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Lithuania – a Well Kept Secret in the Eyes of British Investors?

A case study of branding of Lithuania for British investors

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Abstract

Nowadays, the competition among countries for foreign direct investments (FDI) is huge. Some countries succeed in attracting FDI while others remain marginalized. It is argued by the scholars that it is easier to attract FDI for the countries that have a strong brand. The construction of Lithuania's image has been lasting for over 20 years. Even a specific agency, Invest Lithuania, was established by the government of Lithuania to be in charge of branding Lithuania to foreign investors. However, Lithuania is still a rather unknown country among British investors. Therefore, I have found it interesting to gain in-depth knowledge of the perceptions on Lithuania's brand and its future opportunities on the British market, which lead me to the following problem formulation: How can "Invest Lithuania" brand and position Lithuania on the British market in order to attract direct investments in the sector of service centres? Hence, through a set of research questions, this thesis aims to gain in-depth knowledge about Lithuania's brand and answer the problem formulation. The purpose is to investigate:

1. How is the agency Invest Lithuania branding and positioning Lithuania in order to attract new British investors?
2. What is the image of Lithuania as a direct investment destination held by British investors?
3. What factors influence British investor's decision to choose a particular market for their investments?

Qualitative semi-structured interviews were found as the best method to provide the researcher with multisided in-depth knowledge and to reveal different perspectives and perceptions of Lithuania's brand held by two sides interviewed: the agency Invest Lithuania and the British investors.

The research results showed that once the British investors get to experience Lithuania, their perception of Lithuania is rather positive and the image they hold correlates with Lithuania's brand identity presented by Invest Lithuania. The core Lithuania values and competences seem to satisfy major functional needs of the British investors: professional labour force, strategic geographic location, high quality of technologies, low costs, incentives and positive shared experiences that adds trustworthiness to Lithuania. However, the British investors see some

weaknesses in Lithuania which obviously are not highlighted by Invest Lithuania but can deter some potential investors. According to the interviewed investors, the main problem in Lithuania is bureaucracy. Therefore, effort should be put in order to diminish it by making necessary changes in the legal system in Lithuania.

The main issue in regard to branding and positioning of Lithuania on the British market, is that Lithuania still is a well kept secret on the British market. British investors know almost nothing about it and, therefore, not even consider Lithuania as one of potential countries for their investments.

So, the main conclusion is that branding of Lithuania created by Invest Lithuania is heading in the right direction. This means that Invest Lithuania quite successfully developed Lithuania's brand identity and identified its major values as they are able to satisfy the major needs of the British investors. On the other hand, this branding of Lithuania is not reaching its target audience. Thus, Invest Lithuania should focus instead on making a direct contact with British investors and present Lithuania for each of them personally.

Key words: Lithuania, Branding, FDI, Identity, Image, Positioning, British investors

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Introduction

Branding is not a new concept. And though, at first it was used for companies and products, now it is also used when discussing place (country or nation) branding. As Brymer (2003) argues, country branding and corporate branding do not differ so much because the same principles apply to both, and only methods differ. Magne Supphellen in Frost (2004) not only supports Brymer's idea but also explains the main differences between place and corporate branding:

"In principle, [product] and place branding is the same. It's all about identifying, developing and communicating the parts of the identity that are favorable to some specified target groups.… But the analysis of identity and of target group perceptions, coupled with brand building activities are much more complex for places than for products. It is far more difficult to obtain a fully integrated communication mix in place branding"(p.1).

Obviously, countries are more complex than any product or corporation and, therefore, it is more difficult to brand them (Anholt, 2011). There are three main spheres that have to be taken into consideration when branding a country: tourism, inward investment and export sales. However, most of the literature focusing on place marketing is quite general or oriented at tourism sector without a specific foreign direct investment (FDI) perspective (Capik, 2007). Therefore, it is interesting to investigate country branding aimed at FDI attraction. There are quite a few obstacles that a country-branding deals with. International competition may be seen as one of the challenges that a country has to face while preparing and implementing country branding strategies. The other important task is construction or probably in most cases re-construction of the country brand image (Capik, 2007). The image investors have of a certain country definitely says a lot about how it is viewed as a destination for investment.

Lithuania is not a faceless country; it already has a certain image. Lithuania is a Baltic country, it is a member of EU and NATO, and is quite actively participating in political processes such as the former war in Iraq or European Parliament. Moreover, thousands of Lithuanians emigrate abroad to work carrying the word about their native country. Thus, it seems that Lithuania as a country should be quite well known at least in the European market. But is it really so? There is some information about Lithuania on the world media every once in a while, however, most of the times Lithuanians cannot be proud of it, because Lithuanians are often depicted as thieves, counterfeiters or murderers. Obviously, this is not the best presentation of a country in general as well as for investors who may then see Lithuanians as non-reliable people. On the other hand, it cannot be argued that nothing has been done so far in order to brand Lithuania for FDI. The government of Lithuania has realized quite a long time ago that in order to improve Lithuania's image and to be known among the world investors it is necessary to engage in dissemination of information about Lithuania abroad. Hence, the government of Lithuania established an agency Invest Lithuania to have an organisation responsible for branding of Lithuania in order to attract FDI. However, because of political and economic changes in Lithuania, it was only from 2008 that the most effort was put in order to create the strategies for the formation of Lithuania's image to attract FDI. Since 2008 millions of litas were paid both by Invest Lithuania and the government for various branding agencies as well as to a branding guru, Wally Olins[1], who was chosen to be responsible for the creation of these strategies (Staniulyte, 2009). And even though the strategies were created and the flow of FDI started to increase, usually Lithuania is still not even considered by foreign investors as a destination for their investment because they do not know anything about it (IL, lines 108-109). Thus, there are many unsatisfied people who argue that all those millions were just wasted without any use (Katkus, 2008; Staniulyte, 2009; Girdvainis, 2011). And when foreigners are asked about what they know about Lithuania, it is not that much that they can say*: "Lithuania is basketball, and basketball is Giedrius Jankauskas"* (translated, Simon in Veidas, 2010). Of course, having great basketball players or winning gold in the Olympic Games brings glory to Lithuania and even might attract some curious tourists to see where the country that they have never heard of before is and how people live there. But what about the investors, is it enough to be good at sports in order to attract foreign investors to Lithuania? Investors have their own scale of factors that are important for them when choosing their investment destination. Mantas Nocius, a former director of Invest Lithuania, states that beside the general knowledge about Lithuania, there are two major factors that are very important to foreign investors:

- direct government's approach at the foreign companies,

[1] A branding guru, the chairman of "Saffron Brand Consultants" (a brand consultancy)

- existence of the system of incentives and common business environment (in Stonis, 2010).

This means that potential investors feel more appreciated if they are met by government members. Investors take it as a kind of a signal that the problems that may appear in the future will be solved operatively and quickly. And the second factor could be explained by saying that government should realize that it is very important to create a system of financial incentives and common business environment which would not be too complicated in order to attract investors. Thus, it is still not clear, if foreign investors feel welcomed to bring their investments to Lithuania. Hence, it is important not only to know the country's own advantages, disadvantages and what it has to offer, but also to be well introduced to the target market.

1.1. Problem Formulation

As it was mentioned in the previous chapter it is extremely important for a country to be recognized on the world basis if a country wants to attract the interest of investors. Recently, it seems like, there have been more investors from foreign countries who are willing to invest and develop their businesses in Lithuania, but this phenomenon is not developing as quickly as Lithuanian government would like to. Currently, Lithuania is mainly focusing on attracting service centres because they bring more instant benefit than manufacturing. Many foreigners still approach Lithuania cautiously as a destination for their investment. Lithuania used to have more investors from Britain than it does now, so, it would be interesting to analyze the possibilities of attracting investors from the British market to Lithuania. Hence, the research question in this project is the following:

How can "Invest Lithuania" brand and position Lithuania on the British market in order to attract direct investments in the sector of service centres?

In order to answer my problem question, I will use these sub-questions:

How is the agency Invest Lithuania branding and positioning Lithuania in order to attract new British investors?

What is the image of Lithuania as a direct investment destination held by British investors?

What factors influence British investors' decision to choose a particular market for their direct investments?

1.2. Conceptualisation

In this chapter I will present my understanding of the main concepts that will be used throughout the thesis: *brand and branding* and *foreign direct investments*. Branding is a broad concept; therefore, it is important to define how it will be used in this paper. And the concept of foreign direct investments should also be presented because it is one of the crucial concepts in my problem formulation.

1.2.1. Brand and Branding

Products are created in the factory. Brands are created in the mind (Walter London)

There are various definitions of what a brand is and in order to find the best determining the essence of brand, a few of them will be presented and discussed.

Boone and Kurtz (1983) define a brand as *"a name, term, sign, symbol, design, or some combination used to identify the products of one firm and to differentiate them from competitive offerings"(p. 249).* Aaker (1991) is a bit more precise and defines brand as *"a distinguishing name and/or symbol intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors"* (p. 7).

These scholars seem to equal a brand to a certain name or symbol, which makes it exclusive from the rest in the world. Certainly, there is truth in these definitions; however, I do find them to be not concrete enough. I believe that Tybout and Calkins' (2005) definition of a brand is more precise:

"A brand is a set of associations linked to a name, mark, or symbol associated with a product or service. The difference between a name and a brand is that name doesn't have associations; it is simply a name. A name becomes a brand when people link it to other things. A brand is much like a reputation" (p. 1).

Tybout and Calkins (2005) differentiate a brand from a name and compare a brand to reputation which emphasises the intangibility of a brand. Obviously, a brand is something that is more likely to be felt and experienced rather than seen or heard. Simply a name is not a brand yet; it is all the associations that appear in the mind when one thinks about a certain product, company or a country that makes it a brand.

A combination of the two definitions (by Aaker (1991) and by Tybout and Calkins (2005)) that have just been discussed, I believe provides the best suited definition for this thesis:

A brand is not only a distinguishing name and/or symbol intended to identify the services of either one seller or a group of sellers, and to differentiate those services from those of competitors, but also a set of associations linked to a name, or symbol associated with service. A brand is much like a reputation.

Brands have been used in business for a long time, but only in the twentieth century branding became of central importance for competitors (Aaker, 1991, p.7). However, because of a constantly increasing number of brands, it is becoming more and more difficult to brand today (Aaker, 1991, p.8). This means that the competition to reach the consumers' minds and to attract them to choose a certain brand is fierce these days because of the sheer amount of products belonging in the same category. In addition, consumers and their needs are becoming more complex too because of the globalisation (Urbanskiene and Vaitkiene, 2006, p. 5). Consumers have their confidence in a branded product and in a brand itself. They not only believe that a brand ensures a certain level of quality but even as Wheeler (2006) states they *"[...] fall in love with brands, trust them, develop strong loyalties to them, buy them, and believe in their superiority"(*p. 4). Apparently, the importance of the brands these days is unquestionable. It is necessary to be a brand in order to exist, thus, everything seems to be branded (Stiff, 2006; Tybout and Calkins, 2005). However, not all attempts are successful as some of the intended brands do not become recognizable, which, as Wheeler (2006) notes, is the key feature of a good brand. Moreover, Wheeler (2006) indicates that in order for a brand to succeed it has to be memorable, authentic, meaningful, sustainable, and flexible, differentiate and add value (p.6).

So, every brand should have a meaning and a vision, be unique, distinctive, relevant and fresh, and must last well beyond the fashion of the moment in order to reach a desired effect. The aim of the branding is to design, plan and show a certain identity/image in order to get rid of the stereotypes and false judgments and to shape consumers' perception of a product (Anholt, 2007, p.4; Szondi, 2007, pp.8-20). Branding should be seen as strategic management process that requires long-term involvement and commitment (Medway and Warnaby, 2008). Hence, the branding in this thesis will be defined as

A strategic management process, which requires a long-term involvement and commitment and involves a creation of a unique identity and image in the investors' minds that would encourage them to choose the brand.

1.2.1.1. Country vs. Corporate Branding

Scholars agree that branding a country is more complicated than branding an organisation or a company because a country is more complex and diverse (Widler, 2007; Moilanen and Rainisto, 2009). However, some of the techniques used for branding a company can also be used for branding a country. In addition, Olins (2002) argues that people are still people in both cases and, therefore, they can be motivated and inspired or manipulated in the same way (p. 247). However, it could hardly be argued that a country is for the citizens what a company is for the employees. Obviously, a person is born in a certain country with a certain nationality and working in a certain company is a choice that a person can make.

1.2.1.2. Country vs. Nation Branding

In my thesis it is important to distinguish between the terms 'place branding', 'country branding' and 'nation branding' which are closely related, but have their differences, too, even though sometimes scholars use these concepts interchangeably as synonyms. Place branding is the broadest concept of the mentioned ones, including both nation and country branding. "*A nation generally refers to a large group of people of the same race and language*" while a country means "*an area of land occupied by a nation*"[2]. As I see it, the main difference between country and nation branding is that nation branding is used only when discussing the branding of a certain nation and country branding can include branding of both the land and the nation living in that land. Therefore, I believe, that country branding is a more relevant concept when talking about

[2] Longman Dictionary of Contemporary English, 1995

Lithuania branding because I am interested not only in branding of the nation, but the country in general.

1.2.2. Foreign Direct Investments (FDI)

"Although employment and income are the variables that policy makers will ultimately want to see improved, investment is the key to securing the long term viability of an economy" (Begg, 2002, p. 192). This indicates that it is essential for countries to attract FDI in order to improve their economic situation. Kinda (2010) argues that FDI promotes economic growth of the country, provides more resources, alleviates technological and managerial knowledge transfers to the host countries, generates their international import and export network and creates job opportunities (p. 498). So, the benefits of the FDI seem to be quite huge. FDI is defined by Wells and Wint (2000) as

"the establishment or purchase by residents of one country of a substantial ownership and management share - usually measured by a minimum equity stake of 10 percent-of a business in another country" (p. 8).

This means that an investor from one country has purchased or established an essential ownership and management share, which contains at least 10 percent of stakes of a business in another country. Moreover, companies making direct investments normally have a considerable degree of influence and control over the company into which the investment is made. In this thesis FDI based on Wells and Wint's definition will be determined as

an investment made by a company based in Britain in order to expand operations of an existing business by setting up a subsidiary or associate company based in Lithuania.

1.3. Delimitation

As mentioned before, this thesis will only focus on branding and positioning of Lithuania in order to attract FDI. And by FDI in this thesis I only mean British direct investments. Only branding going directly from the agency Invest Lithuania will be analysed. The choice of this particular agency was based on the fact that Invest Lithuania is the main agency established by the government in order to attract foreign investors to Lithuania. This thesis will not include any branding directed towards tourism or the export sector. A particular market was chosen, because it is not possible to go in depth and analyse all potential investors' markets. The British market was chosen due to a couple of reasons. First of all, it was defined as one of the target markets by Invest Lithuania. Secondly, in the year 2007 it was one of the most active investors in Lithuania and now there are less of British businesses investing here (see Chart 2 in section 2.5). Moreover, only the sector of service centres will be analyzed because they are considered as priority in Lithuania (see point 7.1. in appendix 6). In addition, service centres are considered to bring the most benefit in the shortest time period, which is especially important in the times of recession.

