



The New Language of FDI

From Hymer and Dunning to Services-Led FDI, Execution-Led FDI, and the New Era of Investment Execution

Foreign direct investment has never stood still. Neither has the language used to explain it.

More than six decades ago, Stephen Hymer challenged conventional economic thinking by asking a deceptively simple question: *Why would a company invest directly in another country rather than simply export its products or license its technology?*

That question helped change the study of international business. Others followed. Raymond Vernon examined how international production evolves as products move through their life cycles. Frederick Knickerbocker explored how multinational companies respond to the foreign investments of their competitors. John Dunning brought several strands of international business theory together through his influential Ownership-Location-Internalization paradigm.

Each contributed to our understanding of why companies cross borders, why they invest, where they invest, and how competitive forces influence international expansion. Their theories emerged in a world shaped by multinational corporations, industrial production, factories, physical assets, and the international movement of capital.

But the world changed — and it changed profoundly.

When Value Stopped Being Primarily Physical

Today, some of the world's most valuable innovations do not begin with factories. They begin with intellectual property, software, artificial intelligence, diagnostics, digital platforms, and specialized expertise. The defining assets of many modern companies are increasingly intangible: algorithms, clinical protocols, diagnostic technologies, data platforms, patents, engineering expertise, and proprietary processes.

These assets do not invalidate classical FDI theory, but they do change the practical pathway through which international economic value can be created. A diagnostic technology can enter a market before a local factory exists.



An artificial intelligence platform can be commercially deployed before a regional headquarters is established. Specialized expertise can create revenue before major physical infrastructure is built.

The world changed. The way companies create value changed with it. And now, the language and execution of foreign direct investment must evolve too.

The New Questions of Foreign Direct Investment

Governments are no longer competing merely for foreign capital. They seek technology transfer, knowledge, talent, innovation, commercialization, local capabilities, industrial participation, resilient supply chains, jobs, exports, and sustainable economic value.

Yet much of the traditional language surrounding FDI still begins with capital: How much was invested? How many facilities were announced? How many jobs were promised?

These questions remain important, but they are no longer sufficient.

The more consequential question today is: *What actually happens next?* After the investment conference, the trade delegation, the memorandum of understanding, or the announcement — does the company actually enter the market? Does it navigate regulation? Does it find customers? Does it generate revenue? Does it build meaningful local partnerships? Does it localize? Does it eventually manufacture? And does the host economy ultimately receive the measurable and sustainable economic value that was promised?

This is the execution question at the heart of modern foreign direct investment.

The WHAT, the HOW, and the WHO

As the global economy evolves, three distinct but interconnected questions emerge:

- **What** does the company deploy first?
- **How** does international opportunity become measurable economic activity?
- **Who** enables the journey from investment interest to lasting economic impact?



These questions form the architecture of the new language of FDI.

- **Services-Led FDI** is the **WHAT**. It describes the services, technologies, expertise, intellectual assets, capabilities, partnerships, and commercial activities through which an international company can enter and activate a foreign market before committing to major capital-intensive infrastructure.
- **Execution-Led FDI** is the **HOW**. It describes the operating philosophy and disciplined progression through which international opportunity is converted into commercial traction, localization, industrialization, and measurable economic outcomes.
- **Institutional Execution** is the **WHO**. It describes how institutions and ecosystem participants contribute their respective strengths while connecting the investor to a structured execution pathway.

Together, these three dimensions rest on one defining principle: **Execution comes first. Capital follows.**

From Theory to Execution

To understand why this new language has become necessary, we must first understand the questions that came before it.

Stephen Hymer shifted the focus of FDI theory from capital movements to the firm itself. His central insight was that a company investing abroad must possess advantages capable of overcoming the disadvantages of operating in an unfamiliar environment — proprietary technology, brand strength, managerial expertise, intellectual property, or specialized knowledge. Hymer helped explain *why* firms invest abroad. The modern execution question asks: *How should it begin?*

Raymond Vernon introduced the Product Life Cycle theory, showing that international production can evolve progressively as products mature. His work demonstrated that companies do not necessarily begin their international journey with full-scale foreign production. This principle remains relevant today — except that in the modern innovation economy, the progression can begin even earlier, through regulatory validation, pilot deployments, or commercial activation.



