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Research Paper

Strategic factors Influence and Locational Decision Of Selected Foreign Manufacturing Firms In South West, Nigeria

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Abstract
Multinational Enterprises (MNEs) from emerging countries are increasingly seeking locations which offer the best economic and institutional facilities and where their core competencies can be efficiently utilized. The study used survey research design and the Taro Yamane's formula to determine a sample size of 61 from a population of 156 top management staff Unilever and Cadbury PLC, Ikeja Lagos State, Nigeria.Correlation analysis was used for data analyses. Result show that there is a very strong correlation between the strategic factors and location choice decision of a firm. The study recommend that Government should make regulations that favor and encourages foreign firms to come into Nigeria. The study concludes that government to encourage foreign manufacturing firms to situate their firms in Nigeria by adopting one or all of the recommendations made.
Keywords*: Location, Strategic, Multinational, Infrastructure, Decision*

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I. Introduction

Choosing location for a new business is one of the most important decisions investors make during the planning phase of launching ventures (Crescenzi, 2018). Locational decisions are important strategic decision challenges faced by domestic and international firms. International firms face further locational decisions in host countries because of its direct link with the demand and supply of goods and services and ultimately to the success or failure of a firm (Crescenzi, 2018).

Multinational Enterprises (MNEs) from emerging countries are increasingly seeking locations which offer the best economic and institutional facilities and where their core competencies can be efficiently utilized(Jain, 2019). Furthermore, locational challenges have become more pronounced given the current globalization challenges emanating from increased nationalism, nativesm, isolationism, populism and trade wars.

Investing abroad is an alternative way of expanding and improving efficiencies, primarily in managing the costs of operations. A central issue that is frequently a challenging problem for MNEs from emerging markets is deciding in which country to invest (Hashim, 2012).

Crescenzi (2018) posit that what attracts flow of investment around the world is not only about countries, but something on a much more local level. These firms according to Crescenzi (2018), are less interested in what a country offers them, but what they get from an individual city or country. However, what becomes obvious is that firms are attracted to a specific set of local conditions. And what seems attractive varies enormously depending on firm's strategies, sectors and global value chain stage of the investment.

Location is a place where a firm decides to site its operations. The location of a business can affect many aspects of how it operates, such as total sales and how costly it is to run.

Unavailability of electricity is a major drawback in selecting locations for firms. Power is necessary for almost all the manufacturing units, so locating firms nearer to the coal beds and power industries can highly reduce the wastage of efforts, money and time due to the unavailability of power (Trivikram 2020).

Political stability is essential for firms' growth and survival. That political stability fosters industrial activity and political upheaval derails industrial initiates is duly confirmed by political situations across the countries and regions within the same country.Political stability builds confidence and political instability causes lack of confidence among the prospective and present investors to venture into manufacturing which is filled with risks (Sinha 2018).However, it is important that foreign firms to know the record of government stability, government structure, consistency of government policy, and attitude of government to both inward and outward investments while deciding on location choice.

Very closer to political stability is government regulations situation prevalent in an area which also influences foreign firms'location choice decisions. Foreign investors will be interested to move to areas having no law and order problem to establish their firms.Government regulations are laws that controls the way that a business can operate (Trivikram 2020).

The attitude and behaviours of a country's leadership has a significant influence on firm location choice decision. Political and executive leadership which prioritizes investment is an attribute that investors particularly look for (McDonald and Bailly, 2017).

Kotler and Armstrong (2004) explain that different restrictions are imposed on all organizations by the environment. The enterprise has little influence on the environment and therefore, it is important for the MNE to identify with the environment of its choice of location and devise its policies in relation to the forces in that environment.

Similarly, Shaikh (2010) is of the view that any policy undertaken in a company, is always affected by its environment. Hence, several constraints are imposed on the enterprise by the environment and it imposes huge impacts and influence on the scope and direction of the company activities. In Nigeria the nature of business environment is dominated by so many factors including government regulations with a view to ensure a certain level of economic life to the people. The investors are coming in from environments different from that of the host country.

According to McCann (2011) the underlying framework which support the empirical research on location patterns of MNE investment relies on different bits and elements coming from diverse, but often overlapping theories. From the eclectic paradigm of Dunning (1977, 1980, 1981, 1988, and 1998) to the latest integrated knowledge–capital model, the literature has highlighted several factors that help explain the location decisions of multinational enterprises (MNEs). However, the strategic factors that influence foreign firm location choice include: electricity infrastructure, political stabilityand government regulations.

1.2 Statement of the Problem

Research problems could be observational or theoretical in nature. Through literature review, the researcher has found that not much have been done in this area especially as it concerns Nigeria.

