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ABSTRACT

This study explores the determinants, entry modes, and institutional challenges influencing Israeli and Jewish diaspora foreign direct investment (FDI) in the Republic of Cyprus through a qualitative analysis of 34 investor interviews and 10 external informants. Using Grounded Theory Methodology, the findings confirm the relevance of the OLI paradigm while identifying five emergent constructs—Regulatory Opportunism, Relational Asset-Seeking, Financial Arbitrage Advantage, Resilience-Seeking FDI, and Geopolitical Leverage. Entry modes are dominated by wholly owned subsidiaries, reflecting control imperatives, while obstacles such as bureaucratic inefficiencies and talent shortages persist. The study extends FDI theory by integrating institutional arbitrage and resilience logic, offering implications for policy and practice.

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Cyprus; entry modes; foreign direct investment; institutional challenges; investment determinants; Israeli investment; Jewish diaspora

Introduction

The Republic of Cyprus has emerged as a strategic hub for financial services, shipping, and technology, leveraging its location at the crossroads of Europe, the Middle East, and North Africa. Its position, combined with investor-friendly policies and appeal to venture capital (Invest Cyprus 2024), underscores its growing importance. With a population of 918,100 in 2021—an increase of 9.2% since 2011—and approximately 193,300 foreign permanent residents (CYSTAT 2024), the island attracts a diverse expatriate community. As a strategic gateway economy, Cyprus enhances connectivity and facilitates trade, making it an attractive base for firms seeking regional and EU market access (Kontakos 2018, 2019a, 2019b).

EU accession in 2004 and euro adoption in 2008 significantly increased foreign direct investment (FDI) inflows (Karayianni et al. 2023). Despite setbacks during the 2012–2013 financial crisis, inward FDI stock reached

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91 billion U.S. dollars in 2023—three times GDP and among the highest in UNCTAD economies—compared to 7 billion in 2003 (UNCTAD 2024). Cyprus ranked 4th in Emerging Europe and 11th globally in the 2023 Greenfield FDI Performance Index, reflecting sustained investor confidence (FDI Intelligence 2024). This trajectory highlights resilience following multiple crises and pandemic disruptions, reinforced by its emergence as a regional technology hub with globally recognized ICT firms (Invest Cyprus 2023a).

Relocation incentives have spurred investment growth. In 2022, foreign company relocations to Cyprus rose by over 50%, creating jobs and generating an economic impact near 10% of GDP (Invest Cyprus 2023b). Among recent investors, Israeli and Jewish diaspora firms play an increasingly prominent role. Drawn by geographic proximity, cultural affinity, and favorable taxation, these investors have entered sectors such as real estate, financial services, forex trading, hospitality, and pharmaceuticals. Israeli FDI stock in Cyprus, while modest at 920 million euros in 2021, grew by nearly 54% since 2020 (Central Bank of Cyprus 2025). Broader diaspora investment from the U.S., Russia, and Germany may be underestimated in official statistics.

Despite the strategic and economic significance of Israeli and Jewish diaspora investment, research on this phenomenon remains limited. Existing studies on Cyprus focus primarily on macro-level FDI and its linkages with growth (Feridun 2004); determinants (Krupnova and Socratous 2020); investment incentives for foreign investors (Georgiou and Kontakos 2018); sector-specific patterns, notably in tourism (Şafakli 2005) and in energy (Hazakis and Chailis 2013), and infrastructure financing (Kontakos 2024a). Studies also explore Russian round-tripping and post-crisis recovery (Repousis, Lois, and Kougioumtsidis 2019). Often, Cyprus is contextualized in comparative regional studies on FDI (Kontakos 2025; Kontakos and Zhelyazkova 2015). However, few analyses systematically apply established theoretical frameworks—such as the OLI paradigm (Dunning 1988), internalization theory, or institutional perspectives—to understand FDI in Cyprus. Furthermore, institutional challenges, though central to location attractiveness, are seldom examined through an integrated lens combining drivers, entry modes, and barriers.

Addressing this gap, the present study explores the determinants, entry modes, and institutional challenges influencing Israeli and Jewish diaspora FDI in Cyprus. Institutional challenges are conceptualized as negative locational determinants, including bureaucratic inefficiencies, regulatory complexity, and IP compliance requirements, which affect market entry and operational strategies (Narula and Verbeke 2015). The study applies Grounded Theory Methodology (GTM) to 34 in-depth interviews with investors—27 Israeli and 7 from the Jewish diaspora—complemented by insights from 10 external informants, enabling inductive theory-building grounded in empirical evidence.

It contributes to the literature in three ways. Empirically, it provides one of the first systematic, case-based analyses of Israeli and Jewish diaspora FDI in Cyprus, a strategically important yet underexplored small-state context. Theoretically, it tests the explanatory limits of the OLI paradigm, showing that while ownership and location advantages remain relevant, new motives—such as regulatory opportunism, relational asset-seeking, financial arbitrage, resilience-seeking FDI, and geopolitical leverage—extend and adapt the framework to contemporary conditions of institutional complexity and regional uncertainty. Methodologically, the study demonstrates the value of Grounded Theory Methodology (GTM) for generating context-specific insights that large-N, quantitative studies often overlook, offering a richer understanding of how investors mobilize both classical and emergent determinants in practice.

The guiding research question is:

> RQ: What are the primary determinants, entry modes, and institutional challenges shaping Israeli and Jewish diaspora FDI in the Republic of Cyprus?

The paper first reviews theoretical and empirical literature on FDI determinants and entry modes, then outlines the research context and methodology. This is followed by an analysis of findings and a discussion of their implications. The paper concludes by highlighting key contributions, practical and policy insights, limitations, and directions for future research. For clarity, "Cyprus" refers to the Republic of Cyprus, an EU member state in the Eastern Mediterranean.

FDI determinants and entry modes: a brief theoretical review

Foreign direct investment determinants encompass the set of factors influencing firms' internationalization strategies, including drivers and barriers operating at both home and host country levels. These determinants incorporate motives—market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking—as well as institutional and regulatory factors such as fiscal incentives or investment treaties, and obstacles like political risk, bureaucratic complexity, corruption, and cultural distance (Bitzenis and Szamosi 2009; Kontakos 2023). Despite extensive research, no single theory universally explains FDI decisions, highlighting the need for integrated frameworks (Bitzenis 2003; Triarchi and Marangos 2024). Recent reviews emphasize that institutional complexity, geopolitical risk and alignment, and network dynamics increasingly shape FDI beyond classical efficiency-driven motives, highlighting compounded regional distance constraints on global strategies (Bhaumik et al. 2025; Kontakos 2024b).

Early efforts to explain FDI were rooted in neoclassical trade theory, linking investment flows to return differentials across borders (Faeth 2009). Kindleberger (1969) argued that FDI cannot exist under perfect competition because cross-border capital mobility requires firm-specific advantages. Hymer's Hymer (1976) market imperfections theory advanced this view by attributing FDI to ownership-specific advantages—technological leadership, brand equity, or economies of scale—that allow firms to offset competitive disadvantages in foreign markets. Scholars such as Caves (1971) and Knickerbocker (1973) contributed complementary explanations emphasizing oligopolistic reactions, product life cycle dynamics, and technological advantages. Internalization theory (Buckley and Casson 1976) further explained FDI as a governance strategy to internalize imperfect markets and protect proprietary assets, particularly in knowledge-intensive sectors.

