UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Gordon Institute of Business Science
University of Pretoria

Analysing growth corridors for investment decisions in developing economies

**(Capitalize only the first word of the title,
personal names, company names and geographical names)**

Jurie Johannes Riekert Geldenhuys

Student number: 98142918

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

11 November 2013

ABSTRACT

The development of economic corridors is becoming an important strategy for accelerating economic growth and integration in developing economies. Around these corridors economic regions are forming with trade barriers being lowered, with numerous investment opportunities emerging within these regions. Historically many of the countries in these regions have been overlooked by investors due to a lack of data, unfavourable business environments, lack of scale in their economies and perceived barriers that exist within these economies. But, due to the slow of growth and decline of many developed economies, there seems to be a mad scramble for companies to enter these fast growing economies of developing countries. What are these prospective investors currently basing their investment decisions on? This research study will aim to create a weighted scorecard for investment decision making not based on a country by country analysis but rather based on a regional analysis of countries within the different economic corridors that are developing throughout these economies.

i

KEYWORDS

Investment in developing economies, connectedness, competitiveness, corridors, investor scorecard

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorization and consent to carry out this research.

Student name   : Jurie Johannes Riekert Geldenhuys

Signature   : _____

Date   : 2013-11-11

ACKNOWLEDGMENTS

I would like to express my sincere gratitude and appreciation to:

My Lord Jesus Christ my saviour for the strength he has given me throughout this MBA studies and during the writing of this thesis, I would also like to thank Him for His guidance and His grace.

My supervisor Colin Rowley, thank you for your guidance and support, even when I decided at a late stage to change my thesis topic to something completely different, thank you.

I would like to thank all my friends, new ones and old ones for all their support and encouragement.

I would like to thank to all of my family who believed in me throughout this process and who understood why I was absent a lot throughout the last two years, I'm looking forward to spending a lot of time with you guys.

My oldest sister Ané and her family who's house always stood open for me throughout these two years, and all the encouraging words and the food packages then I left on Sundays.

Lastly and most importantly, I would like to dedicate this study to my mother, Riana Geldenhuys, who believed in me in all of my endeavours even when I sometimes didn't. Also for all the support and encouraging with what I probably wouldn't have been here thanking everyone.

Contents

LIST OF TABLES

x

Chapter 1 – Introduction to the research problem

Introduction

The development of economic corridors is becoming an important strategy for accelerating economic growth and integration in developing economies. Around these corridors economic regions are forming with trade barriers being lowered, with numerous investment opportunities emerging within these regions. Historically many of the countries in these regions have been overlooked by investors due to a lack of data, unfavourable business environments, lack of scale in their economies and perceived barriers that exist within these economies. But, due to the slow of growth and decline of many developed economies, there seems to be a mad scramble for companies to enter these fast growing economies of developing countries. What are these prospective investors currently basing their investment decisions on? This research study will aim to create a weighted scorecard for investment decision making not based on a country by country analysis but rather based on a regional analysis of countries within the different economic corridors that are developing throughout these economies.

There is a constantly expanding amount of data coming from various sources which investors has to work through to be able to make informed decisions regarding investment opportunities in developing economies. Firstly a study will be done to introduce the concept of big data, what it is and how this concept can help investors in analysing this large amount of data. Then a review will be done on the theory of connectedness and the value this have in developing economies, and how the connectedness in regions can benefit prospective investors.

As economic corridors is one of the most important enablers of rapid growth though connectedness, an analysis will be done on what economic corridors are, why these corridors form and some of the potential issues that surround them. Then the different corridors in developing economies and the countries that form part of them will be defined and divided into their different geographical regions. A study on corridors in a developed country will be analysed to find how developed countries look at their own corridors and how these attract investment. Then a current theory on investing in developing economies will also be analysed.

Subsequent to the analysis in the literature review, by means of questionnaires, a study was be done on what investors perceive as the most important factors to consider when deciding on investment opportunities in developing economies and how much weight each factor should carry. The data gathered through the questionnaires was then analysed and used to compile a weighted scorecard that could be used when weighing up different investment options. Two scorecards were created, one for the total group of respondents and one for an industry specific group. The weighted scorecard was then used to compare two corridors with each other and also used compare those findings to two other indexes, one which measure competitiveness and one which measures connectedness of countries. This document is by no means the answer to the problems faced by investors when they decide on investment opportunities in developing economies, but should rather be seen as the start of a conversation.

Research scope

The scope of this research was to discover if there could be a beneficial way of analysing investment opportunities in developing economies by firstly looking at them on a regional level and also at their connectedness within these regions. This research aimed to discover the factors investors in developing countries deem as the most important and to discover the optimal weightings of these factors for different industries. These discoveries were then used to create a weighted scorecard which has been applied to the regions and developing countries surrounding different corridors to test its applicability.

Research motivation

These days there are more and more data becoming available which investors can use to make investment decisions. The amount of data coming from developing countries has increasing dramatically, to the point that the data has become difficult to manage. Not only is the amount increasing, but also its credibility and trustworthiness has also improved dramatically through the implementation of accounting standards and practices, to the point where investors can now base investment decisions with confidence on this data which were not always the case. In this world where we are drowning in the amount data flowing from a multitude sources, the concept of big data analysis is becoming an ever increasing important way of finding relevant information for businesses to keep their competitive advantage. Every year the flow of data is accelerating and according to a 2011 report by McKinsey there will be 44 times more data created in 2020 than is the case currently. "...the ability to collect, manage and analyse data effectively can lead to better business decisions and lasting competitive advantage." (Johnson, 2012, p.51)

Bartram (2013) states that the value of big data does not necessary lay in the size of a database or its contents, but in the way a company can use the insights hidden in the raw data to make more informed decisions which will increase their profits. (p. 28) This means that investors have to start by deciding what factors are the most important to their industry and their company and focus on these factors when analysing the massive amounts of data presented to them. Many investor has historically overlook developing economies in the past, but with their incredible growth in the last couple of years they are looking to invest in these economies. Where does a prospective investor in developing economies start looking for investment opportunities in let's say Africa? Africa is firstly over 50 totally different countries with different languages and cultures. These developing economies are relatively small in relation to many big multinational companies out there.

In this study it will be reasoned that it makes more sense for these big multinational companies to look at these small developing economies at a regional level rather than a country by country level when looking for investment opportunities in them. This will increase the scale and attractiveness of the opportunities for them. But when looking at these economies on a regional level it is critical important to take into account their connectedness to each other (locally) and also at their connectedness to the rest of the world (globally). Historically these economies haven't been open to each other, but with policies implemented in the 90's and early 2000's they have increased their connectedness regionally. "…this increased economic openness and integration over the past ten years has contributed towards Africa's economic rise." (Saville & White, 2013, p.14) And as later discussed, their connectedness especially to their neighbours show evidence of creating a lot of sustained wealth for the countries and investors in them.

The aim of this study is to find the factors that current investors in developing economies deem to be the most important when looking for investment opportunities in these economies. These factors will be weighted in order of their importance to create a weighted scorecard which prospective investors will be able to use to point them in the right direction. This scorecard will be created for the total respondent (investor) group and also for a specific industry within the total group (as explained in chapter 4) to find if there is any differences in which factors investors from different industries look at and what effect it will have in the scorecard results. The scorecards will when both be tested on two different corridors to find new ratings for the corridors and also the countries within them. These results from the scorecards will when be compared to the global competitiveness index rankings and the Visa integration index which test the connectedness and competitiveness of countries to see how the results match up.

This study did not by any means try to replicate any of the earlier mentioned studies (GCI & VISA Africa) but only used some of the measurements that might apply to investors decisions in developing economies surrounding growth corridors.