To date however, available researches outside Nigeria have precisely focused on how foreign firms make location choice decisions, especially the work of Chin (2020),Akpinar (2020), Garcia-Muina, Romero-Martinez and Kabbara (2020), Alcacer and Delgado (2020), Csiki, Horvath and Szasz (2019), Towhidur and Kabir (2019), Li, Hernandez and Gwon (2018), Mangle (2017), Tripathi and Kumar (2016), Du, Wang andWang (2015), Dunning (1977, 1988, 1993, 1998, 2000, 2009) and the work of (Dunning and Lundan 2002 and 2008) among others. Consequently, most of these studies focused more on location choice decision of foreign direct investments (FDI) and few of the factors reviewed in this study. Thus, the need for researching strategic factors influence on foreign firms' location choice decision is identified when evaluating previous research.

Consequently, Chin (2020) researched on Location Choice of New Business Establishments in the United States of America from 1977 – 2005. The research focused on examining the relationship between the uniqueness of certain regions, spatially bounded characteristics, and how both affect where new establishments locate. A two-level model (mixed and nested logit model) was used and results of this study confirm the importance of economic, demographic, and geographic conditions at the neighborhood level, providing a better understanding of the vulnerability of the local economy.

Available empirical studies assessed in this study used a mixed logit model, nested logit model, census Bureau's longitudinal model, binomial logistic regression model, multinomial logit model, conditional logistic regression model among others for analysis. Thus, strategic factors influence on foreign firms' location choice decisions is a study of relationships and can be done better using the standard deviation and correlation analysis. Results of these studies also cannot apply to the Nigeria's business environment. Hence, this study is different from all theavailable empirical studies assessed because, it covers strategic factors such as, market size, raw materials, human capital, electricity infrastructure, political stability and government regulations and will precisely use standard deviation and correlation analysis for data analyses and interpretations.

It is for this reason that it has become necessary to conduct a study in this area within the Nigerian environment in order to determine precisely the sort of determinants that underlie location choice decisions by the Dutch multinational company - Unilever PLC and Cadbury PLC, a British multinational confectionery company as they venture into the foreign market, Nigeria.

1.3 Objectives of the Study

The major objective of the study is to examine how strategic variables influence foreign firm location choice decision.

The specific objectives include to:

1. assess the influence of electricity infrastructure on location choice decision of a firm
2. assess the influence of political stability on location choice decision of a firm.
3. determine the relationship between government regulations and location choice decision of a firm.

1.4 Research Questions

Based on the objectives of the study, the following research questions were developed.

1. How does electricity infrastructure affect location choice decision of a firm?
2. To what extent does political stability affect location choice decision of a firm?
3. To what extent does government regulation affect location choice decision of a firm?

1.5 Hypotheses

In line with the research questions above, this study will be guided by the following hypotheses which are stated in the null forms.

Ho_1: There is no significant relationship between electricity infrastructure and location choice decision of a firm.
Ho_2: Ho_5: Political stability has no significant effect on location choice decision of a firm.
Ho_3: Government regulations have no significant effect on location choice decision of a firm.

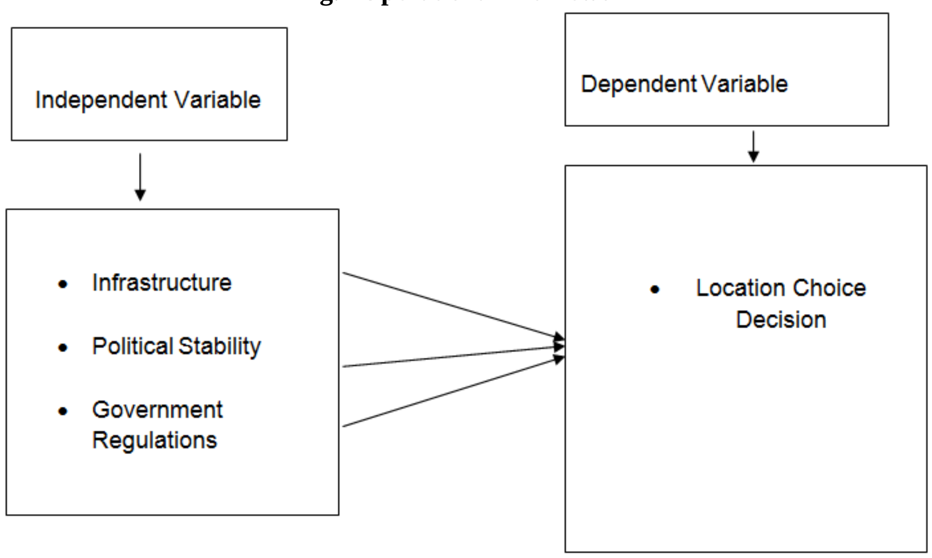
Review of Related Literature

In this section, the researcher reviews existing literature related to strategic secondary factors influence on foreign firms' location choice decision. In doing this, the researcher reviews related literature from the perspectives of conceptual and theoretical reviews.

