



MARKETING LOCATION AS A KEY DETERMINANT FOR INFLOW OF DIRECT INVESTMENTS INTO BOSNIA AND HERZEGOVINA

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ABSTRACT

The analysis of realized investments of individual regions and sub-regions opens up a question of relevant factors upon which foreign investors make decisions about investments into a certain location. Therefore, the objective of this paper is the theoretical elaboration of starting factors and determinants of foreign capital attractions, as well as, the observation of effects of marketing location on investment realisation. Identification of key motives, as well as the determination of the level of their significance in realisation of foreign investments into Bosnia and Herzegovina (hereinafter B&H), is necessary in order to define the effect of incentive measures for investment realisation. The results, presented in this paper, are gathered through primary research of companies formed by realisation of foreign investments into B&H (written structured survey). The data has been gathered on basis of a simple random sample made up of 30 surveyed, that is, 30 companies from B&H territory that occurred as a result of the realisation of foreign direct investments (hereinafter FDI) in our country. The research results show that B&H, regardless of its unstable political situation, poor investment climate, complex government structure, has an exceptional potential for the increase of FDI inflow, and that it is still attractive to foreign investors due to its technical-technological know-how, its natural resources, as well as is qualified and educated labour force.

Keywords: Marketing locations, Investment determinants, Foreign direct investments, Investment motives.

JEL Classification: M31

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Contribution/ Originality

From the theoretical aspect, the contribution of this paper is seen in the apostrophization of the role of foreign investments in economic growth of a country, and in the influence of marketing location on process of attraction of foreign capital. From the applicative aspect, the key contribution is in the systematization of key motives of realization of foreign investments into B&H, and in emphasis of the role of the institutional network of promoters and their activities in the attraction of foreign direct investments into B&H.

1. INTRODUCTION

Marketing location represents an exceptionally important area of influence a modern business ambience. The American Marketing Association defines marketing location as a concept that is created in such a way that it affects targeted groups in order for their members to behave affirmatively towards products or services and those are influenced by a certain location (American Marketing Association, 2010). One of the most important goals of marketing location relates to sustaining the existing and attracting the new beneficiaries (investors). In that context, a challenge for marketing specialists is to ensure that buyers (investors) come to a certain location and use its available potentials rather than the potentials of competitive locations. In order to influence foreign investors to realise their investments, it is necessary for a location to have natural resources available as well as the potential that will be useful to investors, that is, that will enable them to create competitive advantage. Keeping the investors at a certain location (crating their loyalty towards a marketing location), besides many internal as well as external factors, is determined by the level of realised satisfaction from previously realised investments. Therefore, the important part of marketing location represents adaption and improvement of location potential in order for it to become more attractive for foreign investors.

Exceptionally great contribution to the research of marketing location was given by world renowned marketing experts, such as: Kotler and Keller (2006), Kavaratzis (2004), but also a certain number of authors from the Bosnian and Herzegovinian surroundings, such as: Rakita (2010), and Paliaga and Strunje (2010), and such. The cause of such great interest for this area of research comes from the fact that resources are limited, and many parts of the Earch are becoming available for investments. Rakita and Šipragić (2010). Having the previously mentioned in mind, as well as the fact of rapid progress of globalisation, that makes each country, region or city fight for every potential investor with every other (potential recipient of foreign capital), the analysis of marketing location influence on FDI becomes growingly significant.

Exactly this segment opens up the space for application of marketing tools and mechanisms in order to increase the inflow of foreign investments. The goal of marketing location is to create awareness about location and to create positive associations (Rakita and Šipragić, 2010). Countries (locations) worldwide are represented on markets as any other brand about which investors create a certain image that can be changed over time. In such way, perceptions of origin

countries actually represent mental associations and beliefs created about individual countries, locations. Depending on those associations and beliefs about certain locations being positive or negative, between all else, the readiness of an investor to realise his investment will depend on that as well (adapted according to [Kotler and Keller \(2006\)](#)).

The creation of national image includes the existence of unique perception of a country as an attractive location for foreign investors. It is important to emphasize branding of a destination is far more present in tourism, but, in the last period, business places are branded more and more. That process includes the creation of adequate elements that, along with the image, positively affect the level of inflow of foreign investments. Having in mind that FDI represent one of more significant instruments through which companies are able to gain integrated package of material and non-material resources (capital, technology, management and marketing know-how, trained labour force, etc), many locations are intensifying their activities in order to attract the foreign capital. Positive effects of realisation of FDI are seen in the increase of savings and rate on capital accumulation, which affects the increase of the income rate through investments on the whole economy. Also, FDI provide possibilities of hiring work force of a certain location, and through this, macroeconomic indicators of a capital recipient country are influenced as well.

International Monetary Fund (hereinafter IMF) and the *Organisation for Economic Cooperation and Development* (hereinafter OECD) foreign investments are defined as: a type of international investments taken over by the resident of one economy or a country (direct investor) in order to take over a permanent share of a company that operates in another economy or country (direct investment enterprise). ([Antevski, 2008](#)). Financing through foreign direct investment represents the riskiest form of capital transfer, but at the same time, it brings the greatest benefits to entrepreneurs. Motives by which foreign investors are led during investment realisation into a certain location are different. However, literature provides basic motives to be market motives (new market penetration, monitoring of key buyers, and competition with key competitors), resource motives (access to natural treasures and raw materials, usage of managerial and technological know-how, access to knowledge and location assets), and motives relating to efficiency (decrease of procurement and manufacturing costs, avoidance of market barriers, usage of government incentives, etc) ([Cavusgil et al., 2012](#)).