Building on these foundations, Dunning's eclectic paradigm (OLI) became the dominant integrative framework, combining Ownership, Location, and Internalization advantages to explain FDI flows (Dunning 1988). The OLI paradigm remains central in IB research, but recent scholarship critiques its static assumptions and limited adaptability to contexts characterized by institutional volatility, regulatory heterogeneity, and geopolitical fragmentation, while overlooking regional strategy dynamics critical for MNE success beyond home regions (Bhaumik et al. 2025). These critiques underscore the importance of incorporating dynamic constructs such as institutional arbitrage, relational assets, and resilience-driven motives into FDI theory.

Institutional determinants have gained prominence as global FDI increasingly targets jurisdictions offering favorable governance frameworks. Picciotto (2019) conceptualizes this as institutional arbitrage, where firms exploit regulatory diversity to optimize taxation, compliance, and operational flexibility. Small states like Cyprus leverage this by positioning as EU-aligned financial hubs, offering legal certainty and tax efficiency. However, institutional factors also manifest as barriers: bureaucratic inefficiencies, fragmented facilitation, and double-taxation complexities raise transaction costs and affect investment structuring. Corruption remains a contested determinant—sometimes greasing, sometimes sanding the wheels of investment (Cuervo-Cazurra 2006; Vlachos, Bitzenis, and Kontakos 2015). Although Cyprus ranks 49th and Israel 33rd in Transparency International's 2023 Corruption Perception Index (Transparency International 2023), the persistence of compliance concerns reinforces governance credibility as a locational determinant influencing strategic risk assessments.

Beyond formal institutions, sociocultural proximity and relational asset-seeking have emerged as critical enablers of FDI (Narula and Dunning

2010). Relational assets—rooted in trust, ethnic ties, and personal networks—facilitate opportunity recognition, resource mobilization, and integration, particularly for diaspora investors (Dunning 2002; Karayianni et al. 2023; Light and Dana 2013). These networks reduce liability of foreignness and accelerate market entry while mitigating transaction risks (Erdener and Shapiro 2005). For Israeli and Jewish diaspora investors, cultural affinity with Cyprus, combined with shared Mediterranean values, amplifies these advantages, making relational capital a strategic complement to conventional OLI drivers. Such findings echo contemporary research on network-based internationalization and the growing role of informal institutions in shaping FDI strategies (Hernandez and Guillén 2018).

Recent literature also emphasizes resilience-oriented motives, as firms increasingly respond to geopolitical shocks, policy instability, and systemic disruptions through adaptive internationalization strategies (Bhaumik et al. 2025). In this context, FDI serves as a hedging mechanism, enabling investors to diversify geographic exposure and safeguard critical assets. Internalization advantages intersect with resilience logic: firms seek governance structures—such as wholly owned subsidiaries (WOS)—that ensure continuity and IP protection amid volatile home-country environments. These dynamics resonate strongly in the Israeli Cypriot context, where judicial reforms, regional security concerns, and energy diplomacy shape investment decisions.

Finally, geopolitical determinants, though often underexplored in mainstream IB theory, represent an essential dimension of FDI in politically sensitive regions. Classical political economy perspectives, such as Gilpin's (1976) argument that multinational enterprises embody national strategic interests, and Nye's (1974) work on MNEs in world politics, remain relevant for understanding investment flows tied to security alliances. For Cyprus and Israel, bilateral cooperation in energy infrastructure (e.g., EastMed pipeline, Great Sea Interconnector), defence, and technology ecosystems exemplifies how intergovernmental relations function as enabling conditions for FDI—transforming political alignment into locational advantage.

Entry modes constitute a critical strategic layer in this theoretical discussion. Firms typically choose among greenfield investment, mergers and acquisitions (M&A), joint ventures, and contractual modes, balancing tradeoffs between control, resource commitment, and risk (Pan and Tse 2000). Greenfield projects confer full autonomy and are preferred where proprietary technology and brand reputation underpin competitive advantage. Conversely, M&A and joint ventures facilitate rapid entry but require managing integration risks and relational dynamics. In Cyprus, foreign investors predominantly pursue greenfield investments (FDI Intelligence

2024; Kiteos and Kontakos 2021), consistent with the need for control in sectors such as finance and ICT. Israeli and Jewish diaspora investors exhibit similar patterns, favoring wholly owned subsidiaries, while selectively engaging in joint ventures or acquisitions in capital-intensive projects—reflecting both strong ownership advantages and context-specific risk calculations.

Taken together, this synthesis underscores the interplay between classical and contemporary determinants. While the OLI paradigm remains foundational, it requires augmentation through institutional and relational perspectives, alongside constructs reflecting resilience and geopolitical considerations. This integrated approach provides a more nuanced explanatory framework for Israeli and Jewish diaspora FDI in Cyprus and justifies the adoption of an inductive, GTM-based design to capture emergent motives beyond traditional theory.

Economic ties between Israel and Cyprus: Profiles in investment, trade, and tourism

Trade relations and tourism trends between Israel and Cyprus

Trade relations between Israel and Cyprus have reached unprecedented levels (Figure 1), driven by increased bilateral trade and export activity (CTC Tel Aviv 2023). Several agreements support this cooperation (Government of Cyprus 2023a), including a reciprocal investment promotion agreement (Government of Israel 2023), a bilateral investment treaty (UNCTAD 2003), the EEZ delimitation agreement (United Nations 2010), and initiatives such as the EastMed gas pipeline and Eastern Mediterranean Gas Forum (EMGF 2020). Recent MoUs also cover trade, energy, and entrepreneurship, including the Great Sea Interconnector (European

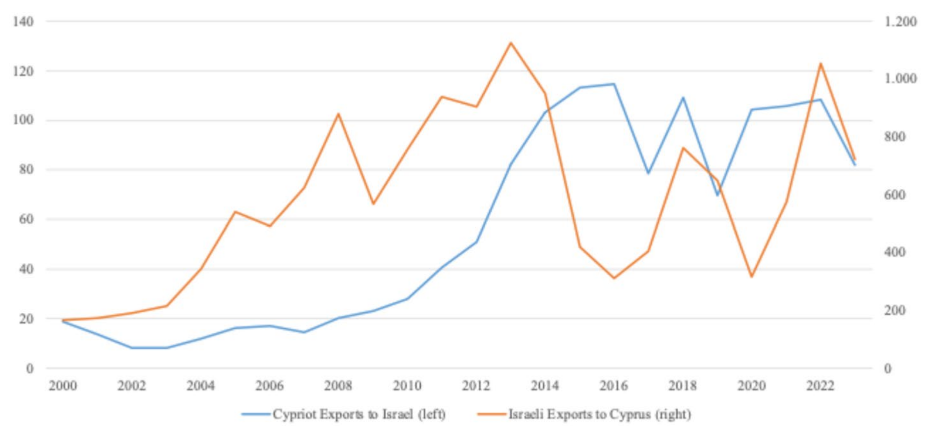

Figure 1. Trade of goods between Cyprus and Israel, 2000–2023 (Millions of U.S. dollars). *Source:* UN Comtrade Database (2024).