From the standpoint of conceptual reviews, the researcher reviews such concepts as; electricityinfrastructure and location choice decision, political stability and location choice decision, government regulations and location choice decisionamong others.

Theoretically, the researcher also reviews such theories as Institutional- based theory, and localization theory.

Fig. 1Operational Framework



Source: Researchers' Desk 2021.

Strategic Factors

Generally, location of multinational firms is influenced by some strategic considerations, though certain non- economic considerations also might influence the location of some foreign firms. Some of the major strategic factors influencing foreign firms' location choice are discussed below:

Infrastructure (Electricity) and Location Choice Decision

Infrastructure consists of the physical or natural components of an economy that support the community needs and business activities by creating access to regional, national and international markets. Infrastructure includes, electricity/energy, road, land availability, transportation networks, access to navigable waterways, recreational areas, and learning institutions. These factors particularly will increase the attractiveness of a site and the probability of a manufacturer locating in a given country. (Rainey and McNamara 1999).

The study reviews specifically electricity infrastructure though the degree of dependency upon infrastructural facilities may vary from industry to industry, yet there is no denying of the fact that availability of electricity infrastructural facilities plays a deciding role in the location choice decision of a firm. Regular supply of power is a pre-requisite for the localization of industries. Coal, mineral oil and hydro-electricity are the three important conventional sources of power. Most of the industries tend to concentrate at the source of power (Sinha,2018).

The availability of adequate and quality of electricity/energy infrastructure minimizes the cost of doing business by increasing effective labour hours, and leads to operating efficiency for foreign investors. A reliable and robust infrastructure system such as transportation, information and communication system is crucial for the movement of inputs from service providers to users (Trivikram, 2020)

A good quality of infrastructure is a very important factor for attracting investment, however, foreign investments need roads, ports, railways and telecommunication apart from energy infrastructure in order to operate efficiently. Indeed, good quality of infrastructure increases the returns potential of investments in a country and therefore encourages location choice decisions and foreign investment inflows (Trivikram, 2020)

Certain types of manufacturing industries are power hungry and should be located close to locations where uninterrupted power supply is assured. The non-availability of power may become a survival problem for such industries(Sinha 2020).

Political Stability and Location Choice Decision

It is well established that institutions are significant determinant of foreign firm location in developing countries (Blonigen 2005). Political stability has been noted to have a negative and statistically significant impact on both domestic and foreign investment in developing countries (Janeba, 2002). Corruption commonly associated with poor governance increases the cost of production and discourages domestic investment.

Literature in the international business presents an interesting puzzle regarding the effect of political instability and political risk on in firm location decision. The research shows that multinational executives take into account political stability in making investment decisions although investor's decisions are often affected by rational expectations and uncertainty. Most available research seems to conclude that political stability significantly promote investment location decision. This is premised on the fact that political stability increases the probability of a country to be selected as an investment location (Loree and Guisinger, 1995).

Contrary to this view, Du, Wang and Wang (2015) concluded that political instability do not have statistically significant effect on location decision of investment inflows, but regime durability encourages long term firm location decision. This is the same conclusions reached by Sethi and Phelan, (2003) in Sinha, (2018). Globerman and Shapiro (2003) did not differ in their conclusion that political instability and violence does not influence a country's probability of receipt of FDI inflow, but reduces the amount of FDI inflow a country receives.

Although it has been argued that political instability in the host country could discourage the inflow of investment, and while most empirical studies support this argument, some empirical evidence suggest that political factors play an insignificant role in a firm's location decision (Swain and Wang, 1997; Zhang, 2002).

Investors are always concerned of the safety of their investment and their own safety. This therefore points to the desire to operate in a secure environment. Despite all this however, investors may still invest in volatile countries as long as they anticipate a recovery of their investment in the shortest time possible. As long as the returns from those countries are high enough to match the set risk levels, investors will go ahead and undertake the investment. There are also other provisions with the international agreements that guarantee investments in volatile regions (Trivikram, 2020).

In supporting the research of Loree and Guisinger, (1995) the study conclude that where there is stability in the host country, there will be full guarantee of security of investment. Democracy will be ushered in leading to a reduction in corruption levels, bureaucracy and overall improvement of the investment environment. This may lead to increased location choice decisions and foreign direct investment.