In order for a country to even consider attracting foreign investments (FDI), that is, in order for a country to compete with other economic locations, it is necessary to fulfill several basic criteria ([Bilas and Franc, 2013](#)): political stability, stability of national economy, adequate business environment, infrastructural development, credibility of government policy.

2. THE SIGNIFICANCE OF INSTRUMENTS OF MARKETING DESTINATION DURING THE ELECTION OF AN ADEQUATE LOCATION FOR INVESTMENT

The role of marketing during the attraction of foreign investments in the past decade is being emphasised more and more. The World is becoming a global village, where all parts of the Earth are becoming available for investments. The battle on the market for attraction of foreign investors is becoming more intensive. Marketing mechanisms are facing the macroeconomic aspect more and more, and they represent one of the basic tools in the battle of resident country for attraction of foreign investments.

Therefore, it is highly important for each business destination to create a unique set of positive and recognisable characteristics that would represent the observed area in an adequate way. Factors that determine the attractiveness of certain destinations could have a tangible and non-tangible character. The tangible determinants are those that could be measured, that provide a concrete satisfaction to the investor. While, the non-tangible determinants do not have those characteristics, they are determinants that create the feeling of satisfaction and security of business operations on a certain location (Rakita and Šipragić, 2010).

In order to successfully attract foreign investors, besides all else, it is highly important to create positive image of the observed region. If we aware that the process of creation of a positive image represents a long term and hard task before which a government of a certain country is put before, then it is understandable that only through synergetic effects of multiple factors, set goals (and attracting FDI may be one of them) may be realised. A country should become present at the World business scene, building a recognisable and a strong image, while at the same time, opening up new perspectives and providing support to existing exporters. A country should build a strong geographic brand, promote tourism potential, and realise business connections with many countries, especially the ones from the region.

All countries worldwide are in the race to increase the inflow of foreign investments, and in order to achieve that, they have to invest great efforts in creation of a beneficial investment climate, making bureaucratic processes simplified and enabling free movement of capital. However, it is necessary to take on much greater changes in order to attract a greater number of foreign investors on a certain location. For foreign investors, the most important observed criteria relate to the size and potential growth of a market, operational costs on the observed territory, as well as the level of education and expertise of the labour force. The market size represents one of the key determinants for foreign investors during the election of the investment location. Many World companies open up their daughter companies on large markets, whose advantage is seen in the increase of the scope of operations and the realisation of a greater profit. B&H market is not large, but the geo-strategic location of our region should be used. B&H borders with three countries, and its proximity and relatively good transport connection to European markets could not be neglected. The key component, taken into consideration when

making decisions on operations on a certain location, is the operational costs. Employee salaries and living standards are greatly affecting the level of inflow of foreign investments. Foreign investors are interested in markets where there are cheap labour costs, but only on condition that this advantage does not decrease other positive parameters, such as: proximity of the market, transport costs, high tax rates, etc. The amount of taxes and tax burdens greatly affect the inflow of foreign investments. It is important that taxes are levelled in regions of a country in order not to create economic imbalance, that is, so that one part of the country would develop, and the other one would stagnate. Also, the level of education of citizens greatly affects the attraction of foreign investors. Because we still do not have available the results of the Census conducted in 2013 on the territory of Bosnia and Herzegovina, we will use results of the previous Census from 1991 and the data from the Survey on Life Standards, conducted by the UNDP in 2004. According to the Census from 1991, about 5% of residents of B&H is illiterate, and without any education, and where, according to the UNDP research from 2004, this number would increase to 8.7%. According to the previous research, 34.9% of residents finished elementary school, 49.7% of residents finished high school, 5.1% of residents graduated from college, while 4.3% of residents graduated from university (Ministry Council of B&H, Official Gazette of B&H, no. 30/03, 2008). These indicators of the level of education are not adequate for attraction of foreign investors; therefore, great efforts must be made to increase the number of the educated, before all, to increase the number of residents with higher education, and at the same time, the number of qualified labourers. It is important to emphasise that, in that educational process, quality should not be neglected because every developed economy is based on a strong and an efficient educational system. The attributes that motivate a foreign investor to operate in a certain region, depends on his primary motives. From that aspect, Table 1. shows foreign investments by their dominant motive, as well as the attributes of a resident country that are important to the investors from that aspect.

Table-1. Motives of Foreign Direct Investments and Attributes of Resident Countries

Motives of a country to invest in	Attributes of a resident country
Resources or assets	- Raw materials and primary products
Markets	- Market size and income per capita, - Market growth, - Access to regional markets and third-world countries' markets, - Consumer preferences specific for an observed country, - Proximity of strategic clients, - Market structure.
Efficiency	- Cheap labour, - Qualified labourers, - Costs of other inputs, - Membership in the regional integration adequate for an agreement on creation of regional corporate network,
Strategic assets	- Created assets based on technology or innovation, - Created assets represented by individuals, companies, industrial clusters, etc. - Physical infrastructure (roads, ports, airports, electroenergetic and telecommunication network)

Source: Rakita and Šipragić (2010).

3. DECISION-MAKING PROCESS WHEN CHOOSING LOCATION FOR FOREIGN DIRECT INVESTMENT REALISATION

In order to successfully attract foreign investment, it is necessary to understand the behaviour of foreign investors during decision-making process when choosing the location for investments. The reason for which the foreign investors decide to invest into a certain location is seen in the benefits provided by the named location. Therefore, each destination, which is interested to increase the inflow of FDI, should recognise its comparative advantages in comparison to its competition, and it should offer those to various foreign investors through various promotional activities. Activities of a company should therefore be directed towards the following three areas that are strategically significant for the foreign investors: location, competitiveness, and human resources (adapted according to [Paliaga and Strunje \(2010\)](#)).