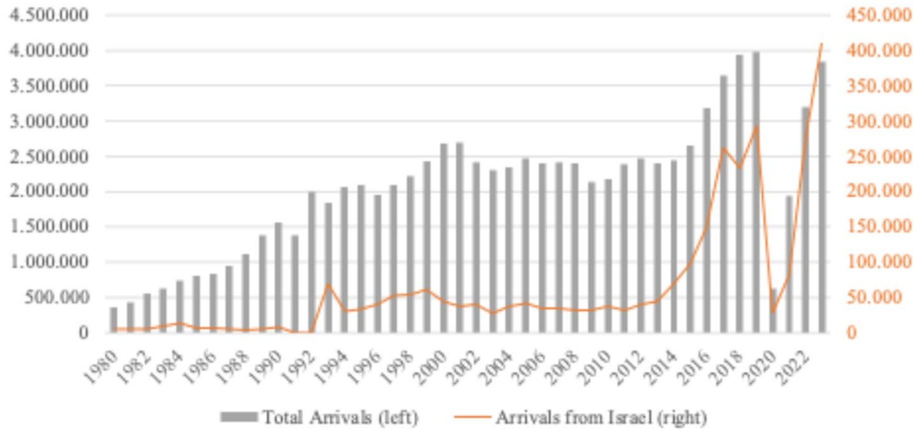

Figure 2. Number of tourists from Israel in Cyprus, 1980–2023. *Source:* CYSTAT (2024).

Commission 2022). Trade between the EU and Israel, including Cyprus, operates under the 2000 EU-Israel Association Agreement (European Union 2010). Although a double-taxation treaty remains pending, negotiations are ongoing (Government of Cyprus 2023b).

In 2023, Israel ranked as Cyprus' 13th export partner (82 million U.S dollars, 2.4% of total), while Cyprus was Israel's 20th export destination (723 U.S dollars, 1.2%) (UN Comtrade Database 2024). Cyprus exports fish products, electronic equipment, and petroleum oils, while Israel exports chemicals, electrical goods, and mineral fuels, with Cyprus a key market for refined petroleum products (CTC Tel Aviv 2023).

Beyond trade, both countries cooperate in energy, security, and tourism (Government of Cyprus 2023a). Cyprus positions as an international business hub in financial, professional, and tourism services, while Israel leads in high-tech sectors such as cybersecurity and agritech. Although the Covid-19 pandemic disrupted flows, recovery was swift (Figure 2). Israeli tourism to Cyprus rose ten-fold in a decade, reaching 411,485 arrivals in 2023—11% of total visitors, making Israel the second-largest tourist market (CYSTAT 2024). Conversely, Cypriot visitors to Israel peaked at 14,000 in 2023, exceeding pre-pandemic levels (Ministry of Tourism 2024).

Israeli and Jewish diaspora foreign investments in the Republic of Cyprus

Israeli foreign direct investment in Cyprus has risen significantly in recent years, reinforcing strong economic and political ties. The inward stock of Israeli FDI was 920 million euros in 2021, an increase of nearly 54% since 2020, while inflows reached 279 million euros—the highest since the 2013 financial crisis (Central Bank of Cyprus 2025) (Figure 3).

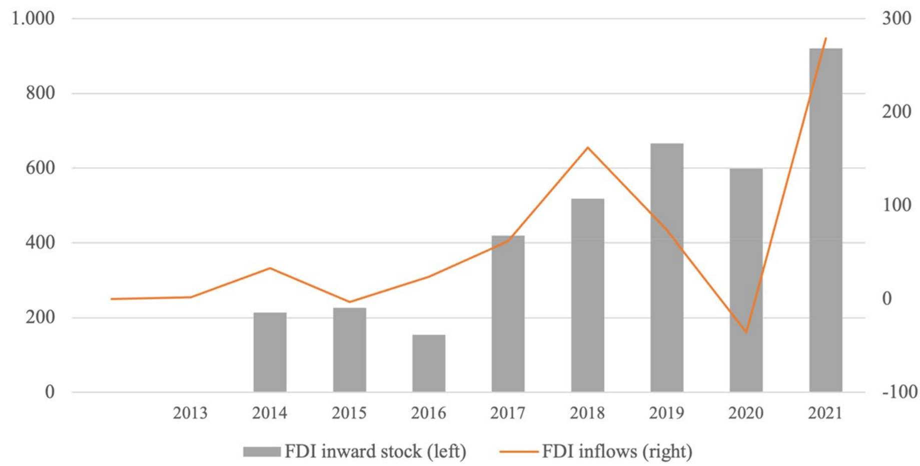

Figure 3. Israeli FDI inflows and inward stock in the Republic of Cyprus 2013–2021 (Millions of Euros). *Source:* Central Bank of Cyprus (2025).

Table 1. Major FDI inflows and inward stock in the Republic of Cyprus 2013–2021, by country of origin (Millions of Euros).

		2013	2014	2015	2016	2017	2018	2019	2020	2021
FDI inflows	Israel	2	33	−3	24	62	162	73	−36	279
	UK	1,036	688	1,248	3,049	326	758	−1,423	−1,716	202
	US/Canada	554	1,328	−60	−605	−301	1,199	6,864	933	121
	Russia	3,418	3,887	2,156	−743	6,567	4,684	5,802	−938	17,105
FDI inward stock	Israel	C	214	227	155	419	518	666	598	920
	UK	8,365	9,198	11,333	13,718	9,795	11,566	7,045	5,952	6,187
	US/Canada	8,305	9,832	10,779	9,910	9,520	11,640	18,709	17,766	15,579
	Russia	36,430	36,958	41,937	41,634	95,603	1,00,754	1,04,462	1,00,897	1,20,397

C: confidential statistical information.
Note: Changes in the reporting and classification of Special Purpose Entities (SPEs) has impacted figures after 2022.
Adjusted data to be announced by the CBC.
Source: Central Bank of Cyprus (2025).

Investments from the broader Jewish diaspora, particularly from the U.S., add further depth, though often categorized under other source countries in official data, as confirmed through investor interviews (Table 1).

Israeli and Jewish diaspora investors now span multiple sectors, including restaurants, pharmaceuticals, and COVID-19 treatment research, with further opportunities in shipping, renewable energy, and technology education. The asset management sector is also expanding, as Cyprus offers a flexible legal framework, a favorable tax structure, and EU access. Shared political and cultural ties continue to strengthen bilateral collaboration (The Jerusalem Post 2022). A representative list of Israeli and Jewish diaspora investors appears in Table 2.

Table 2. Selected Israeli and Jewish diaspora investors in Cyprus.

#	Investor	Sector	Local project(s)	Year	Amount (EUR mn)
1	Fattal Hotel Group	Hospitality	Various, incl. GrandResort, Leonardo Boutique	2017–2023	300
2	Hadassah Organization	Healthcare	Hadassah Hospital Cyprus, NHRC	2021–2024	150
3	Dorsel Ltd., Aroundtown SA (JV)	Malls, Shopping Centers	The Mall Limassol	2022	70
4	Mekorot Development & Enterprise	Water Management	Desalination projects, Limassol and Larnaca	2013–2023	67
5	Marfields Group	Real Estate, Construction	Ritz-Carlton Residences, Limassol	2006–2023	50
6	Shagrauy-Leibovitz Group, Kishrey Teufa, Chen (JV)	Real Estate, Construction	Lumina Mare, Larnaca	2025	40
7	Aroundtown SA	Real Estate	949,916 sq.m., Ayia Phyla, Limassol	2021	28
8	Emerland Real Estate	Real Estate	130,000 sq.m. of land, Zakaki, Limassol	1997	not disclosed
9	Herzliya (IDC), Mun. of Paphos (JV)	Education	Collaboration with IBM, Oracle	2021	not disclosed
10	Amdocs Cyprus Ltd.	Technology	Communications and digital enterprises services	1997	not disclosed

Source: Invest Cyprus (2025), various media, all publicly available.