Government Regulations and Location Choice Decision

Very closer to political conditions is governmentregulations situation prevalent in an area which also influences foreign firms' location choice decision. Government regulations are laws that controls the way that a business can operate. These regulations are effectively rules that define the bounds of legal behavior (Sinha 2018).

The role of institutions in an economy is to reduce both transaction costs and information costs through reducing uncertainty and establishing a stable structure that facilitates interactions (Hoskisson, Eden, Lau, and Wright 2000). In order to succeed in foreign markets, foreign investors have to adapt their strategies to formal institutions, such as laws and regulations, and informal institutions, such as practices of law enforcement by local authorities, of host countries, especially when entering transition economies characterized by incomplete, inconsistent and unstable institutional frameworks (Hoskissonet'al, 2000).

Firms value those institutional environments that make them exploit their competitive advantage in host countries (Dunning 1998). Multinational firms are advised to locate in countries with low institutional differences as firms need to conform to the local institutions (Trevino and Mixon, 2004). Institutional compatibility in the location portfolio of a multinational firm increases its ability to benefit from knowledge flows among its various nodes (Dunning, 2009; Kostova, 1999, Kostova, Roth and Dacin, 2008; Kostova and Zaheer, 1999). Failure to embed in local institutions led to failure of many multinational retail giants in most countries(Dunning,2009). As per neo-classical economies, institution of a country, has three dimensions namely; regulatory, political and societal (North,1990).

In Regulatory Institutions, Government regulations affects the growth of firms (Capelleras, Mole, Greene and Storey, 2008). Effectiveness of laws pertaining to intellectual property rights influence the international location choice of foreign firms (Globerman and Shapiro, 2003; Coeurderoy and Murray, 2008). The variables regulatory quality which is an aspect of the regulatory institution reflects the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Good regulatory quality includes three aspects that affects investment location decision.

First, good regulatory quality generally requires a high level of corporate transparency. Detailed and standard disclosure of accounting information is imperative. This factor can encourage investors location choice and also promote investments.

Second, good regulatory quality means good shareholder protections. La Porta, Lopez-De-Silanes, Shleiger and Vishny (1998) in Sinha, (2018) stated that a country is attractive to investment if the shareholder is well protected. Third, good regulatory quality can help to avoid information asymmetries. The purpose of most of the investments are to gain more profits. Eliminating information asymmetry helps to lower risks and make profits more predictable at the sometime. Good regulatory quality enhances profits.

Uncertainty in policy environment, degree of corruption and opaqueness in government and legal processes make a country politically hazardous (Henisz, 2000) and can deter investment (Dunning 2009; Globerman and Shapiro 2003; MacCarthy and Arthirawong 2003).

Taxation is of the government and are essential part of its regulations on business. Tax-factors indicate the tax situation of the host country. They include corporate tax rate, total tax rate, and tax havens. Each factor plays the same role in studying the location choice problem. A high tax rate in the host country can be regarded as a cost increase, which reduces investment profits. Therefore, tax is always believed to have a negative influence on the location choice of foreign firms. Similarly, a tax haven will attract investment because of the low tax (Arbatli 2011).

Some studies on the location choice of foreign firm's investment paid specific attention to tax factors. For instance, Boddewyn and Brewer (1994) in Chin (2020) cited that escape is an expression of avoidance which is a form of non-bargaining business political behavior. Caves (1996) stated that based on evidence from prior studies, home country factors, such as high tax rates, can affect investment by increasing outward FDI. To support this observation, Gordon and Hines (2002) reviewed previous studies on international taxation and found that firms may indulge location decision to avoid high home country taxes.

Arbatli (2011) found a significantly negative influence of Corporate Tax Rates on investment decision, which also reveal that higher host country's tax rates discourage foreign investment decision. Country's tariff rates influence firms' costs and are also considered to determine investment location decision (Arbatli, 2011).

Theoretical Review

The research will use the following notable location choice theories to provide an explanation of the reasons for a firm's location choice decision.

Institutional-Based View

The world Investment Report (1998) stated that besides business facilitation and economic factors, institutional framework is a principal determinant of the foreign firm location decision. However, when studying the location decision of foreign investors, the researchers in international business have almost exclusively focused on the effects of agglomeration economies popularized by Krugman (1991) and traditional location advantages such as factor endowments and market attraction.

The institution-based views have explored how the institutional set up influences, economic activity and thus the strategies pursued by firms. North (1990) in Sinha (2018) distinguishes formal institutions such as laws and regulations and informal institutions that are grounded in customs, traditions and codes of conduct.

