several multinational corporations in the automotive, industrial equipment, and consumer goods industries. He has lived and worked in Europe, Asia, Australia, and North America.

Paul W. Beamish (Ph.D.) holds the Canada Research Chair in International Management at the Ivey Business School at Western University. He is the author or co-author of over 50 books and 100 refereed research articles. His books are in the areas of International Business, Strategy, and Joint Ventures. Dr. Beamish has served as Editor-in-Chief of the Journal of International Business Studies and is on numerous editorial boards. He is a Fellow of the Royal Society of Canada, Academy of International Business, and the Asia Pacific Foundation of Canada. Dr. Beamish’s consulting, management training, and joint venture facilitation activities have been in both the public and private sector. Prior to his academic career he worked for Procter and Gamble.
The Hassle Factor Cobwebs provide a detailed visual representation of the individual hassle indicators per country. While the size of the red area indicates somewhat the size of the overall Hassle Factor, not all items have equal impact on the overall score. Using a combination of statistical factor analysis and regression tools, we were able to rank order the importance of the individual hassles. For example, health concerns and the standards of local transportation have a more severe impact on the overall Hassle Factor score as compared to safety and visa issues. At the individual managerial level these preferences may vary. What the scores show is the real impact of the aggregated Hassle Factor on the investment activities of multinational corporations in the individual countries.*

1.) **Transportation:** Availability and standards of local transportation.
2.) **Health:** Exposure to disease and availability of health care facilities/doctors.
3.) **Business Facilitation:** Difficulty in setting up meetings with decision makers.
4.) **Food & Water Hygiene:** Quality of food and water.
5.) **Climate:** Perceived inconvenience based on climate.
6.) **Risk for Women Travelers:** Harassment and freedom to travel alone.
7.) **Telco & Internet:** Availability and quality of mobile phone/internet coverage.
8.) **Hotel:** Number of 3, 4 and 5 star hotels.
9.) **Visa:** Difficulty and time required for obtaining entry visas.
10.) **Safety:** Personal safety, including the risk of getting robbed or kidnaped.
11.) **Language:** Difficulty communicating in English or finding interpreters.

The indicator scores are based on multiple data sources including the World Bank, World Health Organization, United Nations, Central Intelligence Agency, Organization for Economic Co-operation and Development, OAG Worldwide Limited, Merchant International Group, United States Department of State, Japan Ministry of Foreign Affairs, Safe Water for International Travelers, Global Road Warrior 4th ed.

*This version of the Hassle Factor is based on data for the year 2006.
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**Sweden**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.071

**New Zealand**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.08

**Switzerland**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.101

**Finland**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.122

**Iceland**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.127

**Singapore**

- Language
- Safety
- Climate
- Visa
- Hotel
- Health
- Transportation
- Telecommunication/Internet
- Business Facilitation
- Risk for Women Travelers
- Food & Water Hygiene

Hassle Factor 1.137

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Philippines

Hassle Factor
2.381

Fiji

Hassle Factor
2.441

Costa Rica

Hassle Factor
2.457

Uruguay

Hassle Factor
2.465

Bulgaria

Hassle Factor
2.501

Saudi Arabia

Hassle Factor
2.506

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