Although exact figures are unavailable, estimates suggest 10,000–20,000 Israeli citizens reside in Cyprus, many investing in real estate and fintech (Globes 2024). Between 2021 and 2025, Israeli buyers acquired about 4,000 properties—1,400 in Larnaca, 1,100 in Limassol, and 1,200 in Paphos (The Cradle 2025)—primarily in resort zones and gated communities near ports. These investments, alongside fintech growth, have reached unprecedented levels, contributing significantly to Cyprus's economy and cementing strong bilateral business relations.

Methodology

This study employs a qualitative multiple-case study design grounded in interpretivism to explore the determinants, entry modes, and institutional challenges shaping Israeli and Jewish diaspora FDI in Cyprus. This approach enables an in-depth understanding of investor motivations and strategic behaviors within their socio-political and economic contexts, which are not easily captured through quantitative analysis (Denzin 2017).

Research design and theoretical positioning

The research design draws on Grounded Theory Methodology (GTM) (Charmaz 2006; Gligor, Esmark, and Gölgeci 2016; Strauss and Corbin 1998), allowing theoretical insights to emerge inductively from empirical data rather than being constrained by preexisting models. GTM is particularly suited to uncovering underexplored determinants of FDI, complementing established frameworks such as Dunning's eclectic paradigm (OLI). In this study, GTM facilitated the identification of novel constructs—such as Regulatory Opportunism and Resilience-Seeking FDI—that extend beyond classical theory.

Sample and selection criteria

The sample consists of 34 investor cases. Inclusion criteria required that all firms be either Israeli-owned or owned by members of the Jewish diaspora, irrespective of their legal incorporation. While all firms were registered in Cyprus for operational, regulatory, and tax purposes, ultimate ownership and strategic decision-making resided with Israeli or Jewish diaspora principals. This approach acknowledges the common practice among international investors of using multi-jurisdictional structures for tax optimization and market access. Therefore, inclusion was based on ownership rather than legal domicile.

In line with the OECD Benchmark Definition of FDI (OECD, 2008), inclusion criteria required a minimum 10% equity stake, with sectoral diversity and coverage across Cyprus's main business hubs: Nicosia, Limassol, Larnaca, and Paphos.

Of the 34 cases analyzed in this study, 27 were firms headquartered in Israel, including those operating through locally incorporated subsidiaries. The remaining seven firms were diaspora-owned, with headquarters located in the United States (3), the United Kingdom (1), Switzerland (1), Luxembourg (1), and a combined Russia/UK base (1). All firms maintained an operational presence in Cyprus, including offices, staff, or tangible assets; none functioned as passive Special Purpose Vehicles (SPVs) or shell entities.

Classification was based on verified company registration data and publicly available ownership records (Table 3). Several firms were legally incorporated in Cyprus and listed locally as their headquarters in official registries; however, ultimate ownership and strategic control resided with Israeli or Jewish diaspora principals. This distinction ensures transparency in how "Cyprus-based" firms were treated for analysis.

External informants and triangulation

To strengthen the credibility of the findings, the study incorporated insights from 10 external professionals—five Israelis and five Cypriots—covering law, finance, energy, real estate, asset management, and investment facilitation. Israelis included three diplomats, a commerce lawmaker, and a

Table 3. Sectoral distribution, ownership origin, and entry modes of Israeli and Jewish diaspora investors in Cyprus.

Sector	# of firms	Ownership origin	Typical entry mode
Real Estate	11	Israel (9), Diaspora (LU; US)	Greenfield (7); Joint Ventures (4)
Hospitality	6	Israel (5), Diaspora (UK)	Greenfield (4); M&A (1); JV (1)
Technology	3	Israel (2), Diaspora (US)	Greenfield
IT, FinTech	3	Israel (2), Diaspora (CH)	Greenfield
Real Estate, Technology	2	Israel	Greenfield
IT Software	2	Israel, Diaspora (US)	Greenfield
Construction	1	Israel	Greenfield
Education	1	Israel	Greenfield
Healthcare	1	Israel	Greenfield
Malls & Shopping Centers	1	Israel	Joint Venture
Restaurant	1	Diaspora (RU/UK)	Greenfield
Sales and Distribution	1	Israel	Greenfield
Water Management	1	Israel	Joint Venture
Total number of interviews:	**34**		

All firms in the sample maintained operational presence in Cyprus. Some appeared legally headquartered in Cyprus in official registries but were fully owned by Israeli or Jewish diaspora principals, while others operated as Cyprus-incorporated subsidiaries of foreign parent firms. None were shell entities; local incorporation reflected compliance with EU regulatory frameworks and tax regimes rather than independent Cypriot ownership.
Source: The Authors.

community leader; Cypriots included a government representative, sector experts, and an FDI-focused lawyer. Holding senior roles (Community Leader, Chairperson, CEO, COO, Partner, Diplomatic Liaison), they provided triangulated insights on institutional, regulatory, and relational factors shaping Israeli and diaspora FDI in Cyprus.

These informants served solely for triangulation purposes (Denzin 2017) to validate investor claims on regulatory frameworks, tax structures, and procedural challenges. Their responses were not included in GTM coding or theory development, but were used contextually to corroborate findings and enrich the discussion of institutional factors. This distinction mitigates concerns of analytical bias or sample distortion and positions these professionals as external knowledge sources rather than primary research participants.

Data collection

Data collection combined semi-structured interviews, observation, and document analysis to support methodological triangulation. Face-to-face interviews were conducted between March and November 2023, each lasting 35–45 minutes and held under confidentiality.

To capture rich, context-specific insights, two semi-structured interview guides were developed to reflect participant roles: one for investors and another for external informants. The investor guide, serving as the primary instrument, comprised ten open-ended questions on company background, FDI determinants and motives, entry modes, operational challenges, and outlook, while allowing flexibility to probe emergent themes in line with Grounded Theory principles. To triangulate findings and validate contextual interpretations, a shorter guide for external informants included eight open-ended questions focusing on institutional, regulatory, and facilitation aspects of the Cypriot investment environment.

Supplementary data sources included media interviews, corporate press releases, and investment reports, ensuring comprehensive context and verification of investor narratives.

The design of the interview protocol was informed by established FDI theory, particularly Dunning's eclectic paradigm (OLI) (Dunning 1988), which provided an initial structure for organizing broad themes related to ownership, location, and internalization advantages. This ensured comprehensive coverage of key determinants identified in prior literature without constraining responses to pre-defined categories. As noted by Dunne (2011) and Locke (2015), beginning a study from a completely atheoretical standpoint is neither feasible nor practical, since few phenomena in business research can be approached with a true "blank slate".

While OLI served as a reference for question design, the subsequent data analysis followed an inductive process consistent with GTM principles, allowing new theoretical insights to emerge (Gligor, Esmark, and Gölgeci 2016; Strauss and Corbin 1998). During coding, themes beyond the original framework—such as *relational asset-seeking (R-assets)* and *geopolitical considerations*—surfaced, highlighting the need to extend classical models with context-specific constructs. These emergent dimensions are detailed in the Findings section and illustrated in the data structure (Table 4).