A great number of factors influence the choice of a certain location for investments. Some of them are: local community, business environment, tax rates and relation of a government towards foreign investors. With competitiveness, we mean, all these indicators that could be compared with some other business destinations, such as: economic stability of a country, gross domestic product, stability of the national currency and convertibility, as well as the unemployment rate and the price of labour. Human resources have a large role in the function of FDI. Foreign investors most often have the capital, that is, extremely developed assets for work, where in order to manage and control them, it is necessary to be familiar with modern technical-technological methods and processes. This is exactly why foreign investors more often than not choose those locations that have highly educated labour force available, labour force that is ready for further improvement.

Therefore, key factors, with which foreign investors evaluate locations in which they will invest in, are: market characteristics (local and regional), costs (including labour force, transport, and others), natural resources (availability and quality), infrastructure, legislation, business support, and promotion (ensured by the foreign agency for promotion of foreign investments and other organisations). The role of these factors depends on the type of investment and the needs of the investor himself ([MIGA, 2011](#)).

When choosing the location, it is necessary to conduct an investment classification of certain countries so that we can differentiate the following categories: eliminatory investment category, initial investment category, selective investment category, directing investment category and extra investment category ([Cateora and Graham, 2001](#)).

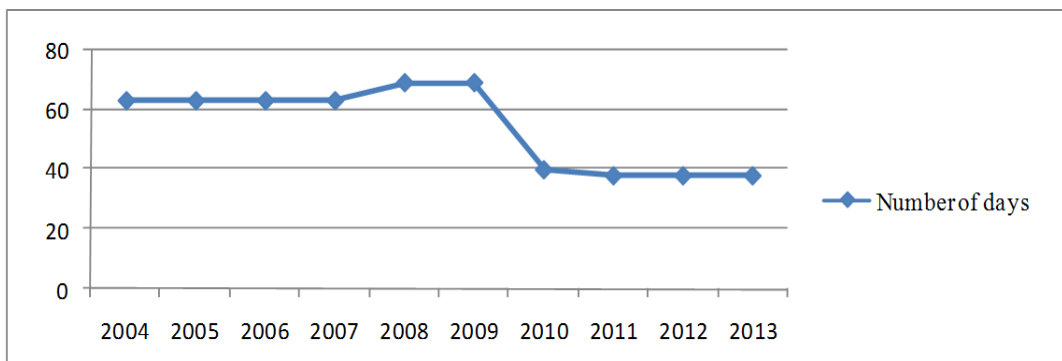
Investors often, when choosing location to invest in, form a list of countries that are becoming potential business destinations. These lists are mostly made by company managers in cooperation with expert agencies. In the first interaction with lists, there are usually twenty countries that belong to one of the following groups: the star destination, these are the most popular world destination in a certain period, the countries that have a great opportunity to become star destination in the following period, and countries in the close proximity that are

appropriate for investments. Then, there is an additional selection, where, more often than not, the most important criterion is operational costs amount and conditions that determine the business environment. On the basis of these parameters, a shorter business list is formed, and it contains five to ten potential countries. Considering that this phase does not include visiting business destination, a space is opened for agencies to promote foreign investments. Further, a list of usually three countries is formed, the ones that made the narrowest choice, and in this phase, a business destination is visited, and a direct contact with the market is made. In this phase, further research of the environment is often conducted, and data is gathered right on the location. In the final phase of the process, a foreign investor chooses the investment location on the basis of operational costs, quality of the business environment, possibility of attaining government incentives, availability of natural resources, etc. (adapted according to Rakita and Šipragić (2010)).

The decision-making process of foreign investors on the choice of location can be freely named an extensive type of behaviour that is long and that requires an overview of an observed unit from many perspectives (Rakita and Šipragić, 2010). B&H is classified in countries that need much time to fulfill opening of a new company. The reason for this state lies, before all, in bureaucracy of large scale and in incurrent processes of the local institutions. Our country is placed in the last twenty countries, out of a hundred and fifty destinations, according to data published by the World Bank. According to its data, for starting of a new business in the interval from 2004 to 2007, 62 days were required, in the interval from 2008 and 2009, 69 days were required, and in 2010, 63 days were required. Government of B&H has made a certain progress in the last three years, where in 2011, 40 days were required to start a business, and during 2012 and 2013, that number was decreased to 38 days

(<http://data.worldbank.org/indicator/IC.REG.DURS/countries/GB?display=graph>).

The data is presented in Graph 1. If we want our market to become competitive with surrounding markets, as well as the other European markets, it is necessary to decrease bureaucratic procedures and to make them more efficient.



Graph-1. Time Required to Start a Business in Bosnia and Herzegovina

Source: Time Required to Start a Business (2013), data.worldbank.org/indicator/IC.REG.DURS/countries/GB?display=graph

4. THE ROLE OF AGENCY FOR PROMOTION OF FOREIGN INVESTMENTS IN BOSNIA AND HERZEGOVINA

In the past twenty years, the number of Agencies for promotion of foreign investments has increased in the World, and their role is becoming increasingly important. Agencies for promotion of foreign investments have a task, before all, to place a country on the initial list of potential investment locations for foreign investors. The most important role in the process of promoting B&H potential and attracting FDI has certainly Foreign Investment Promotion Agency of B&H (*FIPA – Foreign Investment Promotion Agency of B&H*, u daljem tekstu FIPA) whose activities are reflected in [Ovčina \(2009\)](#):

1. Preparation and distribution of information relating to operations in B&H, economic situation, advantages offered by B&H in comparison to surrounding countries, and such.
2. Creation of new and updating the existing FIPA promotional materials.
3. Provision of information through FIBA web-site (www.fipa.gov.ba), promoting the possibilities for investments (investment projects into certain sectors, advertisement of companies in the process of bankruptcy, advertising bids for B&H company sales, etc).
4. Organisation of promotional events, conferences, workshops/round tables, campaigns and manifestations.
5. Presence at business events, fares, round tables, and such manifestations where the FIPA representatives play an active role in B&H promotion, and in order to attract foreign investments.