The role of institutions in an economy is to reduce both transaction costs and information costs through reducing uncertainty and establishing a stable structure that facilitates interactions (Hoskisson, Eden, Lau and Wright, 2000). The legal and government arrangements as well as formal institutions underpinning an economy influence corporate strategies and thus affect the operation and performance of business (Sinha, 2018).

According to Mudambi and Navarra (2003 in Crescenzi, (2018) institutions are important as location advantages in international business because they represent the major immobile factors in a globalized market. Legal, political and administrative systems tend to be the internationally immobile framework whose costs determine international attractiveness of a location. Institutions affect the relative transaction and coordination costs of production and innovation. For foreign investors, the restrictions and incentives created by institutions of host countries favour some deals and opportunities while disadvantage others. They force the investing firms to think strategically about how to avoid the limits imposed by domestic laws as well as how to reap the benefits that the law and particular circumstances are capable of providing. Empirical research reveals that institutions influence international business strategies of firms, notably the choice of firm location, the magnitude of investment, the probability of survival and the location decision (Henisz, 2000; Meyer and Nguyen 2005 in Sinha, 2018).

Similarly, Meyer (1998;2001) in Sinha, (2018) found that investors prefer to invest in transition economies that have progressed furthest in institutional framework closer to that of developed countries, therefore reducing psychic distance and thus facilitates international business. Low psychic distance reduces the need to invest in information, to train local staff and to adapt management processes to the local environment.

Besides studying the effect of institutions on foreign investment location at country level, researchers recently pay increasing attentions to institutions at local level when they knowledge that informal institutions such as the practice of law enforcement by local authorities may affect spatial distribution of FDI among regions within a country. In transition economies, reform initially concern primarily formal institutions at the central level that directly affects formal institutions at the sub-national level. However, the implementation of law and regulations issued by central governments enforcement at local level may vary due to variations of normative or cognitive aspects of local authorities.

Up to date, there have been few studies investigating the influences of institutions at local level on firm location most probably due to lack of data and difficulties in finding appropriate proxies for institutions. The study can count on the work of Meyer and Nguyen (2005) on Vietnam and Zhuoet'al (2015) on China. Meyer and Nguyen (2005) research shows that foreign investors in Vietnam prefer to locate in regions that have more developed market-supporting institutions proxies by facilitation by local authorities towards foreign firms to access scarce local resources. Zhuoet'al (2015) in their research stated that specific incentives policies issued by Chinese local government such as tax incentives and development of special economic zone positively influence the location choice by Japanese firms.

In sum, the researchers argued that foreign investors are likely to locate in the place where the institutional framework is close to that of their home countries thereby reducing psychic distance and facilitating international business. Lower psychic distance makes it easier for firms to understand local business environments, therefore reducing costs of getting information. Indeed, in order to operate efficiently, foreign firms need to have enough information about local markets and they prefer to locate in places where necessary information is transparent and available.

Localization Theory

Industry localization is defined as the geographical concentration of firms in the same industries, and also one of the mechanisms motivating this externality that stem from the geographic clustering of industries. The issue on industry localization attracted the attention of economists in the late nineteenth century.

The work of Marshall (1920) is considered as an early and influential economic analysis on this phenomenon. Marshall identifies three externalities that stem from industry localization: Localization enables firms to benefit from technological spillovers, Localization provides a pool market for workers with specialized skills that benefits both workers and firms, andLocalization creates a pool of specialized intermediate inputs for an industry in greater variety and at lower cost. These positive externalities have the potentials to enhance the performance by firms that agglomerate.

Unilever Nigeria PLC, and Cadbury PLC are multinational cooperations that employed localization and Internalization theories within the country and region to efficiently utilize their resources, produce and distribute their products nationwide, having regional branches and distribution channels all over the country.

As anticipated by Marshall (1920), localized industry allows a pooled market for workers with specialized skills to benefit both workers and firms. This also benefits firms by increasing the supply of specialized employees and reducing the risk of high wage requirements from labour.

II. Methodology

This section covers the methodology of the work. The researcher used survey research design and the Taro Yamane's formula as stated by Alugbuo (2005) to determine a sample size of 61 from a population of 156 top management staff Unilever head office at Oregun, Ikeja Lagos State and eight (8) other branches in Nigeria and the Cadbury head office at Lateef Jakande way, Agidingbi, Ikeja Lagos State, Nigeria.Correlation analysis was used to show the correlation between the secondary factors and foreign firms' location choice. The hypotheses were tested using the t-test of significance of Pearson r.