Entry mode information was collected during the structured interview process, where participants confirmed their chosen mode of entry (e.g., Wholly Owned Subsidiary, Joint Venture, Acquisition). Qualitative explanations for these choices were not solicited, as thematic coding primarily focused on the determinants of FDI motives.

Data analysis and GTM process

The analysis adhered to Strauss and Corbin (1998) coding sequence, comprising three iterative stages:

- Open Coding: Identification of first-order concepts from raw interview data (e.g., "regional strategic alliance," "community-based integration").
- Axial Coding: Clustering of related concepts into second-order themes (e.g., "shared geopolitical interests," "diaspora support networks").

Table 4. Data structure: from first-order codes to aggregate dimensions (with representative quotes).

#	Representative quote	First-order code	Second-order theme	Aggregate dimension
1	"Using our Israeli site, which now has 600 people, mainly for R&D, we intended our Cyprus office to serve as a base for testing the European market."	European test base for Israeli innovation	Knowledge transfer and capability leveraging	Ownership Advantages (OLI lens)
2	"We feel that it's very important to diversify the portfolio geographically, but also by type and type of agreement. Some of them are ownership, some of them are leases and some of them are management."	Portfolio diversification	Risk management through diversification	Ownership Advantages (OLI lens)
3	"Other motives are the high cost of properties in Israel, the return on investment here is double than the 2%–3% in Israel, close to 6%."	Higher ROI in Cyprus vs Israel	Comparative return advantage	Location Advantages (OLI lens)
4	"The strong appreciation of shekel by almost 20%, from 4.5 to 3.4 shekel per euro, in the last one and a half year, has also facilitated investment here."	Shekel appreciation	Currency-driven investment facilitation	Location Advantages (OLI lens)
5	"As an EU member, Cyprus offers legal certainty, strong regulation (CySEC), and access to European markets."	EU legal and compliance leverage	Institutional credibility and reputation signaling	Regulatory Opportunism
6	"Cyprus also offers one of the most attractive tax regimes in Europe. The corporate tax for Israeli tech entrepreneurs is reduced to 2.5% from 12.5%."	Tax reduction incentive	Tax optimization	Regulatory Opportunism
7	"My vision is: Two countries, one economy. Ties between Israel and Cyprus are not only related to the economy; we also have common security interests."	Two countries, one economy	Strategic alliances for security and economy	Geopolitical Leverage
8	"There is a huge advantage to bringing Israel, Cyprus and Greece together… we face the same challenges … It creates a sense of alliance."	Regional strategic alliance	Shared geopolitical interests	Geopolitical Leverage
9	"Israeli feel in Cyprus like being home… We are grateful for the Cypriot, who saved Jewish life… Cypriots understand we are Jewish and they respect us."	Cultural familiarity and acceptance	Trust-based embeddedness	Relational Asset-Seeking
10	"Also, the Jewish community here… I came here to stay… we are happy here to stay more with my family."	Community-based integration	Diaspora support networks	Relational Asset-Seeking
11	"The cost structure for setting up operations is lower here than in Israel, making it easier to allocate resources for expansion."	Lower operational cost structure	Efficiency and arbitrage benefits	Financial Arbitrage Advantage

(*Continued*)

Table 4. Continued.

#	Representative quote	First-order code	Second-order theme	Aggregate dimension
12	"Access to cheaper labor and professional services here improves margins compared to Israel."	Cheaper labor and services	Cost efficiency leverage	Financial Arbitrage Advantage
13	"We could see increased interest among Israeli companies looking to relocate their headquarters to Cyprus, which can be attributed to the war."	Relocation due to instability	Crisis-driven relocation	Resilience-Seeking FDI
14	"Instability in Israel and the cost of living there, and the political uncertainty around the contentious judicial overhaul, it is a great opportunity for Cyprus."	Political and economic uncertainty	Institutional instability at home	Resilience-Seeking FDI

Source: Authors' coding of 34 investor interviews.

- Selective Coding: Integration of themes into aggregate theoretical dimensions, including emergent constructs such as *Geopolitical Leverage* and *Relational Asset-Seeking*, which extend beyond the OLI framework.

The coding process followed Grounded Theory principles (Strauss and Corbin 1998), allowing first-order concepts to emerge inductively from interview data and gradually aggregate into second-order themes. This approach aligns with GTM-based practices in international business research (Birkinshaw, Brannen, and Tung 2011; Gligor, Esmark, and Gölgeci 2016), where iterative coding, constant comparison, and theoretical sampling are applied to develop mid-range theory. Such designs are frequently employed in FDI and market entry studies to uncover emergent constructs that extend beyond existing frameworks (Hoon 2013).

Data coding was performed manually in Excel, leveraging its structured tabular format and filtering functions to systematically organize, categorize, and compare codes throughout the analysis. Excel was preferred over specialized qualitative software such as NVivo to enhance transparency, enable flexible handling of emerging categories, and ensure direct researcher engagement with the data—an essential principle of grounded theory methodology. This approach supported iterative coding cycles and constant comparison, ensuring theoretical sensitivity while providing an auditable trail of decisions to enhance analytical rigor. Data saturation was reached after approximately two-thirds of investor interviews, consistent with established qualitative research standards (Guest, Bunce, and Johnson 2006).

Institutional challenges were not coded as an isolated category but integrated within obstacle-related themes, including policy and facilitation gaps, legal frameworks, and procedural inefficiencies, reflecting their role as negative locational determinants in line with FDI theory.

Findings

Classical OLI-based determinants of FDI

The analysis of 34 investor cases revealed a multi-layered pattern of FDI determinants, combining classical OLI dimensions with five emergent constructs derived inductively from the data. Figure 4 illustrates the conceptual framework, and Table 4 provides the data structure linking representative quotes to first-order codes, second-order themes, and aggregate dimensions.

Ownership advantages (OLI lens)

Ownership advantages were reported in 30 of 34 cases (88%). Firms emphasized technological innovation, managerial capabilities, and global market experience as key drivers. Respondents described Cyprus as a platform to extend firm-specific advantages into Europe. Ownership motives also included diversification and risk management (Table 4). These findings confirm that the Ownership dimension of OLI remains highly relevant, supporting strategic internationalization decisions.

Location advantages (OLI lens)

All 34 cases (100%) underscored the significance of location-specific advantages, with four dominant themes emerging. Cyprus was widely recognized as a market-seeking destination, serving as both a strategic entry point into the European Union and a regional hub that facilitates access to European markets. From a resource and asset-seeking perspective, investors emphasized the availability of skilled, multilingual talent and relatively affordable land, with local human capital often supported through advanced development initiatives. Efficiency-seeking motives were also evident, as Cyprus was associated with higher returns and notable cost advantages compared to alternative locations. Finally, business facilitation played a critical role, with the country's regulatory framework—marked by flexibility, EU alignment, and attractive tax incentives—being regarded as an enabler of cross-border operations and the expansion of diverse financial and business activities (Table 4).

While confirming OLI's locational relevance, the findings also indicated that investors interpret institutions less as passive enablers than as opportunities for strategic leverage—leading to the first emergent construct of Regulatory Opportunism.