Chapter 2 – Theory and literature review

2.1. Big Data

In a world where we are starting to drown in the amount data flowing from a multitude sources, the concept of big data analysis is becoming an ever increasing important way of finding information relevant for businesses to keep their competitive advantage. Every year the flow of data is accelerating and according to a 2011 report by McKinsey there will be 44 times more data created in 2020 than is the case currently. Gobble (2013) explains that big data comes into play when it's too big for conventional systems to handle. It's not only about size, but data may be big because there's just too much of it (volume), because it's moving too fast (velocity), or because it's not structured in a usable way (variety). (p. 64)

Companies looking for investment opportunities in developing economies may be overwhelmed by the sheer volume of data and they might be unable to identify the few truly valuable pieces of information in the flood of mediocre facts. For these companies "...the ability to collect, manage and analyse data effectively can lead to better business decisions and lasting competitive advantage." (Johnson, 2012, p.51) When this data comes from everywhere and from well beyond the company's walls, it might be beneficial to start looking at ways of handling this influx and access to new data in a way that will benefit the company. As in the future big data will become a key basis of competition and a company's competitive advantage.

Johnson (2012) explains that this emerging data-driven economy has two primary characteristics: the abundance and the complexity of data and the speed of change, and thus decision-making. (p. 51) Companies has to recognize that data analysis is increasingly driving competitive insights and that they should find techniques that can handle the scale and complexities that this will require. But, sometimes the most difficult problem related to big data is asking the right questions. Companies should start by asking the right questions and view the astonishing volume of data available to them – historic, current and predictive – from which they can extract what they need and also discover things that they didn't knew they need. This means that a company should start focusing on business outcomes and then determine the information they need to achieve their objectives.

Bartram (2013) also states that the value of big data does not necessary lay in the size of a database or its contents, but in the way a company can use the insights hidden in the raw data to make more informed decisions which will increase their profits. (p. 28) The insights from the data will be ones that can drive a sustained competitive advantage.

With many developing countries' data becoming more readily available and more reliable, the data that companies would have to analyse to make decisions on where to invest will continue to grow at a rapid pace. So, companies have to look closely at their business objectives and decide which the big questions are that they need to answer in order reach those objectives. It is worth keeping JM Keynes' saying in mind - it is better to be roughly right than precisely wrong.

This study aims to find the factors that investors in developing economies deem most important and aims create a scorecard that present the only that data they deemed most important in their industries to aid in their decision making process in these economies.

2.2. Connectedness of countries

For the next section Africa will be used as an example of how the connectedness between its developing economies have hampered its historic growth and how in the future it will prove to aid sustainable growth. This will be done by mainly focussing on the Visa Africa integration index that measures the degree of economic integration within key trade corridors of sub-Saharan Africa which have an established infrastructure and growth strategy. As six of the world's ten fastest-growing economies are in the African corridors, it makes sense to analyse them for the purpose of this study.

This study explores how, Africa can increase their connectedness through regional integration as a key to raising competitiveness, diversifying its economic base and create jobs for its young, fast growing urbanizing population. While Africa's economic fate for a long time was associated with reliance on foreign aid, the region now boasts the highest return rate on investment of any region in the world. (Saville & White, 2013) There has been many articles written in years gone by on the hopelessness of Africa but in recent years these articles has made a 180 degree turn and reports in the Economist like "Africa Rising" (December 2011) and "Emerging Africa" (March 2013) are now in the order of the day. Africa's story have changed and investors are noticing.

While all of this might be true, Africa is still the least connected continent in the world with most of their products exported to Asia, Europe and America. But their economies has started opening up and "this increased economic openness and integration over the past ten years has contributed towards Africa's economic rise." (Saville & White, 2013, p.14) This has led to the growth of exports from Africa to an average of 8.8 percent per year versus the 3.7 percent world average. The growth of Africa's economies and increased competitiveness can also be seen by the increased trade diversification and sophistication that came about through important policy reforms that took place in the 90's and early 2000's. This has enabled them to create new relationships with new trade partners who has been the drivers of economic growth in these economies. This indicates the importance of economic connectedness and openness as part of their sustained economic growth.

But the importance of regional connectedness between the African countries has long been neglected in the value that it pose. As described in Saville & White (2013): "Pankaj Ghemawat (2011) captures the argument effectively: based on hard data, and separating facts from fiction, the evidence shows that rising economic integration can bring large gains in welfare, and more so when integration relates to neighbours." (p. 16) The understanding of the role and potential that regional integration in Africa will play is an important consideration when looking at the future economic and socio-economic impacts it will have and also points to a source of potential large and sustainable gains within the regions.

Saville and White (2013) goes on to describe the TCIP framework they used to create the Visa connectedness index, which aids in assessing the impacts and influence of economic integration. The framework has four pillars and are: the flow of goods and services or trade (T); financial integration and the movement of capital (C); the flow of information and knowledge (I); and the movement of people. The framework forms the backbone of the Visa integration index and can also be used to describe the level connectedness between countries by measuring the global/local and depth/breadth of their connectedness.

The results of Saville and White's study shows that even though the countries included in the study are some of fastest growing economies in world, that they are also some of the least connected countries, globally and regionally, in the world and far below the median of the world's connectedness figures. But it also states that, "Africa stands to gain from a sustained structural benefit brought about by the opening up of African economies to each other and to the world at large." (Saville & White, 2013, p. 19)

The low level of regional integration is mainly due to the lack of product diversification, historical relationships, poor or inadequate infrastructure and small, fragmented markets with low purchasing power. But by 2060, Africa's population could reach 2.7 billion people with a middle class of more than one billion people. Its economically active population could by then have tripled – providing the basis for consistently high levels of economic growth (Gernetzky, 2012). This along with the fact that Africa's youthful population, a growing middle class and rapid urbanization will produce more demand for goods and services produced while also building more a sophisticated skills base, will also contribute to the potential growth within these regions as a whole.

That said, mobile technology has is already being playing a large role in Africa and is perhaps the most impactful form of communication infrastructure the African continent has ever seen. This technological leap forward is having a major impact on the connectedness within countries and the way they do business, case and point the mobile industry in Kenya where a big part of their GDP goes through this channel through mobile payments. "There will be an estimated 900 million mobile phones in Africa by 2015, representing an 85 percent penetration from a mere three percent penetration in 2001. This has been one of the most dramatic leaps of communication connectedness by any measure in world history." (Saville & White, 2013, p. 22)

Historically there has not been a lot of trade between African countries themselves and infrastructure was historically designed and built by their colonizers to extract resources from the continent and not necessarily to connect African markets to each other. This again shows why regional integration within Africa is at such low levels and explain Africa's poor economic results, but simultaneously it also points to a powerful source of sustained structural growth that will contribute to the exceptional latent potential of the African economy when these regions connect within and to each other.

When developing countries which have small economies connect with each other to form regions, it will mean growing integration between them to build economies of scale and competitiveness in global markets which will be more attractive and lucrative to investors. In the following section corridors which forms the base of this connectedness within these regions will be explained in more detail.

2.3. Economic Corridors

"It is clear from this research that there are many different conceptions of corridors and of the scale and spatial relationships over which the corridor idea may be seen to operate. But there is one fundamental characteristic that must be present in the definition or conceptualization of any corridor at whatever scale. That characteristic is that of connection." (Chapman et al., 2003, p.190) It doesn't matter what the policy objectives are surrounding such corridors, they are often in pursuit of policies that enable the corridor to provide free and easy flow or transportation of people, goods or information.

Some of the key goals of corridors as stated by Chapman et al. (2003) are: "better transnational and regional connections and collaborations; optimizing the capacity of existing infrastructure and establishing more effective inter-modal linkages; reducing peripherality and spreading economic benefits more equitably; improving competitiveness generally; promoting polycentricity and creating more balanced communities, and maximizing the benefits of information and communications technology so reducing energy use, pollution, and the need to travel." (p.186)

Corridors act as transnational connections which can be manifested physically (through infrastructure: roads, railway, communication etc.), socially and institutionally (through trade agreements, policies etc.). "Transport routes, which provide the backbone for such corridors, are effectively connecting production units and markets, thus stimulating economic activity, and creating a more conducive environment for growth." (Guina, 2008, p.1)

Economic corridors are geographic spaces that traverse national boundaries and where production and trade activities converge along well-defined transport routes. (Guina, 2008, p.1) By the crossing of national borders there has to be trade agreements (usually free trade agreements) signed into being by the different governments which would help to reduce the cost of doing business in the region and there also has to be policies set into place for these corridors to function more efficiently. These policies have to facilitate the reduction of time it takes to get through borders and customs that are critically important in trade within regions and also for international trade through the region. All the above factors help integrate the participating countries into economic regions that will be more attractive to foreign investors.

