



Foreign Direct Investment Strategies in Shandong Province

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Abstract: *The investment of foreign investors has been rampant in China because of rapid growth and mobilization of global economies. The increasing competition in the international market led business enterprises need to create and implement strategies for attracting foreign direct investment. Using international investment theories, this research aims to analyze and provide a theoretical basis for the creation of practical strategies in engaging foreign direct investments in Zibo City and Qingdao City. A qualitative analysis, this research determined how economic and political stability, business environment, market size and growth potential as well as investment incentives and regulations affect foreign direct investments in both cities. Focus group discussions were among the main methodologies that ushered the identification of effective strategies which the respondents' business enterprises could use in implementing their own operational management in order to pave the way for foreign direct investment. In essence, this research hopes to contribute practical and theoretical significance that would aid the economic stability in Shandong Province through its business enterprises.*

Keywords: Foreign Direct Investment; Economic and Political Stability; Business Environment; Market Size and Growth Potential; Investment Incentives.

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1. Introduction

Foreign direct investment (FDI) refers to the investment of foreign investors into industrial and commercial enterprises in one country or the direct investment in new production and operation entities in other countries. For capital inflow countries, absorbing direct investment is closely related to promoting economic development. The growth of direct investment and the inflow of international capital help to promote a country's economic growth (Smith, 2018). Therefore, all countries actively absorb direct investment. In today's world with increasingly fierce competition in the international market and surging tide of global economic integration, foreign direct investment is growing rapidly. Its average growth rate not only exceeds the average growth rate of industrial production in various countries, but also exceeds the average growth rate of world trade.

FDI plays a significant role in a country's development, however the research gap on figuring out how it connects to economic growth is a complicated matter. Researchers have been debating whether FDI causes economic growth, or if it's the other way around, or maybe it's both. Many studies have tried to help with this puzzle. While there's no one clear answer, these studies provide useful insights into how FDI and economic growth are linked. The main point of the discussion on the field is which comes first. Some think that FDI acts as a spark for economic growth. They say that when a country gets a good amount of FDI, it can boost its economy, especially in the medium term. On the other hand, some researchers believe that economic growth attracts FDI. When a country has a strong economy, stable institutions, and skilled workers, it becomes an attractive place for investments (Borensztein et al., 1998).

Theoretical Framework

International Investment Theories. American scholar Heimer was one of the first scholars to study foreign direct investment. In the 1960s, Heimer first put forward the monopoly advantage theory to explain the international investment behavior of multinational corporations. Since then, scholars from various countries have continuously

deepened and expanded relevant theoretical research. The main achievements include product cycle theory, internalization theory and International Production Compromise Theory.

Foreign Value Added. Feenstra and Hanson's (1999) concept of offshoring to introduce a new measure for international production fragmentation: FVA share. The authors argue that traditional trade statistics, focusing solely on the final product's value, provide an incomplete picture. FVA share addresses this by considering the total value added across the entire production chain, encompassing contributions from various countries (foreign value added or FVA) besides the final assembly location. This approach aligns with the concept of global value chains (GVCs) where production stages are geographically dispersed.

Global Value Chain. Baldwin's (2006) idea of "second unbundling" which highlights the trend of firms relocating production stages abroad due to factors like reduced transportation costs and improved communication technologies. This phenomenon has led to a rise in FVA, prompting the authors to explore its measurement as a fragmentation indicator. They acknowledge Baldwin and Lopez-Gonzalez's (2013) notion of regional trade blocs and differentiate between regional FVA (RFVA) and global FVA (GFVA) to understand if fragmentation is primarily regional or global.

Gap Theory. Gap theory is the most important traditional theory of utilizing foreign capital, which was put forward and improved by American economists Chenery and Strauss. From the perspective of promoting national economic development, the use of foreign capital can alleviate and make up for many gaps that hinder the economic development of underdeveloped countries in the process of economic development.

Neoclassical Growth Theory. According to this theory, capital can promote economic growth, and foreign direct investment, as a kind of capital, can promote economic growth from the following two aspects: as one of the important sources of capital, foreign direct investment can directly produce economic growth. On the other hand, FDI can also have a positive impact on economic growth indirectly. Foreign direct investment can indirectly promote economic growth by affecting import and export, people's savings and domestic consumption.

Function Theory of Foreign Direct Investment. Foreign direct investment can directly promote the employment and national economy of the host country. Firstly, as a direct input of capital, foreign direct investment not only provides financial support for the economic development of the host country, but also indirectly provides a more reasonable capital formation mechanism. Secondly, foreign direct investment, as a branch established by multinational corporations in the host country, directly brings local economic income and employment demand. Finally, foreign-funded enterprises must cooperate more or less with local enterprises in the development process, which is conducive to the improvement of enterprise management level and profitability.

Research Argument

Foreign Direct Investment, in its pursuit of establishing lasting interest amidst business corporations, requires significant investment from a company or an individual overseas through gaining access to its target country/locality. In Shandong Province, many foreign investors implant business operations in foreign countries with the aim of being a multinational company. This deeply affects the economy of the locality where the business will be established because it will either benefit or hinder the region's economic expansion. It also has a great impact in the creation of market trends as well as generation of jobs. However, it also creates rift in the business landscape as competition becomes more tight and resources become more scarce. Hence, the regional governments of localities such as Zibo City and Qingdao City play an important role in ensuring that there is economic development in their cities brought about by foreign investors. This can be achieved if multinational companies prove that they have an efficient effect in the district such as increase in the locality's income as well as proof of increased purchasing power among the locals. It should also be able to prove that there is an improvement in the manufacturing and service sectors as both cities thrive in these areas.

With this, the study aims to investigate the different factors that affect foreign direct investment in the selected cities by observing the phenomenon in its real-life setting. Through qualitative analysis, the objective of this study is to determine strategies beneficial in creating policy recommendations that can be utilized to attract foreign direct investments in Shandong Province. The following shall serve as the key factors in assessing the impact of foreign direct investments in Zibo and Qingdao Cities: (1) degree of economic development, (2) infrastructure and resources, (3) industrial structure and advantageous industries, and (4) efficiency of government departments as investment entities. This study shall take advantage of different sources of data such as research reports,

government agencies reports, market research reports, and other similar documents that reveal the situation of foreign direct investments in both cities. Through comparative case study approach, incorporation of research protocols, strategic selection of data sources, formulation of data analysis, and interpretation of data, qualitative data analysis, this study hopes to establish strategies in attracting foreign direct investments juxtaposed with the current financial conditions of business enterprises in Zibo City and Qingdao City with respect to the economic and political stability, business environment, market size and growth potential, and investment incentives and regulations.