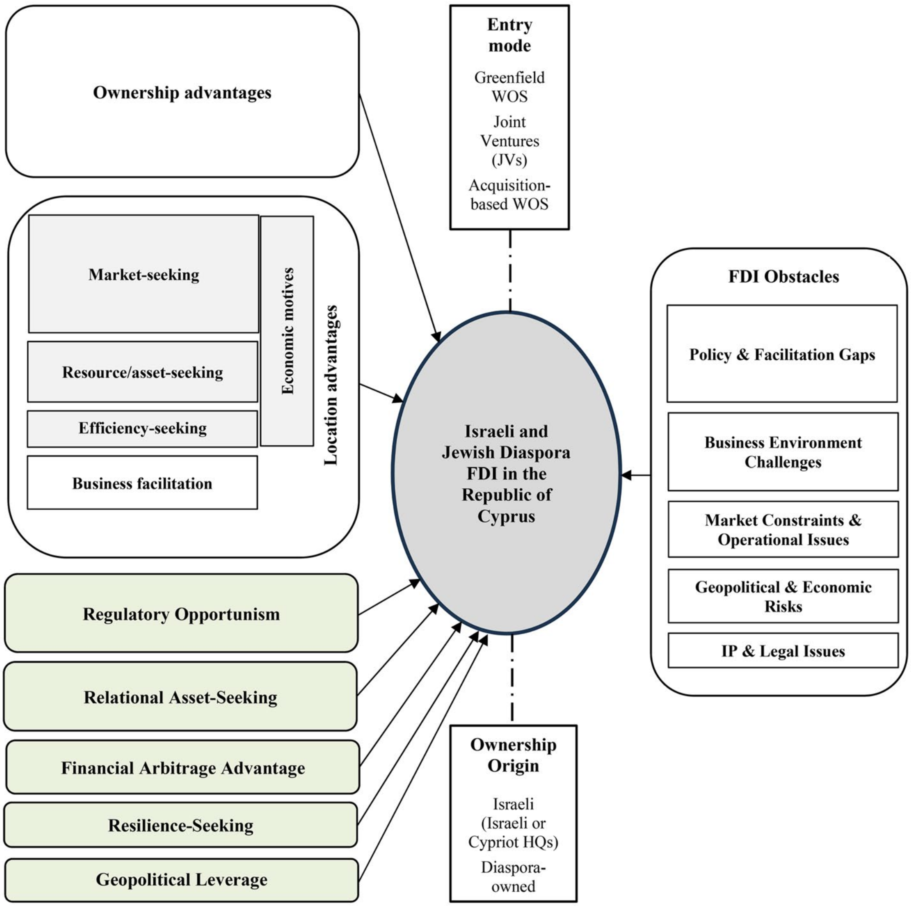

Figure 4. Conceptual framework: Classic and emergent determinants of FDI, entry mode, ownership origin of Israeli and Jewish diaspora FDI in the Republic of Cyprus.

Emergent theoretical constructs

Regulatory opportunism

Institutional and tax-related considerations, cited in 25 cases (74%), were treated as active instruments of strategic positioning. Investors highlighted EU passporting, double-tax treaties, and favorable corporate taxation (Table 4). Unlike OLI, which embeds institutions within locational advantages, the responses demonstrate investors deliberately engaging in institutional arbitrage to secure operational flexibility and reputational capital.

Relational asset-seeking

Sociocultural proximity and trust-based networks featured prominently in 20 cases (59%). Relational asset-seeking (R-assets) advantages emphasize acquiring assets that enhance a firm's capabilities through relationships and networks. For Israeli investors, these motives intertwine with socio-cultural factors, making them particularly pertinent in the context of Cyprus. The cultural similarities, favorable climate, shared cultural heritage, and presence of a local Jewish community significantly amplify these relational asset-seeking advantages (Table 4). Unlike OLI's transactional framing of cultural factors, these insights position relational assets as strategic resources, influencing market entry and integration decisions. These relational assets actively shaped both strategic decisions and daily operations.

Financial arbitrage advantage

Economic motives extended beyond static location advantages in 13 cases (38%), with respondents highlighting deliberate cost arbitrage strategies. Participants also highlighted real estate opportunities as part of financial planning (Table 4). This pattern differs from OLI's generic location logic by illustrating intentional financial structuring and arbitrage, rather than passive exploitation of cost differentials.

Resilience-seeking

A smaller subset of respondents (3 cases, 9%) explicitly linked FDI decisions to risk mitigation amid political and economic instability in Israel, reflecting contingency-driven strategies aimed at operational continuity. Investors framed Cyprus as a safe haven amid uncertainty (Table 4).

Beyond geographic diversification, resilience-seeking strategies were closely tied to operational control motives—echoing the internalization logic in the OLI paradigm but emerging in response to contextual shocks rather than traditional governance-cost considerations. Respondents further stressed the importance of maintaining control over proprietary assets and critical processes to safeguard ownership advantages and ensure integration across global operations. Thus, internalization advantages are reinterpreted through the lens of resilience, with Cyprus offering stability and control in response to geopolitical shocks.

Geopolitical leverage

Although mentioned in only 2 cases (6%), geopolitical factors emerged as a distinctive context-specific determinant, emphasizing how strategic alliances can serve as active enablers of FDI. Cyprus was viewed not merely as a market, but as a strategic ally in regional security. Shared priorities in energy, defence, and diplomacy fostered trust and lowered perceived location risk (Table 4). These findings highlight that in volatile regions, geopolitical partnerships can actively shape FDI decisions—extending OLI's static view of political conditions.

Implications for entry modes

An analysis of entry modes (Table 3) reveals that Greenfield Wholly Owned Subsidiaries (WOS) were the predominant choice, adopted by 25 out of 34 investors (74%). This reflects a strategic orientation toward control and compliance, consistent with determinants such as Regulatory Opportunism and Ownership Advantages. In contrast, Joint Ventures (JVs) accounted for 8 cases (24%), mainly in real estate projects where local relationships facilitate approvals and operational efficiency. Acquisition-based WOS appeared in only one case, involving a hospitality investment where an existing asset was integrated into the investor's portfolio.

These patterns confirm that determinants and entry mode decisions are closely aligned: regulatory and ownership considerations favor full-control modes, while relational and market-access motives underpin JVs. This reinforces the importance of contextual dynamics in shaping structural choices for FDI in small, open economies such as Cyprus.

Obstacles and barriers faced by Israeli and Jewish diaspora investors

In the context of international business, obstacles and barriers are often used interchangeably by interviewees, though they differ in meaning. Obstacles refer to broad economic, political, or institutional frictions that complicate investment, while barriers are specific regulatory or legal constraints. In this study, only one element—Cyprus's intellectual property (IP) registration requirement—was identified as a true barrier. All other impediments fell under broader obstacle categories and are treated as negative locational determinants within Dunning's OLI framework.

Drawing on 34 semi-structured interviews, the study identified 22 coded references to investment obstacles, summarized in Table 5. Policy and facilitation gaps were the most frequently cited (38%), followed by business environment challenges (21%), market constraints (18%), geopolitical and macroeconomic risks (12%), and IP/legal barriers (3%).

Collectively, these findings reveal that while Cyprus offers significant locational advantages for Israeli FDI, institutional bottlenecks, sectoral saturation, and contextual risks raise transaction costs and shape strategic behavior. From an OLI perspective, these constraints predominantly relate to location disadvantages, with legal and IP-related barriers threatening ownership-specific advantages and, to some extent, internalization

Table 5. Key obstacles and barriers to Israeli and Jewish diaspora FDI in Cyprus.