Over the years, several industrial clusters have emerged along the corridors to take advantage of strategically located transport routes as well as access to important seaports. (Guina, 2008, p.1) Economic development usually increases within these corridors and other supporting industries usually follows. These

clusters that form are critically important to the economic growth of developing countries and will also be the areas within the different countries that will attract the most interest from investors.

So it stands to argue that governments have to inform the private sector and foreign investors on infrastructure development to make them aware of business opportunities that will follow through these developments. Collaboration between governments and the private sector is important for realizing the many economic opportunities that such corridors present. By having the process of infrastructure development in and around corridors as transparent as possible, foreign investment might be acquired for the projects surrounding the corridors and also in the corridors themselves. This might also inspire more investment in other areas of the economy in anticipation of development in and around the corridor.

In the planning process countries and provinces that will form part of these corridors has to be encouraged to define the specific economic roles they'll be playing in these corridors and position themselves to fulfil those roles. If the planning of the corridors are sound and there is a certain level of collaboration between the different actors in this process, investors will have better data to base their investment decisions on and can play an enhancing role to this developments in the corridors.

According to (Stone, 2009, p.9), the functions of economic corridors are meant to attract investment and generate economic activities along a region, usually with the aim toward development. They are meant to provide two fundamental attributes for development: lower distribution costs and improved land supply for economic activities. However, physical links and logistics facilitation must be in place in the corridors for them to achieve these aims. Then it stands to reason that the infrastructure development, policy negotiation etc. has to be done before real and sustainable growth will take place along the corridor.

There are numerous of economic and transit corridor in the developed and developing world, in the following section some corridors will be mentioned that is located in developing economies that forms part this study area. The information that follows was acquired from the book, *Geography against Development: A case for Landlocked Developing Countries* (2006), the below mentioned corridors focus mainly on landlocked countries within developing economies. Note: there are a multitude of other corridors that also serve developing countries at national and international levels.

1. Corridors in East Africa:
   The North Corridor: Uganda, Rwanda, Burundi, Democratic Republic of the Congo, Tanzania and Kenya

The Central corridor: Uganda, Rwanda, Burundi, Tanzania

2. Corridors in Southern Africa:

   South corridor: South Africa, Angola, Namibia, Mozambique, the United Republic of Tanzania, Botswana, Lesotho, Swaziland, Malawi, Zimbabwe and Zambia.

3. Corridors in the Horn of Africa: Ethiopia, Somalia, Eritrea

4. Corridors in West Africa: Ghana, Nigeria, Senegal, Côte d'Ivoire, Togo, Benin, Mali, Burkina Faso and the Niger.

5. Corridors in Central Africa: Central African Republic (CAR), Chad, Cameroon, Congo, Gabon, Equatorial New Guinea

6. Corridors in Central Asia: (include a multitude of countries due to the landlocked country's needs) Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan: (i) to Western Europe via the Russian Federation; (ii) to Western Europe via TRACECA (Transport Corridor Europe-Caucasus-Asia) routes; (iii) to Baltic ports through Kazakhstan, Russia and the Baltic States; (iv) to Turkey and other Mediterranean and European ports through Kazakhstan and Russia via the port of Novorossiysk on the Black Sea; (v) to Pacific ports in the Russian Far East; (vi) to Pacific ports in China; and (vi) to the Persian Gulf, which became possible with the completion of a rail link between Iran and Turkmenistan

7. Corridors in North East Asia: Mongolia, China, Russia

8. Corridors in South Asia: India, Nepal, Bhutan, China, Bangladesh

9. Corridors in South East Asia: Lao PDR, China, Viet Nam, Cambodia, Thailand and Myanmar

10. Corridors in South America:

    East-west corridor: Bolivia, Brazil and Chile;

    North Corridor: Brazil, Bolivia;

    South Corridor: Paraguay, Bolivia, Argentina;

    Diagonal Jaime Mendoza: Peru and Paraguay

(Chowdhury, 2006)

Priemus et al. (2003) argues that corridor development clearly requires an improvement in the coordination between various policy areas: (1) an improvement in the coordination between different policy sectors and segments of society; (2) an improvement in cooperation between public and private organisations; (3) improvement in coordination at the cross-border level because corridors do in fact cross-borders; (4) and finally an improvement in the coordination between central and local governments. (p.176) When the

11

above mentioned factors are in place, there is no reason why these corridors through developing countries wouldn't be a very lucrative investment region.

2.4. Factors that facilitate growth and investment in more developed corridors

When investors from developed countries look at their own economies they usually look at it not as cities, states or provinces; but they look at it in regions or economic corridors. The next section will relate to a report on American growth corridors in which they describe their four best performing corridors by looking at why these corridors are succeeding while the traditional powerhouse areas aren't doing well, explaining how these corridors are advancing and what the key industries are in each. One has to note though that one of the greatest advantages in these corridors are the fact that they don't have any trade barriers within them and that the policies that governs them are homogeneous for the most part. Also, their connectedness are very well developed through the various channels like infrastructure, communication etc. This means that there are no unnecessary delays and bottlenecks throughout these corridors; this has a huge impact on the profitability and reliability of the corridors.

They identify four regions that are called the growth corridors that have been performing consistently well over the past decade:

1. The **Great Plains region**, made up of Montana, Wyoming, Colorado, New Mexico, Texas, Oklahoma, Kansas, Nebraska, and the Dakotas
2. The **"Third Coast"** stretch of counties whose shores about the Gulf of Mexico and which range through Texas, Louisiana, Mississippi, and Florida
3. The **"Intermountain West,"** consisting of counties in the north of New Mexico and Arizona, parts of eastern California and western regions of Montana, Wyoming, and Colorado, as well as the non-coastal eastern regions of Oregon and Washington and all of Idaho, Utah, and Nevada
4. The **"Southeast Manufacturing Belt"** of counties in eastern Arkansas, all of Tennessee, and large swaths of Kentucky, the Carolinas, Georgia, Alabama, Mississippi, and South Western Virginia
(Kotkin, 2013)

According to Kotkin (2013), all these regions have different histories and different trajectories into the future, but they share certain key drivers of economic growth: lower costs (particularly for housing); better business climates; and population growth. Some of these corridors have benefitted from the stronger

12

commodities markets and others due to resurgence in the United States manufacturing industries. All of these areas will be analysed.

These corridors have certain characteristics that which makes them more business friendly and they all have the political will to exploit their natural resources for economic gain. Also, the income growth within these regions have been higher than the national average in America, attracting labour from all over the country. When these corridors are compared with other corridors, contrasts can be seen in their government policies on matters such as housing, the development of manufacturing and on the governing of their natural resources. Similar patterns appear when looking at the tax burdens in the different regions, the tax rates in these four regions has been heading lower while in other regions the tax rates has been steadily tracking upwards. "Even as this trend rolls forward on the East and West Coasts, most of the corridor states' rates have been heading lower" (Kotkin, 2013, p.6) It is also argued in this report that many people and businesses tend to gravitate towards areas with lower tax rates, which adds the benefit of the population increasing in this regions due to migration.

"In reality, much of the world's sustained economic growth since 2000 has occurred not in financial or information capitals but in regions that produce basic commodities such as energy and food." (Kotkin, 2013, p.7) When looking at the developed countries in the world that has been consistently performing the best since 2008, most of them are resource-rich ones such as Norway, Australia, and Canada. And also much of Brazil's rise in recent times has also been driven by its food exports, the growth of its manufacturing industries and its recent achievement of energy self-sufficiency. One of the reasons for the boom in these commodity markets has been the rise of developing countries like, "China, which consumes almost 60 percent of the world's soybean exports and 40 percent of its cotton." (Kotkin, 2013, p.7)

Despite the growth in these corridors, the greatest challenge is education and the fact that only 18 of the top 100 universities in the country are located in the corridors. Education is seen as one of the most important factors in a corridor's success and the report elaborates a lot on the migration and immigration of educated people to these regions and what impacts it has on the economic performance and investment as a whole. "Knowing that their lagging education rates must be addressed, leadership in both major parties in the southern corridors has focused heavily on economically meaningful improvements to education." (Kotkin, 2013, p.8) "In order to lure a major auto manufacturer to North Eastern Mississippi, a consortium of area leaders launched a comprehensive effort through area community colleges to retrain laid-off

furniture-industry workers in classes such as robotics used in auto assembly...this type of workforce investment helped land a coveted investment from Toyota" (Kotkin, 2013, p.9)

Another factor that is facilitating investment into these regions is that the cost of living and doing business in these regions are much lower than those of other regions in America. These corridor regions does not only offer higher incomes but they also offer more bang for the buck than most of the large coastal metropolitan areas do.