Frederick Knickerbocker added the dimension of competitive behaviour. He showed that companies often follow one another into foreign markets because the first mover changes the competitive landscape. His insight carries a powerful modern implication: **execution creates signals**. One successful market entry, one successful regulatory journey, or one commercially validated technology can increase the confidence of others. In modern FDI, execution does not merely create individual outcomes — it creates confidence.

John Dunning's eclectic paradigm (the OLI framework) explained when ownership, location, and internalization advantages make foreign direct investment compelling. The framework remains highly relevant, but today's environment introduces an additional practical question: *What if a location appears attractive, but the company has not yet proven that it can succeed there?* The existence of a compelling investment proposition does not eliminate execution risk.

The Capital-First Era and the Execution Gap

As FDI theory evolved, governments became increasingly active participants in the competition for international investment. Investment promotion agencies were established, special economic zones and free zones were created, tax incentives were introduced, and countries marketed their infrastructure, talent, geography, and development ambitions.

This model delivered extraordinary results in many parts of the world. Traditional FDI did not fail — it helped build much of the modern global economy. However, as the economy changed, the limitations of relying too heavily on a capital-first sequence became increasingly visible.

For many modern companies — particularly those built around technology, diagnostics, artificial intelligence, digital platforms, and specialized expertise — the traditional sequence of *Licence → Office → Staff → Infrastructure → Market Entry → Hope* introduces unnecessary risk. Companies often establish legal entities that remain commercially inactive. Investment announcements fail to fully materialize. Localization targets are missed. The central challenge is no longer necessarily the absence of investment interest. It is increasingly the gap between investment promotion and effective execution.



A More Risk-Aware World

The environment in which companies make international investment decisions has changed profoundly. The global financial crisis, the COVID-19 pandemic, and rising geopolitical tensions have made companies more risk-aware. Supply chain resilience has become a strategic priority. Governments increasingly expect investment to deliver quality, productivity, technology transfer, skills, and measurable economic impact — not just a legal entity or an announced capital value.

In this environment, investment decisions can — and increasingly should — be grounded in evidence: commercial evidence, regulatory evidence, customer evidence, partnership evidence, and execution evidence. Capital does not disappear from the journey. It becomes progressively justified by proof.

The Execution Gap

Between investment attraction and economic impact lies a space that receives far less attention than it deserves: **the execution gap**.

Governments attract investors. Investment authorities generate leads. Chambers of commerce build relationships. Embassies organize trade missions. Free zones provide infrastructure and licensing. And yet the hardest part often begins afterwards. Who owns the next step? Who helps the company navigate regulation? Who turns introductions into customers? Who supports localization? Who determines when manufacturing becomes commercially justified?

Attracting investment and executing investment are not the same capability. The gap between the two is where enormous economic opportunity can be lost.

The New Language of FDI

Execution-Led FDI describes *how* international opportunity becomes economic reality. It shifts the focus from the investment event to the investment lifecycle — from interest to entry, activation, revenue, localization, industrialization, and regional scale. It recognizes that successful FDI is rarely one decision. It is a sequence of decisions, actions, validations, and increasingly deeper commitments. The real work begins when the meeting ends.



Services-Led FDI defines *what* can be deployed first. It is an execution-driven model in which international companies enter and activate foreign markets through services, technologies, expertise, partnerships, and operational deployment before committing to major capital-intensive infrastructure. It challenges the assumption that physical investment must necessarily precede commercial proof.

Institutional Execution answers *who* enables the journey. Foreign direct investment occurs within ecosystems. Institutional Execution connects the capabilities of governments, investment authorities, chambers, free zones, embassies, regulators, and specialized execution partners around the real journey of the investor — ensuring that opportunity continues moving forward rather than stalling in fragmentation.

Together, these three dimensions form a coherent architecture:

- **Services-Led FDI** is the WHAT
- **Execution-Led FDI** is the HOW
- **Institutional Execution** is the WHO

And the principle that connects them is simple: **Execution comes first. Capital follows.**

The Five-Stage Services-Led FDI Framework

Services-Led FDI follows a progressive five-stage execution pathway:

1. **Opportunity Discovery** — Identifying technologies and innovations that align with real market demand and national priorities.
2. **Commercial Activation** — Turning assumptions into evidence through regulatory navigation, partnerships, pilot deployments, and initial revenue generation.
3. **Localization** — Deepening local presence through talent, partnerships, knowledge transfer, and capability building.
4. **Industrialization** — Moving toward manufacturing and physical infrastructure once demand has been validated and the commercial case proven.
5. **Regional Scale** — Using successful local operations as a platform for broader regional expansion.