1.4. Structure

The thesis is divided into 6 chapters. First, a chapter on Lithuania's general profile, the FDI situation in Lithuania in general and with regards to British investors as well as the main agency responsible for branding of Lithuania for FDI - Invest Lithuania - will be presented, which will provide with a deeper comprehension of Lithuania's situation in this perspective. Then, the methodological standpoint will be presented in order to give the reader a thorough understanding of how this research has been conducted. Hereafter, the theoretical framework for this thesis will be presented, including theory on identity, image, positioning, as well as FDI determinants and other factors influencing investors' decisions, which have been found the most relevant and interesting in relation to the problem formulation. After that, the analysis will be presented. The analysis' point of departure is the theories presented in the theoretical framework. The collected data both through the interviews and relevant promotional material have been used for the analysis in this thesis. Thereafter, a chapter with conclusions and answers to the problem formulation will conclude the thesis. Finally, the list of references and appendices can be found at the end of the thesis.

Chapter 2: CASE PRESENTATION

Chapter 3: METHODOLOGY

Chapter 4: THEORETICAL FRAMEWORK

Chapter 5: ANALYSIS

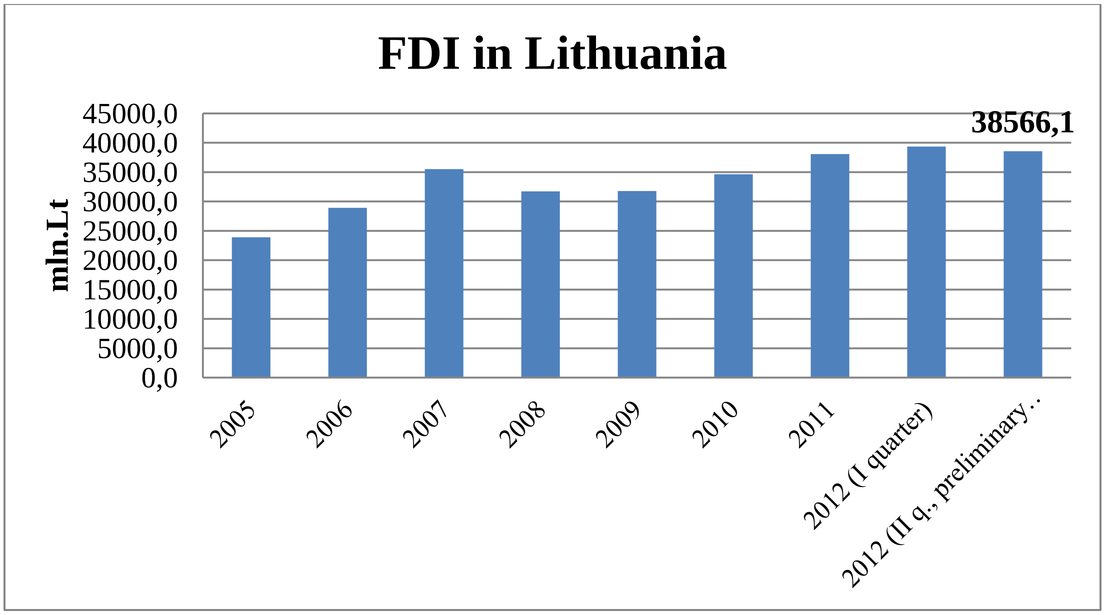
Chapter 6: CONCLUSIONS

2. Case Presentation

In this chapter a general profile of Lithuania, Lithuania's identity construction, FDI situation in Lithuania in general and in regard to British investors as well as the main agency responsible for branding of Lithuania for FDI - Invest Lithuania, will be presented in order to provide the reader with a better understanding of the case under study.

2.1. General Profile of Lithuania

Lithuania with its capital Vilnius is located in the Eastern Europe. Occupying over 65 thousand square kilometres and with the population of less than 3 millions, it is the largest among the three Baltic states. It is a member of EU, NATO and the Schengen agreement. However, Lithuania still has its own currency - litas. Decreasing unemployment rate still exceeds 13 percent and varies across the country (Statistics Lithuania, 2012d). A gross wage in Lithuania is around 624 Euro. The capital is a multifunctional city and the growth centre of the country. With its vast high technology, academic, and scientific potential, Vilnius offers a wide range of opportunities for various types of investors. According to the World Bank Group (2011) report Lithuania was listed 27th in the world and 2nd best of the new EU states for ease of doing business. Since the year 2008 the FDI flows to Lithuania have been steadily increasing even though a little decrease is expected in the second quarter of the year 2012 (see Chart 1 below).



(Chart 1: FDI in Lithuania, based on the figures from Statistics Lithuania, 2012c)

Even though FDI in Lithuania has been increasing Lithuania still seems to remain unknown among investors. In order to understand this phenomenon, first of all, it is necessary to get insights into the formation of Lithuania's image, which will be presented in the following section.

2.2. Formation of Lithuania's Image

Fainaite (1996) argues that the creation of the image of Lithuania started back in 1918, after the independence act was signed. It was important for a small country to gain international acknowledgement of its independence, especially from the political perspective. After a short while Lithuania lost its independence again and only in 1991 Lithuania regained it. So, from this date the government started to organize various campaigns again in order for Lithuania to become known and seen in the world. However, it seems that all those 21 years were not enough for Lithuania to find its 'face' which would be attractive to the local people as well as foreigners and as a result would make Lithuania memorable in a positive way abroad. Certainly, the government realizes how important it is for Lithuania to be able to compete for its share of world consumers, investors, global events and positive image in foreign media in today's globalised world (Anholt, 2010). Obviously, sound reputation and a strong national image brings, as Anholt

(2010) argues, two big payoffs for a state: it not only "*helps to attract investment, talent, consumers",* but also *"enhances the country's cultural and political influence"* either on a regional scale or internationally (p. 159). The government of Lithuania organized various public contests for the creation of the image of Lithuania, however, because of political, financial and even organizational reasons; there were no desired results. Of course, this led to dissatisfaction in the society which may be seen from the abundance of articles (Savukynas, 2006; Katkus, 2008; Ulevicius, 2009) in the media discussing this problem. Consequently, in 2009 a government audit report was released which stated that the funds for Lithuania image formation were used irrationally and inefficiently. Thus, the government noted that in order to properly coordinate the activities of institutions responsible for shaping the image of Lithuania, a long term strategy for formation of the image of Lithuania has to be approved and concrete targets and priorities set. After a long term image strategy program was developed and signed by the government, the main institution responsible for the realization of this program was appointed. Lithuanian government decided to focus on the investment side of the image of Lithuania, because tourism seems to be in a more stable situation and attracting investors in these times of crises, is extremely important in order to improve country's economic situation. The agency Invest Lithuania that is in charge of realisation of this program will be presented in the following chapter.

2.3. Invest Lithuania and its Role[3]

Lithuanian Development Agency (LDA) was founded in 1997 by the European Committee under the Government of the Republic of Lithuania. In 2004, the Ministry of Economy of the Republic of Lithuania became LDA's sole owner. In February 2010 the Lithuanian Development Agency was restructured into two public organizations – Invest Lithuania and Enterprise Lithuania. Invest Lithuania is now responsible for attracting FDI to Lithuania and, therefore, in charge of the realisation of the program of attraction of investment in the year 2011-2021 developed by the government. Hence, it is necessary to discuss its major activities in regard to branding of

[3] The information provided in this chapter is based on the information found on Invest Lithuania website: http://www.investlithuania.com/en/about-invest-lithuania/history

Lithuania for FDI during its existence. Even when Invest Lithuania was still called LDA, the agency has been working intensively in order to attract foreign investors to Lithuania.

In 2003, the video created by the agency about business and investment conditions in Lithuania was recognised as one of the three best marketing campaigns implemented in 2002. Of course, it is hard to measure how successful that video has been, but obviously it did not have much impact on the visibility of Lithuania as even today majority of the investors still do not know what Lithuania has to offer as an investment destination (IL, lines 108-110).

In 2008, LDA initiated and developed four advertising campaigns promoting Lithuania as an attractive country for business in *"The Economist"*. This was the country's first advertisement intended for a 2 million audience in the foreign media.

In September 2008, LDA started implementing a new project called "Attractive Economic Image of Lithuania – a Guarantee of the Country's Competitiveness", which was funded by the EU Structural Funds. LDA hired Wally Olins, a branding expert together with his team Saffron Brand Consultants, to develop Lithuania's economic branding strategy for the period from 2009 to 2014 as well as a strategy implementation plan for the period from 2009 to 2011. The strategy was developed and suggestions were made by the branding consultants, however, not much of it has actually been used or implemented. Of course, millions spent on the formulation of the strategy which later on was not even used (because as LDA argue they did not have enough money) caused major disappointment in society. In a way it was a turning point, when Lithuanian government decided that it is important not only to find someone to create a strategy, but also to actually implement it and, therefore, decided to formulate a clear, detailed program on how and when image creation strategy has to be created and implemented and who has to be in charge of this. As it was mentioned earlier Invest Lithuania is in charge of realisation of this government program. The whole program can be found in the appendix 6. However, I believe it is important to present some major points of this program, in order to know what sectors or countries were identified as target ones by the government. According to the program the main interest is in the following countries: Scandinavian countries, Great Britain and the Republic of Ireland, Germany, France, Netherlands, USA and some other countries (see appendix 6, point 8). And the main focus is on the development of service sector, because Lithuania does not have much of natural resources to offer and as a result it should focus on the human resources instead (see appendix 6, point 7.1.).

2.4. Lithuania's Image for FDI and Main Competitors

Lithuania's economic image is inseparable from its image as a whole. However, since the focus of my thesis is Lithuania's branding and positioning in order to attract FDI, it is important to discuss how Lithuania is seen among from this perspective.

According to Ernst and Young's[4] (2009) report, Lithuania has performed quite well over past five years. However, the value of FDI in Lithuania is not sufficient and Lithuania ranks only 12th among Central Eastern European countries (p. 2). Only 0,8% of international investors rated Lithuania as the most attractive, leaving it after Poland (32,5%), Hungary (9%), Slovakia (2,3%) or Serbia (1,4%) (Ernst and Young, 2008). On the positive side, Lithuania was ranked higher than the other two Baltic states: Latvia (0,6%) and Estonia (0,3%), which are considered to be direct competitors for Lithuania. Among the other competitors for Lithuania are Central and Eastern European countries which have started earlier on their economic development: Poland, Hungary and Czech Republic; and lower-cost countries with larger markets such as Romania, Bulgaria and Turkey (Ernst and Young, 2009). However, Estonia, Latvia and Poland can probably be seen as the biggest direct competitors, because they are not only quite similar, but also situated close to Lithuania.

The determining factors, when choosing an investment destination, are not only high quality, low costs and risk but also stability, transparency and predictability of the business environment as well as the proximity to markets, efficient access infrastructure and telecommunications and level of labour skills (Ernst and Young, 2008). According to the research made by Vilmorus[5] (2010), the main advantages mentioned by foreign investors when talking about Lithuania as investment destination are:

- ✓ A new and quickly growing market;
- ✓ A good geographical location between the East and West.

However, the Lithuanian market is still usually considered by the investors to be too small and weak. Bad economic situation and language problems were indicated among the other disadvantages (Vilmorus, 2010). However, in regard to the economic situation, it is worth mentioning that during the last year (2011-2012) Lithuania's economy has been growing and is

[4] One of the leading audit, taxes and business consultancies in the Baltic states, a part of „Ernst and Young" international network

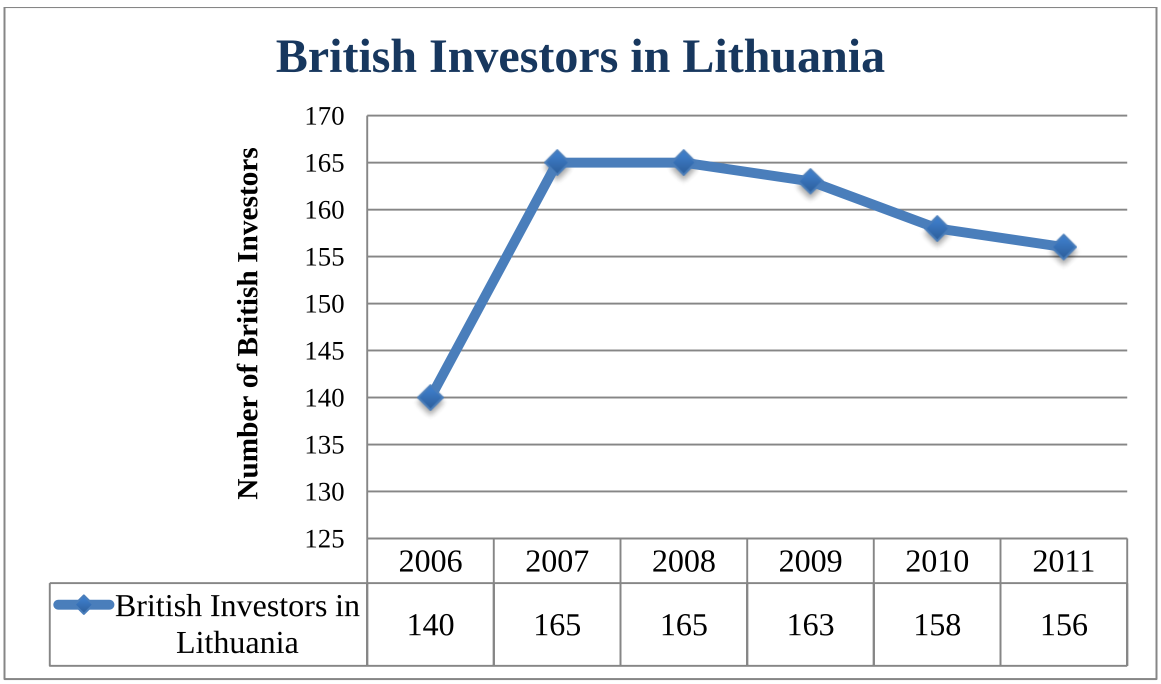
[5] An independent institution of public opinion and market research

still seen as one of the fastest growing in the Europe which indicates that the image of Lithuania for FDI might have changed and is worth to look into.

In addition, those investors, who have already visited or invested in Lithuania, are of a better opinion about Lithuania and 67% of them see it as an attractive location for business development and investments (Vilmorus, 2010). However, the major problem, as well as with Lithuania's image in general, is that Lithuania does not have neither a positive nor a negative image, that is, foreigners do not associate Lithuania with anything in particular.