Over the past decade, the national share of domestic oil and gas production that takes place in the corridors has steadily increased, just as the nation has had resurgence in domestic oil and gas production. "In 2011, the U.S. became a net exporter of petroleum products for the first time in 62 years. American imports of raw petroleum have fallen from a high of 60 percent of total to less than 46 percent." (Kotkin, 2013, p.17) This energy boom in America of the past decade has been largely a corridor phenomenon and has created thousands of jobs in these corridors. This might also explain the influx of highly skilled people into these regions.

In manufacturing, when investment in large manufacturing plants is considered, the different regions are weighed on a host of factors such as business incentives, taxes, real-estate conditions, and workforce in the region. "Several factors have contributed to the Southeast's ascendancy in heavy manufacturing. Land is cheap and plentiful, and the area is serviced by a good transportation system, including access to ports...the low rate of union membership in the region could also be a factor attracting industry." (Kotkin, 2013, p.21) Another factor in these regions is that they have invested heavily in retraining the workforce in this region.

One of the explanations for the emergence of these corridors might be due to some major changes in the United States global focus. Much of the United States trade is shifting toward Latin America, a fast-growing and nearby market. Another factor might be, "The scheduled 2014 opening of an expanded Panama Canal, with double its current capacity, will likely shift some Asian trade from America's West Coast ports to its Third Coast." (Kotkin, 2013, p.25)

Through the above mentioned, it can be concluded that these regions are perceived as good investment regions due to the following. The lower energy costs, living costs and tax rates in the regions; a focus on manufacturing and commodities; higher wages earned in these regions and the creation of thousands of jobs leads to the migration of educated people to the region and thereby adding to their population growth.

These regions have been able to grow their economies at rates much higher than the national average for a sustained period of time. These and possibly other factors have led to high investment into the regions.

2.5. Investment in developing economies (regional approach)

Historically developing economies have been in the back of the queue when it comes to foreign direct investment. Africa especially hasn't been performing well in this regard which can be seen illustrated in table 2.1 below. There has been many reasons for this trend which will be discussed in the following sections, but as many of these developing economies start to emerge as some of the top growing countries in the world and with many cross border trade agreements being set into place, this trend is set to change.

Table 2. 1 FDI flows, by region, 2009-2001 (UNCTAD, 2012, p.38)

FDI flows, by region, 2009-2011 (billions of dollars and per cent)						
Region	**FDI inflows**			**FDI outflows**		
	2009	2010	2011	2009	2010	2011
World	**1 197.8**	**1 309.0**	**1 524.4**	**1 175.1**	**1 451.4**	**1 694.4**
Developed economies	606.2	618.6	747.9	857.8	989.6	1 237.5
Developing economies	519.2	616.7	684.4	268.5	400.1	383.8
Africa	52.6	43.1	42.7	3.2	7.0	3.5
East and South-East Asia	206.6	294.1	335.5	176.6	243.0	239.9
South Asia	42.4	31.7	38.9	16.4	13.6	15.2
West Asia	66.3	58.2	48.7	17.9	16.4	25.4
Latin America and the Caribbean	149.4	187.4	217.0	54.3	119.9	99.7
Transition economies	72.4	73.8	92.2	48.8	61.6	73.1
Structurally weak, vulnerable and small economies[a]	**45.2**	**42.2**	**46.7**	**5.0**	**11.5**	**9.2**
LDCs	18.3	16.9	15.0	1.1	3.1	3.3
LLDCs	28.0	28.2	34.8	4.0	9.3	6.5
SIDS	4.4	4.2	4.1	0.3	0.3	0.6
Memorandum: percentage share in world FDI flows						
Developed economies	50.6	47.3	49.1	73.0	68.2	73.0
Developing economies	43.3	47.1	44.9	22.8	27.6	22.6
Africa	4.4	3.3	2.8	0.3	0.5	0.2
East and South-East Asia	17.2	22.5	22.0	15.0	16.7	14.2
South Asia	3.5	2.4	2.6	1.4	0.9	0.9
West Asia	5.5	4.4	3.2	1.5	1.1	1.5
Latin America and the Caribbean	12.5	14.3	14.2	4.6	8.3	5.9
Transition economies	6.0	5.6	6.0	4.2	4.2	4.3
Structurally weak, vulnerable and small economies[a]	**3.8**	**3.2**	**3.1**	**0.4**	**0.8**	**0.5**
LDCs	1.5	1.3	1.0	0.1	0.2	0.2
LLDCs	2.3	2.2	2.3	0.3	0.6	0.4
SIDS	0.4	0.3	0.3	0.0	0.0	0.0

"The surge of investment into ASEAN countries in the late 1980s was largely due to a convergence of specific external circumstances and desirable domestic characteristics such as stable political structures, good

15

macroeconomic figures, relatively liberal investment policies, and literate, productive workforces." (Cotton et al, 2001, p.9)

There are in particular five variables impacted by foreign direct investment, these are: employment generation and labour skills, technology, domestic investment, the environment and export competitiveness. In addition to this, the quality of the labour force that is on offer in countries also plays a critical role. Countries with literate, relatively skilled labour are the most attractive to foreign firms. "The improvement of education levels in Africa, at both primary and advanced levels is extremely important. The ASEAN economies were able to shift into higher value added manufacturing due to the supply of skilled workers. As mentioned before, the cost of labour is only one factor in investor decision-making; productivity and education level are just as important." (Cotton et al, 2001, p.11)

 "Macroeconomic reforms in many countries have often been implemented slowly and with difficulty. Government control over interest rates, over-regulation of markets and corrupt, burdensome tax regimes have taken their toll in Africa." (Cotton et al, 2001, p.12) Another issue is that developing economies are not reporting consistently on the three main components of foreign direct investment (direct investment, reinvestment and loans) and makes data in this regard hard to use. But this reporting has been improving in the last couple of years and will prove to be an important factor in the generation of foreign direct investment into countries.

There are some basic changes to be made in these economies, and if done successfully, will make them more attractive to foreign investors. For example, for African economies to attract East and South East Asian investors to Africa, these basic changes will also attract developed country investors. "However, there is hope that increased activity on the part of Asian investors first could increase growth rates and perhaps incite 'copy-cat' behaviour on the part of developed country investors in certain sectors of the more attractive economies in Africa." (Cotton et al, 2001, p.6)

Other factors listed by foreign businesses that influence investor decisions are tax regulations, stability (both politically and economic), corruption, inadequate supplies of infrastructure and having an educated workforce. Also, developing economies will have to do something to combat the 'neighbourhood effect', whereby investors might confuse events in neighbouring countries as events happening in another country. Investors might also concentrate on countries historical performance and sometimes overlook recent reforms.

16

"Most of Africa's countries have low per capita income levels and small populations which result in small markets...not only are most Sub-Saharan African economies small and poor, but 15 are also landlocked, an important contributory factor to high trade transaction costs, and more generally to the high costs of doing business in Africa." (Hartzenberg, 2011, p.3) Within the developing countries there is a number that is locked, many of them in Africa, Asia and Latin America. Economic corridors and regional integration are critically important to these countries for economic growth, development and export/imports.

Regional integration makes sense for developing economies which are mostly characterised as being small countries, small economies and small markets. "Small domestic markets and continental fragmentation translates into lack of scale economies in the production and distribution of goods and services." (Hartzenberg, 2011, p.4) These economies are also characterized as having a high dependence on commodities and thus create severe constraints on economic growth due to commodity price volatility, a factor which lies outside their ability to control.