Obstacle theme & sub-aspects	Case coverage	Representative quotes
Policy & Facilitation Gaps • Limited incentives • Coordination weaknesses • Lack of structured support • Bureaucratic Inefficiencies • Complex Licensing and Approval Processes	**38%**	1. "It is also important for the govenrment to facilitate investment, to create incentives and make the procedures for the investments easier." 2. "Bureaucracy and lengthy procedures in the acquisition of permissions, also due to scrutiny reasons from the side of the authorities." 3. "The government and the private sector to collaborate more effectively on strategy."
Business Environment Challenges Perceived corruption and reputational risks • Banking and Credit Access • Skill Shortages and Talent Development Needs	**21%**	1. "When it comes to investment and building business relationships of trust, a dark cloud still hangs over Cyprus, in the form of its tarnished international reputation." 2."The market is very inefficient, especially the banking system. There are no banks here to support development, expect on a very small scale." 3. "The key to their success in Cyprus is to develop local talents who will be proficient in the market."
Market Constraints & Operational Issues • Market fragmentation • Labor shortages • Scale limitations	**18%**	1. "Someone to invest in Cyprus needs to know the market is fragmented and highly competitive." 2. "The struggle to fill positions is alive. This affects timelines and cost."
Geopolitical & Economic Risks • Regional instability • Currency fluctuations	**12%**	1. "The ongoing conflict may have temporarily discouraged large-scale investments." 2. "The 10% depreciation of Israeli currency versus the euro affected our projections."
IP & Legal Issues • IP transfer complexity	**3%**	1. "The transfer of IP rights remains a critical issue when moving operations outside Israel."

Source: Authors' own elaboration based on interview data.

decisions. Addressing these obstacles through policy reforms, enhanced investor facilitation, and structural improvements is essential for Cyprus to consolidate its role as a regional investment hub.

External perspectives and triangulation insights

Ten external informants provided confirmatory and contextual insights. Government and industry experts validated the central role of EU membership, geographic proximity, and cultural affinity. They echoed policy challenges, citing bureaucracy and compliance burdens.

Beyond validation, informants stressed the geopolitical dimension, pointing to the Israel–Cyprus–Greece alliance and energy projects such as the Great Sea Interconnector. They also noted that Israel's judicial reforms and regional instability could accelerate relocation motives.

Unlike some investors, informants downplayed reputational risks, framing reforms as mitigating factors. Overall, triangulation reinforced Cyprus's image as a strategically significant, regulation-friendly destination while emphasizing the need for facilitation reforms.

Discussion

This study extends understanding of Israeli and Jewish diaspora FDI in Cyprus by situating qualitative insights within and beyond the OLI paradigm. Empirically, it shows how investors combine classical motives with context-specific strategies in a small-state environment shaped by regulatory flexibility and geopolitical uncertainty. Theoretically, it demonstrates that emergent constructs augment OLI's explanatory power, highlighting institutional and contextual dynamics often overlooked in large-N studies. Methodologically, the application of Grounded Theory Methodology (GTM) illustrates how qualitative research can uncover nuanced investor rationales that complement macro-level evidence, reinforcing the value of case-based approaches for extending established frameworks.

Linking findings to theory and prior research

The analysis reaffirms the relevance of OLI's Ownership (O) and Location (L) advantages while revealing limits to their sufficiency in a small, geopolitically exposed economy. Ownership advantages were evident across most cases: firms leveraged proprietary technology, brand reputation, and prior internationalization experience to scale operations in Cyprus—consistent with classic arguments in Dunning (1988) and with earlier work that links FDI to firm-specific assets (Caves 1971; Hymer 1976). Likewise, Location advantages—including EU membership, geographic proximity, tax and legal infrastructure, and a dense professional services ecosystem—were universal across cases, echoing evidence that small open economies act as gateway markets by offering strategic access and credible regimes (Bannò, Piscitello, and Varum 2015; Narula and Verbeke 2015).

Yet the sufficiency of OLI is challenged. Internalization advantages did not appear as a standalone category. Instead, control and integration motives appeared *contextually* under resilience-seeking strategies: firms brought activities in-house in Cyprus to hedge against Israel's political uncertainty and regional volatility. This suggests that internalization logic persists but as a contingency mechanism in volatile environments, echoing critiques that OLI underestimates dynamic risk contexts (Luo 2024). Entry mode choices reinforced this: the dominance of wholly owned subsidiaries (WOS) reflected the imperative for control in technology- and compliance-sensitive sectors, consistent with Buckley and Casson (1976). The relatively low incidence of joint ventures contrasted with emerging-market contexts, where local partners help mitigate liability of foreignness (Luo 2007).

In Cyprus, relational proximity and cultural affinity reduced such risks, making shared equity less necessary—echoing findings from small-state FDI studies (Brouthers and Hennart 2007).

Obstacles exposed the limits of location advantages. Investors identified bureaucratic inefficiencies, licensing delays, and fragmented facilitation schemes. These concerns resonate with institutional theory, which emphasizes how host-country governance shapes FDI net benefits (Meyer and Peng 2016). A distinctive finding was Cyprus's mandatory local IP registration, which conflicts with Israeli tax law and creates risks of double taxation, echoing Amberger and Kohlhase (2023) on regulatory complexity as an FDI barrier. Beyond formal barriers, reputational risk linked to past scandals emerged as a salient issue, though only one investor highlighted it directly. This reflects broader challenges facing small financial hubs, where past compliance failures heighten due diligence demands (Cuervo-Cazurra 2006).

Although corruption is frequently identified as a determinant in FDI studies, our interviews suggest that Israeli and Jewish diaspora investors did not perceive corruption as a decisive factor in Cyprus. This likely reflects two considerations: first, both Israel and Cyprus score moderately on global corruption perception indices, reducing the perceived institutional gap; and second, most participants operated through formal, compliance-sensitive sectors such as finance and technology, where regulatory oversight is strong. As a result, investors appear more concerned with bureaucratic inefficiencies and reputational risks than with informal payments or systemic corruption. Further, informants downplayed this issue, framing ongoing reforms and promotional efforts as mitigating factors. Unlike in some emerging markets where corruption "greases the wheels," Cyprus's governance challenges manifest as bureaucratic frictions rather than rent-seeking, placing it closer to advanced small-state profiles (Nujen et al. 2021).

Market constraints also shaped investment strategies. Sectoral saturation in real estate and hospitality restricted opportunities, aligning with Faeth's (2009) argument that favorable markets can still experience growth limits. Currency depreciation of the shekel against the euro further reduced Israeli property demand. Labor shortages and rising living costs complicated operations, particularly in hospitality, while infrastructure and quality-of-life amenities influenced locational attractiveness. These dynamics highlight how market-specific risks constrain otherwise favorable FDI climates.

Extending OLI through emergent constructs

The study's central theoretical value is the articulation of five emergent constructs that extend OLI's scope in small, high-volatility settings. Each is grounded in investor accounts but generalizable to comparable hubs.