Coordination and preparation of materials for various fares and events in the country and abroad.

Foreign Investment Promotion Agency of B&H – FIPA has been founded in 1998 by the Ministry Council in B&H. The Agency has been founded with the objective to increase the inflow of foreign investment on the territory of B&H, to improve cooperation between the private and the public sectors, and to promote the economic potential of B&H in an adequate way. It is necessary to emphasise that the Agency closely cooperates with government representatives of both entities and Brcko Dc. Also, the Agency cooperates with embassies and diplomacy institutions of B& H worldwide, and in that way, ensures the increase of inflow of foreign investments and individually strengthens the bilateral and multilateral relation with other countries.

In addition to FIPA institutional network promoters of B&H consists of the:

- ✓ Foreign Investment Promotion Agency of B&H (FIPA);
- ✓ Chamber of Foreign Trade in B&H (VTK);
- ✓ Ministry of Foreign Trade and Economic Relations (MVTEO);
- ✓ Ministry of Foreign Affairs (MVP) and
- ✓ Agencies for Privatization (AP).

Na osnovu aktivnosti FIPA-e možemo zaključiti da su agencije za promociju stranih ulaganja značajne za: uspostavljanje saradnje sa vladom u cilju poboljšanja investicionog okruženja, provođenje aktivnosti međunarodnog marketinga, te podržavanje investicija. (according to MIGA (2011)).

The role of marketing is crucial for successful presentation of potential investment locations. Some countries have transformed from a socialist to a capitalist society with great speed and success, and world public has not been adequately introduced with those changes. In that segment, an extremely strong marketing region opens up, and this is usually very crucial for successful branding of a certain region. In order for marketing efforts to show progress, they, before all, have to be founded on true and realistic facts. Also, in this process, the investment support to foreign investors plays a very important role. It, before all, should be seen in providing of additional information and services about the market itself, in ensuring incentives, in caring and providing advice about problems that foreign investors will face at the new market (MIGA, 2011). International institutions play a great role in investment flows, before all, this role relates to decrease of risk and removal of potential dangers.

Considering the importance that FDI has for the economic development of B&H, it is quite logical that their attraction and at the state level to deal with each companies, as well as representatives of state institutions. The inflow of foreign investments to Bosnia and Herzegovina in the period from 1994 to 2014 amounts to 10,962.6 billion KM (www.cbbh.ba7index.php?id=34&lankg=bs&table=stanje_direktnih_stranih_ulaganja_po_komponentama). The inflow of foreign investments to Republic of Croatia in the period from 1993 to first three quarters of 2013 amounts to 52,931.9 billion KM (www.hnb.hr/statistika/hstatistika.html_inozemna_izravna_ulaganja_urh_po_godinama.xls). In the Republic of Serbia, the inflow of foreign investments in the period from 1998 to 2013 amount to 30,072.12 billion KM. Considering the previously stated, we can conclude that the Foreign Investment Promotion Agency of B&H has made the least progress in comparison to the surrounding countries. Surely, this is not the sole responsibility of the Foreign Investments Promotion Agency, but the responsibility stretches to the whole ambiance of investments on the territory of B&H. However, we also cannot exclude the fact that the greatest war activities, in the beginning and the middle of the nineties, took place on the territory of B&H. Even though, the war days are far behind us, the economy is still in a very poor state. The government of B&H, as both entities and Brcko Dc., should put in large efforts to make our market more attractive for foreign investors. In cooperation with the Foreign Investment Promotion Agency, existing barriers should be eliminated, a unified market should be created, and creation of image and identity of B&H should be approached in a more modern way.

Countries, with the help of Foreign Investment Promotion Agencies, should make various incentive measures that may be more or less attractive for foreign investors. When observing B&H and the surrounding countries (Republic of Serbia and Republic of Croatia), we noticed that

incentive measures that these governments use to attract FDI are different, and we believe that this is one of the main reasons why these countries have realised different amounts of FDI in the previous period.

In B&H, foreign investors can realise a right for relief from paying customs and customs fees, with the exception of travelling vehicles. Investment projects are protected from nationalisation, except in cases for protection of public interest, but with gaining an adequate fee. Investors, which implement their project in free economic zones (FEZ) of B&H, are relieved from paying VAT, while investments into FEZ, gain free transfers of income and investments. Investors who employ over 50% of disabled persons for periods longer than a year gain a right for relief from income taxes for the current year (Government of Monte Negro, available from: <http://www.gov.me/ResourceManager/FileDownload.aspx?rId=126665&rType=2>).

Republic of Serbia has defined that foreign investors can gain non-returnable funds for investment projects in all activities except from trade, gastronomy, and agriculture. The focus is put on the manufacturing sector and services that could be an object of international trade. For each new person they hire through their investment projects, they receive 2,000-10,000 Euros. For investments that totally amount over 200 million Euros, and through which at least a 1,000 new persons are hired, there are funds available in the amount of 25% of the total investment costs. For investments, whose total amount of foreign direct investment from 2013 to 2014 exceeds 50 million Euros and who hire at least 300 new employees, there are funds available in the amount of 20% of total investment costs (Government of Monte Negro, available from: <http://www.gov.me/ResourceManager/FileDownload.aspx?rId=126665&rType=2>).