Statement of the Problem

- 1) How are foreign direct investments in Zibo City affected by the conditions of the key factors in terms of:
 - a) Economic and Political Stability
 - b) Business Environment
 - c) Market Size and Growth Potential
 - d) Investment Incentives and Regulations
- 2) How are foreign direct investments in Qingdao City affected by the conditions of the key factors in terms of:
 - a) Economic and Political Stability
 - b) Business Environment
 - c) Market Size and Growth Potential
 - d) Investment Incentives and Regulations
- 3) What are the effective strategies that can be implemented based on the conditions of the key factors for attracting foreign direct investment in Shandong Province?

Scope and Limitation

As a qualitative study, this paper has some theoretical and current significance, but there are still some limitations.

First, the study will only cover certain factors affecting the FDI in both cities. There are several theories that are considered to help.

Next, are methodological limitations. In this study, the qualitative method is the research method. Thus, the paper inquires on the qualitative nature of the descriptive data as available (Brynard, Hanekom, & Brynard, 2014). In the conduct of this study, there is a methodological limitation in terms of developing a procedure in the conduct of a case study Baskarada (2014). However, in this particular study, the researcher shall be developing the necessary guidelines to execute in a case study following vital phases adapted from Rashid et al. (2019).

Finally, another limitation of the study is the selected cities as representative samples of the economic situation to analyze the foreign direct investment in Shandong province. This study does not include other cities in the province as an object of the study. However, the researcher has selected two cities Zibo City and Qingdao City because of their specific characteristics. Qingdao City is a coastal city selected because most of the forest is different from the rest of the province and thus the factors affecting foreign direct investment may be varying but still part of the Shandong Province. Zibo City on the other hand is in central Shandong to focus on exploring the strategic choice of attracting foreign investment to provide reference for the formulation of policies for inland cities in the central and western regions of Shandong Province.

Significance of the Study

This paper aims to analyze and study the strategy of attracting foreign direct investment in Shandong Province, find the problems, find the reasons and put forward countermeasures, which has both theoretical and practical significance.

For policy makers and researchers. On the basis of summarizing the relevant theories and academic research of scholars at home and abroad, this paper analyzes the development status and existing problems of attracting foreign direct investment in Shandong Province.

For Business Managers and Executives of Corporations and Enterprises. With the predominance of foreign

investments in China, this research hopes to contribute to the creation and implementation of strategies that would usher China in attaining economic development, achieving a stable business environment, expansion of market reach, potential for company growth, and gaining of more investment incentives and regulations.

For Small Scale/Start-Up Businesses in Shandong Province. Most of the respondents surveyed were top executives from wide ranging companies such as manufacturing/production industry, healthcare and pharmaceutical industry, automotive industry, chemical production industry, etc. Their inputs during the focus group discussion would be beneficial to small-scale/start-up businesses in Shandong Province because they would gain awareness as well as learn new business strategies from stable enterprises in their respective districts.

For Government Officials in Local Government Units. This research hopes to reach not only local government units in Shandong Province but in China as a whole. For the local economy to attain stable economic growth, government officials must learn to support and even forge partnerships with business enterprises as this will not only encourage the creation of more goods and services but would also create an increased profitability as well as marketability in the locality.

For Zibo City, Qingdao City, and other cities in Shandong Province. Due to the comparative advantages of region, technology and capital, FDI is mainly concentrated in the eastern coastal areas of Shandong. It also makes a more comprehensive and systematic analysis of the advantages and disadvantages in the process of foreign direct investment, so as to formulate investment promotion strategies in line with the objective situation, provide an important reference for the inland cities in the central and western regions of Shandong Province to formulate policies to attract foreign direct investment, and put forward a series of targeted countermeasures on the basis of the above research, which has practical guiding significance and reference significance for Shandong Province to attract foreign direct investment.

2. Research Methodology

Method of Research

This dissertation utilizes qualitative method which enables the researcher to conduct an in-depth exploration of intricate phenomena within some specific context (Rashid et al., 2019) for single good's production chain backwards and analyzing transformations over extended periods, to identify the driving forces that propelled local industries to become global businesses. In this study the researcher will be comparing two cities in Shandong province as a means to achieve the goal of the study.

The method of qualitative research in demonstrating the economic effects of foreign direct investment on GDP growth, industrial structure upgrading, foreign trade and technology spillover in Shandong province. Respondents are prompted to provide opinions on areas needing improvement in investment promotion policies. These qualitative responses offer nuanced perspectives and suggestions for policy enhancement.

Population, Sample Size and Sampling Technique

Population. The population for the focus group discussion is composed of ten (10) respondents which are divided into three groups. Respondents in Group A are composed of four (4) surveyees who are business executives from Zibo City. Meanwhile, respondents in Group B are composed of four (4) surveyees who are also business executives but are from Qingdao City. Lastly, respondents from Group C are composed of two (2) surveyees who are government officials representing both Zibo City and Qingdao City respectively.

$$n \geq \frac{n_0}{1 + \frac{n_0 - 1}{N}}$$

Figure 2: Sample Size

Where:

- n = sample size
- N = population size
- n_0 = Cochran's sample size recommendation which is equal to 10 when population proportion is 100% and

alpha level is 0.05.

Based on the application of this formula, the calculated sample size for the entire population ($N = 10$) is a minimum of 10 focus group discussions were conducted. The Adjusted Cochran's Formula was used by the 10 respondents from business enterprises in Zibo City and Qingdao City.

Sampling Technique. The qualitative analysis, the respondents for the focus group discussions are also identified via random sampling among the surveyees. Respondents in Group A are employees who are in managerial level with more than a decade of years in service in their respective companies from Zibo City. The same is true for respondents in Group B but the companies hail from Qingdao City. Respondents from Group C are composed of surveyees who are government officials representing both Zibo City and Qingdao City respectively. The elements of stratified sampling include determination of strata within the population and identification of the target count per stratum to ensure proportionality (Parsons, 2014).

Ethical Considerations

This research on Foreign Direct Investment (FDI) strategies involves the analysis of data sourced from diverse entities, including various companies and government agencies. Adherence to ethical principles and standards is paramount to ensure the integrity, validity, and ethical soundness of this study. Several ethical considerations are carefully addressed:

Confidentiality and Data Privacy. Respect for confidentiality and data privacy is fundamental. All data obtained from companies and government agencies will be treated with utmost confidentiality. To protect proprietary information, sensitive data will be anonymized and securely stored. Compliance with data protection regulations and obtaining necessary permissions for data access will be strictly adhered to.

Informed Consent and Transparency. In acquiring data from companies, informed consent will be sought, elucidating the purpose and scope of data utilization. Transparency will be maintained throughout the research process, outlining data handling procedures, ensuring participants understand how their information will be used, and assuring the protection of their identities.