2.5. British Direct Investments in Lithuania

The number of British investors has been decreasing in Lithuania since 2008 (see Chart 2 below).



(Chart 2: British Investors in Lithuania, based on the figures from Statistics Lithuania, 2012a; 2012b)

Hence, it was interesting to find out what caused such a change. Unfortunately, I could not find much of the research available on the British investors in Lithuania. According to the research by Vilmorus (2010) United Kingdom more often than other respondents (German, Sweden, Denmark, and Norway) named the lack of information about Lithuania and its business environment as being one of the problems. The research on Lithuania's image in relation to other countries abroad made in 2006 among the citizens of United Kingdom, also revealed the same results, because majority of people could not answer to the questions related to the economic development or attraction of Lithuania as an investment destination (Vilimorus, 2010).

According to Vilmorus (2010) only 27% of British respondents know a bit about Lithuania. Moreover, almost half of the respondents do not distinguish Lithuania from the other Baltic countries, saying that all of them are more or less alike. However, most of the respondents would choose Lithuania as a destination for their investment if they had to choose from the three Baltic states, but if they are to consider other countries closely located to Lithuania, even 50% would choose Poland. This indicates that most likely British investors tend to choose countries able to offer bigger markets for their businesses.

Apparently, nothing much has changed in the perception of Lithuania by British investors during the four years from 2006 until 2010 when those two researches were conducted. And it can oonly be concluded from the results that British investors lack knowledge about what Lithuania has to offer.

3. Methodology

In the following section the methodological strategy and research design which formed the basis for the master thesis will be presented. I will present my epistemological and ontological stance and discuss the research method and design, which will then be followed by the explanations of data collection and analysis and ending with reflections on the limitations and ethical issues of this research.

3.1. Epistemological and Ontological Stance

This project has been drawn up within my ontological point of view which is constructivist or as Guba (1990) defines it 'relativist'. According to Guba (1990) relativist believes that "*realities are multiple, and they exist in people's minds*" (p.26). As a researcher I see that there is no one independent reality existing 'out there' and that there is no such thing as the 'ultimate truth'. I believe that reality is constantly created by people in the process of social interaction. In this research I am going to look into how Invest Lithuania is branding and positioning Lithuania, how Lithuania is perceived by the British investors, and what factors influence British investors' decisions to choose Lithuania as their investment destination. Constructivist point of view enables me to be more open to discussion of various opinions presented by Invest Lithuania, different investors and various scholars, rather than feel obliged to choose one side, and I will try to look critically at them.

Epistemology is about how knowledge is created: "*Knowledge is not to be found, it is constructed*" (Schwandt, 1994, p.125). In terms of epistemology I see myself as a subjectivist or as Bryman (2008) defines it interpretivist. This means that the researcher creates his/her own subjective meanings of the topic of interest, which are basically interpretations of other people's world views (Bryman, 2008, p.17). According to Guba (1990) the only way for the researcher to access participants' minds is through subjective interaction with them (p.26). As a researcher I am not avoiding face-to-face communication with my participants as through direct interaction with them I can understand how they construct their realities. By interviewing both sides Invest Lithuania and British investors, I as researcher aim at gaining knowledge from a group of people's different understanding of reality and to construct a multisided knowledge of Lithuania’s brand. So, my decision to conduct qualitative interviews was also affected by my epistemological stance as a subjectivist. The analysis of the collected data will also be subjective as I am going to interpret it in my own way. The conclusion that will be drawn based on this research is a result of the research process and the ‘worlds’ of the interviewees. Therefore it may not be the ‘definitive truth’ or represent the only ‘real’ reality. However, it should be noted that this will not make the conclusion any less valid.

My ontological and epistemological standpoint leads me to conducting a qualitative research focusing on relatively small samples which disables me from generalisations but allows me to get deeper into the meaning.

3.2. Research Design and Method

“*Research design provides a framework for the collection and analysis of data*”(Bryman, 2008, p.31). Taking into consideration the exploratory nature of my problem formulation and research questions a qualitative approach is the best choice for gaining an in-depth knowledge of how Invest Lithuania could brand and position Lithuania on the British market in order to attract British investors to the sector of service centres, why British investors decide to invest or not in Lithuania, how this could be changed by improving the image of Lithuania, and answering the research questions. Moreover, gaining real in-depth knowledge with a particular interest in why and how would be impossible while using quantitative research (Strauss and Corbin, 1990, p.19). Qualitative approach enables the researcher to see the world through the eyes of the investigated (Bryman, 2008, p.385), which is important in my research as I am interested to see those reasons from the perspective of the British investors.

Furthermore, according to Miles and Huberman (1994) the main concern in a case study research is to gain an in-depth understanding of particular phenomena within a real life context, and Bryman (2008) describes a case study as *“ a detailed and intensive analysis of a single case”* (p.52). Moreover, Yin (1994) relates a case study with a research typically willing to answer a research questions of ‘why’ and ‘how’ which is the main focus of my research. A single case – brand of Lithuania - will be analyzed in this master thesis.

3.3. Data Collection

In the following chapter the process of data collection will be presented. The empirical material for this research consists only of primary data. Even though primary data collection is more time-consuming, I believe that it gives a deeper insight into investigated phenomena as it is carried out for that specific research. The data for the analysis was collected in two ways. First, promotional material created by Invest Lithuania and available on their website was viewed and relevant material selected. Since there was no material found that would be only targeted at British investors willing to invest in the sector of service centres, the choice was only based on the following criteria. The brochure had to promote the sector of service centres which is of the main interest in my research and had to be created by Invest Lithuania. Consequently, only two brochures matched these criteria and were chosen for the analysis: *"Advantage Lithuania. Northern Europe Service Hub and Innovation Centre"* and *"Shared Services and Outsourcing in Lithuania: Intelligence counts"*. However, this material was not enough to get a deeper insight of how Lithuania is seen as a brand both by Invest Lithuania and British investors. Therefore, the interviews both with Invest Lithuania and the representatives of British investors were conducted. All in all five qualitative interviews were conducted. The interview with Invest Lithuania was conducted in May and was performed face-to-face. The other 4 interviews with British investors were conducted over the phone during October, 2012.

3.3.1. The Qualitative Semi-Structured Interview

The purpose of conducting interviews was both to get an external perspective on the brand of Lithuania from the British investors as well as to get internal perspectives on the brand from the agency Invest Lithuania. Semi-structured qualitative interviews were chosen as the most suitable for this research, because this method provides a possibility for the researcher not only to ask follow-up questions encouraging to tell the stories, but also to add and change questions in the progress of research, looking for the best results (Bryman, 2008, pp.437-438). Moreover, the interviewees could also choose not to answer the questions that they were not comfortable with or bring up new topics (ibid). An interview guide was made with the most relevant topics (brand identity, brand image, positioning, factors influencing decision making) in order to answer the research questions the best way possible (ibid, p.442).

3.3.2. The Telephone Interview

Telephone interviews were found to be the most relevant to collect the data for my empirical research due to several reasons. First, of all the interviewees were geographically dispersed, which means that, first of all, only two of the interviewees actually live in Lithuania, while the other two are currently living in United Kingdom. Moreover, due to their role in the organisation (all of them are head people), they tend to travel a lot for their work. Second, even though they all were eager to participate in my interview, they were extremely busy with their work. Thus, they found it very hard to fit me in their schedule. And obviously, face-to-face meeting takes more time, as it involves such formalities as welcoming and preparation for the interview. Furthermore, the interviewees were not able to see me, which means that they were not affected in any way by my appearance, so their answers, as Bryman (2008) argues, could have been more sincere and much less affected by the interviewer (p. 198). Therefore, telephone interviews were decided to be the best solution to meet both mine and their needs.

3.3.3. Selection of Respondents

The interviewees can be divided into two groups. The first group covers a face-to-face interview with Invest Lithuania which was conducted in order to find out how they brand and position Lithuania for FDI in the sector of service centres and to find out Lithuania's identity. The agency Invest Lithuania was chosen for the interview because it is the main organisation in charge of branding of Lithuania for FDI. The agency was sent an e-mail with an explanation of the topic, some sample questions and a request to participate in the interview. After a positive answer was received further details were clarified and a qualitative semi-structured interview that lasted over an hour was conducted at their office. The choice of a place for the interview was left for them because setting comfortable atmosphere is an important factor for the quality of the interview (Bryman, 2008, p.443). The interview was conducted in English, because the interviewee has been living in America for over 15 years, and, therefore, she was comfortable talking in English. The interview was recorded and later on transcribed. In addition, I have also been taking notes during the interview to capture additional information and gestures.

The second group covers 4 telephone interviews conducted with current British investors who had during the last decade invested in the sector of service centres in Lithuania. These interviews were conducted in order to find out how British investors perceive Lithuania and what factors influence their decision making when choosing a potential investment destination. The recruitment of the interviewees was conducted with the help of the British Chamber of Commerce in Lithuania that provided me with the e-mails of the head people of the companies matching the criteria and chosen for the interview. The selection criteria were the following: British investors, who have during the last decade invested in the sector of service centres in Lithuania. Then, I sent those investors e-mails shortly presenting the topic, explaining the purpose of interviews, providing a few sample questions and a request to participate in the research. The four British investors who agreed to participate in the research were Barclays, CallCredit, WorldOne and Euromonitor. After that, a long process of arrangement of the interviews followed. Finally, the qualitative semi-structured interviews each lasting about half an hour were conducted over the telephone. Furthermore, all of the interviews were conducted in English because it was their mother tongue.

3.3.4. Overview of the Interviewees

As, it was mentioned earlier 5 interviews were conducted. The interviewees are shortly presented in the table below:

Interviewee	Company	Position in the company	Short profile of the company	Start date in Lithuania
BI 1	**Barclays**	Regional Assessment Head	IT services centre for the global British banking group	2010
BI 2	**CallCredit Operation Group**	Architecture Director	IT service centre (UK and international consumer information management and direct marketing)	2011
BI 3	**WorldOne**	Senior Vice President for Operations	IT support and contact centre (Healthcare Data Collection)	2003
BI 4	**Euromonitor International**	Head of the Department	Strategy research for consumer markets	2005
IL	**Invest Lithuania**	Managing Director	Promotion of Lithuania for FDI, contact point for foreign investors. (Provides guidance during the investment and aftercare.)	1997 as LDA (separated in 2010)

3.4. Data Analysis

This chapter will present how the collected data was analysed. I will do so by justifying my choices of dealing with the collected data, both the interviews and selected brochures.

The collected data are very interesting, but it might be quite confusing for the researcher to find a way to deal with it. Therefore, before analyzing the content of the interviews the researcher should go through (listen or read) the interviews as many times as necessary until the researcher had achieved a sensible and valid unitary meaning (Kvale, 1996, p.47). In order to be able to analyze the interviews thoroughly and in-depth, I transcribed the interviews, so that none of the meaning or important data would be lost in a half-way. The analysis will be done through the interpretation of the gained answers during the interviews and selected additional material from Invest Lithuania website in regard to the discussed theory. It is important to mention that the findings of this qualitative study is not to make generalizations, but to understand the interviewees' world views and to provide material in order to answer the research questions.

3.5. Limitations and Ethical Issues

*"No proposed research project is without limitations, there is no such thing as a perfectly designed study"***(**Marshall and Rossman, 1999, p.23); which means that there are drawbacks within every research. Not all of the British investors in Lithuania were interviewed. Only the ones who matched the selection criteria and agreed to participate in this research were interviewed. Furthermore, only the ones that had already invested in Lithuania were interviewed. There is a great possibility that the ones who did not invest in Lithuania, or who were planning to invest in Lithuania but decided not to, would have a totally different attitude towards Lithuanian's image in regard to FDI. However, looking from the perspective of constructionist I know that there is no one ultimate truth that could be found. This research aims at understanding the image of Lithuania as held by the selected British investors.

Furthermore, since interview with Invest Lithuania was arranged quite in an early stage of this research, it may appear that it lacks a particular focus on the British investors. However, Invest Lithuania does not have any particular branding specified in attraction of investors from concrete countries. Hence, the information gained during the interview about FDI attraction to Lithuania will be used as the branding directed both to general and target groups of investors.

Consideration of ethical issues is an important part of the research which should not be by any means forgotten by the researcher (Bryman, 2008, p. 113). As my research involves direct communication with the participants, it would be important to ensure the interviewees' confidentiality in the research (ibid, p.124). Since some of the interviewees expressed the wish to remain anonymous I will not mention their real names in this thesis. Moreover, it was important to inform interviewees that the interviews will be taped and the data later on will be analysed (Peel (2004) in Bryman, 2008, p.123). The topic of my proposed research is not sensitive, so the interviewees should not feel embarrassed talking on it, however, it was my as a researcher's responsibility to let them know that, if they do not feel comfortable in answering certain questions, they can choose not to.

Bryman (2008) argues that the length of telephone interviews is usually shorter than of face-to-face ones (p. 198). In this case, the length of interviews was mainly depending on the amount of time that interviewees could devote for this research. And not having to deal with formalities such as welcoming me into their office, they could devote that time for the actual interview, therefore, I believe, were not any shorter just because they were conducted over the phone. Of course some of the details concerning the interviewees' behaviour and gestures during the interview might have been lost as I was not able to engage in observation (ibid). But since I was mostly interested in analysing the contents of their talk rather than focusing on interpretation of various body signs, I could mainly focus on what I was hearing.

4. Theory

In the following chapter theoretical framework of this master thesis will be presented. First, strategic country branding will be presented. Then, its main concepts: identity, image and positioning will be discussed in detail. After that, country branding for FDI will be presented and at last, I will discuss factors influencing FDI decision making. These are the most relevant theories in order to answer my problem formulation the best way possible. Finally, I will finish this chapter with the summary of theory based on its applicability to my research. Of course the theoretical framework will be further on used in the analysis of material in the empirical part of this thesis.