Regulatory Opportunism reframes institutions not as static locational conditions but as active competitive levers. Investors exploited Cyprus's EU-compliant but flexible regime to engage in tax and regulatory arbitrage. This aligns with recent literature on institutional arbitrage and "compliance capitalism" (Dekker 2021), where firms leverage regulatory heterogeneity for operational and reputational advantage. Unlike classical OLI, where regulatory quality is a background factor, here it becomes a proactive determinant of strategy.

Relational Asset-Seeking underscores how cultural affinity, trust, and diaspora ties reduce liability of foreignness. Israeli investors repeatedly described Cyprus as "like home," highlighting the role of shared Mediterranean values, relational trust, and a supportive Jewish community. This resonates with Erdener and Shapiro (2005) and Narula and Dunning (2010) on relational assets but elevates them from contextual facilitators to primary strategic determinants. The prominence of relational motives in this study illustrates how diaspora FDI leverages embedded networks as competitive resources, shaping both entry modes and integration.

Financial Arbitrage Advantage illustrates deliberate exploitation of structural cost differentials beyond generic efficiency-seeking. Investors pointed to cheaper labor, lower operating costs, and high-yield real estate opportunities as central motives. Unlike OLI's efficiency logic, which assumes passive cost advantages, the findings show how firms actively structure investments to capture arbitrage gains. This parallels findings on Ireland, Luxembourg and Malta (IMF 2019) but contextualizes them within resilience strategies and diversification, rather than purely fiscal optimization.

Resilience-Seeking FDI highlights adaptive responses to geopolitical and institutional shocks. Relocation to Cyprus was framed as a hedge against Israel's judicial reforms, regional instability, and rising costs. Internalization advantages—control over proprietary assets and service delivery—were repurposed as resilience mechanisms. This extends Luo's (2024) call for embedding risk logics into IB theory, showing how OLI's "I" adapts under systemic uncertainty.

Geopolitical Leverage illustrates how trilateral alliances (Israel–Cyprus–Greece) and shared security priorities act as active enablers of FDI. Political alignment reduces perceived risk and enhances Cyprus's appeal as a regional hub. This moves beyond OLI's static treatment of political stability, situating geopolitical partnerships as endogenous determinants of investment. The finding resonates with Gilpin (1976) and recent work linking MNE strategy to geopolitical crises (Bhaumik et al. 2025).

Collectively, these constructs demonstrate that while OLI offers a foundation, it requires supplementation by context-specific logics reflecting institutional fluidity, sociocultural networks, and resilience under risk.

Where this study complements large-N OLI evidence

Large-N studies identify consistent patterns in FDI determinants, including market size, trade openness, institutional quality, geographic distance, host-country risk, and wage levels (e.g., Frenkel, Funke, and Stadtmann 2004; Islam and Beloucif 2024). Additional factors such as labor quality, infrastructure, technological capabilities (Tsitouras et al. 2020), and the impact of EU accession (Bitzenis and Vlachos 2013) have also been shown to influence FDI inflows. Our qualitative results complement these by revealing *how* firms convert those conditions into strategy. First, rather than passively "benefiting from good institutions," investors *design* footprints to arbitrage EU-compliant flexibility (Regulatory Opportunism). Second, instead of treating culture as a residual, firms deploy diaspora networks and sociocultural proximity to streamline entry (Relational Asset-Seeking). Third, efficiency motives take a structured arbitrage form (Financial Arbitrage Advantage), not just "low cost." Fourth, internalization is contingency-activated (Resilience-Seeking) rather than an ever-present driver. Fifth, political alignment becomes firm-level leverage (Geopolitical Leverage), not merely a background condition.

These mechanisms help explain why, in a small EU hub, WOS dominates without strong pressure to partner locally; why compliance-sensitive sectors cluster in Cyprus despite bureaucratic frictions; and why diaspora investors can scale quickly with limited liabilities of foreignness. They also clarify why reputational risk and IP rules matter unevenly—shaping sectoral composition and entry modes more than overall willingness to invest.

Implications, limitations, and future research

Theoretically, the study extends OLI by specifying *when* and *why* its dimensions activate under uncertainty and by adding relational, resilience, and geopolitical logics as first-class determinants. This speaks to a broader agenda in international business: integrating institutional strategy, risk governance, and diaspora networks into models of MNE location and mode choice. The conceptual map developed here (Figure 4 and Table 4) shows classical and emergent logics co-existing and interacting.

Methodologically, the GTM approach demonstrates value beyond description: it identifies mechanisms that large-N designs often proxy but rarely unpack (e.g., how "institutions" become arbitrage levers; how "culture" becomes strategic capital; how "internalisation" is triggered by context shocks). Future research can test these mechanisms at scale (e.g., cross-country small-state comparisons; sector-specific panels), use mixed-methods to triangulate emergent constructs, and probe boundary conditions (e.g., when relational proximity *fails* to substitute for local partners). The findings also suggest that diaspora embeddedness in small EU hubs increases the likelihood of WOS over JV, that regulatory arbitrage opportunities predict hub formation targeting EU markets, that home-country political shocks stimulate resilience-motivated internalization abroad, and that trilateral security alignment lowers perceived location risk and promotes infrastructure-adjacent FDI.

Several limitations must be acknowledged. First, the sample—34 investors and 10 external informants—focuses solely on the Republic of Cyprus; findings may not generalize to other contexts. Comparative studies of Israeli and Jewish diaspora FDI in Malta, Luxembourg, Ireland, or Greece could assess the wider applicability of the constructs identified. Second, the cross-sectional, qualitative design limits temporal insights. Longitudinal and quantitative approaches could trace how motives evolve under shifting geopolitical and institutional conditions and operationalize constructs such as Regulatory Opportunism or Resilience-Seeking FDI for hypothesis testing. Third, this study did not address the geopolitical fragmentation of Cyprus. Future research examining investment in northern Cyprus, under Turkish administration, would provide valuable comparative evidence of how governance regimes, legitimacy, and sanctions shape FDI strategies in politically divided environments.

Conclusions

This study examined the determinants, entry modes, and institutional challenges shaping Israeli and Jewish diaspora FDI in Cyprus through a qualitative, GTM-based analysis. While Ownership and Location advantages remain important, traditional OLI explanations prove insufficient in contexts marked by institutional volatility and regional uncertainty. Emerging motives—regulatory opportunism, relational asset-seeking, financial arbitrage advantage, resilience-seeking FDI, and geopolitical leverage—highlight the need to extend conventional FDI theory toward more adaptive frameworks.

The findings carry significant implications for policy and practice. For Cyprus, reducing bureaucratic bottlenecks, enhancing talent availability, and promoting regulatory transparency are essential to sustaining competitiveness. For investors, the evidence underscores the strategic relevance of operational control, relational networks, and resilience-based diversification when entering small but strategically positioned markets.

Theoretically, this research contributes in three ways. First, it complements large-N, quantitative OLI studies by showing how investors interpret and mobilize advantages in practice. Second, it extends OLI by surfacing emergent constructs that enrich established models. Third, it demonstrates the value of grounded qualitative approaches in international business research, providing a deeper understanding of how global uncertainty, institutional complexity, and diaspora linkages shape investment decisions in small states.

Future research should extend these insights through comparative studies across small-state jurisdictions and longitudinal or mixed-method designs to test whether resilience-seeking behavior is temporary or enduring. Exploring investment activities in northern Cyprus under Turkish administration offers a particularly compelling avenue for understanding how geopolitical fragmentation and institutional heterogeneity shape FDI strategies across contested regions.

Disclosure statement

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