Objectivity and Bias Avoidance. The research will be conducted with impartiality and objectivity. Efforts will be made to prevent bias in data selection, analysis, and interpretation. Findings will not be manipulated to favor any particular perspective or interest, maintaining fairness and neutrality.

Data Accuracy and Verification. Rigorous validation processes will be employed to ensure the accuracy and reliability of data acquired from different sources. Cross-verification and triangulation methods will be utilized to ascertain consistency and mitigate the risk of misinterpretation or misrepresentation.

Respect for Intellectual Property Rights. Intellectual property rights associated with data will be acknowledged and respected. Proper citation and attribution of sources will be ensured, adhering to copyright laws and ethical standards governing the use of others' intellectual contributions.

Compliance with Ethical Guidelines. This research will strictly comply with ethical guidelines, institutional review board (IRB) protocols, and ethical standards set by professional associations and regulatory bodies governing research ethics. The ethical framework outlined here aims to uphold the principles of respect, fairness, transparency, and integrity throughout the research process, safeguarding the rights and confidentiality of participants and ensuring the validity and credibility of the study's findings.

Description of the Respondents

This study focuses on exploring and analyzing Foreign Direct Investments (FDI) in Zibo City and Qingdao City within Shandong Province, aiming to delve into the real-life situations of FDI and assess their impact. Employing a qualitative case study methodology, to investigate FDI strategies in these distinct cities. The qualitative approach facilitates a comprehensive exploration of FDI determinants, decision-making processes, and strategic implications at the regional level.

The scope of data collection is macro-oriented, concentrating on the broader impact of FDI within the business

environment reform at the Chinese government level. The study seeks to uncover insights into how FDI strategies influence and interact with governmental initiatives aimed at reforming the business landscape.

Utilizing a qualitative approach, data will be gathered through in-depth interviews and analysis of pertinent documents. Semi-structured interviews will engage key stakeholders including government representatives, industry experts, and corporate leaders involved in FDI-related decision-making. Document analysis will involve reviewing government policies, regulatory frameworks, and industry reports.

Research Instrument

The instrumentation utilized in this research study comprises a structured questionnaire designed to systematically gather data regarding the business environment, investment decisions, and the local impact of investment in Qingdao City and Zibo City. The questionnaire employs various types of questions to elicit qualitative responses from the respondents.

Focus Group Discussion. The multiple-choice questions facilitate the ranking and selection of key factors influencing investment decisions, thereby providing insights into the priorities guiding investment choices. Additionally, the open-ended queries aim to capture nuanced qualitative data, specifically targeting the identification of areas needing improvement in investment promotion policies.

Validation Process. The questionnaire underwent a validation process to ensure clarity, relevance, and alignment with the research objectives. Pilot testing was conducted to refine the questions and ensure the instrument's suitability for capturing the required data.

Data Gathering Procedure

This study employs a comprehensive array of data sources to analyze Foreign Direct Investment (FDI) strategies. FGD or focus group discussion, interviews were conducted through an online video conferencing platform in a focal group discussion to business owners in Zibo District, Qingdao District and Government Officials.

By adhering to these inclusion and exclusion criteria, the study aims to assemble a robust dataset drawn from authoritative, recent, and methodologically sound sources. This approach ensures a comprehensive analysis of FDI strategies grounded in credible and pertinent information.

Statistical Treatment of Data

Frequency and Percentage. This measures the degree implemented based on key factors to attract foreign direct investment in Shandong Province.

Thematic Analysis. Qualitative research method, identifies recurring themes within data. Applied to foreign direct investment (FDI) research, it allows exploration of motivations for FDI, its impact on host countries, and stakeholder perceptions. This method offers flexibility, depth of understanding, and the potential for new insights in FDI research.

Interview of Participants through Focus Group Discussions

This study conducted a Focus Group Discussion (FGD) with representatives from the surveyed companies as the respondents. The aim of the interview is to validate the results of the survey questionnaire as well as collect primary data on the internal experiences of the respondent in their respective companies.

The FGD was conducted via Google Form in order to be flexible with the different time zones as well as work schedules of the respondents because they are currently based in China. Maximum time covered is 45 minutes to 1 hour for all three groups.

FGD Interview

Table 1 shows that the FGD is composed of ten (10) participants, wherein four (4) of the respondents are from Zibo, the other four (4) is from Qingdao, and the remaining two (2) are government officials from Shandong

Province. As all the participants are executives and members of the top management, they are grouped according to the district they belong to. Group A are those from Zibo City while Group B are those from Qingdao City. Group C is composed of two (2) government officials hailing from Zibo and Qingdao Districts. Their identities remain anonymous but their general profile and employment background is provided as this is relevant in the data analysis of this research.

Table 1: Focus Group Discussion Profile

Respondent General Profile					
Respon.	Age	City	Position	Years	Industry
GROUP A					
1	38	Zibo	Deputy General Manager	15	Manufacturing
2	59	Zibo	Chairman and General Manager	23	Communication
3	63	Zibo	Chairman	27	Chemical Production
4	57	Zibo	Chairman of the Board of Directors	25	Pharmaceutical
GROUP B					
5	39	Qingdao	General Manager	14	Electrolyte Production
6	42	Qingdao	Chairman	19	Pharmaceutical
7	44	Qingdao	General Manager	13	Waste Management
8	64	Qingdao	General Manager	21	Electrical Equipment Manufacturing
GROUP C					
9	63	Zibo	Govt Official	11	Zibo District
10	59	Qingdao	Govt Official	14	Qingdao District

Respondent Qualifications for the FGD Interview

Table 2: FGD Criteria

FGD Criteria	
Respondent Qualifications	Choice of Company
Top Management/Executive Position in the company Years of Services must be more than a decade Employment Status must be tenured/permanent Government Official must be included	Company must be located in Zibo/Qingdao Districts Companies must be in the production/manufacturing industries Company must have a registered capital of more than RMB 1,000,000.00 for it to be considered as a business enterprise

As presented in Table 2 the respondents were selected based on their executive designation in their own corporations. Their position gives them the credibility to provide the needed inputs in determining economic and political stability, business environments, market expansion and potential, and investment incentives and regulations. As members of the top management coupled with their decades of experience, business executives have a holistic view on strategies and operational management mechanisms of domineering enterprises. The companies chosen range from manufacturing/production industries, healthcare and pharmaceuticals, automotive, chemical production industries, and even telecommunication. These companies were selected because they have a registered capital of more than RMB 1,000,000.00 which cements their place as a top business enterprise.

Document Analysis

This research also underwent documentary analysis of the Foreign Investment Guide of the People's Republic of China, 2020 edition. Shandong Province has released several policies that are geared towards attracting more foreign investments in its cities. These policies are essential in regulating the flow of foreign investments while promoting internationalization in the country. Historically, China has formulated policies such as: (1) Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, (2) Law of the People's Republic of China on Wholly Foreign-owned Enterprises, and (3) Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures. These laws became the foundation of foreign investors especially with its latest developments.