"Africa imports more than 90 percent of her goods from outside the continent, despite resource endowments which provide the potential to supply her own import needs." (Hartzenberg, 2011, p.10) Establishing of free trade areas in these economies are seen as an important step in addressing the lack of substantial trade between developing economies and will also increase the attractiveness of them to investors, this will mean that investment in one economy could result in income from the whole region which the country is a part of. An important objective of regional integration in developing economies is to reduce the transaction costs of trade and to reduce border post and custom times between the different members. 'It is encouraging to note that about half of all trade facilitation reforms made during 2009/10 took place in sub-Saharan Africa (with 9) and the Middle East and North Africa (6), many motivated by regional integration efforts (World Bank, 2010)." (Hartzenberg, 2011, p.15) Another important factor that hinder regional trade are an understated one, non-tariff barriers and should not be underestimated; they include customs procedures and administrative requirements, technical standards and the lack of physical infrastructure.

"...attempts at regionalization are important; particularly for small countries...It is clear that the returns to investment in cross-border projects that integrate the economies of large and small countries are high for both types of countries." (Cotton, 2001, p.23) There are many benefits to countries that form part of a corridor working together as a region as this gives them greater visibility to communities looking to invest.

And will also have the benefit, by working together closely, of learning from each other; acquiring new and retaining existing investment programs.

It might be difficult for economies that have always been competing for the same investment pool to work together as regions. But these regions should understand that they are linked together by economic corridors and geography; and that it would be far better having investment into their region rather than that investment flowing into other regions. These countries in different regions then have a lot of incentives for working together to facilitate intra-regional trade and making the necessary changes domestically to make the region as a whole better. Spill over effects of investment in one country will also benefit other countries in the region. For investors, this will mean that they have much better access to markets in developing economies.

In small developing economies, one large project could be very significant in terms of raising interest in FDI. "In a globalized context, a country's trade performance and export sophistication and diversification are critical indicators of its competitiveness and are drivers of economic performance." (Hartzenberg, 2011, p.13) These are measured by the Global Competitiveness Index (GCI) which uses numerous different indicators to measure a particular country's competitiveness.

The GCI is a useful tool but lacks the sensitivity which is required by investors for their investment decision making. It can only look at regions by comparing the rankings of the different countries to one another. The GCI will form the base on which the proposed scorecard with be build. Through questionnaires and interviews the most important indicators will be identified; and also their optimal weighting for different industries. An investor will then be able to use the scorecard to analyse and compare; on one level, the different regions to one another; and on another level the different countries that forms part of a chosen region.

Speaking at IFLR's inaugural Africa Forum on May 31, Amol Prabhu, director legal IBD emerging markets at Barclays said the real skill was making sure one identifies which countries are real opportunities. "It is also about having the sensitivity to understand that, within those countries, there are different rates of development, different histories and different focus, depending on natural resources and so on," he said. (Varriale, 2012)

In the next chapter the research questions that forms part of this study will be identified and discussed.

Chapter 3 – Research questions

3.1 Introduction

This study investigated what investors in developing economies deem to be the most important factors to take into account when analysing investment opportunities in developing economies' growth corridors.

The research questions discussed below were developed with the intention of gaining a clearer understanding of the factors that investors in developing economies, from different industries, deem most important in their strategic investment decision making process. This allowed the researcher to compare these factors from the investors to create an investment scorecard for investors looking to evaluate opportunities in developing economies on a high level.

3.2 Research question 1:

What factors is seen as the most important to investors when deciding on investment opportunities in developing economies?

Objectives:

In this question all the factors under the twelve competitiveness pillars from the questionnaire were rated to find the five most important factors in order of importance. The twelve pillars were then rated in a similar fashion to find their order of importance. The top five factors of under each pillar and the pillars themselves was then given a weighting which was used to create the weighted scorecard. In this question all the respondents that identified themselves as investors or part of an organisation that invest in developing economies were analysed together to form this scorecard.

3.3 Research Question 2:

Is there correlation between the responses of individuals from the same industry? If a correlation is prevalent - what are the weightings of the different factors in different industries?

Objectives:

19

In this question, again, all the factors under the twelve competitiveness pillars from the questionnaire were rated to find the five most important factors in order of importance. The twelve pillars were then rated in a similar fashion to find their order of importance. The top five factors of under each pillar and the pillars themselves was then given a weighting which was used to create the weighted scorecard. For this question the respondents that identified themselves as investors or part of an organisation that invest in developing economies were divided into industries according to what is described in chapter 4 and were analysed to form a scorecard that is industry specific.

3.4 Research question 3:

Would looking at investment opportunities in developing economies on a regional level be more beneficial in the respondents' opinion rather than looking at these economies on a country by country base?

Objectives:

Do investors and non-investors agree on this? Do certain industries feel different than others? How important is it?

3.5 Research Question 4:

Is the connectedness of countries important in investment decisions? If so, which is more important to different industries?

Objectives:

- Survey question 18 – When looking for investment opportunities do respondents consider the connectedness of a country, whether it be local or global, as important?
- Survey question 19 – When looking for investment opportunities do respondents considers as a country's global connectedness or local connectedness to be most important?
- Survey question 20 – When looking for investment opportunities do respondents consider the breadth of a country's connectedness or depth of a country's connectedness to be most important?
- Survey question 19-20 – Is there a relationship between the ways the respondents from different industries chose when considering the two questions?

Chapter 4 - Research Methodology

4.1. Introduction

This chapter specifies the study's research approach. The chapter describes the research method, the population and units of analysis, the size and nature of the sample, the research instrument, the data collection and the analysis of the data. The chapter concludes with a brief overview of the potential limitations of this research.

4.2. Brief description of the research study

The development of economic corridors is becoming an important strategy for accelerating economic growth and integration in developing economies. Around these corridors economic regions are forming with trade barriers being lowered, with numerous investment opportunities emerging within these regions. Historically many of the countries in these regions have been overlooked by investors due to a lack of data, unfavourable business environments and perceived barriers that exist within these economies. But, due to the slow of growth and decline of many developed economies, there seems to be a mad scramble for companies to enter these fast growing economies of developing countries. What are these prospective investors currently basing their investment decisions on?

The scope of this research was to discover if there could be a beneficial way of analysing investment opportunities in developing economies by firstly looking at them on a regional level and also at their connectedness within these regions. This research aimed to discover the factors investors in developing countries deem as the most important and to discover the optimal weightings of these factors for different industries. These discoveries were then used to create a weighted scorecard which has been applied to the regions and developing countries surrounding different corridors to test its applicability.

4.3. Research Methodology

In this research study, quantitative methods were used to gather data which was analysed before the resulting findings were used to test, analyse and support the findings. The units used in the Global Competitiveness Index (GCI) and the Visa Africa Integration Index formed the base of the questionnaire and will be discussed under the units of analysis section. These units in turn were then used to form a weighted

21

investment scorecard after the data were analysed. This study did not by any means try to replicate any of the earlier mentioned studies (GCI & VISA Africa) but only used some of the measurements that might apply to investors decisions in developing economies surrounding growth corridors.

This research was an exploratory study by design. An exploratory study is: "research the aims to seek new insights, ask new questions and assess topics in a new light." (Saunders and Lewis, 2012, p.110). This kind of study is usually done by: "searching the academic literature; interviewing 'experts' in the subject; and conducting interviews." (Saunders and Lewis, 2012, p.110). Due to the fact that this study involved a combination of factors that was not that widely researched, an explorative study seemed to be the right fit for this research.

The research philosophy which was employed throughout this research was a pragmatic one. Saunders and Lewis (2012) define this as, "a research philosophy which argues that the most important determinant of the research philosophy adopted is the research question(s) and objectives." (p.107).

4.4. Research questions

Research question 1:
What factors is seen as the most important to investors when deciding on investment opportunities in developing economies?

Research Question 2:
Is there correlation between the responses of individuals from the same industry? If a correlation is prevalent - what are the weightings of the different factors in different industries?

Research question 3:
Would looking at investment opportunities in developing economies on a regional level be more beneficial in the respondents' opinion rather than looking at these economies on a country by country base?