The formula is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where ;

n = sample size

N = number of items in the universe or population

e^2 = square of maximum allowance for sampling error or level of significance

To determine the sample size:

$$n = \frac{156}{1 + 156(0.10)^2}$$

$$n = \frac{156}{2.56}$$

$$n = 60.9$$

$$n \cong 61$$

The study sample size is = 61

Therefore, Unilever PLC got the following number of questionnaires:

$$Unilever = \frac{81}{156} X\, 61 = 32$$

Cadbury PLC got the following number of questionnaires:

$$Cadbury = \frac{75}{156} X\, 61 = 29$$

Data Presentation

The data collected from the selected Manufacturing firms are presented below in tables for ease of comprehension. Firstly, the number of questionnaires administered and collected is shown in the table below:

Table 1: Summary of Questionnaire Distribution and Return Rate

S/N	State	Number Distributed	Number Returned	Response Rate
1.	Unilever Nigeria PLC	32	32	100%
2.	Cadbury Nigeria PLC	29	29	100%
	Total	61	61	100%

Source: Field Work (2021)

The Table.1 above shows that the researcher achieved 100% response rate for both manufacturing companies studied.

Table 2: Location Choice Decision of a Firm

S/N	Items	SA	A	U	D	SD	Mean	Remark
1.	The secret to selecting the ideal location lies in knowing the factors that are most important to a firm's success	33	12	10	2	4	4.11	Positive
2.	Foreign firms that choose their locations wisely with their perceived customer preferences and their companies needs in-mind can establish an important competitive advantage over rivals who	41	10	10	0	0	4.51	Positive

	choose their locations haphazardly.							
3.	Location choice decision is a strategy that is influenced by a variety of factors that are typically implemented over time.	32	17	9	2	1	4.26	Positive
4.	Foreign firms take location decision because they want to grow or expand operations.	41	20	0	0	0	4.67	Positive
5.	Location of a business can affect many aspects of how it operates, such as total sales and how costly it is to run.	51	5	5	0	0	4.75	Positive
6.	Foreign firms involved in location choice decisions are mainly MNEs desiring to move into international business environments.	31	3	12	13	2	3.79	Positive
7.	Political stability significantly promotes a firms' location decision.	33	15	7	5	1	4.21	Positive
8.	Foreign investors assess overseas location with regard to market opportunities and obstacles.	22	11	23	4	1	3.80	Positive
9.	Host country economic determinants do not influence location decision of foreign firms.	6	2	10	22	21	2.18	*Negative*
10.	Foreign investors' location decision was attracted by natural resources such as minerals, raw materials and agricultural products.	44	16	1	0	0	4.70	Positive

The Table .2 above shows that location choice is very important determinant of foreign firms' before relocating to Nigeria. The responses reveal that foreign firms that choose their locations wisely with their perceived customer preferences and their companies needs in-mind can establish an important competitive advantage over rivals who choose their locations haphazardly, among others. There is predominance of positive mean values except for question item 9 where they opined that host country's economic determinants influences location decision of foreign firms.

Table .3: Electricity infrastructure

S/N	Items	SA	A	U	D	SD	Mean	Remark
11.	Electricity infrastructure does not influence location decision of foreign firms.	5	2	5	25	24	2.00	*Negative*
12.	Foreign firms can situate their companies and provide their own electricity	20	31	3	3	4	3.98	Positive
13.	Poor electricity supply is responsible for the dearth of foreign firms in Nigeria	51	10	0	0	0	4.84	Positive
14.	Foreign firms can help the government by providing private power plants	58	3	0	0	0	4.95	Positive
15.	Providing electricity infrastructure is the primary function of the government	22	9	28	4	4	3.61	Positive

In the Table .3 above, electricity infrastructure does not influence location decision of foreign firms. This is evident in the negative mean value of 2.00 which is less than the 3.0 criterion mean. The question items 12 through 15 are positive showing that electricity infrastructure is very important in the situation of foreign firms.

Table .4: Political Stability

S/N	Items	SA	A	U	D	SD	Mean	Remark
16.	A safe political environment is a key factor for foreign firms in their choice of a good location	25	26	6	2	2	4.15	Positive
17.	Foreign firms cannot invest in a country with unstable government policies	31	19	4	3	4	4.15	Positive
18.	Government officials are the main cause of political instability in Nigeria	10	9	27	8	7	3.11	Positive
19.	Most foreign firms thrive more in an unstable political environment	15	18	10	12	6	3.39	Positive
20.	A stable political environment creates room for more foreign investors to create jobs for the teeming population	33	7	9	8	4	3.93	Positive

Political stability is a sine-qua-non to foreign firms in their choice of location. The mean values are all greater than 3.0 criterion mean showing that a safe political environment is a key factor for foreign firms in their choice of a good location.