Although foreign investments are welcome for establishment in China, there is no discrimination nor special treatment towards these multinational companies. They are treated equally as domestic enterprises. "China implements policies to encourage and guide foreign investment. Up to now, the latest industry catalog for guiding foreign investment is the Catalogue of Industries for Encouraging Foreign Investment (2019 version), jointly issued by the National Development and Reform Commission and the Ministry of Commerce on June 30, 2019, and was taken into effect on July 30, 2019" (Shouwen et al, 2020, 41). Foreign investment is being promoted in China but the by-laws clearly delineates responsible business operations.

3. Results and Discussions

The study incorporates a qualitative analysis of business environments in Zibo and Qingdao City was conducted through focus group discussions with executives and government officials. Both districts exhibit economic growth with Zibo boasting diverse industries and Qingdao experiencing a rise in startups alongside established corporations. While both locations have abundant labor and satisfactory infrastructure, opinions on resource availability differ. Zibo faces some resource limitations, while Qingdao seems generally sufficient.

1) Theme: Economic Development

a) Sub-Theme: Marketability and Profitability: Describe the economic development level in your business location (Consumption and profit potential of the business)

2) Theme: Resources

a) Sub-Theme: Material Supply and Human Resources: Describe the resources in your business location (Imported or locally sourced resources)

3) Theme: Infrastructure

a) Sub-Theme: Industrial Structure: Describe the infrastructure in your business location (Operational structure)

b) Sub-Theme: Industrial Structure: Describe the labor force in your business location (Organizational structure)

c) Sub-Theme: Location: Describe the industrial structure of your business location (Geopolitical conditions in the area)

d) Sub-Theme: Location: Describe the advantages in the location of your business (Geographical advantage of the area)

4) Promotion

a) Sub-Theme: Advertisement: Describe the investment promotion in your business location (establishment of brand image)

b) Sub-Theme: Marketing: Describe the government efficiency in your business location (enterprise marketing and sales)

5) Government Support

a) Sub-Theme: Supervision and Assistance: Describe the government supervision in your business location (administration and compliance of the enterprise)

b) Sub-Theme: Partnership: Who are the primary investors responsible for attracting investment to the business location (program partnerships with the local government)

6) Consumer Attraction

a) Sub-Theme: Marketization: Do you believe the marketization of investment attraction in the location of the business is sufficient (investment in the target market)

b) Sub-Theme: Standardization: Do you believe the standardization of attracting investment in the location of the business is sufficient (standardization of business operations)

7) Investment:

a) Technological Advancements

b) Funding

c) Market Expansion

d) Labor Proficiency level improvement

8) Environment

a) Sub-Theme: Eco-Friendly and Waste Management: Evaluate the Impact of your business on the local ecological environment (in accordance with the principles of sustainability)

9) Policies

a) Sub-Theme: Business Policies and Government Regulations What areas do you believe need to be improved in the investment promotion policies of your business location (adherence to government policies)

Results of the Focus Group Discussion

The following are the main key points and summary of the results in the FGD interviews conducted:

Table 3: Group A. Respondents from Zibo District

GROUP A: RESPONDENTS FROM ZIBO DISTRICT	
QUESTION	KEY POINTS
Describe the economic development level in your business location.	Three out of the four respondents are generally satisfied with the economic development level in Zibo District because of the growth and diversity in its business industries.
Describe the resources in your business location.	Two out of the four respondents are satisfied with the resources in Zibo District while the other half believes that the resources are insufficient.
Describe the infrastructure in your business location	All of the four respondents are satisfied with the infrastructure in Zibo District and hope for its further expansion.
Describe the labor force in your business location.	The labor force in Zibo District are diverse and abundant as many are in need of employment in the area.
Describe the industrial structure of your business location.	Three out of the four respondents believe that the industrial structure in Zibo District for the manufacturing industry is growing and expanding but still needs further improvement.
Describe the advantages in the location of your business.	All four respondents believe that Zibo District is marketable in the production and manufacturing industry.
Describe the investment promotion in your business location.	All four respondents believe that Zibo District is industrially fertile which allows it to be open for investments from other industries.
Describe the government efficiency in your business location.	One out of the four respondents believe that the Zibo District government is inefficient in supporting business industries in the area.
Describe the government supervision in your business location.	One of out the four respondents believe that the Zibo District government lacks supervision in supporting business industries in the area.
Who are the primary investors responsible for attracting investment to the business location?	The respondents believe that business corporations remain the top investors in the Zibo District.
Do you believe the marketization of investment attraction in the location of the business is sufficient?	All four respondents denied that investment marketization is sufficient in the Zibo District.
Do you believe the standardization of attracting investment in the location of the business is sufficient?	All four respondents denied that investment standardization is sufficient enough in the Zibo District.
Do you believe that the investment made by your business has brought benefits to the local area? <ul style="list-style-type: none"> • Technological Advancements • Funding • Market Expansion • Labor Proficiency level improvement 	<p>Technological Advancements All four of the respondents believe that the investment made by their businesses provide great benefit to the Zibo District.</p> <p>Funding All four of the respondents believe that the funding made by their businesses contribute to the local government of Zibo District.</p> <p>Market Expansion All four of the respondents believe that their businesses contributed to the marketability of the Zibo District.</p> <p>Labor Proficiency Level Improvement All four of the respondents believe that their businesses helped in the employment increase of the Zibo District.</p>
Evaluate the Impact of your business on the local ecological environment	Only one of the four respondents shared that their business is beneficial to the ecological environment of the Zibo District.
What areas do you believe need to be improved in the investment promotion policies of your business location.	All four of the respondents believe that government cooperation is the key in improving investment promotion policies in the Zibo District.

As presented in Table 3, the Group A respondents from Zibo District expressed their answers through focus group discussion. This survey of four businesses in Zibo District reveals a generally positive perception of the area's economic development (3 out of 4 satisfied).

The infrastructure in Zibo District received high marks from all respondents, with a desire for further expansion. This echoes the importance of well-developed infrastructure for business success as documented in “role of infrastructure in promoting economic growth in China for the period 1975 to 2007. Overall, the results reveal that infrastructure stock, labour force, public and private investments have played an important role in economic growth in China.” Sahoo, P., Ranjan Kumar Dash, & Geethanjali Nataraj. (2010).

Table 4 shows that the businesses in Qingdao District reveal both positive aspects and areas for improvement in the local business environment. Respondents generally expressed satisfaction with the infrastructure and abundance of labor, which aligns with research highlighting the importance of these factors for business growth

as “an economic policy that improves the physical infrastructure as well as human capital formation for sustainable economic growth in developing countries.” Sahoo, P., Ranjan Kumar Dash, & Geethanjali Nataraj. (2010).