Research Question 4:
Is the connectedness of countries important in investment decisions? If so, which is more important to the different industries?

4.5. Quantitative Research Design

4.5.1. Method

Saunders and Lewis (2012) define quantitative data as "consisting of numbers or data that have been quantified, such as tables of figures." (p.85). A quantitative study can be described as being focused.

Deduction was used at the start of this research to clarify the theories that will be used in the study and to identify the theory this study was built on. As defined by Zikmund, 2000: "The logical process of deriving a conclusion from a known premise or something known to be true." (p.gl-5). Deduction is also an approach which involves the testing of a theoretical proposition by using a research strategy specifically designed for the purpose of its testing.

4.5.2. Population

As defined by Zikmund, 2000: "A population, or universe, is any complete group of people, companies, hospitals, stores, college students, or the like that share some set of characteristics." (p.339). The distinction between a universe and a population is on the basis of whether the group is infinite (universe) or finite (population).

The universe is the entire repository of information where you can find answers to your research problem. The repository of information in this research area lied in persons that are involved in investing in developing countries and other business persons involved in the strategic decision making processes.

The population that were chosen for this research were professional persons that are part of the strategic decision making of companies or are in middle management positions. My peers in this MBA program fell in this category and due to access made up a significant part of the quantitative part of the study. Other selected individuals that also fell in this category, like the members of the Centre for Dynamic Markets (CDM) and similar centres/groups were also to be included.

4.5.3. Sampling

Saunders and Lewis (2012) describe a sample as: "a sub group of the whole population. The subgroup need not necessarily be a subset of people or employees: it can, for example, be a subset of organisations, places or some of the tracks listed for a music CD." (p.132). This can also be described as the degree to and method which you reach into this repository to get the information to answer your question.

23

The study also employed non-probability sampling techniques to reach into the population for answers to the research questions. Non-probability sampling is described as: "a variety of sampling techniques for selecting a sample when you do not have a complete list of the population. Because you do not have a complete list of the population, you cannot select your sample from this population at random. This also means you do not know the chance or probability of each member of your population being selected." (p.134). The non-probability sampling method that was used in the study was the purposive sampling method. This sampling method is described as: "a type of non-probability sampling in which the researcher's judgement is used to select the sample members based on a range of possible reasons and premises." (p.138).

The purposive sampling technique was decided on due to the fact that a population with certain characteristics was needed to answer the research questions. The population would consist of professional persons that are part of strategic decision making of companies or are in middle management positions. The sample size for the questionnaires was aimed at least fifty to eighty because of the need to have more representative industries within the sample, of which 37 completed questionnaires were collected.

Analysis of data was done with a combination of SPSS and Excel which is statistical analysis programs that has the ability to present the analysed data in various formats. Units of analysis will be used as described in the following sections.

4.5.4. Unit of Analysis

Units of analysis are described as: "a predetermined piece of data such as a line of a transcript, sentence, paragraph, or response." (Saunders and Lewis, 2012, p.194). The units used in the Global Competitiveness Index (GCI) and the Visa Africa Integration Index were used as a base and other units was included through an analysis of external data. These category and sub category units were then used to form a weighted scorecard after the data was analysed.

The Visa integration index provides a contemporary measure of integration amongst key economies across the continent and allows for a dynamic study of the evolution of economic integration and how it contributes to Africa's improving socio-economic prosperity. (Saville & White, 2013, p. 24) This index speaks to economic corridors and the connectedness within these regions, this is an important part in being able to look at investment opportunities in developing economies at a regional level rather than a country by country level.

24

The Global competitiveness index (Schwab, 2012) was chosen because of the multitude of data within it and it allowed the respondent to be able to choose the factors that they deem to be most important from a very comprehensive list of factor. This index also has data on most of the countries that forms part of the corridors developing economies and made creating the scorecard easier due to the availability of data.

4.5.5. Justify and describe questionnaire design

Saunders (2012) describes a questionnaire as: "A general term that includes all methods of data collection in which each person is asked to answer the same set of questions in the same order. Questionnaires can be distributed face to face by an interviewer, by telephone, by hand, by post and by the web." (p.141).

The many of the questions in the questionnaire was based on the Global Competitiveness Index (Schwab, 2012) and the Visa Africa integration index. This helped in better understanding how investors look at developing economies when they make investment decisions and which factors they deem as the most important. See unit of analysis section above for more information on these two indexes.

The "**Respondent Information**" section in the questionnaire had questions which helped in qualifying or disqualifying respondents from the study. Investors and non-investors in developing economies were separated at this point.

The **"Basic Requirement"** section in the questionnaire dealt with factor driven economies. In this section the individuals were asked to rate different factors in order of importance under the categories: Institutions, Infrastructure, Macroeconomic and Health and Primary education. This indicated what investors' value most under these categories.

The **"Efficiency Enhancers"** section in the questionnaire dealt with efficiency driven economies. In this section the individuals were asked to rate different factors in order of importance under the categories: Higher education and training; Goods market efficiency; Labour market efficiency; Financial market development; Technological readiness; and Market size. This indicated what investors' value most under these categories.

The **"Innovation and Sophistication factors"** section of the questionnaire dealt with innovation driven economies. In this section the individuals were asked to rate different factors in order of importance under the categories: Business Sophistication; Innovation; and Global Competitiveness. This indicated what investors' value most under these categories.

The **"Connectedness of countries"** section of the questionnaire dealt with the depth and breadth of countries connectedness. This dealt in broad terms with the importance of a country's connectedness locally or globally; and the importance this might have on prospective investors.

Please find the questions that will be included in the questionnaire attached in **Appendix A**.

4.5.6. Pre-test

Saunders and Lewis (2012) describe a pre-test as: "the trying out of a questionnaire, interview schedule or other method of data collection with a small group of respondents who are similar to those who will be used in the actual research to see if it works. Any problems that arise in the pilot test can then be sorted out before the actual research is undertaken." (p.149).

Before the distribution of the questionnaire to the potential respondents, it was critically important to do a pre-test of the questionnaire and the system that was used to collect the data. The data collecting system (online facilities) was tested to find if it was working correctly and that it was actually recording/collecting the data from the respondent's input. The questionnaire was tested by sending it to a small number of people which then confirmed that the respondents would understand the meaning of the questions and that they are able to follow the instructions. This test group of people consisted of 3 people and they also timed themselves to see how long it would take to complete the questionnaire, this was found to be between 9 and 16 minutes.

There was also time spend on making sure that the wording of the questions where consistent and that all the questions that were asked was in a positive vernacular to remove respondent bias regarding this while answering the questionnaire.

4.5.7. Data Collection

The data collection was done by means of a questionnaire that was distributed electronically and also to be filled out online. The website Survey Monkey was used to distribute the questionnaires and collect the respondents input. Survey Monkey is a website that can be used to distribute questionnaire or surveys over the internet, it can present data in visual way and can also export response data in a format that can be used in many different statistical analysis programs. Survey Monkey was used due to its ease of use; the fact that different formats of the data can be downloaded and the fact that the data can be imported directly into SPSS without a lot of formatting required.

4.5.8. Data Analysis

Cross tabulation (also known as contingency tables) will be used throughout the analysis of the data and when answering the research questions. These will also be supplemented with the Chi-square test and the Fisher exact test.

Cross tabulation

A contingency table is a cross tabulation of two nonmetric or categorical variables in which the entries are the frequencies of responses that fall into each cell of the matrix (Hair, Black, Babin, and Anderson, 2006).

Norusis (2005) further adds that when a table has counts of the number of cases with particular combinations of values of the two variables, the table is known as a cross tabulation (or simply crosstab). The observed counts and percentages in a cross tabulation describe the relationship between the two variables in the sample. However additional steps must be taken should the researcher want to draw conclusions about the relationship of the variables in the population. The chi-square test is primarily used to test the null hypothesis that the two categorical variables are independent.

The 2x2 Table: The simplest form of cross tabulation is the 2 by 2 table where two variables are "crossed," and each variable has only two distinct values. For 2 × 2 tables, Fisher's exact test is computed when a table that does not result from missing rows or columns in a larger table has a cell with an expected frequency of less than 5.