4.1. Strategic Country Branding

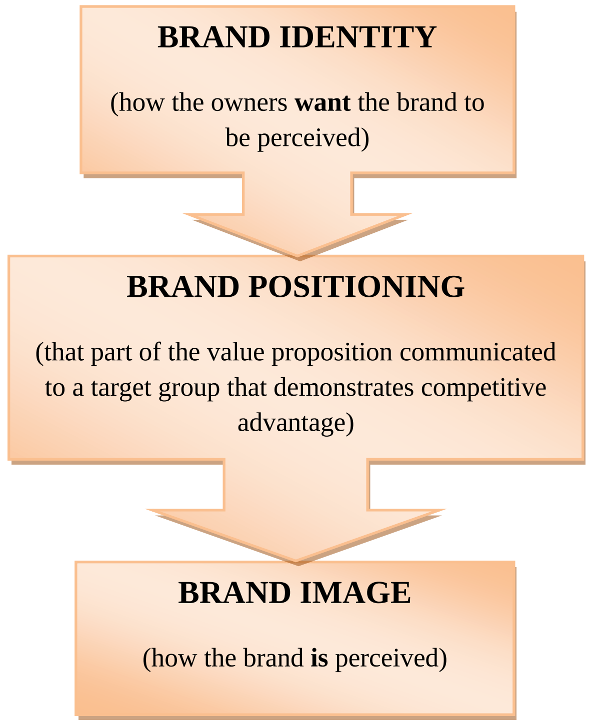
This section focuses on country branding. There has been much of the discussion going on both among scholars and ordinary people about country branding: if there is a need for it. Some scholars (MacKay and Fesenmaier, 1997; Jacobsen, 2009; Szondi, 2008) agree that a strong country brand is more successful in attracting investors to the country. In addition, the competition among countries (for attention) in today's global market is huge (Widler, 2007, p.144). So, countries rush to brand themselves in order to win this competition and be distinguished from the rest of them (Caldwell and Freire, 2004). Anholt (2005b) also emphasises the survival instincts that are encouraging the countries to look for ways to brand themselves:

"In this respect, place branding can be described as a species of self-defence (which is often pre-emptive) against the tendency of the marketplace to vulgarise, to trivialise, and to summarise in the ways which are often unfair" (p. 224).

As a result, sometimes countries get overexcited with the idea of country-branding, which then results in negative opinion of the idea of country-branding in general: *"There is clearly something about it [country branding] that sets some people's teeth on edge*" (Olins, 2002, p. 241, square brackets added).

But how can actually country branding be defined? Kotler and Gertner (2002) point out that the focus of the strategic country branding is on strengthening country's position in the global market. Hence, country branding is generally about the country's image on the world basis. However, the creation of this image is not as simple as it may seem from the first glance. Anholt (2005a) notes that country branding is, basically, about people, purpose and reputation. Yan (2003) and Payne et al (2009) also agree that citizens' opinion regarding the country brand at the primary stages of the development of branding strategy is of high importance. Moreover, Hakala and Lemmetyien (2011) state that it is also important for a country to understand its strengths or, as Widler (2007) call them – *core competences*, and weaknesses and to be aware of the future threats in order to create a strong country brand (p. 15). In other words, a country has to be aware of its *identity* which is defined by its vision and meaning, core values and differences from other countries (Kapferer, 2004). But there are so many countries in the world and it is really hard to differentiate between them, because quite often something that one country is proud of, can also be found in another country. So, the main task of the country branding is to find those unique characteristics of the country in order to differentiate it from the others. There are a few weaknesses within the concept of country branding such as the perception of the country, the role of citizens in the branding process and stereotyping (Widler, 2007, p. 145). Widler (2007) argues that negative perceptions towards a certain nation are usually influenced by false prejudice or outdated stereotypes that people have about a country, which then may have an impact on its economic development, too (p. 144). Country branding experts point out that the main remedy against prejudice is branding (ibid). Moreover, Gnoth (2002) and Caldwell and Freire (2004) indicate unexpected and uncontrollable factors as one of the issues in country branding. This means that there are certain factors, for instance, geographic location, natural resources, economic situation, etc, that may not always be controlled, but, of course, the ones in charge of branding (in this research, Invest Lithuania) should be aware of these things and do their best in order to show them from the best perspective.

To sum up, country branding mainly deals with identity, positioning and image issues (see Figure 1, where the relation among these three is shown).



(Figure 1, Kavaratzis and Ashwortz, 2005, p.508)

The **identity** represents the inner image of the country. *How does Invest Lithuania want Lithuania to be seen? And what is the idea they want to communicate about it?* These are questions aimed at the ones responsible for the promotion of the brand, in this case, Invest Lithuania. The **image** is instead the external image of the brand. The main question here is *how do others see this country?* The interest here falls on the British investors, how they see Lithuania. Finally, the **positioning** represents how countries are differentiated in relation to other countries seen as their competitors.

The following section will provide in-depth descriptions of these three aspects of strategic country branding.

4.1.1. Country Brand Identity

Onkvisit and Shaw (1989) point out that the very first question in relation to branding should be "*To brand or not to brand*" (p.32). However, other scholars (Anholt, 2007; Fetscherin, 2010; Scott M. Davis in Wheeler, 2006; Fan, 2006) argue that there can be no such question, because if a country is not branded by the local promotion agencies, then this only creates an opportunity for the other countries maybe even its competitors to 'brand' it and usually it would be done in a negative prospective. Country is responsible for creating its brand identity, that is defining how it wants to be seen, perceived in the world, among the stakeholders. In addition, Anholt (2005a) argues that country branding is supposed

"[...] to do whatever is possible to ensure that the country's reputation is a fair, balanced and useful reflection of its real assets, competences and offerings, and not merely an outdated or unjustly biased cliché, informed by long-past events or ignorant assumptions"(p.119).

This means, that a country should focus on its brand identity which is based on country's core values and competences rather than let for outdated stereotypes to create the image of the country. However, as it was discussed in the previous section there are many obstacles that can interfere with the country's branding: for instance, geographic location, natural resources, economic situation, that may not be so easily controlled. Moreover, it is also important that the identity would be developed on the actual benefits that a country can offer rather than on the empty promises that cannot be fulfilled.

Furthermore, Anholt (2010) argues that it is more sensible to build country's *"international identity on the basis of its aspirations for the future rather than its achievements in the past"* (p. 34). In other words, Anholt believes that people are more optimistic and inspired when they are talking about the country's future because the future is always full of possibilities. Moreover, future can change and past cannot. However, I assume that if there is something created in the past that a country is proud of and can attract investors' interest, than the past can also be efficiently used as a basis for country's identity.

4.1.2. Country Image and Stereotypes

A good name is better than riches. (Cervantes Don Quixote)

Anholt (2007) notes that countries do have their brand images, but they cannot be branded at least in the same way that products or companies are (p. 5). Branding should be simple and clear, but the image of a country is complex and usually vague. As it was discussed earlier a logo plus catchy phrases might be sufficient when promoting a basic product, but it is impossible just through country branding to develop a new country image in the same way (Fan, 2010, p. 102).

Furthermore, a country has multiple images and what image is used depends on the audience and the context (Fan, 2006). For instance, if a country is willing to present itself for the investors it will probably put emphasis on its economic strengths rather than praise about its beautiful beaches. Moreover, various countries have their own cultural values and therefore, may see the same country in a different light which results in a different perception of the country image. Hence, people need shorthands or, in other words brands, in order to make sense of this globalised world (Anholt, 2005b; Wheeler, 2006). The problem here is that usually stereotypes become these shorthands, especially when people know very little about a certain country. Stereotypes can be defined as "*a standardized mental picture that is held in common by members of a group and that represents an oversimplified opinion, prejudiced attitude, or uncritical judgment"*[6]. So, stereotypes usually are outdated and hold very little (if any at all) truth within Moreover, stereotypes are very hard to change, no matter if they hold any real facts. Despite this, Lippmann (1956) states that stereotypes are necessary because they are stable and enable people to see a whole picture of the possible world, even though it may be distorted (p. 95). Moreover, quite often branding of a country starts exactly from those stereotypes as national stereotypes are widely accepted and recognised. Widler (2007) points out, that branding experts, before starting to fight national stereotypes, should firstly look at the country, which would be helpful in order not to produce same stereotypes after all and should try to remodel those stereotypes in order to meet their requirements (pp. 148-149). Moreover, Anholt (2011) argues that various wars, crises or winnings in World championships can also have an impact on a country brand; however, such an effect usually does not last for long (p. 264).

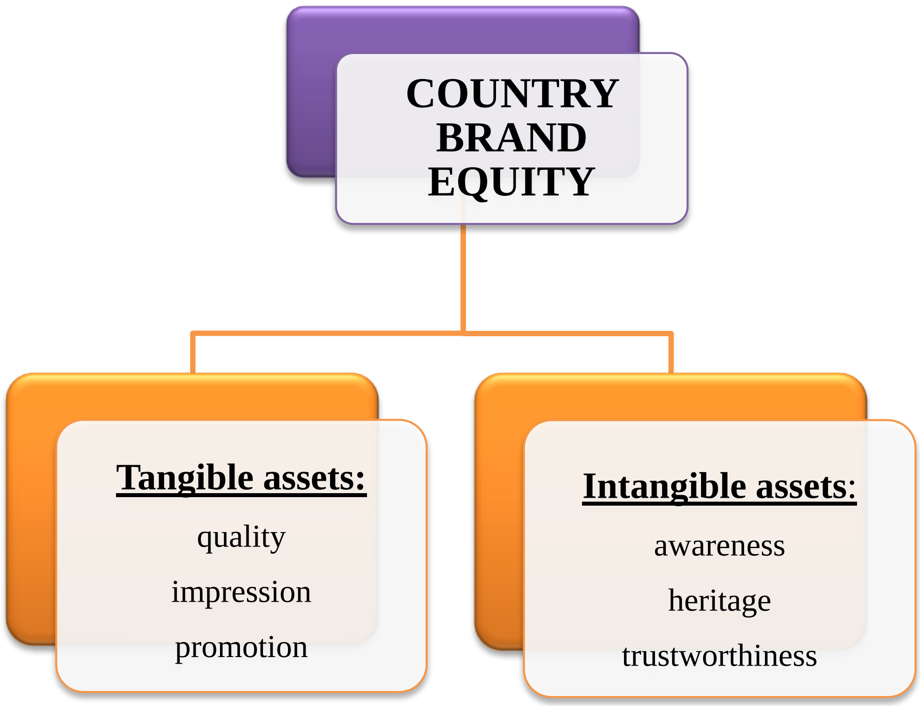
To sum up, a country image is based on the target groups' perceptions of the country, which are influenced by a variety of things, such as stereotyping, media coverage, personal experience, etc. Therefore it is not enough for a country to develop a strong brand identity in order to have strong and positive brand image.

4.1.3. Country Brand Equity

Jacobson (2009) indicates that the efficiency of country brands is measured by *country brand equity*, which is defined by Papadopoulos (2004) as embracing *"real and/or perceived assets and liabilities that are associated with a place and distinguish it from others"* (p. 43).

[6] An online Merriam-Webster dictionary

Country brand equity is based on two main categories of assets, which are presented to you in figure 2 and will be discussed in the following sections.



(Figure 2: Country Brand Equity, modified from Jacobsen, 2009, p. 80)

4.1.3.1. Tangible Assets

Perceived quality is defined by Jacobsen (2009) as "*an expression of the brand image reflecting the assessment of the overall quality and reliability of the brand by the customer*" (p. 76). So, perceived quality is the brand associations in regard to the quality of that brand. This means that associations, which appear in the mind when thinking about a certain brand, may create a positive or negative link to that brand (Aaker, 1991, p. 20). These associations may not only influence customers decision to choose the brand but also if they are positive adds credibility (ibid, p.21). However, Aaker (1991) points out that those associations do not necessarily have to be based on the actual knowledge or specific details (p. 19). Perceived quality influences customer decisions and brand loyalty, especially if a customer has no time or abilities to conduct the research on a certain brand (ibid). In this way, perceived quality stresses the dependability and durability of a brand.

Furthermore, if a brand wants to generate high quality, it must have an understanding of what quality means to the target segment (Aaker, 2002, p. 19). Otherwise, it might also be that a brand achieves quality in terms that target consumers do not consider important.

Impression deals with external look of the brand and the setting in which that the brand is presented (Jacobsen, 2009, p. 76). Impression is meant to arouse positive emotions with the customer. In regard to country brand equity, the impression covers the appearance of the place encouraging positive emotions towards the branded country (ibid). So, the country brand impression basically involves physical appearance of a country such as geographical location, nature, etc.

Promotion is also considered as an important element is country brand equity as it influences the brand knowledge structures of the customer (ibid, p.77). Metaxas (2010) discusses such country marketing techniques as slogans, campaigns and the use of cyberspace as relevant for the country brand promotion.

4.1.3.2. Intangible Assets

Brand awareness refers to the strength of a brand's position in the consumers' minds and is closely related to familiarity from the past exposure (Aaker, 1991, p.19). Familiarity of the brand usually associates with reliability to the customers. The factor of brand awareness is especially important when a brand has to enter new market where it is compared with the other ones; in such a case an unknown brand has almost no chances (ibid). The more potential customers are aware of the brand and the more they know about it, the bigger engagement of the potential customers with the brand (Jacobsen, 2009, p 77). For instance, if a company is planning on expanding its business, it will probably choose a better known market or the one they have already had a good experience with.

The brand heritage is defined by a long history of the brand embracing brands values and traditions (ibid). Obviously, such brands are considered as authentic, credible and competent from the perspective of consumers (ibid). Therefore, they engage consumer's trust. In regard to countries brand heritage deals with political and economical history (Kubacki and Skinner, 2006). This means, that a strong and long political and economical history of a country should enhance country's reliability in the eyes of investors.

Finally, the **trustworthiness** can be defined by the loyalty of the customers (Jacobsen, 2009, p. 78). Brand loyalty is one of the key factors revealing the value of a brand, because the loyalty of the customer reduces the vulnerability to competitive action (Aaker, 1991, p. 19). Loyal customers like the brand or are satisfied with it and, as a result, some of them provide reassurance to new customers (ibid). This means that loyal and satisfied customers may help to gain new customers by sharing their experience about the brand. This may be also true when talking about countries for instance if investors were happy about their decision to invest in a certain country then they might assure the new investors of a suitable investment environment there.

4.1.4. Positioning of Countries as Brands

Positioning has long been recognised as the main branding activity (Ries and Trout, 1981; Aaker and Shansby, 1982). Kotler (2000) defines positioning as "*[...] the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers minds" (p.298).* In other words, positioning is a process of identifying something specific/distinctive about a certain company and, therefore, being able to offer a target group something valuable that no other competitor could. Positioning, in the context of country branding, means not only physical, geographical location, but also comparative strengths that a country can offer (Lodge, 2002, p.1). Crockett and Wood (1999) argue that a successful brand positioning results in recognition, which means that it is enough to mention a country's name and it evokes images and perceived experiences (p. 278). So, positioning should play an important role in investors' minds and their decision making processes.

Dinnie (2008) notes, that establishing uniqueness is a major point in country positioning (in Harrison-Walker, 2011, p. 137). The lack of uniqueness in country positioning may perfectly be illustrated by the following example: if countries' names were taken out from their branding statements, it would be very hard to sort out which statement belongs to which country (Harrison-Walker, 2011, p. 141). Moreover, it is important that a country would believe in what they are branding themselves for, otherwise the visitors to that country will sooner or later realise that *"[...] the reality does not reflect the promise"* (Quelch and Jocz, 2005, p. 231). Gilmore (2002) points out that one of the main difficulties in country branding is the variety and complexity of target groups, thus, a positioning statement should be translatable. In other words, a positioning statement has to be not only coordinated and consistent but also rich and deep, so that same core value could be presented to different stakeholders. In addition, Quelch and Jocz (2005) argue that *"tourists at today's Olympic Games may be tomorrow's foreign direct investors"(p. 236),* which not only reveals how complex target audiences are, but also how quickly their functions can change and the whole situation can change.