Incentive measures for investing into the Republic of Croatia are defined in the Law on Incentive Investments and they relate to investment projects into: manufacturing-processing economic activities, technological developmental-innovation centres and strategic activities of business support. Incentives include: fiscal reliefs, customs reliefs, financial support for new hiring (1,500-3,000 Euros, depending on the unemployment rate of a certain region), financial support for deductible costs of improvement related to the investment project, financial support for foundation and development of technological developmental-innovation centres, strategic activities of business support, and financial support for investment project that are significantly interesting for the economics of a country. With these mentioned government grants, incentives for research and development in the form of decrease of income tax basis for deductible costs of scientific and development research projects are approved as well (Government of Monte Negro, available from: <http://www.gov.me/ResourceManager/FileDownload.aspx?rId=126665&rType=2>).

5. METHODOLOGY OF THE CONDUCTED RESEARCH

The subject of this research is the role of marketing location on the level of inflow of foreign investments. Through this research, we started from the question: "How and in which way the marketing location affects the level of inflow of foreign investments?" A lot of attention, besides

the effects of marketing location on attraction of FDI, was paid to the analysis of behaviour of foreign investors when making decisions on choosing the business destination, and their key investments motives. The focus of this research also included the institutions that make up the institutional network of promoters of Bosnia and Herzegovina and whose main activities include promotion of the Bosnian and Herzegovinian potential and attraction of FDI. The goal of this research is the overview of marketing location effects on attraction of FDI into B&H. In order to get an answer to the research question, besides secondary research (desk research) whose results are presented through the text part of this paper, the primary research (field research) has also been conducted.

The secondary research (desk research) is based on the overview and research of existing data and expert literature on the research subject. Primary research has been conducted through the method of written survey, where, as the instrument of data gathering, a questionnaire was used. The research population is represented by 93 companies that are existent in B&H, and that were founded through realisation of foreign direct investment into our country.¹ The primary research data, whose results are presented in this paper, have been gathered through the method of a written survey (written structured survey). Data was gathered on the basis of a simple random sample made up of 30 surveyed. The surveyed have been chosen in the sample in a way that population units, company names in alphabetical order, were put into software for generation of random numbers. As a result of the primary choice, a primary list of 30 surveyed has been created, and in this way, the reserve list was created. Each unsuccessful attempt to gather evidence from the primary list was made starting from the first on the reserved list. In case that successful data gathering was still not possible, the next on the reserve list was contacted, and he was asked to fill the questionnaire. The questionnaire was filled by the top management of the surveyed, and this questionnaire was delivered through classic mail, e-mail, or fax. The level of refusal to fill in the questionnaire was 31.82% (there were 44 attempts, and 30 successful contacts realised).

Data gathering started at the end of May of 2011, and finished at the end of September of 2011. In accordance to the above mentioned, the following research hypotheses have been set:

H₁ Workforce and natural resources are the key motives of foreign investors to invest in Bosnia and Herzegovina.

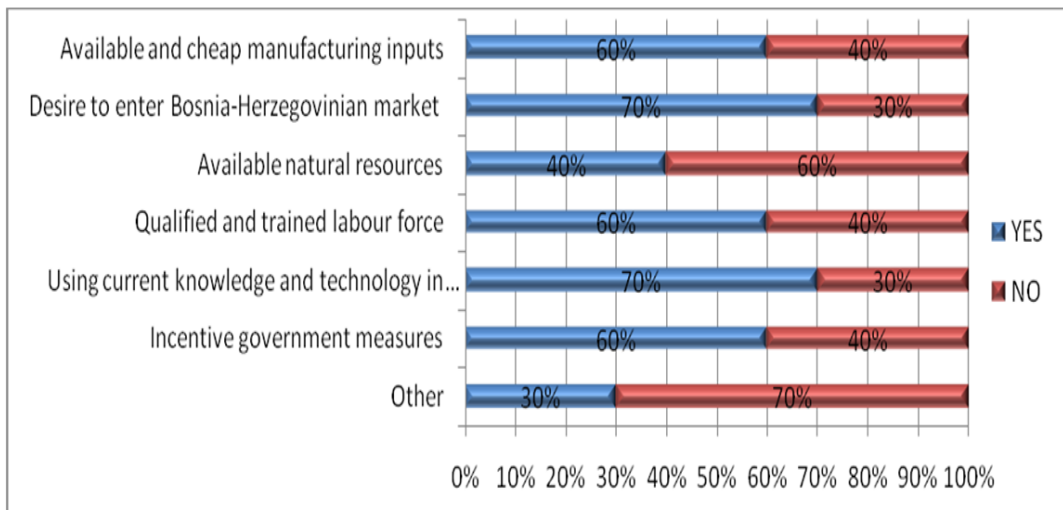
H₂ Incentives governments do not constitute a determining factor when choosing a location for investment.

H₃ There is a high degree of awareness of foreign investors with the institutional network of promoters of Bosnia and Herzegovina and their activities.

¹ *Informacija o direktnim stranim ulaganjima u BiH od maja 1994. do 31.12.2009. godine*, Ministarstvo vanjske trgovine i ekonomskih odnosa BiH, www.mvteo.ba, (pristupljeno maj 2011. godine)

6. RESEARCH RESULTS ON REALISED FOREIGN DIRECT INVESTMENTS IN BOSINA AND HERZEGOVINA

Having in mind that in the introduction part includes shortly explained motives that most often influence foreign investors to realise their investments, further on, we will show the motives that led those investors when realising their investments into B&H. With that, we will focus on defining and determining the level of significance of certain motives. Considering that foreign investments promotion agencies have a main goal to introduce an investor with potentials of a certain location, as well as to promote a destination, this paper shows the knowledge of investors on the foreign investments promotion institution in B&H, as well as their activities. From Graph 2., we can conclude that the main motives of foreign investors, to realise investments into B&H, were a desire to use current knowledge and technology and a desire to enter the B&H market, where 70% of surveyed agreed, while 30% stated that this was not their motive. Beside these motives, foreign investors are encouraged by incentive government measures, qualified labour force and cheaper manufacturing inputs. What really surprises us is the fact that key motives of investors do not include available natural resources that B&H has abundance of. Conducted researches show that 60% of the surveyed, available natural resources in B&H were not a motive for investment, while 40% stated that they were.