P-Value

The statistical significance of a result is the probability that the observed relationship (e.g., between variables) or a difference (e.g., between means) in a sample occurred by pure chance ("luck of the draw"), and that in the population from which the sample was drawn, no such relationship or differences exist. Using less technical terms, we could say that the statistical significance of a result tells us something about the degree to which the result is "true" (in the sense of being "representative of the population").

More technically, the value of the p-value represents a decreasing index of the reliability of a result. The higher the p-value, the less we can believe that the observed relation between variables in the sample is a reliable indicator of the relation between the respective variables in the population. Specifically, the p-value represents the probability of error that is involved in accepting our observed result as valid, that is, as "representative of the population." In many areas of research, the p-value of .05 is customarily treated as a "border-line acceptable" error level.

27

Norusis (2005) highlights that if the p-value is small enough (usually less than 0.05), reject the null hypothesis. Traditionally, 0.05 is used as the threshold for "small enough," although a more stringent criterion of 0.01 is also used. These criteria are called the significance levels or alpha levels for a statistical significance test. If the p-value is less than 0.05, then the results are said to be "statistically significant" at the 5% level.

Respondent information:

Found in questions 1-4 of the questionnaire – This enabled the division of the respondents into those who invest in developing countries and those who don't. These questions also revealed the position that the respondents fill in their respective organizations. These criteria were used in eliminating respondents from the study, only investor in developing countries in certain positions in their organization were used in the analysis.

Throughout, the analysis were done on the investor group as a whole and also on the investor group divided into different industries for analysis in parallel. This was applied for most of the research questions to test for variance between the different industries.

Research question 1:

In this research question analysis in done on the investor group as a whole. The global competitiveness factors which forms the bulk of the questionnaire are combined in question 1-12. Each of these factors include elements which were ranked individually per question. See a breakdown of the factors/questions below:

Basic requirements of the global competitiveness pillars: Question 1-4 – Under each question respondents were asked to rank the elements/items under from most important to least important (top five only). Using this data, the top five elements/items were identified and ranked within each question.

Efficiency enhancers of the global competitiveness pillars: Questions 5-10 – Under each question respondents were asked to rank the elements/items under from most important to least important (top five only). Using this data, the top five elements/items were identified and ranked within each question.

Innovation & Sophistication factors of the global competitiveness pillars: Questions 11-12 – Under each question respondents were asked to rank the elements/items under from most important to least important (top five only). Using this data, the top five elements/items were identified and ranked within each question.

Global competiveness pillars: Question 13– In this question respondents were asked to rank the factor which they ranked individually in the preceding questions from most important to least important (top five only). There are twelve Global Competitive pillars; these were ranked in order of importance as indicated by the respondents. The result found through this analysis was used to create an investment scorecard that was then used to analyse developing economies in a development corridor next to another corridor. These results were also then analysed next to values and rankings found in the Global Competiveness Index and the Global Connectedness Index to check the validity of the data.

Research Question 2:

This question follows the same procedure as Research Question 1 but the question's focus was on a specific industry. Due to the small sample collected, the finance related industries was used to be analysed against the remaining industries combined to see if there would be a variation in results. If a variation was to be found, it would mean that there might be a benefit in analysing industry responses on an industry base.

Research question 3:

The results in Question 17 was analysed to see if respondents of the questionnaire deemed looking at investment opportunities in developing economies on a regional level more beneficial than only looking at them on a country by country base.

Research Question 4:

Questions 14-17 relate to the importance of country's connectedness in investment decisions. When looking at the data and it seemed that the majority of respondents felt that connectedness is important of the decision making but they were divided on "local and global" & "depth and breadth".

Contingency tables will be used to test the statistic relevance of the data collected, this will be done for the complete sample and also for respondents spilt into industry specific categories to find variance in the way the respondents from the different industries chose.

4.5.9. Assumptions
It was assumed that the individuals completing the questionnaires would answer the questions honestly.

4.5.10. Limitations
The first limitation is that there is limited information available on developing economies other than in United Nation and World Bank reports. The second limitation is that reporting in many of developing

29

economies' data reporting is suspect and that not all their data can be trusted. A third limitation is, for the most, that every developing economy and region has many factors that are unique to them and that not all of these can be quantified in this study.

A fourth limitation of this study is the small size of the sample that was collected, if a bigger sample with a larger spread of individuals for different industries were collected a more in-depth analysis could have been done. If a representative sample of the different industries were collected, the factors that are considered important by the different industries could have been highlighted. This would also have meant that industry specific scorecards could have been prepared.

A fifth limitation is that the population for this study is mainly South Africans doing business in Africa and might not reflect the global situation. This study only aims at identifying investment opportunities in developing economies and the real work of investing only starts after opportunities were identified.

Chapter 5 -Research Results

5.1. Introduction to results

The previous chapter presented a description of the research methodology used to test the research questions outlined in chapter 3. This chapter presents the results of the research data. There were a total of 37 survey respondents of which 7 were disqualified due to them not being investors in developing economies; this means that the sample size is 30 and the analysis will be done on their responses only. As a result of the small sample size, the analysis took the form of predominantly descriptive statistical analysis with some non-parametric statistical tests like the Fisher exact and Chi square tests. The chapter commences with a description of the characteristics of the sample followed by a summary of the results to support the discussion in chapter 6. The detailed results relating to the findings of all questions posed to the respondents are available in Appendix B.

5.2. Sample Characteristics

The sample characteristics shown in the following tables relate to the personal/respondent information in the questionnaire found in appendix A. There were a total number of thirty seven respondents to the survey. Seven of these respondents indicated that neither they nor the companies they work for invest or do business in developing countries. Due to their negative response to this question they were disqualified from the following data analysis.

Table 5. 1 – All respondents – Do you or your companies invest or do business in developing countries?

	Frequency	Percentage
Yes	30	81.1
No	7	18.9
Total	37	100.0

Table 5. 2 – Respondents investing in developing economies

	Frequency	Percentage
Yes	30	100.0

Of the thirty respondents twenty four indicated that they work for an organisation with more than fifty employees and six indicated that they work for organisations with less than fifty employees.

31

Table 5. 3 – Size of organisation

	Frequency	Percentage
Less than 50 employees	6	20.0
More than 50 employees	24	80.0
Total	30	100.0

The industry best represented in the survey was the "Banking, Finance & Financial Services" industry. Many industries do not have sufficient representation in the survey, but that can be expected in such a small sample size.

Table 5. 4 – The industries that the respondents organisations belong to

	Frequency	Percentage
Agriculture	1	3.3
Airlines & Aerospace (including Defence)	1	3.3
Banking, Finance & Financial Services	7	23.3
Business Support & Logistics	1	3.3
Engineering & Construction	3	10.0
Food & Beverage	1	3.3
Insurance	2	6.7
Manufacturing	2	6.7
Mining	2	6.7
Retail & Consumer Durables	1	3.3
Telecommunications, Technology, Internet & Electronics	3	10.0
Utilities & Energy	3	10.0
Other	3	10.0
Total	30	100.0

For later analysis in research question 3, the respondents were also spilt into "Financial Related" industries which include respondents from the "Banking, Finance & Financial Services" industry combined with the Insurance industry; and "Other" industries which into include all the respondents not in financial related organisations.

Table 5. 5 – Financial Related industries apart from other industries

	Frequency	Percent
Finance Related	9	30.0
Other	21	70.0
Total	30	100.0

The respondents indicated in the survey what their roles are in their organisation, fourteen of the respondents indicated that they are in management roles in the various industries. The detailed list can be found in Appendix B.

Table 5. 6 – Role of respondents in their respective organisations

	Frequency	Percentage
CEO's	1	3.3
Director's	1	3.3
Manager's	14	46.7
Engineer's	2	6.7
Specialist's	5	16.7
Other	7	23.3
Total	30	100.0

5.3. Descriptive Statistics – Research findings

The findings that follow are reported in key themes related to the global competitiveness index which made out the bulk of the survey questions. Respondents were asked to rank the top five factors under each of the competitiveness pillars in order of importance when looking for investment opportunities in developing economies. The tables 5.7 – 5.19 is frequency table in which each numeral indicates the number of responses per category (first – highest importance to fifth – lowest importance). Also, the total number of responses will equal 150 (each respondent has 5 allocations to make and there are 30 respondents). The table thus represents a proto-weighting of the raw data without any statistical testing applied at this stage.