Furthermore, Anholt (2010) argues that promotional campaigns are not so effective in regard to countries, and in order to make country branding efficient it should be done through a dialogue by the means of persuasion (p. 32). But there is a problem with such a dialogue, because there is no forum available for such a dialogue and all the communication is usually done in one way (ibid). Even if a dialogue is reached with the help of technology it does not include all the people interested in the process, only their representatives. So, creation of a country branding strategy is not as complicated as implementation of it, because, as Anholt (2010) argues, it is impossible to implement the strategy just by presenting it: *"The art of changing people's minds shouldn't be confused with teaching people the phrases you want to hear them use. People are not parrots"* (p.33). This means that in country branding it is not enough just to create smart phrases and present them to the people but to be able to communicate with people and get feedback from them, otherwise, people will not change their opinion that they have about a certain country.

To sum up, in order to be successful, brand positioning must be distinctive, significant and encouraging to the niche market, appropriate to all major geographic markets and businesses, sustainable, helpful for a country to achieve its goals, able to support and boost up the country. Harrison – Walker (2011) notes that there are six steps that have to be taken in order to develop a positioning strategy (pp.143-144). First of all, it is important for a country to identify its competitors, which may be the nations that are similar in size or wish to attract the same target audience (Quelch and Jozc, 2005). Secondly, one should find out how these competitors are perceived by the target group, what advantages and disadvantages are seen there (Harrison – Walker, 2011, p.143). Thirdly, it is also important not only to determine the position of all competing nations, but also to figure out certain attributes, user groups or uses that are considered to be important and, therefore, could single out this nation from the others (ibid). Then, a target population should be analyzed and a positioning strategy should be discussed and developed (ibid). Obviously, it is crucial that the nation would be able to deliver the promise for various stakeholder groups all the time. *"Unlike image, position evolves and, if managed* *effectively, becomes stronger over time"* (Harrison-Walker, 2011, p. 137). In other words positioning should not be left unattended, it should always be under supervision.

Harrison - Walker (2011) points out that there are six main approaches to positioning, these approached will be presented in the following section. It is necessary to be introduced to them in order to analyse how Invest Lithuania is positioning Lithuania.

4.1.4.1. Positioning by Attribute

Positioning by attribute is associating the brand with a dominant attribute that can be defined by product feature or user benefit (Harrison-Walker, 2011, p.138). Countries can also use this way of positioning. For instance, United States is positioned by the attributes - freedom and independence - which is a consistent attribute across all the stakeholder groups (Harrison-Walker, 2011, p. 138). Consistency as well as reality is mentioned by many scholars (Anholt, 2007; Gilmore, 2002; Harrison-Walker, 2011) as the main factors determining the success of country positioning. This means that those attribute used for positioning should be found/come from country's reality rather than be invented. In addition, Harrison-Walker (2011) notes that usually countrys tend to use many various attributes in order to position themselves, which often may result in unclear brand position and confusion among the stakeholders (p. 138).

4.1.4.2. Positioning by Use

Positioning of a product can also be done on the basis of its use or application. In regard to country positioning, it may be done by identifying its use. For instance, Switzerland, as Gilmore (2002) notes is seen as a country of interest when one needs personal banking services and it would be hard for any other country to brand itself as a country of personal banking.

4.1.4.3. Positioning by User

This is not a popular positioning in relation to country brand. It is a positioning which is defined by who is the main 'users' of a certain country. For example, France is the country for those in the arts (Harrison-Walker, 2011, p.139). In other words, this is the country for those who are interested in films, music, literature and art, because French are acknowledged in arts worldwide.

4.1.4.4. Positioning by Product Category

It is a way of a brand positioning when a certain brand defines its belonging to a category that it does not actually belong to (ibid). So, this way of positioning reveals the intentions of that brand to belong to a certain category. There are not many examples of such country positioning. However, Kotler and Gertner (2002) discuss an example of Miami trying to position itself as belonging to South America: *"Miami – Financial Capital of South America"*. Miami is positioning itself as a part of South America and not where it actually belongs – North America.

4.1.4.5. Positioning by Price/Quality

Positioning based on either quality or price of a product. This is quite a risky strategy, especially when a country is branding itself, for instance, as the cheapest destination, because these things may change so quickly nowadays because of price competition, and, as a result, those who came to a certain country attracted by its inexpensiveness/low price may soon leave if it becomes more expensive (Farrel, 2004 in Harrison-Walker, 2011, p.140).

4.1.4.6. Competitive Positioning

Countries can use this positioning when they want to be associated with better known or more prestigious countries or regions (Harrison-Walker, 2011, p. 141).

4.2. Country Branding for FDI

Country branding for FDI is a creation of a certain country image in order to attract FDI (Metaxas, 2010). The competition for the global investment funds is huge, thus, countries are trying to create the best images in order to attract foreign investors to choose them (Fetscherin, 2010; Jacobsen, 2009). FDI can have very positive effects in the country's economic situation, as FDI may influence local infrastructures, wages and salaries, efficiency of local suppliers, competitors and customers, and even improve labour force (Steganovic, 2008, p.). Szondi (2008) argues that branding a country as a destination for investments is becoming a key strategy in place branding, because high level of FDI can be considered as an indication of a strong brand (in Fetscherin, 2010, p.469). In other words every country is willing to raise its *investability* which is directly linked to country's attractiveness. Begg (2002) points out that investability is defined by the ways how the country can be made attractive to the investors, which can be determined by identifying the advantaged and disadvantages as well as other features having impact on the business environment in that country (pp.107-108). Loewendahl (2001) argues that foreign investors' choice of an investment destination is based on the actual benefits of the business environment. Therefore, it is important for the governments to create the best possible conditions for new investors by modifying target policies rather than just creating nice slogans and logos (Metaxas, 2010, p. 231).

*"[...]the host country policy framework refers to the following: the degree of social and political stability, rules regarding entry and operations, fair competition between foreign and domestic investors, privatization policy, international agreements on FDI, and the host government's attitude toward foreign corporations"(*Lim, 2005, p. 63).

Apparently, these are the main policies that foreign investors pay attention at when they are deciding which country to choose for their investment. Moreover, Kotler and Gertner (2002) state that places that have a strong brand can attract FDI easier. This is due to the fact that the more limited information about a certain country the potential investor has, the lesser the opportunities of him choosing it for his investment are (Metaxas, 2010, p. 233).

4.2.1. Emotional Needs of Investors

Kotler and Bliemel (2001) emphasize the relationship between country brand values and the needs of investors (in Jacobsen, 2009, p. 78). Those needs, or as Jacobsen (2009) calls them motives, are based on both cognitive and affective drivers (p. 75). In other words they are expected to develop both rational and emotional benefits for the investors. Jacobsen (2009) identifies the *functional need* with the fundamental factors regarding the business environment in the country, because it *"aims to reduce the risk perceived by the investor as well as build a trustable investment location"* (p.78). According to Jacobson (2009) social needs are based on non - material values, which can be split into: *prestige value, distinction value* and *identity value (p.79).*

The *prestige value* deals with the individual behaviour which embraces the selection of a branded investment location that is influenced by the behaviour of relevant groups (Hyman, 1942). In other words, companies chose investment locations to express themselves as members of a certain "user group", such behaviour is often referred to as the cluster effect.

The *distinction value* held by investors focuses of the possibility to differentiate from the others (Jaccobson, 2009, p. 79). In other words, it defines how a country brand helps investors to fulfil their need for individualism and uniqueness. As a result, country brands themselves have to be clear, specific and distinctive.

The *identity value* is based on the compatibility of the investor's and country's identity. In other words, it reflects how well a country brand reflects a potential investor's beliefs, personality and attitude towards life and society (ibid.). *The underlying rationale is that the higher the correspondence between the place brand and the investor, the higher the value of the place brand considered by the investor* (ibid). Hence, country brands should encourage potential investors to identify themselves with the country and its business community and in order to do so, country brands have to be attractive from the perspective of investors.

4.2.2. Investability and Functional Needs of Investors

In the previous section investors' emotional needs in regard to the choice of a country brand were discussed. This section will focus on the other factors influencing investors' decisions and investability of the country brand.

Investability mainly deals with how an area can be made attractive for potential investors, and it can be linked to the concept of competitiveness, in the sense, that being competitive is the same as being attractive to the competitors (Begg, 2002, pp. 187-188). This means that if a country is the most attractive for the potential investors, than it will win the competition and will be chosen as an investment destination.

For an investment project to succeed it has to meet investors' prospects on what they get in return (ibid, p. 188). This means that, a potential investor will, first of all, be interested in direct operating costs and price in relation to the cost of financing, and other factors affecting business environment that may affect operational costs (ibid). Then, the other factors such as availability and quality of commercial property, characteristics the local labour market, social factors, transport and accessibility, regulatory and planning considerations and even the quality of local services will be analysed by a potential investor (ibid). The more of these factors will be seen as attractive by a potential investor the higher will be analysed country's investability. Begg (2002) argues that sometimes one insufficient factor is enough for a country not to be seen as a potential investment destination (p. 188). The main point is that the attributes that promote investment are out of investor's control and, moreover, they may vary over time (ibid). Thus, it is important for those in charge of promotion of investment not only to be aware of local strength and weaknesses but also to know the needs and expectations of the target investor and to be able to satisfy them. Begg (2002) notes that rather than only offering financial incentives in order to attract investors, a higher overall level of investment should be stimulated (p.188). This means that it is important not only to have various financial programs supporting investors but also to improve the general level of investment, for example, by improving education.

Begg (2002) discusses four main groups of factors having impact on investors' decision: *public capital, factor markets, social factors and governance factors*. These factors will be discussed in the following sections.

4.2.2.1. Public Capital

Public capital mainly deals with the quality of various types of infrastructures. A well developed transport infrastructure is closely related to better business travels (Begg, 2002, p 190; Kinda, 2010, p.499). This means, a country having, for instance, a better access to the airport hub may be seen as more attractive by the foreign investors who tend to travel a lot. Moreover, a market that enables an easy and convenient access to other markets is appreciated by those investors who typically are attracted by large markets (Kinda, 2010, p.499).

Furthermore, the other type of infrastructure such as telecommunications is perceived as very more important nowadays, especially to high tech industries and advanced services (Begg, 2002, p. 190). So, the quality of the infrastructure, consequently, can make a big difference for the investors.

4.2.2.2. Factor Markets

Labour, capital, land and premises also affect the attractiveness of a potential investment destination in diverse ways (Begg, 2002, p.190). The most important aspects in the labour market for potential investors are availability of crucial skills, character of the workforce and dominant wages rates. However, these attributes of the local workforce may be changed, therefore, it adaptability of education system, provision of training and flows into the labour market are also of high importance (ibid).

Property availability and rent or purchase costs and the quality of the premises are also usually considered by prospective investors. Moreover, it is important that the area would be seen as dynamic and flexible because than it is more likely to be able meet investors demands (Begg, 2002, pp.190-191) In addition, planning, tax policies and resources for financial funding or incentives are analysed by prospect investors. Incentives are defined by Lim (2005) as "*compensation for externalities by the host government to foster infant industries" (p. 62)*. In other words, incentives are usually a compensation offered for FDI in return to the positive externalities such as the employment of intangible assets (for instance, technology, managerial expertise). The taxation regulation of a host country was listed as one of six key factors that influence FDI decision-making (Root and Ahmed, 1979). According to Lim (2005) country's tax reduction can be used as promotional activity in attracting investment. However, Guisinger (1992) indicates that the fundamental determinants for investors are a host country's production efficiency and market demand. In addition, the most important thing is that all of those factors would be considered the best not by the localities but by the target investors.

4.2.2.3. Social Factors

Social cohesion and competitiveness are the other important factors influencing the attractiveness of an investment destination. Cohesion is the feeling of togetherness which encourages the community to cultivate innovation and strengthen competitiveness (Begg, 2002, p.191). Crime is seen as a deterrent to investment, because it means that additional funding will have to go to security and insurance. Even the quality of life may partly influence the potential investors' decision, particularly, if investors themselves have to move to that country (Rogerson (1999) in Begg, 2002, p. 191).

4.2.2.4. Governance Factors

Regulatory factors affect investors in different ways. Some set limits on what investor is allowed to produce or the processes that can be used. Such controls may deter investor because they usually mean higher operational costs and/or less flexibility in operations. In addition to these regulations, there are also other forms of interaction between governance and investment decisions (Begg, 2002, p. 1991). A fast and easy functioning of the planning system, quick, relevant and informative responses of the agencies dealing with potential investors and fiscal arrangements in an area are some of the other relevant aspects of governance (ibid). Of course, the coherence of governance is also very important especially if there are different agencies working on the promotion of investment. In addition, Kinda (2010) notes that political stability, lack of corruption enable markets to function properly and as a result they are more successful in the attraction of FDI (p. 498). Furthermore, low rates of taxations may also be seen as an advantage by investors, however, if local taxes add to the improvement of local conditions, than it may not be seen as a big issue (Begg, 2002, p. 192).

4.3. Summary of the Theory and its Applicability

The competition among countries (for attention) in today's global market is huge (Widler, 2007, p.144). Obviously, it is easier to attract FDI for a country that has a strong brand (MacKay and Fesenmaier, 1997; Jacobsen, 2009). Therefore, it is important for Lithuania to build a strong brand in order to attract more FDI. In other words, Lithuania has to be aware of its *identity* which is defined by its vision and meaning, core values and differences from other countries. Lithuania's identity will be analysed in the analysis chapter on the basis of its vision and meaning, core values and competences. Furthermore, it is not enough just to create brand identity, it is necessary to be able to position a country brand, so that it would be seen as superior to its competitors. As Harrison – Walker (2011) argues there are various types of positioning possible. The presented types of positioning will be used in analysis to identify how Lithuania is positioned and whether it is relevant to position Lithuania in that chosen way. In addition, in order to succeed in positioning Invest Lithuania has to be aware of Lithuania's competitors, which will also be discussed later on in analysis.

There are many obstacles for a country to be perceived in the same way as it was branded. So, usually there is gap between country's identity and its image. Country's image is defined by how it is seen and perceived by its target investors. So, Lithuania's image depends on how British investors see it. One of the most frequent problems, as Wheeler (2006) argues, are stereotypes, which in most cases are outdated and not relevant anymore. Despite this, stereotypes are still believed and, as a result, they may create a certain image of a country. Therefore, it is reasonable to find out if stereotypes play any role in the image of Lithuania held by the British investors.