Table 4: Group B. Respondents from the Qingdao District

GROUP B: RESPONDENTS FROM QINGDAO DISTRICT	
QUESTION	KEY POINTS
Describe the economic development level in your business location.	All four of the respondents are generally satisfied with the economic development level in Qingdao District as many small-scale and start-up businesses are also rising in the area aside from large corporations.
Describe the resources in your business location.	Three out of the four respondents are satisfied with the resources in Qingdao District while the remaining respondent admits that their materials supply is imported overseas.
Describe the infrastructure in your business location	All of the four respondents are satisfied with the infrastructure in Qingdao District and hope for its further expansion.
Describe the labor force in your business location.	The human resources in Qingdao District are abundant as many are also in need of employment in the area.
Describe the industrial structure of your business location.	All four of the respondents believe that the industrial structure in Qingdao District for production still needs improvement.
Describe the advantages in the location of your business.	All four respondents believe that Qingdao District is marketable but still needs further promotion.
Describe the investment promotion in your business location.	All four respondents believe that Qingdao District is industrially fertile which allows it to be open for investments from other industries.
Describe the government efficiency in your business location.	Three out of the four respondents believe that the Qingdao District government is inefficient in supporting business industries in the area.
Describe the government supervision in your business location.	Three out of the four respondents believe that the Qingdao District government lacks supervision in supporting business industries in the area.
Who are the primary investors responsible for attracting investment to the business location?	The respondents believe that business enterprises remain the top investors in the Qingdao District.
Do you believe the marketization of investment attraction in the location of the business is sufficient?	Two of the respondents believe in the marketization potential of Qingdao District because of the growing businesses, while the other half thinks that this area still needs improvement.
Do you believe the standardization of attracting investment in the location of the business is sufficient?	Two of the respondents believe that the investment standardization of Qingdao District can be strengthened in order for it to be sufficient and feasible to its current businesses.
Do you believe that the investment made by your business has brought benefits to the local area? <ul style="list-style-type: none"> ● Technological Advancements ● Funding ● Market Expansion ● Labor Proficiency level improvement 	<p>Technological Advancements All four of the respondents believe that the investment made by their businesses provide great benefit to the Qingdao District as they are all production/manufacturing companies.</p> <p>Funding All four of the respondents believe that the funding made by their businesses contribute to the local government of Qingdao District especially in terms of financial support to government projects as well as partnerships.</p> <p>Market Expansion All four of the respondents believe that their businesses contributed to the marketability of the Qingdao District, especially since one of their companies have international partnerships.</p> <p>Labor Proficiency Level Improvement All four of the respondents believe that their businesses helped in the employment increase of the Qingdao District as they strictly implement local staff recruitment.</p>
Evaluate the Impact of your business on the local ecological environment	As manufacturing and factory production businesses, all respondents expressed that their companies are not contributing enough in the stewardship of Qingdao District’s ecological environment.
What areas do you believe need to be improved in the investment promotion policies of your business location.	Government cooperation and support are needed by business enterprises and small scale industries in Qingdao District.

Table 5 presents Group C which covers the respondents who are Government Officials. The analysis examines responses from two government officials (Group C) regarding economic development in their districts. Both officials identified promising potential for business growth and highlighted abundant resources as a key advantage. However, discrepancies emerged in their perspectives on infrastructure and industrial readiness. One respondent expressed confidence in adaptability, while the other voiced concerns about unpreparedness for rapid expansion.

Table 5: Group C. Respondents who are Government Officials

GROUP B: RESPONDENTS FROM QINGDAO DISTRICT	
QUESTION	KEY POINTS
Describe the economic development level in your business location.	Both government officials believe that the economic development in each of their districts have a vibrant potential in expanding and creating more businesses.
Describe the resources in your business location.	Both government officials believe that the resources in each of their districts are sufficient.
Describe the infrastructure in your business location	One of the respondents believed that the infrastructure in his district is adaptable to growing business industries while the other respondent thinks that his district is unprepared for the sudden expansion of business enterprises.
Describe the labor force in your business location.	Both respondents claimed that business enterprises helped the labor force in their districts as many of their constituents have been employed by these local companies.
Describe the industrial structure of your business location.	One of the respondents believed that the industrial structure in his district can adapt and is flexible to changes while the other respondent thinks again that his district is unprepared for the sudden expansion of business enterprises.
Describe the advantages in the location of your business.	Both respondents think that the abundance in resources as well as government support are the main advantages of each district.
Describe the investment promotion in your business location.	Both respondents think that the local government provides sufficient support in investment promotion to its business enterprises.
Describe the government efficiency in your business location.	Both respondents think that the government provides satisfactory support in business enterprises.
Describe the government supervision in your business location.	Both respondents think that government supervision is provided in the business enterprises in their districts.
Who are the primary investors responsible for attracting investment to the business location?	One respondent believes that the primary investors are local businesses in their districts while the other respondent believes that international companies also add support and contribute to the local economy of their district.
Do you believe the marketization of investment attraction in the location of the business is sufficient?	Both respondents believe in the marketization potential of each of their districts because of the expanding markets as well as local resources.
Do you believe the standardization of attracting investment in the location of the business is sufficient?	One of the respondents expressed that his district is ready for standardization in investment of business enterprises while the other respondent feels that policies still need to be created and strengthened before implementing any investment expansion.
Do you believe that the investment made by your business has brought benefits to the local area? <ul style="list-style-type: none"> ● Technological Advancements ● Funding ● Market Expansion ● Labor Proficiency level improvement 	<p>Technological Advancements Both respondents believe that technological advancements in their district’s local businesses are somehow improving given the increase in the momentum of most companies’ production performance.</p> <p>Funding Both respondents believe that businesses in their districts need to contribute more financial funding to their local government.</p> <p>Market Expansion One of the respondents feels that his district is ready for market expansion while the other respondent thinks that adaptability measures must first be created before opening its doors to external investors.</p> <p>Labor Proficiency Level Improvement Both of the respondents feel that the employment rate in each of their districts has significantly improved because of local businesses in their area.</p>
Evaluate the Impact of your business on the local ecological environment	One of the respondents believe that the ecological environment remains in a healthy state and the other respondent expressed that the local government exerts its best efforts in protecting the ecology of the district.
What areas do you believe need to be improved in the investment promotion policies of your business location.	Both respondents believe that all business enterprises in each of their districts should contribute more financial assistance to local governments.

Qualitative Analysis

This study is guided by the triangulation approach in qualitative analysis wherein the researcher’s observations, interviews, as well as immersion were used in assessing the impact of foreign direct investment in Shandong Province. Through conducting the focus group discussion, this study was able to collect primary data from the respondents which was then subjected to contextual and thematic analysis.