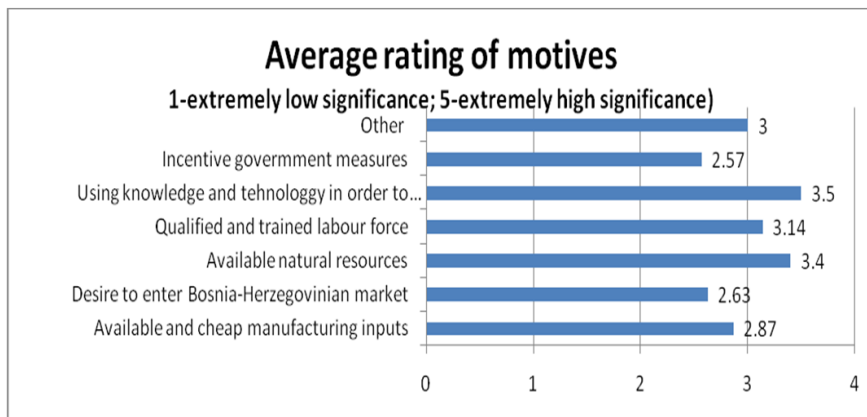


Graph-2. Motives of Foreign Investors for Realisation of Investments into Bosnia and Herzegovina

Source: created by the authors based on primary research

If we look at an average level of significance of the named motives (Graph 3.), we can conclude that for foreign investors in B&H, the most significant motive when making decisions about investing was using the current knowledge and technology, with an average rating of 3.5 (on the interval from 1 to 5). The next most significant criterion is the availability of natural resources, and then, qualified and trained labour force. Incentive government measures were rated

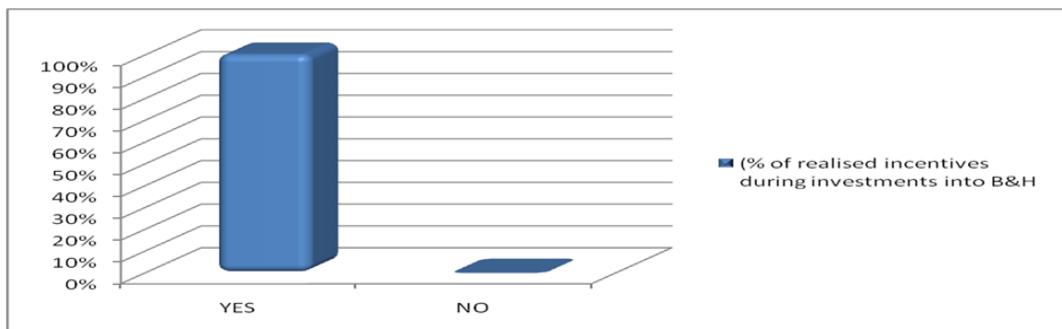
below average when making decisions about investing into B&H. According to the presented, we can conclude that using current knowledge and qualified labour force, and natural resources, are the main inviters of foreign investors to B&H. Therefore, companies, but also government institutions, should promote, in the following period through the process of communication with potential investors, the possibility of using current knowledge and technologies of B&H companies as a basis of their effects on the domestic markets and markets of the region, then, they can promote the availability of natural resources, qualifications and training of labour force, as well as the incentive government measures as a competitive advantage of the country in comparison to surrounding countries, who also have attraction of foreign capital as their objective.



Graph-3. Significance Rating of Motives for Foreign Investor Investments

Source: created by the authors based on primary research

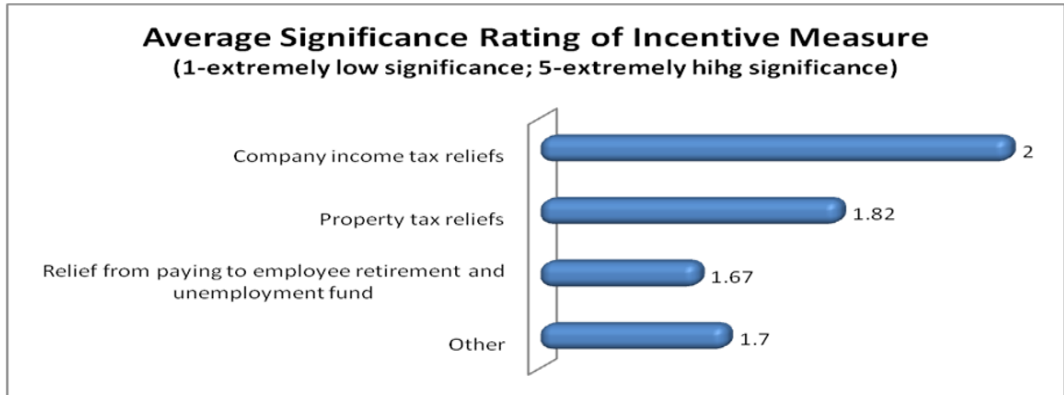
The theoretical part of this paper showed that early incentive measures that country governments use play a significant role in attracting the foreign capital. Forms of incentives that investors receive in B&H are presented in Graph 4.



Graph-4. Percentage of Realized Incentives during Investments into B&H

Source: created by the authors based on primary research

From the previous Graph, we can conclude that all surveyed investors enjoyed (realised) certain incentives during the investing into B&H. Some of the mentioned incentives that were enjoyed by foreign investors are income tax relief for companies, property tax relief, and relief from paying to employee retirement and unemployment fund. The significance rating of these incentives is presented on Graph 5.