Country brand equity is used for measuring the country brand. According to Papadopoulos (2004) it is based on tangible and intangible assets and liabilities associated with a country and distinguishing it from others. Tangible assets cover quality, impression and promotion and intangible ones are awareness, heritage, personality and trustworthiness. In order to measure Lithuania's brand, both perceived and real assets will be analysed.

Furthermore, Kotler and Bliemel (2001) emphasize the relationship between country core values and the needs of investors (in Jacobsen, 2009). Those needs are based on both cognitive and affective drivers. This means that, investors' decisions are based on their emotional and functional needs. Functional needs help to reduce the risk perceived by the investor and build a trustable investment location. So, functional needs are the ones that are most important for the investors, in this case, for the British investors. In order to find out what factors influenced British investors' decision to choose Lithuania as their investment destination, Lithuania's investability will be analysed from the perspective of British investors. Investability covers such factors as labour force, policies and regulation, location, infrastructure, incentives.

To sum up, presented theories on brand identity, image and positioning as well as the ones determining investability were found the most relevant for this thesis in order to answer my research questions and problem formulation.

5. Analysis

The following chapter will contain my analysis. It will be divided into three main parts. I will start out by looking at how Lithuania is branded and positioned in the perspective of investments by analysing both the interview with the head of Invest Lithuania and the marketing material produced by the agency Invest Lithuania. After this, I will look into how British investors see Lithuania as a destination for their investment and what factors and values their decisions in regard to the choice of investment destination are based on. This will be done through the analysis of the interviews made with the British investors in Lithuania. Finally, I will discuss future perspectives and challenges in regard to the attraction of British investors in the sector of service centres in Lithuania.

5.1. Lithuania’s Brand Identity and Positioning

As it was argued in section 4.1., it is easier to attract FDI for a country that has a strong brand. And in order to be perceived as a strong brand, it is necessary to build a strong country’s brand identity and then a country has to be positioned on the target market, which in this case is the British market. So, this analysis part of Lithuania’s brand will be focused on the identity and positioning of Lithuania by Invest Lithuania in order to attract British direct investments in the sector of service centres.

Szondi (2008) argues that branding a country as a destination for investments is becoming a key strategy in place branding, because high level of FDI can be considered as an indication of a strong brand (in Fetscherin, 2010, p.469). This is due to the fact that the more limited information about a certain country the potential investor has, the lesser the opportunities of him choosing it for his investment are (Metaxas, 2010, p. 233). Therefore, it is important to create a strong brand identity which could result in a strong brand image.

Country brand identity embraces its vision and meaning, core values and differences from other countries. And Invest Lithuania is responsible for creating its Lithuania’s brand identity for FDI – the way Lithuania should be seen, perceived among foreign investors. Invest Lithuania is shortly presenting Lithuania as "*small but sound*" (IL, 2012a, p. 3). However, such positioning by two attributes does not actually distinguish Lithuania from other small countries and being distinctive is, as Wheeler (2006) argues, one of the main features of a successful brand. Moreover, positioning of Lithuania as being small may even have negative associations for the foreign investors, because investors are looking for new investment destinations when they are planning on expanding into other often preferably bigger markets. A big market is seen as an advantage by the investors. The bigger the market, the more opportunities it can offer (IL, line 155). However, Invest Lithuania argues that sometimes those bigger markets are already overloaded with hundreds of similar businesses there: "*But the point is that those countries already have plenty of big service centres there and, therefore, finding skilled labour force would be easier in Lithuania than over there"(lines 156-157).* As a result it may be easier to set up business in a smaller country, where the competition is not so harsh. And the choice of an attribute "sound" which has a few meanings means that Lithuania is presented not only as clever, but also a reliable investment destination. The choice of such an attribute also helps Invest Lithuania to avoid using such clichés as 'reliable' or 'smart' in the main slogan, which would not be useful in distinguishing Lithuania from the other countries.

5.1.1. Vision and Meaning

The vision of Lithuania is to become the *"Northern Europe Service Hub 2015"*(IL, 2012b). This means that Invest Lithuania wants Lithuania to be seen as a place of service centres providing various services and wants that a number of service centres currently established in Lithuania would increase. Countries usually are positioned by identifying their user which is also relevant to the case of Lithuania. Invest Lithuania wants Lithuania to be a country of interest when investors are looking for a new destination for their service centres. Invest Lithuania names *"IT and financial, accounting and analytic services"*(IL, line 43) as examples of services that Lithuania could be the best choice for.

Moreover, Invest Lithuania is also positioning Lithuania by product category, which in the case of countries, as Harrison-Walker (2011) argues, means that a country is trying to position itself as belonging to a certain region where it actually does not belong. This positioning is based on the intentions to identify the country with certain qualities of that region. Lithuania is positioned as *Northern Europe* while actually Lithuania belongs to Eastern Europe. This way of positioning reveals the intentions to show Lithuania as belonging to Northern Europe and, therefore, probably identifying Lithuania with some of the characteristics of Northern countries. This is even more obvious in one of Invest Lithuania brochures saying that Lithuania is

"a Northeastern European country which combines Scandinavian features – progressive, orderly, clean, natural, and attractive, with Eastern European ones – new, rapidly developing, and, yet undiscovered" (IL, 2012a, p.3).

A comparison of Lithuania to Scandinavians, which associates Lithuania with innovations and progressive way of life, shows the way that Invest Lithuania wants Lithuania to be perceived.

Furthermore, the stated aim of becoming a service hub indicates that Lithuania tends to build its identity on the basis of future aspirations rather than focusing on history. This was indicated as an important factor for the success of identity building by Anholt (2010).

Invest Lithuania understands that it is necessary to have a clear picture of Lithuania, its core values and competences as well as to be well acquainted to the target investors (IL, lines 31-33). And the aim to become the service centres hub is based on Lithuania's core values and competences (IL, lines 41-45).

5.1.2. Core Values and Competences

People. The biggest Lithuania's asset according to Invest Lithuania is its people, or in other words labour force (IL, lines 247, 315). Invest Lithuania mentioned high qualification of specialists four times during the interview (lines 190, 217, 210, 217), such emphasis indicates that this is the main quality of Lithuanians that Invest Lithuania wants to communicate to the target investors. In addition, Lithuanian labour force is also presented by Invest Lithuania as quickly adaptable, well-educated and multilingual: "*Foreign investors notice high qualification of specialists in particular business sectors, diligence, responsible approach to work, loyalty, creative thinking" (lines 217-218), "Lithuanians quickly learn new skills and improve" (line 234), "majority of working people speak at least two foreign languages" (lines 287-288), "many educated people" (lines 288-289).*

Location. Another value that is also indicated by Invest Lithuania is Lithuania's geographical location (Shared Services, p.4; IL, 2012a, p 11). First of all, Invest Lithuania indicates Lithuania as part of EU, the Schengen agreement and NATO (IL, 2012a, p.11). Of course, belonging to such big and important common market/structures adds trustworthiness to Lithuania. Next, a very good strategic location of Lithuania is pointed out by Invest Lithuania: *"convenience to serve their customers in Scandinavia, other European countries and CIS markets"* (lines 222-223); *"Crossroads of North, East and West: proximity to Scandinavia, Western Europe, Russia and the CIS[7]"* (IL, 2012a, p. 11). And last, but not least, Lithuania's transport infrastructure is praised: *"EU's prime transport hub"* (IL, 2012a, p. 11).

Technologies. Technologies are named as a primary competence of Lithuania: *"Lithuania is leading the world in terms of Internet speed"(*IL, line 287); *"Lithuania maintains world's leading ICT resources and infrastructure"* (IL, 2012b, p.6). By presenting Lithuania as a technology-wise country Invest Lithuania characterises it as an innovative and fast developing country.

Low Costs. Low-operation costs and cheap labour force are mentioned among the main advantages of Lithuania: *"Labour costs in Lithuania are more than twice lower than those in other EU countries and the US"* (IL, 2012b, p.9); *"low-cost operations in the EU"* (IL, 2012a, p.11). In addition, Invest Lithuania points out that this way of positioning is especially successful during the recession: *"However, when the crisis hit, many investors and companies started to look for ways to cut costs but maintain the quality. This is area where Lithuania can compete. This is a very good opportunity to attract enough investment by focusing on such a proposal"* (IL, lines 199-202). Moreover, Invest Lithuania argues that even if investors invest in Lithuania for saving reasons this brings benefits to both of them (lines 208-211). However, Farrel (2004) argues that positioning a country by low prices is a risky strategy (in Harrison-Walker, 2011). The economic situation may change so quickly nowadays because of price competition. As a result, those who were attracted to the country by low costs may soon leave if it becomes more expensive. Moreover, the impact of crisis on a country brand was also discussed by Anholt (2011) who noted that the impact that it makes does not last for long. This means that Invest Lithuania is using a risky strategy by using the recession and low costs as the way to attract investors. On the other, hand it might be considered as a calculated risk if Invest Lithuania manages to attract investors by this strategy but then succeeds proving to them that Lithuania has more to offer than just low costs.

[7] Commonwealth of Independent States, whose members are the following countries Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Uzbekistan.

Incentives. Even though Guisinger (1992) have his doubts about the importance of incentives, especially financial ones, Invest Lithuania mentions financial incentives and support among the main advantages of Lithuania in their brochures: *"Foreign investors, establishing themselves in Lithuania, are subject to a generous financial support available in Lithuania through EU structural funds, national INVEST Lt+ financial support program, tax incentives and loan support and alternative finance funds"* (IL, 2012a, p. 35). However, during the interview Invest Lithuania claimed that it is difficult for Lithuania to compete on the basis of incentives because Lithuania's competitors can offer higher financial support (lines 300-302). What is more, Invest Lithuania argues that this kind of competition for investors based on the financial support is not wise and calls it "*primitive*" (IL, line 303). So, one the hand, Invest Lithuania is aware of the importance of incentives for investors, and on the other hand, Invest Lithuania knows that Lithuania's is unable to compete with other countries in this perspective.

Current investors. The brochures are full of so called "success – stories" and short citations of the current investors in Lithuania, which adds reliability to Lithuania and proves that is worth to consider Lithuania as an investment destination (IL, 2012b, pp. 3, 5, 6, 8, 11; IL, 2012a, p. 42). And during the interview Invest Lithuania noted that having famous investors is very important when promoting Lithuania because it helps to encourage potential investors' interest in Lithuania: *"There are no meetings with foreign businessmen where we would not be talking about Barclays. It is a well known name for the potential investors that spark their interest and at the same time boost their confidence in Lithuania"* (lines 261-263). Invest Lithuania also argues that in order to keep current investors satisfied aftercare is very important (lines 91-92).

5.1.3. Lithuania's Competitors

Positioning is not only about finding the strengths and differences of own country, but also knowing who your competitors are. This is reflected in a six-step process that was presented in section 4.1.5. for building a strong positioning. Invest Lithuania indicates that not only Lithuania's neighbours but all Eastern European countries could be seen as Lithuania's competitors:

"Lithuania on investments is competing not only with its neighbours such as Latvia or Poland, but with all the Eastern European countries. Romania and Bulgaria are hunting investors; even

Ukraine is becoming one of the competitors. All of these countries seem very similar to the investors. Thus, we have to be able to emphasize our advantages and in this way to show that we are not the same, we are better" (lines 280-284).

Obviously, all Eastern European countries are eager to attract as many FDI as possible, which results in a harsh competition. Invest Lithuania emphasises the importance of showing the investors that Lithuania is the best among those countries. Moreover, most of those countries are trying to attract investors mainly on the basis of financial incentives, which Invest Lithuania believes is not the best way of competition (lines 299-303). Apparently, Lithuania is not able to offer such big incentives as some other countries. Moreover, Lithuania cannot offer such a huge market itself as Poland or some of the other countries. However, Invest Lithuania argues that *"[...] Lithuania could be more flexible in employment arrangements, a possibility to hire people from third countries in a less complicated way, less bureaucracy" (lines 304-306).* This shows that Invest Lithuania sees other factors that Lithuania could compete on, but first business environment in Lithuania should be improved by making some major adjustments in the Labour Law. Hence, according to Invest Lithuania it is better to focus on what Lithuania is or at least can be proud of rather than on certain features, such as location or incentives, where Lithuania is not and never will be able to compete.

5.2. Lithuania's Image through the Eyes of British Investors

In this part of analysis I am going to focus on Lithuania's image revealing how a country is seen and perceived by the British investors. Lithuania's image will be analysed based on country brand equity which, as it was discussed in section 4.1.3., is used to measure how effective brands are.

Brand awareness according to Aaker (1991) refers to the strength of a brand's position in the investors' minds and is closely related to familiarity from the past exposure. This means that the more potential investors know about the brand the more reliable the brand seems to them.
Three of the interviewed British investors knew very little about Lithuania*: "Not much, we knew that there is such a country somewhere in Eastern Europe and that's about it I guess"(* BI 1, lines 69-70); "*Sad to say extremely little"*(BI 2, line 70); *"Well, not much I would say. There*

were plenty of uncertainties"(BI 4, line 40). This indicates that even though they were aware of the existence of Lithuania, they did not see it as a brand worth consideration. As a result, they were not considering Lithuania as a potential investment destination (BI 1, lines 72-73; BI 2, lines 70-72). Only one of the British investors had some actual knowledge rather than vague view of Lithuania*:*

*"Our shareholders, who made the decision, knew that Lithuania was a stable country with strong ties to the rest of Europe and much investment from Scandinavian sources. the time, Lithuania was known as one of the success stories of democracy since the end of the Soviet era. Lithuania had a reputation as a very competitive source of university graduates" (*BI 3, lines 48-52).

Obviously, familiarity of the brand increased reliability of the brand of Lithuania (lines 54-55), and, therefore, BI 3 had already included Lithuania on the potential list of their investment destination, which as was argued by Invest Lithuania is very important (IL, line 124). What is more, some of the British investors experienced a certain exposure to Lithuania in the past. However, only the experience related to business had actual influence on the positive Lithuania brand awareness: "*However, **it helped** that we already had some Lithuanians working in our office in London*" (BI 4, lines 40-41, **bold added**); *"Ah.... and one of my ex-co-workers had been to Lithuania to celebrate his stag party. I remember him telling that it was a great experience for him. But you know, a place perfect for entertainment may not be the best choice for business"*(BI 1, lines 70-72). So, obviously, only familiarity of the brand from the same context, in this case business, adds some positive attitude towards a brand. This means that even if some of the British investors have experienced or heard about Lithuania something positive from a non-business perspective, this does not encourage them to consider Lithuania as a possible investment destination.