Table 6 shows the summary finding of qualitative response on the focus group discussion. That focuses in two cities and with government officials. Respondents mostly hail from manufacturing/production companies and location became the main focus of the sub-groups because of an unequal number of respondents coming from other industries.

Table 6: Thematic Summary of Answer

Respondent General Profile					
Economic Development	Marketability	The potential of the business in gaining more consumers	Generally satisfied (3) Improvement needs in marketing (1)	Generally Satisfied (4)	Potential for expansion (2)
	Profitability	The potential of the business in gaining more profit	Neutral (2) Fair Profit (2)	Challenge in Business Profitability (3) Fair Profit (1)	Profit benefits to govt (2)
Resources	Material/Supply Resources	Supply resources which are either imported or locally-sourced out	Feasible Resources (3) Imported Resources (1)	Local Resources (4)	Materials allowed by government with incentives (2)
	Human Resources	Acquisition of talent pool from local residents	Local residents (4)	Local residents (4)	Encourage hiring from residents (2)
Infrastructure	Industrial Structure	Operational structure of the business	Organizational Management is workable (3) Needs Improvement (1)	Organizational Management is workable (4)	Adaptable and flexible (1) Needs further preparations (1)
	Location	Actual geographical place where the business is situated	Strategic location (3) Inefficient location (1)	Needs further marketing as location is quite remote (4)	Location is abundant with resources (2)
Promotion	Advertisement	Company efforts in promoting the public image of the business	Promotion opens doors for investment (4)	Promotion opens doors for investment (4)	Government willing to assist in promotion (2)
	Marketing	Company efforts in promoting the goods and services of the business	Goods and services are adequate (3) Promotion needs improvement (1)	Goods and services are adequate (2) Fair promotion of goods and services (2)	Government willing to assist in promotion (2)
Government Support	Supervision	Contributory administration of the government in the operations of the business	Moderate supervision from government (3) Supervision is inefficient (1)	Supervision is moderately acceptable (1) Supervision needs improvement (3)	Great supervision from the government (2)
	Assistance	Facilitation of the government in the requirements for approval of business operations	Assistance is provided by the government with regulation (3) Insufficient (1)	Assistance is provided by the government with regulation (1) Insufficient (3)	Fair assistance to business enterprises (2)
	Partnership	Creation of programs in partnership with the government	Company has current partnership with government (0)	Company has current partnership with government (0)	Government agrees for open partnerships with businesses (2)
Consumer Attraction	Marketization	Investment in the marketing of the business	Marketization is not sufficient in resulting to consumer attraction (4)	Marketization is not sufficient in resulting to consumer attraction (2) Needs improvement (2)	Marketization is not sufficient in resulting to consumer attraction (2)
	Standardization	Investment in the standardization of business operations	Standardization is not sufficient in resulting to consumer attraction (4)	Standardization can be strengthened (2) Inefficient/needs improvement (2)	Ready for standardization (1) Needs implementation policies (1)
Investment	Technology	Acquisition of more advanced equipment for business operations	Technological advancements are beneficial to the district (4)	Technological advancements are beneficial to the district (4)	Technological advancements are improving (2)
	Funding	Financial management of the business	Funding support to local government is sufficient (4)	Funding support to local government is sufficient (4)	Inefficient/ Lacks funding support from business (2)
	Expansion	Market expansion of the business	Market expansion has potential (4)	Market expansion has potential (4)	District is ready (1) District is not yet ready (1)
	Labor Proficiency	Labor expansion of the business	Employment increase in the district (4)	Employment increase in the district (4)	Employment increase in the district (2)
Environment	Environment-Friendly	Positive impact towards the environment	Fair impact to the environment (4)	Insufficient/Lacks positive impact in the environment (4)	Government protects the ecological environment (2)
	Waste Management	Responsible management in production and manufacturing	Implements proper waste management (4)	Implements proper waste management (4)	Government inspects waste management (2)
Policies	Business Policies	Creation of business policies in adherence to government policies	Business policies adhere to government policies (4)	Business policies adhere to government policies (4)	Government does not intervene with business policies (2)

	Government Regulations	Creation of government policies in consideration of businesses in its jurisdiction	Businesses are regulated by the government (4)	Businesses are regulated by the government (4)	Government facilitates the regulation of enterprises (2)
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Thematic Map