Each stage creates evidence for the next. Each stage deepens commitment. Each stage reduces uncertainty.



Where Services-Led FDI Becomes Particularly Powerful

Services-Led FDI is especially relevant in sectors where innovation moves quickly, regulation matters, intellectual property carries substantial value, and the cost of premature capital investment can be high — such as HealthTech, life sciences, artificial intelligence, digital technologies, advanced manufacturing, and clean energy.

In these sectors, the most important initial asset is often not a factory. It is capability. The question is no longer necessarily *Where should we build first?* but *Where can we execute first, prove value, create demand, and then build with confidence?*

The UAE and GCC: A Natural Proving Ground

Few countries are better positioned to demonstrate the potential of this evolution than the United Arab Emirates. The UAE has built one of the world's most ambitious environments for international business, advanced technology, healthcare innovation, and entrepreneurship.

Its opportunity goes beyond attracting more foreign companies. It can become the place where international companies prove how successful international expansion should work — by entering, navigating regulation, establishing commercial traction, generating revenue, localizing capabilities, and using the UAE as a platform for regional scale.

An execution-first pathway does not reduce the UAE's ambition to attract major investment. It increases the probability that such investment ultimately materializes and succeeds.

From Announced Investment to Measurable Outcomes

The emergence of an execution-led model changes how success should be measured. Traditional metrics — capital committed, jobs created, facilities established — remain valuable. But an execution-first model introduces additional, more consequential questions: How many opportunities were commercially activated? How many generated local revenue? How many progressed toward localization and industrialization? How many used the host economy as a regional platform?

The new language of FDI requires a new discipline: **Measure movement. Measure conversion. Measure execution. Measure outcomes.**



The Emergence of Services-Led FDI

Services-Led FDI emerged from a practical execution problem — not from an attempt to create another academic theory. It was born from the repeated observation of the gap between international opportunity and successful implementation.

Through **360Disruption**, Dr. Anjo De Heus formulated Services-Led FDI as an execution-first pathway designed to bridge this gap. The principle was straightforward: Do not begin by asking how much capital a company can invest. Begin by asking what it can execute. Then let deeper investment follow proven opportunity.

Services-Led FDI is not a rejection of traditional foreign direct investment. It is its evolution. It expands the FDI toolkit by recognizing that for many modern, innovation-driven companies, a progressive execution pathway can create a more rational route toward deeper commitments.

Why This Language Matters

Terminology matters because language shapes how problems are understood. For decades, FDI language has focused heavily on investment flows, capital commitments, projects, and jobs. These remain important. But the emerging economy requires additional language: activation, execution, commercialization, validation, localization, capability transfer, and institutional execution.

Without this language, the execution gap can remain invisible. An investor was attracted. A meeting happened. An MoU was signed. A licence was issued. A company established. But what happened next?

The new language of FDI demands a more consequential answer.

The Next Chapter of Foreign Direct Investment

Foreign direct investment will continue to evolve. Traditional FDI will remain essential. But alongside these established models, another pathway is emerging — one in which international companies enter through capability before infrastructure, markets are commercially activated before major capital is committed, localization develops progressively, and institutions are measured not only by the opportunities they attract, but by the outcomes those opportunities create.

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Stephen Hymer helped explain why companies invest abroad. Raymond Vernon showed how international production evolves. Frederick Knickerbocker explained how competitive behaviour influences foreign investment. John Dunning helped explain when ownership, location, and internalization advantages make FDI compelling.

Their work helped define the language of foreign direct investment for generations. Today's defining question is increasingly clear:

How do we turn international investment opportunity into actual economic outcomes?

That is the execution question. And it requires a language capable of describing the answer.

Services-Led FDI is the WHAT. **Execution-Led FDI** is the HOW. **Institutional Execution** is the WHO.

Together, they describe a pathway from international opportunity to commercial activation, localization, industrialization, and regional scale.

Not investment measured only by what was promised. But investment measured by what moved, what was activated, what was commercialized, what was localized, what was built, what endured, and what became possible next.

That is the new language of FDI.

And at its heart sits one defining principle:

Execution comes first. Capital follows.