Graph-5. Significance Rating of Incentive Measures

Source: created by the authors based on primary research

If we observe the average significance rating of named incentive measures (Graph 6), we can conclude that realisation of FDI into B&H is mostly encouraged by company income tax relief, considering that this incentive measure is evaluated by investors with an average rating of 2 (on the interval from 1 to 5). The following measure on the significance rating is property tax relief. It is important to emphasise that all these incentive measures are below the average for foreign investors, and this can be seen on Graph 4., where incentive government measures were not a starting motive of realisation of FDI into B&H. Also, below average significance rating for decision making on investments in B&H are also incentive measures that relieve foreign investors from paying to employee retirement and unemployment fund, as other incentive measures that the Government of our country uses to attract foreign capital.

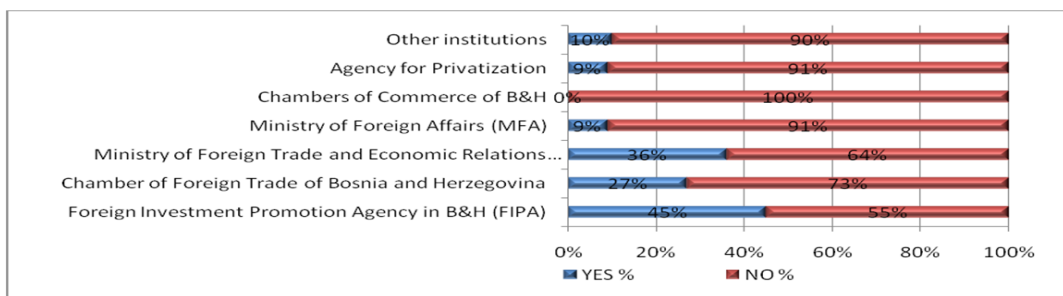
According to the presented, we can conclude that incentive measures are not greatly significant when making decision on investing into B&H, but a series of other factors (legal-political security, investment climate, etc.) are taken into account as well. Considering that Bosnia and Herzegovina is known as the legally-politically unstable investment destination and that it is characterised by a poor investment climate and complex bureaucracy, the government should, through revision of many laws and procedures, attempt to improve the image that foreign investors hold about our country.

The institutional frame for realisation of support to foreign direct investors is a necessary frame in order for the process of attraction of foreign investments to generate the expected effectiveness, and these are confirmed through experiences of many countries in development.

The research results, which are presented further in this paper, show in what amount the foreign investors are introduced to the existing institutions in B&H, and whose goal should surely be the attraction of FDI.

Even though, in this paper, we named what institutions make up the institutional network of promoters in B&H, we can see on Graph 6. that a shaming low level of foreign investors are familiarized with those institutions and their activities. Only 21.5% of investors knows that there are institutions in B&H that deal with attracting the foreign capital, and this indicates that the conduction of their missions, reason for which they exist, is adequate. Only 45% of surveyed are familiar with the existence of Foreign Investment Promotion Agency in B&H, while 55% of them are not familiar with that fact. The disturbing data as received for other institutions as well, where only 36% of surveyed are familiar with the fact that Ministry of Foreign Trade and Economic Relations plays a significant role in attracting FDI, and only 27% of them is familiar with the fact that Chambers of Foreign Trade of B&H belongs to the institutional network of promoters of the B&H potential.

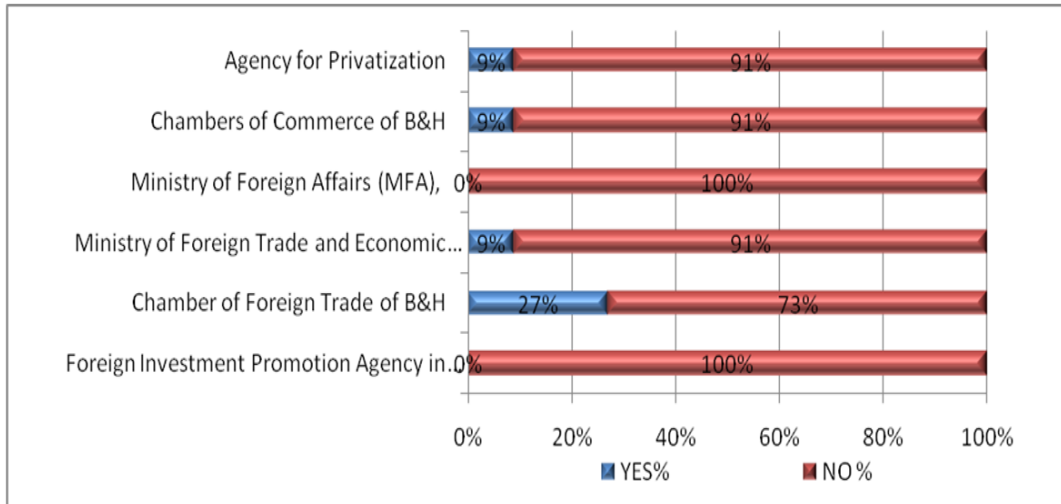
Familiarization of the surveyed with the fact that the Agency for Privatization and Chambers of Commerce of B&H, and that the Ministry of Foreign Trade and Economic Relations of B&H are connected to attract FDI is very low, and this can be noted in the results which show that there are only 9% of surveyed who answered positively, while familiarization with Chamber of Foreign Trade of B&H indicates a little higher result at 27% (Graph 7). The fact that none of the surveyed are familiar with the activities of the Ministry of Foreign Affairs and the Foreign Investment Promotion Agency in B&H indicates the way in which these conduct their mission of promoting our country and attracting foreign capital. We can say that one of the reasons for poor inflow of FDI into Bosnia and Herzegovina is the poor engagement of these institutions in order to more efficiently inform potential investors about potentials of B&H. Therefore, we can conclude that each of the previously mentioned institutions with the mission to attract foreign capital is not working in an adequate and efficient way. However, if goal of the government of B&H in the following period is to attract a greater number of foreign investors, they surely have to work on informing those about the previously mentioned institutions and their activities.