Table .5: Government Regulations

S/N	Items	SA	A	U	D	SD	Mean	Remark
21.	The Nigerian Government make regulations that chase foreign firms away from the economy	15	19	8	8	11	3.31	Positive
22.	Foreign firms in a host country face greater uncertainties than domestic firms.	11	29	14	3	4	3.66	Positive
23.	The tax policies of government towards foreign firms make them to situate their firms outside the country	15	11	18	8	9	3.25	Positive
24.	Nigeria has good government regulations that can attract foreign manufacturing firms	15	18	10	12	6	3.39	Positive
25.	There is a strong linkage between government regulations and foreign firms location choice	41	18	2	0	0	4.64	Positive

The Table .5 above shows that question item 21 has positive mean value. This means that the Nigerian Government makes regulations that chase foreign firms away from the economy. Also, foreign firms in a host country face greater uncertainties than domestic firms.

Data Analysis

The hypotheses formulated in the chapter one of this study are tested using the correlation and t-test of significance as shown below:

Hypothesis One

H_{01}: There is no significant relationship between electricity infrastructure and location choice decision of a firm.

Variable	Mean	Std Deviation	t-stat	Pearson r	Decision
Location Electricity Infrastructure	27.18	0.9039	23.487	0.975	Reject null

t-table = $t_{0.025,57}$ = 1.960

The t-statistic value of 23.487 is greater than the t-table value of 1.960 at 5% level of significance, therefore we reject the null hypothesis and conclude that there is a significant relationship between electricity infrastructure and location choice decision of a firm. Furthermore, the correlation coefficient value of 0.975 indicates that there is a very strong correlation between electricity infrastructure and location choice decision of a firm.

Hypothesis Two

Ho_2: Political stability has no significant effect on location choice decision of a firm.

Variable	Mean	Std Deviation	t-stat	Pearson r	Decision
Location Political_Stability	25.0	0.316	61.745	0.884	Reject null

t-table = $t_{0.025,57}$ = 1.960

Since the t-statistic value of 61.745 is greater than the t-table value of 1.960 at 5% level of significance, we reject the null hypothesis and conclude that political stability has significant effect on location choice decision of a firm. Furthermore, the correlation coefficient value of 0.884 indicates that there is a very strong correlation between political stability and location choice decision of a firm.

H_{03}: Government regulations have no significant effect on location choice decision of a firm.

Variable	Mean	Std Deviation	t-stat	Pearson r	Decision
Location Government_Regulations	24.77	0.424	45.628	0.971	Reject null

t-table = $t_{0.025,57}$ = 1.960

Since the t-statistic value of 45.628 is greater than the t-table value of 1.960 at 5% level of significance, we reject the null hypothesis and conclude that government regulations have significant effect on location choice decision of a firm. The correlation coefficient value of 0.971 indicates that there is a very strong correlation between government regulations and location choice decision of a firm.

III. Discussion of Findings

This study sought to achieve the major objective of determining the effect of strategic secondary factors on foreign manufacturing firms' location choice using two manufacturing firms in South West Nigeria as case study. The strategic secondary factors that were identified in the literature include electricity infrastructure, political environment and government regulations. These strategic secondary factors were used to formulate a structured questionnaire which was distributed proportionately to 61 staff from Cadbury Nigeria PLC and

Unilever PLC. Findings from the first hypothesis tested revealed that there was a significant relationship between electricity infrastructure and location choice decision of a firm. The correlation coefficient value of 0.975 indicated that there was a very strong correlation between electricity infrastructure and location choice decision of a firm. This implies that electricity infrastructure is a very important factor that foreign firms consider in their choice of location.

The second hypothesis revealed that political stability has significant effect on location choice decision of a firm. The correlation coefficient value of 0.884 showed that there was a very strong correlation between political stability and location choice decision of a firm. Thus, political environment of a country is another factor that determines whether foreign firms will situate their companies in a country or not.

The third hypothesis led to the conclusion that government regulations have significant effect on location choice decision of a firm with a very high correlation coefficient value of 0.971. Therefore, there is a very strong correlation between government regulations and location choice decision of a firm. Further probe into the sub-items that explains government regulations showed that the Nigerian Government make regulations that chase foreign firms away from the economy and that foreign firms in Nigeria face greater uncertainties than domestic firms.