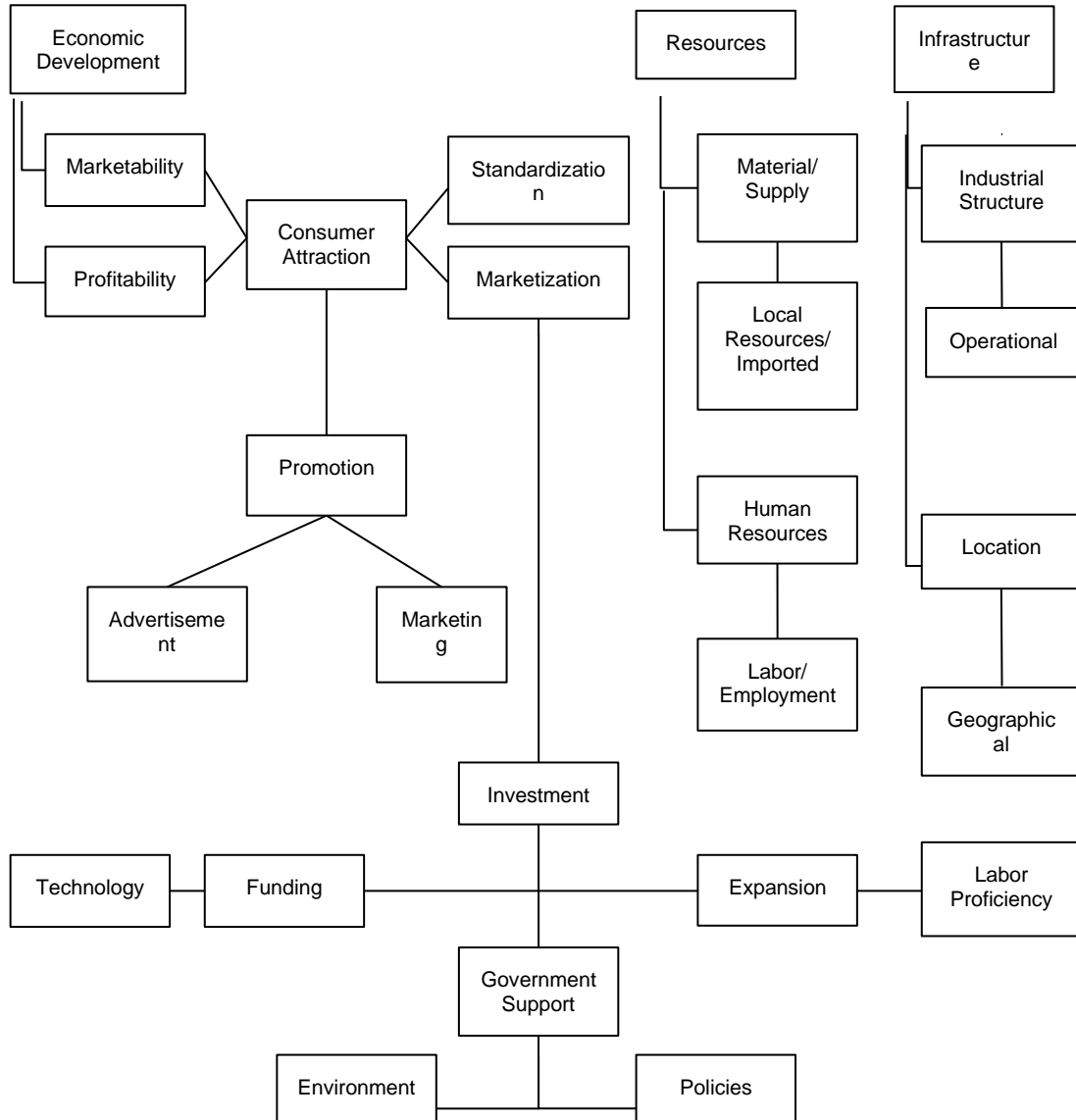


Figure 1: Thematic Map

Figure 1 shows the main thematic analysis brought about by the qualitative assessment of the data gathered upon focus group discussion of the respondents. The main themes were mainly derived from the answers of the respondents, specifically their current experience as corporate leaders of major enterprises in Zibo and Qingdao cities. The map indicates factors that elevate the relevance of each corporation’s influence on Chinese entrepreneurship. Furthermore, the key factors on the risks and market behavior of each enterprise was also uncovered.

The thematic map also uncovers the different levels of the perception that respondents have in terms of financial stability, business operational management, and implementation as well as regulation mechanism.

Thematic Analysis

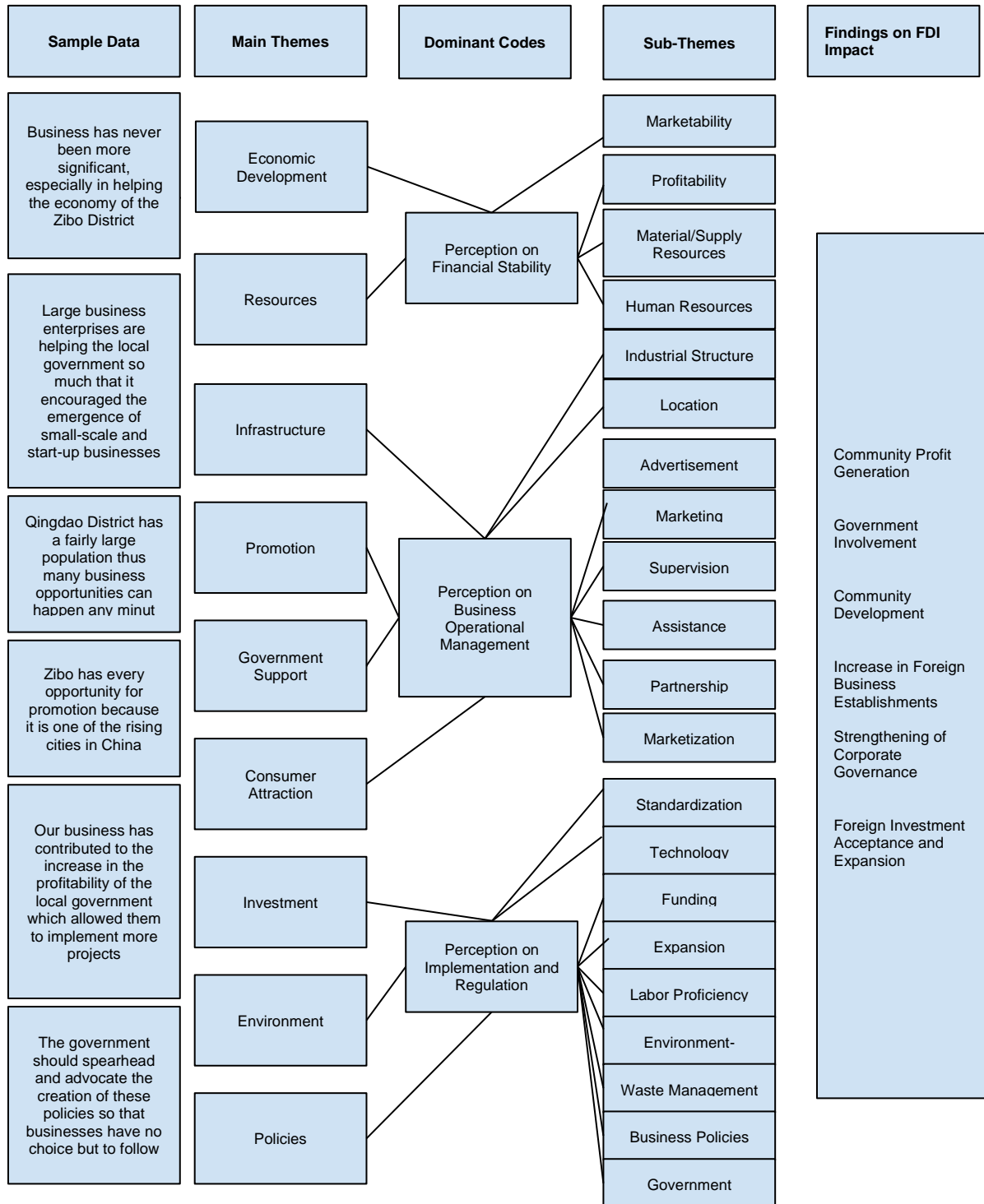


Figure 2: Structural Coding

Economic Development. The participants generally referred to economic development as potential in gaining more consumers (marketability) and potential in gaining more profit (profitability). Many participants felt that the economic development level has a relevant impact in their businesses.

Upon analysis, these findings show the positive outlook of most respondents in terms of their perception on financial stability. Zibo and Qingdao cities have become more vibrant because of the imported materials wherein its remittances significantly contributed to the local government funds. The Foreign Direct Investment in the area looks promising in terms of economic development because corporations present a general increase in community profit generation. This is supported in most studies as they posited that a positive outlook on the financial stability

is a crucial factor in determining a sense of financial security in a community thus resulting in an elevated level of social entrepreneurship (Fitouri & Zouaoui, 2024).