Perceived quality could be defined as the quality and reliability of the brand in general as perceived by the British investors. Perceived quality influences investors' decisions and brand loyalty. When talking about Lithuania, the British investors discuss two types of features that make Lithuania attractive for them. First ones could be defined as the physical features of Lithuania, which mainly deal with impression, and will be discussed in the following section. And the other ones, that define investment environment in Lithuania. All the British investors express their satisfaction in their decision to invest in Lithuania, which proves that in general they perceive Lithuania as being of good quality. Moreover, BI 3 points out that "*[...] Lithuania is a successful small European country that has developed tremendously over the last 2 decades"* (lines 65 - 66). This shows that they not only see Lithuania as successful but also as a developing country, meaning that Lithuania's quality may keep growing. All of the interviewed investors note that the quality of Lithuania depends strongly on its people, who are seen as well educated, highly skilled professionals (BI 1, lines 104-105; BI 2, lines 76-77; BI 3, lines 120-121; BI 4, lines 46-48). Moreover, BI 1 and BI 4 compared the work done by Lithuanians and British people and concluded that Lithuanians are much better workers: "*Indeed, Lithuanians are working better than most of the Britons" (BI 1, lines 104-105); "I do not want to offend anyone but Lithuanians are working much more efficiently than the British people" (BI 4, lines 48-49).* However, BI 3 and BI 2 also perceive Lithuania as having negative sides. If BI 2 only indicates that Lithuania has both *"good and bad points"* (line 77), BI 3 is more precise:

"But at the same time, as a small country with a history of being absorbed into regional empires, it is clear that Lithuanians are very patriotic and quite protective of their culture, which in some extreme cases manifests itself as xenophobia – especially in cities outside of Vilnius, but also is manifested in many attractive qualities such as a strong connection with language, history and folk culture" (lines 68-72).

BI 3 argues that Lithuanians may be xenophobic; however, right after mentioning that one negative feature, BI 3 proceeds with praising Lithuania. It seems as if BI 3 wants to diminish that negative feature and tries to turn it into something positive. Of course, he could have done that because he knew that I, his interviewer, am Lithuanian, and he simply wanted to avoid offending me. So, an overall perceived quality of Lithuania seems to be positive, but it is important to mention that all of it is based on actual experience of a brand.

Furthermore, it was discussed in section 4.1.3., perceived quality does not necessarily have to be based on the actual knowledge or specific details, meaning that sometimes and, especially, when very little is known about a country, a perceived quality can be based on the stereotypes. The problem of stereotypes was indicated only by one of the interviewees:

"If you speak to some businessmen in the UK they still seem to think that Lithuania is in Russia, I've certainly have had many conversations explaining the truth to friends and family when I first said I was coming here. Unfortunately, even now in the UK, people still seem to think of Soviet

Russia so assume Lithuania is probably all grey with people looking over their shoulders for the Secret police but nothing could be further from the truth" (BI 1, lines 79-83).

BI 1 notes that Lithuania is believed to be a part of Russia and, therefore, seen as a corrupted country by some of British people including businessmen. However, none of the interviewees themselves seem to hold any stereotypes about Lithuania.

Impression deals with external look of the brand and the setting in which the brand is presented. So, the impression covers the appearance of the country encouraging positive emotions towards the branded country. Even though the interview was done from the investment perspective, almost all of the interviewees mentioned Lithuania's physical features such as its nature when discussing the impression Lithuania had on them. Lithuania obviously evoked many positive emotions for BI 1, as he was using words like "*overwhelmed" (line 90), "love"(lines 92; 93), "surprised"(line 87), "fascinated"(line 87),* which shows that Lithuania left a very positive impression on BI 1. Other interviewed investors were not so emotional, but they both, except BI 2 who did not make any comments about physical appearance of Lithuania, see Lithuania as a beautiful, unspoilt and green country (BI 4, line 53; BI 3, line 74). However, BI 1 adds: *"Also - the mosquitoes and the holes in the roads after a long winter"*(lines 177-118), indicated that Lithuania has minuses from this perspective too. This shows that even though they all came to Lithuania for business reasons, they see Lithuania not only as their investment destination, but also as a country having something more to offer. All of these associations may have influence on the investors' decision of the choice of Lithuania as their investment destination.

The brand heritage is defined by a long history of the brand and deals mainly with political and economical history of the country. Even though Lithuania has quite a long and interesting history, only 2 interviewees mention history of Lithuania of having any importance to the brand of Lithuania (BI 1, lines 92-93; BI 3, line 68 and line 75). Whereas all of the investors argue that a current situation both economical and political is of high importance for them. This consents with Anholt's (2010) opinion that it is more important to focus on the future or present rather then hold back to the past.

The trustworthiness can be defined by the loyalty of the investors. Three of the interviewed investors, when asked about what they would say to others willing to invest in Lithuania, recommended Lithuania as an investment destination (BI 1, lines 182-183; BI 4 lines 128-129):

"I would say: don't do it as we wouldn't want to compete for resources! I'm only joking! Actually, it's a great place with great people. Of course, it depends on what type of skill set they are looking for, but I wouldn't hesitate to make the same decisions again" (BI 2, lines 134-136).

Obviously, all of these three investors seem to trust Lithuania enough in order to promote it to other investors. And only BI 3 was not so loyal to Lithuania announcing the future investors about the possible risks: "*Now Lithuania is in danger of pricing itself out of the market for good educated workforce" (lines 161-162).* However, these are only BI 3's speculations about the future. On the other hand, such assumptions could easily become a problem if they reflected a general perception of Lithuania. Hence, Invest Lithuania should direct the branding so, that these speculations could not become true.

Moreover, BI 1 and BI 3 argue that the investment of huge companies like Barclays or Western Union, definitely helps in reassuring British investors to invest in Lithuania (BI 1, lines 123-125; BI 3, lines 83-84).

Promotion is also considered as an important element is country brand equity as it influences the brand knowledge structures. An e-mail sent by Invest Lithuania was mentioned by two of the interviewees:

"So, we did not consider Lithuania until we got an email from the agency "Invest Lithuania" offering to meet and discuss business environment and investment opportunities in Lithuania" (BI 1, lines 72-74); "*[...] it was a cold email from Invest Lithuania which perked our interest. Only after meeting their representative did we seriously consider Lithuania as a destination of choice"* (BI 2, lines 70-72). This indicates that Invest Lithuania played an important role in the attraction of these investors, in gaining their interest in Lithuania. Obviously, promotion is important especially in attracting investors' attention to Lithuania. However, since they did not know much about Lithuania since getting an e-mail from Invest Lithuania, shows that direct approach is probably the best working towards the investors.

To sum up, Lithuania is rather unknown among the British investors. However, once they get to experience Lithuania, they tend to be satisfied with their choice. The British perceive Lithuania rather positively, mainly because of its professional workers. Moreover, such physical factors, as beauty or greenery of Lithuania, also do not stay unnoticed and evoke many positive emotions, especially to those interviewees who had to move to Lithuania for their work. Furthermore, the problem of stereotyping does not seem so important in case of Lithuania because only one of the British investors mentioned it, but the issue of stereotypes is broadly discussed by various scholars (see section 4.1.2.). Thus, Invest Lithuania should probably try to prevent the spreading of those stereotypes by presenting Lithuania the way the agency wants it to be seen.

5.3. Factors Influencing Investors' Decision – Making

This section is focused on the analysis of the core country values in regard to the needs of investors. As it was discussed in theory section 4.2, there are two main types of needs that have to be met in order to reach the best results: functional and emotional. So, the analysis of brand values will be based on both types of needs of investors. The core Lithuania values were identified in the first part of this analysis (see section 5.1.2).

5.3.1. Country Brand Values

People, or in other words **labour force,** were identified as the biggest wealth of Lithuania by Invest Lithuania. Apparently, all of the interviewed British investors were of the same opinion, pointing out that highly skilled professional labour force is not only the biggest value of Lithuania, but also one of the main reasons that influenced their decision to invest in Lithuania:

"*We chose Lithuania because of the high quality of education here, which has resulted in the development of world-class IT professionals, many of whom are not only very good at mathematics or physics but also multilingual" (BI 1, lines 148-153).*

The interviewees characterise Lithuanians as "*highly skilled*" (BI 4, line 83; BI 1, line 161); *"highly qualified"*(BI 2, line 108; BI 1, line 104; BI 4, line 95), *"highly educated"*(BI 2, line 76); *"diligent"*(BI 4, lines 83, 96). All these attributes show that they see Lithuanians as being able to perform their job on the highest level which is very important in their businesses. Moreover, BI 3 is even more precise when talking about the best qualities of Lithuanian workers:

"Lithuanians are hard working, dynamic, Western focused, eager to learn, friendly, welcoming and hospitable. As long as a foreign company can invest in educated workforces at a competitive price, it will be a good investment"(lines 120-121).

So, BI 3 also mentions social qualities such as friendly and hospitable, which indicates that Lithuanians are not only seen as good workers, but as nice and communicative people in general. Another important quality in regard to Lithuanian people that was mentioned by the British investors was ability to speak several languages: "*[...] in addition to Lithuanians being efficient and skilful workers most of them are multilingual, knowing at least two languages: English and Russian"(BI 4, lines 98-99).* Moreover, multilingual workers were identified by BI 3 as one of their primary factors that influenced their decision:

"We needed a low-cost back-office operation that could be staffed with university educated, English-speaking human resources. We also wanted a location where we could hire speakers of other Western European languages to staff our call centre"(BI 3, lines112-114).

For BI 3 ability to speak various foreign languages was a crucial skill that they wanted their employees to have. However, if necessary, most the attributes of the local workforce can be changed by providing various training, therefore, as it was discussed in section 4.2.2.2., adaptability of education system, provision of training and flows into the labour market are also of high importance for investors. However, only one of the investors indicated a need for changes in Lithuania's education system, whereas the others, as it was discussed previously, were perfectly satisfied with the quality of workers' education. BI 4 notes that they are not satisfied with Lithuanian education system which encouraged their cooperation with some of the universities in order to change it, but it gave no results (lines 106-109). However, BI 4 did not start employing foreigners, another solution was found: *"[...] so we decided to choose Lithuanians who finished their studies and gained their degree abroad"* (lines 109-110). This only once again proves that Lithuanians are seen as the best workers by the British investors, which is also emphasised by BI 1 and BI 4, who indicate that Lithuanians are better workers than British people (BI 1, lines 104-105; BI 4, lines 48-49).

Furthermore, BI 4 argues that Lithuanian labour force is not only *"[...] skilled and qualified but **relatively cheap** [...]* (line 55, **bold added**). Competitive wages is another important factor influencing investors' decision making. However, BI 3 notes that even though Lithuania could have been seen as a competitive country in this perspective (lines 157-158), the situation is changing: "*Now Lithuania is in danger of pricing itself out of the market for good educated workforce"(BI 3, lines 161-162).* But he is the only one of the interviewed British investors who sees such a change. However, this shows that the perception of Lithuania can easily change if the number of investors supporting this idea would increase.

Apparently, Lithuania is rather competitive in regard to its labour force, because availability of crucial skills and character of the workforce and competitive wages rates are the most important aspects in the labour market for the British investors having a huge influence on their decision to choose Lithuania for their investments.

Location is another important country brand value indicated by both IL and the interviewed British investors. A discussion of the location by the interviewees means that it is considered as an important factor influencing decision making of the investors. Lithuania was indicated as having a *"suitable geographic location" (BI 4, line 85); "perfect geographic position"(BI 1, line 162),* meaning that the geographical location of Lithuania is seen as an advantage of Lithuania. All of the investors indicated the location as playing an important role in the choice of investment destination. However, their choice of location was based on few different reasons. BI 2 argued that Lithuania's location is good due to its closeness to UK: "*[...] its geographic location, you are close to us (BI 2, line 107); "[...] not that far from UK"(BI 4, line 88).* The other reason for seeing Lithuania as a perfect location was pointed out by BI 4, who perceived Lithuania as *"[...] a gate between East and West" (line 54).* So, BI 4 believes that Lithuania even though it is a rather small market itself, can offer a perfect access to bigger markets providing Poland or Russia as an example (lines 97-98). And last, BI 1 notes that "*[...] favourable time zone was also seen as plus of Lithuania" (line 150),* which shows that even compatibility of time may be among the decisive factors.

Technologies. Obviously, technologies are perceived as very more important nowadays, especially to high tech industries and advanced services. So, the quality of these infrastructures, consequently, can make a big difference for the investors. Invest Lithuania describes Lithuania as a technology-wise country, which is also not left unseen by the majority of interviewed British investors. BI 1 points out that high quality of technologies in Lithuania definitely played a huge role in their investment decision making: "*Moreover, the quality of Lithuania's technology and connectivity also had a huge impact on our decision. I remember Jim saying: "We will show the world that exists in Lithuania", when we finally opened our centre here" (lines 150- 153).*

And other investors also express their satisfaction with business infrastructure in Lithuania: "*good technological infrastructure"(BI 3, line 76); "well-developed infrastructure" (BI 2, line*

10). This indicates that Lithuania can actually be proud of its high quality technologies which are approved by such technology experts as CallCredit or Barclays.

Low Costs became a rather important factor during the recession and, as it was analysed in section 5.1.2., Invest Lithuania argued low costs to be one of the main reasons of why the inflow in FDI increased in Lithuania. Therefore, it is necessary to see, if competitive costs actually play such a huge role in the interviewees' decision-making. All of the interviewees when asked why they had decided to choose Lithuania as their investment destination, named low or competitive costs as one of the decisive factors (BI 2, line 108; BI 4, line 84; BI 1, line 162; BI 3, line 157). Apparently, competitive costs were one of the main factors influencing the choice of Lithuania as the investment destination.

Incentives. Seeing what influence competitive costs have on the choice of investment destination, it seems that incentives offered by a country should also be considered as an important factor. However, only two of the interviewed investors mention incentives. BI 1 when talking about business culture in country mentions the importance of it in order to attract *"foreign capital"* (line 133). So, probably BI 1 sees incentives as useful factor in the attraction of FDI. And BI 3 names "*Tax incentives for small or medium sized foreign investors"* (BI 3, line 126) as one of the weaknesses of Lithuania, that should be improved. Incentives, as a weak side of Lithuania, are also discussed by BI 2:

"I would name hugely over-complicated, confusing and highly bureaucratic Government (EU backed) grants process as the main problem that I encountered in Lithuania. Even the expert consultants we engaged regularly were stumped. "Invest Lithuania" helped us with contacts and recommendations, told us who to contact, but it still was a very complicated procedure" (lines 112-116).

Obviously, BI 2 is dissatisfied not with the incentives themselves, but with the overcomplicated system to get them. The British investors see many drawbacks within the incentives' system in Lithuania. So, the incentives can definitely not be considered as one of the strongest sides of Lithuania, even though they seem to be quite important for the investors.