IV. Recommendations

The following recommendations are made:

1. Government should improve the electricity infrastructure of Nigeria as this is the major motivating factor for foreign firms coming into the country.
2. The political stability of Nigeria is very exigent as this creates a safe haven for foreign investors. Having found that political stability is a significant factor that enhances location choice decision of foreign firms, there is every need to stabilize the political environment by ensuring fair and equitable distribution of government resources so as to prevent agitations from every corners.
3. Government should make regulations that favor and encourages foreign firms to come into Nigeria. As a very important factor, government should ensure wider consultations before signing and implementing laws that regulate foreign firm's activities in Nigeria.

V. Conclusion

Multinational Enterprises (MNEs) from emerging countries in Asia, Europe and America are increasingly seeking locations which offer the best economic and institutional facilities and where their core competencies can be efficiently utilized. The current globalization challenges have made location choice to be very important as companies scramble to reap the optimal benefits from localization and favorable business environment. This study identified electricity infrastructure, political stability and government regulations as the secondary factors that affect location choice decision of a firm. After thorough analysis of the data gathered and the findings made, we came to a conclusion that electricity infrastructure, political stability and government regulations have significant effect on location choice and they also have positive correlation with location choice decision of foreign firms. Thus, there is every need for the government to encourage foreign manufacturing firms to situate their firms in Nigeria by adopting one or all of the recommendations made.

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APPENDICES

T-Test

[DataSet0]

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Location	47.4590	61	1.73756	.22247
	Elec	20.2787	61	2.51085	.32148

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Location & Elec	61	.975	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Location - Elec	27.1803	.90385	.11573	26.94884	27.41181	23.4868	60	.000

T-Test

T-TEST PAIRS=Location WITH Pol (PAIRED)
/CRITERIA=CI(.9500)
/MISSING=ANALYSIS.

[DataSet0]

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Location	47.4590	61	1.73756	.22247
	Pol	22.4590	61	1.79419	.22972

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Location & Pol	61	.884	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Location - Pol	25.00000	.31623	.04049	24.91901	25.08099	61.7454	60	.000

T-Test

T-TEST PAIRS=Location WITH Govt (PAIRED)
/CRITERIA=CI(.9500)
/MISSING=ANALYSIS.

[DataSet0]

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Location	47.4590	61	1.73756	.22247
	Govt	22.6885	61	1.78457	.22849

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Location &Govt	61	.971	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Location - Govt	24.77049	.42401	.05429	24.66190	24.87908	45.6275	60	.000

Table Showing Coded Data for the Correlation Analysis

S/N	Location Choice	Electricity Infrastructure	Political Stability	Government Regulations
Respondent_1	45	16	20	20
Respondent_2	45	16	20	20
Respondent_3	45	16	20	20
Respondent_4	45	16	20	20
Respondent_5	45	16	20	20
Respondent_6	45	16	20	20
Respondent_7	45	16	20	20
Respondent_8	45	17	20	20
Respondent_9	45	17	20	20
Respondent_10	45	17	20	21
Respondent_11	46	18	20	21
Respondent_12	46	18	20	21
Respondent_13	46	18	20	21
Respondent_14	46	19	21	21
Respondent_15	46	19	21	21
Respondent_16	46	19	21	21
Respondent_17	46	19	21	21
Respondent_18	46	19	21	21
Respondent_19	46	19	21	21
Respondent_20	46	19	21	22
Respondent_21	46	19	21	22
Respondent_22	46	19	22	22
Respondent_23	46	19	22	22
Respondent_24	47	19	22	22
Respondent_25	47	19	22	22
Respondent_26	47	19	22	22
Respondent_27	47	19	22	22
Respondent_28	47	20	22	22
Respondent_29	47	20	22	22
Respondent_30	47	20	22	23
Respondent_31	48	21	23	23
Respondent_32	48	21	23	23
Respondent_33	48	21	23	23
Respondent_34	48	21	23	23
Respondent_35	48	21	23	23
Respondent_36	48	21	23	23

Respondent_37	48	21	23	23
Respondent_38	48	21	23	24
Respondent_39	48	22	23	24
Respondent_40	48	22	23	24
Respondent_41	48	22	23	24
Respondent_42	49	22	24	24
Respondent_43	49	22	24	24
Respondent_44	49	22	24	24
Respondent_45	49	22	24	24
Respondent_46	49	22	24	24
Respondent_47	49	22	24	24
Respondent_48	49	22	24	25
Respondent_49	49	22	24	25
Respondent_50	49	22	24	25
Respondent_51	49	23	25	25
Respondent_52	50	23	25	25
Respondent_53	50	24	25	25
Respondent_54	50	24	25	25
Respondent_55	50	24	25	25
Respondent_56	50	24	25	25
Respondent_57	50	24	25	25
Respondent_58	50	24	25	25
Respondent_59	50	24	25	25
Respondent_60	50	24	25	25
Respondent_61	50	24	25	25