Resources. The participants generally referred to resources as supplies/materials that are either locally-sourced or imported as well as human resources which refers to the acquisition of talent pool from local residents.

Upon analysis, these findings reveal that the struggle in resources may affect foreign investment in the cities as some corporations import their sources from overseas. The sourcing of resources should not be a major issue for foreign corporations aiming to invest in the two cities as they have their needed reinforcements abroad. Foreign direct investors should be able to anticipate this and work around this issue as they have multinational resources overseas given their corporations' multitude of locations. Social support residing in multinational companies leads to the heightening of financial stability (Smiljanić, 2011).

Infrastructure. Infrastructure was generally referred to by the respondents as the operational structure of the business (industrial structure) as well as actual geographical place where the business is situated (location).

Upon analysis, these findings show that the status of infrastructure significantly elevates the perception of business operational management, specifically the individual and institutional economic influence on the local government units of Zibo City and Qingdao City. Financial stability therefore becomes an enterprise core target thus highlighting the need for reliance on government involvement in order to achieve community profit generation and community development. Studies show that this mechanism shall lead to enterprise resilience as well as a sturdy financial system (Yadav et al, 2020).

Promotion. Promotion is generally referred to by the respondents as company efforts in promoting the public image of the business (advertisement) as well as efforts in promoting the goods and services of the business (marketing).

Upon analysis, these findings show the moderate outlook of the respondents on business operational management in terms of promotion as there is always the risk of external influences that may affect the brand image and reputation on enterprises. Thus, foreign investors must be able to adapt to the traditional and cultural trends in Zibo and Qingdao cities in order to make themselves relevant and relatable to its current market. This would elevate the local's perception on the enterprises and this must be able to adapt to the risk management strategies in order to enhance the financial stability not only of the corporations but of the whole community (Bin-Husayn et al, 2025).

Government Support. Government Support comes in three ways for the respondents. Firstly, the contributory administration of the government in the operations of the business which they signify as supervision. Secondly, the facilitation of the government in the requirements for approval of business operations, which they signify as assistance. Lastly, the creation of programs in partnership with the government, which they signify as partnership.

Upon analysis, government support has a relevant effect on the perception on business operational management as it leads to the increase of foreign business establishments in Zibo and Qingdao cities as well as increases the chance of FDI acceptance and expansion in each local government units. Government support, especially policy formulation and implementation would have a significant impact on the increase of foreign direct investments in the areas as guaranteed government support would increase the profitability and elevate the level of awareness that the locals have on multinational products and services. Government support maximizes public confidence because it significantly influences industry-level and public perception as well as the brand image and reputation (Sihvonen et al, 2019).

Consumer Attraction. Consumer Attraction is associated by the respondents as an investment in the marketing of the businesses (marketization) and investment in the standardization of business operations (standardization).

Upon analysis, these findings show that consumer attraction is dependent on the ability of enterprises to capture consumer interest and behavior which has a significant impact on the perception of business operational management. Enterprises in Zibo City and Qingdao City should make the necessary efforts in consumer attraction and foreign direct investors has the responsibility to keep up with the local corporations which can be achieved by increasing their financial allotment for investment on market research. Allocation of budget for FDI companies must be allotted to the investment on profitable mechanisms and strengthening of operational management such

as market research, advocacy and promotion, etc (Ulgen et al, 2017).

Investment. Investment comes in four ways to the respondents as it is primarily an acquisition of more advanced equipment for business operations (technology) which involves financial management of the business (funding) and results in market expansion of the business (expansion) as well as labor expansion of the business (labor proficiency).

Upon analysis, the findings prove that investment has a direct and significant impact on the perception on the implementation and regulation of business enterprises as this should be one of the top priorities in the business process management of corporations. An increased level of investment would result in a heightened implementation and regulation mechanisms as this will require the internal management of corporations to keep up and adapt to the operational changes in order to optimize profitability. Foreign direct investors must be able to keep up with this management arrangement as this will result to the increase in public awareness and trust to multinational foreign companies. If FDI companies achieve this, there will be a general perceived acceptance for foreign products and services which will lead to expansion in both cities (Karmakar et al, 2024).

Environment. Environment was generally referred to by the respondents as the positive impact towards the environment (environment-friendly) and responsible management in production and manufacturing (waste management).

Upon analysis, the findings show that environment as a factor is heavily dependent on the current implementation and regulation mechanisms of business enterprises as environment-friendly practices of a certain corporation relies on the type of corporate governance as well as facilitation of proper waste management. If the enterprise is envisioning a sustainable means of profit generation, then there is a significant chance that this shall promote a positive economic and ecological behavior which can ultimately lead to financially stable community. This underscores the significance of fostering an ecologically aware and environment-friendly corporation in order to gain and sustain customer trust and loyalty (Chernykh et al., 2019).

Policies. Policies was generally referred to by the respondents as the creation of business policies in adherence to government policies as well as creation of government policies in consideration of businesses in its jurisdiction.

Upon analysis, the findings show that internal policies and operational procedures have a direct and significant effect on the level of perception on implementation and regulation as this impacts the level of profitability as well as increase the chances for expansion especially to foreign direct investors. Multinational companies considering to pursue their business establishment in Zibo and Qingdao cities must be able to consider the development and reinvention of business policies in pursuit of strengthening corporate governance in order to increase the chances of foreign direct investment acceptance and possible expansion to both districts. Continuous vigilance and creation of adaptive risk management strategies must be prioritized by enterprises (Fitouri & Zouaoui, 2024).

4. Conclusion

With these results and analysis of the data gathered, the study therefore arrives to the following conclusions: Zibo City boasts economic and political stability, its business environment requires improvement. Specifically, marketization and standardization of investment attraction strategies need to be addressed to enhance the city's attractiveness to foreign direct investment.

Foreign direct investment in Qingdao is positively impacted by economic and political stability, market size, and growth potential. However, respondents highlighted areas for improvement, such as standardization in attracting foreign investment and investment incentives.

Economic development is the key factor attracting foreign direct investment (FDI) to Shandong Province, while reduced bureaucratic burden is equally important. While Zibo and Qingdao offer promising business environments with distinct strengths, standardized and market-oriented investment attraction strategies are needed to fully leverage their economic potential.

Recommendations

With these conclusions, the study therefore recommends the following for future researches:

Foreign direct investment, policymakers should prioritize strengthening marketization efforts and standardizing investment attraction strategies alongside the existing economic and political stability.

Qingdao should prioritize streamlining investment attraction processes and developing targeted incentive packages alongside its current strengths in stability and market potential.

Policymakers in Shandong Province should prioritize streamlining government regulations to reduce bureaucratic hurdles for foreign investors. Additionally, implementing standardized and market-driven investment attraction strategies tailored to the specific strengths of Zibo and Qingdao would further enhance the province's attractiveness to foreign capital.

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