Graph-6. Level of Familiarization with the Institutional Network of Promoters of Bosnia and Herzegovina

Source: created by the authors based on primary research

Namely, even though the investor himself can be responsible for poor information and familiarization, it is our goal to focus on these activities that include the institutions themselves in order to familiarize potential partners with their activities and with potentials of B&H.



Graph-7. The Level of Familiarization of Foreign Investors with the Activities of Institutional Network of Promoters in Bosnia and Herzegovina

Source: created by the authors based on primary research

According to the presented results, we can conclude that one of the reasons for poor inflow of FDI into B&H is, along with other factors, poor engagement of these institutions in order to inform, in a more efficient manner, potential investors about the potentials of B&H. Therefore, we can conclude that every mission of attracting of foreign capital is not conducted in an adequate and an efficient way. Therefore, if the goal of B&H government is to attract as many as possible foreign investors in the following period, they definitively must improve familiarization of foreign investors with previously mentioned institutions and their activities.

7. CONCLUSION

In the modern business world, the inflow of foreign investments represents one of the basic mechanisms for financing certain economies. Their role is becoming more important every day, and they represent one of the dominant strategies used to enter foreign markets. From that aspect, for marketing as a discipline, increasing the inflow of foreign investment presents a great challenge. Many classic marketing tools, based on product observation and functioning, were transferred onto a location. Besides the basic mechanisms that countries are taking over in order to increase the inflow of foreign investments, such as: tax reliefs, crediting, employee training, etc., it is necessary to position the location in consumer awareness with the help of marketing skills, and to create a strong a recognisable image.

When choosing an investment location, foreign investors take a quite serious approach, observing every opportunity and every danger present at the market. This process is usually very long and unpredictable due to the fact that markets are turbulent and new, more attractive markets are always appearing. The process of choosing the investment location last a long time. The process begins with the appearance of a certain country on the potential list for realisation of investments, and finishes with the final choice of the most attractive location. Investors, going through certain phases, come to pros and cons of every business location. Exactly in this segment, the domestic Foreign Investment Promotion Agencies and marketing departments should be largely involved in the whole process. Only in this way, the foreign investors can gain additional and more detailed information about the location, and local can receive first hand feedback. The final choice of a business destination is affected by a large number of motives that we can, before all, classify into resource and market motives, efficiency increasing motives, and strategic motives.

Some data about Bosnian and Herzegovinian position in world referent sources are very poor. As it was previously stated, according to data of the World Bank, B&H is placed in the society of the most inefficient countries as far as the speed at which companies are registered. As it was presented in Graph 1, number of days needed to register a company, in the period from 2004. to 2013, was decreased from 62 days to 38 days, and this is still a very negative indicator. On the basis of these data, we can conclude that the government is inefficient, bureaucracy is large and slow, and this is not advantageous for the increase of foreign investment inflow.

In order for Bosnia and Herzegovina to become more attractive to foreign investors, it is necessary that governments copy the improvement of activities of surrounding countries by improving incentive measures, and by creating a unique politics that will insure comparative advantage to the competition from the region.

There are many determining factors that influence whether a certain destination (location) will be considered as an investment alternative. In Graph 2. we saw that some of those are the availability of manufacturing inputs, market attractiveness and size, its growth potential, availability, education and costs of the labour force, etc. Therefore, unless named factors are advantageous to a potential investor, it is very probably that he will choose to realise FDI in that country. Cheap, trained labour force with working experience is a critical factor of FDI realisation in B&H. Besides labour force, there are technological development and availability of natural resources, and this was confirmed by the first research hypothesis.

On the basis of the observed inflow of foreign investments into B&H and surrounding countries, we can conclude that there is a larger inflow of foreign investments into the Republic of Serbia and the Republic of Croatia, due to their stronger marketing actions and incentive measures than on the territory of B&H. As it was previously mentioned, reliefs from paying benefits on the employee salaries, reliefs from paying property taxes, reliefs from paying income taxes of companies, etc., are also influencing the choice of a business destination. However, if we observe Bosnia and Herzegovina, the situation is somewhat different. Incentive measures offered

by our government to foreign investors are not that significant for potential investors, and this is confirmed in Graph 6. and also, the same confirms that they also consider many other factors, which is the second research hypothesis.

Foreign investments promotions agencies and other members of the institutional network of observed participants give a large contribution to attraction of FDI. However, in order to increase the rate of FDI inflow, it is necessary that all those institutions have an integrated approach to the attraction of foreign capital. Agencies from surrounding countries are far more active than the Bosnian and Herzegovinian agencies as far as FDI promotion is concerned. The previously mentioned is confirmed by the fact that most foreign investors (Graphs 7. and 8.) is not familiar with the existence of the institutional network of promoter in Bosnia and Herzegovina and their activities, and also, this confirms the last research hypothesis.

The lowest inflow of foreign investments into B&H, in comparison to the surrounding countries, is a result of non-existence of an integrated approach of the institutional network of promoters in B&H, and the conduction of their activities of promotion of B&H potential, as well as their under engagement.

Therefore, future research should be focused on: overview of the marketing role in the improvement of national image of potential recipients of foreign capital, evaluation of realised promotional activities of institutions responsible for promotion of B&H potential, assessment of the efficiency of engaged resources on the promotion of the potentials of B&H thus far.

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