Current investors and their positive experiences are considered by Invest Lithuania as invaluable asset in branding of Lithuania. Some of the interviewed British investors point out that well-know companies who already have invested in Lithuania actually improve Lithuania's reputation on the British market and help to attract investors to Lithuania:

"[...] with such big companies as ours or Western Union showing trust and investing in Lithuania, I believe its reputation is improving"(BI 1, lines 124-125);

"For instance, that the country itself is still regarded by many in Britain as an emerging market on the periphery of Europe with uncertainty in its future in terms of economic development. However, this perception seems to be changing, as evidenced by investment by large British firms such as Barclays" (BI 3, lines 80-84).

So, large British companies that have invested in Lithuania and share their positive experience about their investment seem not only to add trustworthiness to Lithuania, but also may evoke so called need of prestige of the investor to place their investment in the country together with these famous companies. However, none of the present investors seemed to be driven by experiencing such a need, probably because Lithuania still cannot praise by having many well-known companies who have invested here in the sector of service centres. However, even if the need of prestige was not affecting investors' decision to choose Lithuania, shared positive experience was definitely an important factor for attracting BI 3's attention: "*Our shareholders had heard of Lithuania through friends and colleagues, particularly Scandinavians who had already been involved in the Baltics" (lines 54-55).*

Positive shared experience of the current investors seems to evoke a feeling of cohesion in new British investors. Hence, shared positive experience is definitely extremely useful in attracting investors' attention, which is very important, especially in the case of Lithuania, which is still a rather unknown country for the British investors.

Obviously, the core values and competences identified by Invest Lithuania correlate with the main values and needs of the British investors, which shows that Invest Lithuania is branding Lithuania by emphasizing those things that are also seen as important by the British investors. However, there are some more important factors discussed by the investors that have influence on the choice of investment destination, namely, market size and culture. They will be discussed in the following section.

5.3.2. Other Factors

Market size is seen as quite an important factor when choosing investment destination. As it was discussed in theory section 4.2.2.1, the bigger a country market the more opportunities it can offer for the investor. BI 1 and BI 4 note that the size of the market was under consideration when deciding on their investment destination:

"We were also considering other Eastern European countries such as Poland, Hungary, Czech Republic and some others, because all of them can offer bigger market than Lithuania" (BI 1, lines 157-158).

"Poland, Russian and Czech Republic, they were also considered because we needed an office in Eastern Europe, and they can offer bigger markets, especially Russian or Poland" (BI 4, lines 91-92).

The interviewees were also considering other countries because they could offer bigger market than Lithuania, which is the biggest among the Baltics but is rather small if compared to other Eastern European countries. However, their choice of Lithuania as their investment destination as opposed to the other countries shows that the size of the market may not be a crucial factor, especially when a country is competitive enough on the basis of other factors.

Culture. When talking about culture in general, there were two types of answers: two of the investors saw it as important and the other two did not consider it to be relevant in this case. BI 2 indicated cultural similarities among the reasons for the choice of Lithuania (lines 108, 101). BI 1 also seemed to be assured by the importance of culture, pointing out that especially it is important for the British investors, who together with the establishment of their business move to live to Lithuania (lines 135-138). While the other two interviewees noted that social or culture in general, is not so important because we all are European and the cultural differences are not so big (BI 3, lines 98-100; BI 4, lines 75-76). Such a difference of opinions indicates that it is difficult to come up with a branding strategy that would be attractive for all target group.

Furthermore, all of the interviewed British investors agreed that business, or as some other called it, commercial, culture is of a high importance both when deciding on the investment destination and when already doing business there (BI 3, line 93; BI 4, lines 68, 80-81). Business culture was defined by the interviewees as all the policies and regulations (both political and legal) that influence business environment in Lithuania (BI 3, lines 95-96; BI 4, line 68). BI 4 argues that business culture is important because it *“[...] can influence the ease of doing business” (line 69).* So, the importance of business culture is undisputed, however, Lithuania is perceived by the interviewees as having many weaknesses in this context. The biggest problem in regard to the business culture is bureaucracy which was mentioned by three of the interviewed investors (BI 4, line 78; BI 2, line 97 and BI 1, line 165). So, the interviewees see the procedures in Lithuania as too complicated and taking too much time, which means that this may put off some of the potential future investors who would not be willing to deal with this time consuming and complex process. Another disadvantage of Lithuania is labour code and taxation. The interviewees express their dissatisfaction with “*overcomplicated labour code” (BI 3, line 77)* and

“The taxation on labour force is way too high. For instance, taxes for State Social Insurance Fund here in Lithuania are up to 30 percent while in UK we only have to pay 10 percent” (BI 4, lines 102-104).

Moreover, BI 4 also discusses the importance of political culture and expresses doubts in regard to the current political situation in Lithuania:

“Political culture is also very important in country, and with the coming elections we are not sure what’s gonna happen, because some of the politicians seem to be are eager to change all the policies determining business environment in Lithuania” (lines 69-71).

Obviously political stability is also seen by BI 4 as an important factor influencing business environment.

To sum up, there is much of space for improvement of business environment in Lithuania. And most importantly the amount of the bureaucracy should be decreased and the procedures should be simplified so that investors would feel welcomed to do business in this country rather than repelled by all the complexity.

5.4. Future Perspectives and Challenges

As discovered throughout this research Lithuania is rather a small country, which is competing with a much bigger market offering Eastern European countries such as its neighbour Poland, Hungary, Romania and the others. They all are seen as developing countries eager to attract as much FDI as possible. Steganovic (2008) notes that FDI have very positive effects in the country's economic situation, as FDI influence local infrastructures, wages and salaries, efficiency of local suppliers, competitors and customers, and even improve labour force. So, the benefits that a chosen country receives are obvious. Therefore, the competition is huge. In order to win this competition, it is important to have a strong brand, a strong position in the eyes of target investors. Lithuania's position in the eyes of British investors is not strong: *"I am afraid to say that it is a very well kept secret!"* (BI 2, line 83); *"[...] is still building its reputation on the British market [...]"* (BI 1, line 123); *"[...] majority of British businessmen have no clue about what Lithuania is like or what it can offer"* (BI 4, lines 61-62). However, some of the interviewees argue that there are positive signs of change visible on the British market: *"the situation has improved"(BI 3, line 59);* "*reputation is improving*" (BI 1, line 125). This indicates that Lithuania is heading in the right direction, but Invest Lithuania still has to put a lot of effort in strengthening Lithuania's position on the British market and raising its investability, if they want to see more British investors investing in Lithuania. As it was discussed, the main problem indicated by the British investors in Lithuania is bureaucracy. Obviously Invest Lithuania is not able to decrease the level of bureaucracy without the help of government, as certain laws and regulations have to be changed in order to do so. The role of government in the process of raising country's investability was also discussed by Metaxas (2010), who argued that the government is responsible for the creation of the best possible business environment for foreign investors by modification of target policies. Moreover, Loewendahl (2001) pointed out that foreign investors' choice of an investment destination is based on the actual benefits of the business environment. This means that, if British investors see big drawbacks within Lithuania's business environment, they may not be willing to choose it as their investment destination. The main improvements that British investors would be willing to see are in the legal and taxation system as well as the ones dealing directly with labour issues:

"*[...] improved, streamlined labour code, that favours employers more than currently. Tax incentives for small or medium sized foreign investors. Expand the educated workforce – the population of Lithuania is quite small which means there will inevitably be competition for the same human resources when more foreign investment comes in" (BI 3, lines 125-130).*

This British investor offers quite a few changes in order to improve the business environment in Lithuania. I believe it would be smart for Invest Lithuania once in a while to make some research on how British investors evaluate business environment in Lithuania and what changes they would be willing to see and to go with these results and recommendation to the government, so that at least some of the issues would be solved and some of the improvements would be made. This would be a way to keep current British investors happy, which is important, because shared experience of current investors is seen as quite an important value which seems to be more and more often having an impact on the investment decisions of British investors. Kotler and Bliemel (2001) argue that country brand values and the needs of investors are closely connected (in Jacobsen, 2009). This means that if Lithuania is able to fulfil the main needs of British investors, it is more likely to be chosen as their investment destination.

Furthermore, Invest Lithuania should mainly use direct promotion when attracting British investors. By direct promotion I mean making a direct contact with the target company, because it seems the best way to implement the created branding. Two of the interviewed investors included Lithuania on their potential list only after Invest Lithuania sent them an e-mail and arranged a meeting with them (BI 2, lines 70-72; BI 1, lines 72-75). So, it is reasonable to argue, that even if British investors are looking for new markets for their investments, in most cases Lithuania will not even be thought of. The importance of a dialogue when branding a country was also discussed by Anholt (2010). He argued that even though it may be difficult to reach such a dialogue, it is the best means of persuasion, because investors are not convinced just by giving them some of the smart phrases about a country without a possibility to discuss them.

6. Conclusions

In this chapter the final conclusions based on the findings gained through the research will be presented.

As argued in the existing literature the attraction of FDI has become a major economic development goal of most of the countries. However, branding and positioning a country for FDI is a complex process, because it is not enough to create a strong brand identity in order to build a strong country image. There are many obstacles and tasks that a country has to deal with in order to become a strong brand able to attract more and more FDI. Therefore, the purpose of this thesis was to conduct a case study on the perception of Lithuania's brand and its ability to attract British investors in the sector of service centres. The problem formulation for this thesis is concluded as follows:

How can Invest Lithuania brand and position Lithuania on the British market in order to attract direct investments in the sector of service centres? In order to be able to answer this problem formulation, three research questions were formulated:

- How is the agency "Invest Lithuania" branding and positioning Lithuania in order to attract new British investors?
- What is the image of Lithuania as a direct investment destination held by British investors?
- What factors influence British investors' decision to choose a particular market for their direct investments?

To explore the first research question, an interview with the managing director of Invest Lithuania was conducted and additional promotional material, created by the agency, was analysed. As a result, it was established that the main slogan used to present Lithuania is "*small but sound*", which may be perceived as a disadvantage, because small for investors usually means not competitive enough, not able to offer wide spectrum of opportunities. Next, Invest Lithuania argues that Lithuania has a lot to offer for investors. The biggest asset of Lithuania is human resources that are highly qualified and educated labour force. Moreover, Lithuania is in a perfect geographic location as it is situated between East and West and, therefore, can offer convenient access to such big markets as Russia or Poland which are settled just beside it. Moreover, Lithuania is positioned as the country offering competitive costs. Due to low cost base Lithuania is becoming more popular among investors in these times of recession. However, it is a risky positioning, because after the crisis or when investors will find some other country offering even lower costs, investors can be as easily lost as they seem to be gained now. Next, Lithuania is presented as innovative, technology-wise country, having the 2nd fastest upload internet in the world, which nowadays should be relevant not only to high technology developing businesses but any modern business. Furthermore, Invest Lithuania also offers investors various incentives, even though the importance of their role is questioned by some of the scholars and even Invest Lithuania itself. And last but not least, Invest Lithuania uses shared experiences of current investors in order to improve Lithuania's trustworthiness. For the implementation of the branding Invest Lithuania is using both promotional material and making direct contact.

For the second research question, I tried to obtain an understanding of the image of Lithuania as an investment destination by interviewing four current British investors in Lithuania. In general, Lithuania brand awareness is very low, most of the British investors knew from nothing to extremely little before investing in Lithuania. One of the investors even mentioned that some of the stereotypes such as Lithuania being Soviet and corrupt, still exist on the British market. However, after choosing Lithuania as an investment destination, Lithuania is perceived by the British investors quite positively. Moreover, there are quite many correlations with Lithuania's identity as described by Invest Lithuania. The British investors all indicate Lithuania's labour force as the main core value of Lithuania that is seen as very attractive by the British investors. They also claim that even though Lithuania is a small market it can be compensated in a way by Lithuania's strategic location. The location is perceived as favourable not only because of the access to other big Western and Eastern market, but also because of its closeness to UK. Furthermore, some of the investors find it important that Lithuania is close to UK not only geographically but also culturally, while the others believe that Lithuania does not have a competitive advantage in this case as all of the European countries share quite similar culture.

Lithuania is perceived by the British investors as an attractive country in general, because of its unspoiled nature and great history. So, even general picture of Lithuania may have a positive effect on the perceptions of the investors. However, all of the investors indicate that Lithuania has both positive and negative sides. One of the main problems pointed out by the British investors in Lithuania is bureaucracy. Obviously this is a huge problem as the opinion was shared by all the investors. Hence, it is important to act out on this in order to diminish the rate of bureaucracy.

To answer the third question, I used same interviews with the British investors, focusing in the answers regarding their decision making towards the choice of an investment destination. The choice of an investment destination is a complex task, thus, many various factors are discussed by investors before making the decision.

First of all, a personal contact from Invest Lithuania appeared to be rather important. Otherwise, Lithuania would not even have been discussed as a potential investment destination. Next, the role of shared positive experiences of current investors was also discussed by the British investors. The investors claimed that those shared experiences add reliability and trustworthiness to the country.

The British investors are mostly influenced by functional factors regarding the quality of the general business environment of the country. Emotional needs in this case do not actually play any significant role. The British investors indicated a good basis of human resources and ability to get them fast as the main decisive factor. Next, they mentioned strategic geographical location which in Lithuania's case was seen by the investors as suitable. Moreover, much attention by the British investors was paid to the quality of technologies in Lithuania. This could be explained by the type of their performed services as they all are very technology related. Then, a market size was also seen as quite important when choosing an investment destination, however, Lithuania cannot praise in this aspect. Apparently, Lithuania's ability to offer competitive costs was seen as a priority by some of the investors diminishing the importance of the market size. So, market size is obviously, not a decisive factor, if the advantages of a country, as perceived by the investors, outnumber its minuses.

All in all, my research results show that in spite of small minuses Invest Lithuania has created a suitable brand identity for Lithuania. Therefore, Invest Lithuania should proceed with current branding and positioning of Lithuania based on Lithuania's core values and competences which were also indicated by the British investors as the decisive factors in their choice of investment destination. At the same time Invest Lithuania should not forget to keep improving business environment in Lithuania because it also influences British investors' decision-making. It is necessary to change the Labour Law and to decrease bureaucracy in Lithuania. However, some of these changes are not in the operational area of Invest Lithuania. Therefore, it is important that Lithuania’s government would be eager to participle in the implementation of these improvements.

Finally, the biggest changes should be made not in the strategy itself but in the way of its implementation, because the main issue, in this case, is extremely low Lithuania brand awareness among the British investors. Thus, Invest Lithuania should focus on making a direct contact and getting in touch with each potential British investor, because once British investors experience Lithuania they perceive it quite positively.

As recommendations for further research, it could be advisable for Invest Lithuania to continuously research and evaluate how the brand is perceived by the target investor groups. Moreover, it would also be useful to get some feedback from the current investors which would be helpful in improving the investability of Lithuania.

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