Basic requirements

In table 5.7 the responses concerning the factors related to the institutions pillar can be seen. The respondents saw strength of investor protection and property rights as the most important factors relating to institutions. The respondents also saw diversion of public funds by officials and public trust of politicians as the least important factors relating to institutions when looking for investment opportunities in developing economies.

Table 5. 7 – Basic Requirements: 1. Institutions

	First	Second	Third	Fourth	Fifth
Property rights	7	2	2	1	2
Intellectual property protection	4	3	1	1	2
Diversion of public funds by officials	0	0	0	0	0
Public trust of politicians	0	0	0	1	0
The absence of irregular payments and bribes	1	5	1	1	2
Judicial independence	2	3	1	1	5

The absence of favouritism in decisions of government officials	0	0	2	1	1
Non-wastefulness of government spending	1	0	0	0	1
Lack of the burden of government regulation	2	1	3	1	1
Efficiency of legal framework in settling disputes	1	2	1	4	3
Efficiency of legal framework in challenging regulations	0	1	2	1	1
Transparency of government policymaking	2	1	4	3	2
The potential cost to business due to the possibility of terrorism	0	0	1	0	0
The potential cost to business due to the possibility of crime and violence	0	2	2	0	0
The potential risk to an organisation due to organised crime	0	0	1	1	0
Reliability of police services	1	0	0	2	1
Ethical behaviour of firms	3	3	1	4	2
Strength of auditing and reporting standards	0	4	2	2	2
Efficacy of corporate boards	0	1	1	0	1
Protection of minority shareholders' interests	1	0	0	2	0
Strength of investor protection	5	2	5	4	4

In table 5.8 the responses concerning the factors related to the infrastructure pillar can be seen. The respondents saw quality of overall infrastructure and quality of electrical supply as the most important factors relating to infrastructure. The respondents also saw available airline seat kilometres/week as the least important factor relating to infrastructure when looking for investment opportunities in developing economies.

Table 5. 8 – Basic Requirements: 2. Infrastructure

	First	Second	Third	Fourth	Fifth
Quality of overall infrastructure	19	5	3	1	2
Quality of roads	2	5	5	3	6
Quality of railroad infrastructure	0	1	2	2	3
Quality of port infrastructure	0	1	2	8	3
Quality of air transport infrastructure	0	0	1	4	6
Available airline seat kilometres/week, millions	0	1	0	2	1
Quality of electricity supply	7	13	5	1	2
Fixed telephone lines/100 population.	1	1	7	3	3
Mobile telephone subscriptions/100 population	1	3	5	6	4

In table 5.9 the responses concerning the factors related to the macroeconomic environment pillar can be seen. The respondents saw the annual percentage change in inflation as the most important factor relating

to the macroeconomic environment. The respondents also saw gross national savings as a percentage of the gross domestic product as the least important factor relating to a country's macroeconomic environment when looking for investment opportunities in developing economies.

Table 5. 9 – Basic Requirements: 3. Macroeconomic environment

	First	Second	Third	Fourth	Fifth
Government budget balance, % GDP (Gross Domestic Product)	3	5	4	8	5
Gross national savings, % GDP (Gross Domestic Product)	2	3	3	6	10
Inflation, annual % change	14	7	5	1	1
Interest rate spread, %	2	7	7	5	3
General government debt, % GDP (Gross Domestic Product)	1	4	6	4	7
Country credit rating	8	4	5	6	4

In table 5.10, the responses concerning the factors related to the health and primary education pillar can be seen. The respondents saw the quality of primary education as the most important factor relating to the health and primary education pillar. The respondents also saw tuberculosis incidence per 100,000 people as the least important factor relating to the health and primary education pillar when looking for investment opportunities in developing economies.

Table 5. 10 – Basic Requirements: 4. Health and primary education

	First	Second	Third	Fourth	Fifth
Business impact of malaria	3	2	3	5	4
Malaria cases/100,000 population.	0	3	1	0	0
Business impact of tuberculosis	0	1	3	1	6
Tuberculosis incidence/100,000 population.	0	0	1	3	0
Business impact of HIV/AIDS	5	5	5	4	2
HIV prevalence, % adult population.	3	4	4	6	4
Infant mortality, deaths/1,000 live births	3	0	2	1	0
Life expectancy, years	5	3	6	3	8
Quality of primary education	9	6	3	4	4
Primary education enrolment, net %	2	6	2	3	1

Efficiency Enhancers:

In table 5.11 the responses concerning the factors related to the higher education and training pillar can be seen. The respondents saw the quality of the education system as the most important factor relating to the higher education and training pillar. The respondents also saw internet access in schools as the least

important factor relating to the higher education and training pillar when looking for investment opportunities in developing economies.

Table 5. 11 – Efficiency Enhancers: 5. Higher education and training

	First	Second	Third	Fourth	Fifth
Secondary education enrolment rate	2	2	2	8	2
Tertiary education enrolment rate	3	6	4	3	5
Quality of the educational system	13	4	2	1	4
Quality of math and science education	1	12	3	3	1
Quality of management schools	3	1	7	1	2
Internet access in schools	2	0	1	4	3
Availability of research and training services	1	4	7	3	4
Extent of staff training	5	1	4	7	9

In table 5.12 the responses concerning the factors related to the goods market efficiency pillar can be seen. The respondents saw the intensity of local competition as the most important factor relating to the goods market efficiency pillar. The respondents also saw imports as a percentage of gross domestic product as the least important factor relating to the goods market efficiency pillar when looking for investment opportunities in developing economies.

Table 5. 12 – Efficiency Enhancers: 6. Goods market efficiency

	First	Second	Third	Fourth	Fifth
Intensity of local competition	8	1	5	3	3
Extent of market dominance	1	5	1	2	2
Effectiveness of anti-monopoly policy	1	0	1	1	2
Extent and effect of taxation	3	4	4	1	0
Total tax rate	3	4	0	2	2
No. procedures to start a business	3	4	4	2	1
No. days to start a business	3	1	2	2	1
Agricultural policy costs	0	0	3	0	0
Prevalence of trade barriers	2	0	1	3	2
Trade tariffs	1	0	2	6	4
Prevalence of foreign ownership	1	2	1	0	2
Business impact of rules on FDI (Foreign Direct Investment)	1	1	2	3	3
Burden of customs procedures	1	2	0	2	2
Imports as a percentage of GDP (Gross Domestic Product)	0	1	1	0	0
Degree of customer orientation	1	2	2	2	1
Buyer sophistication	1	3	1	1	5

In table 5.13 the responses concerning the factors related to the labour market efficiency pillar can be seen. The respondents saw the labor pay and productivity as the most important factors relating to the labour market efficiency pillar. The respondents also saw woman in the labour force as the least important factor relating to the labour market efficiency pillar when looking for investment opportunities in developing economies.

Table 5. 13 – Efficiency Enhancers: 7. Labour market efficiency

	First	Second	Third	Fourth	Fifth
Cooperation in labour-employer relations	7	8	3	2	5
Flexibility of wage determination	3	3	2	4	5
Rigidity of employment index	2	4	2	2	1
Hiring and firing practices	5	7	3	3	4
Redundancy costs, weeks of salary	0	0	5	0	4
Pay and productivity	8	4	8	7	0
Reliance on professional management	4	2	4	7	5
Brain drain	1	1	1	2	5
Women in labour force, ratio to men	0	1	2	3	1

In table 5.14 the responses concerning the factors related to the financial market development pillar can be seen. The respondents saw the availability of financial services as the most important factor relating to the financial market development pillar. The respondents also saw financing through the local equity market as the least important factor relating to the financial market development pillar when looking for investment opportunities in developing economies.

Table 5. 14 – Efficiency Enhancers: 8. Financial market development

	First	Second	Third	Fourth	Fifth
Availability of financial services	15	9	3	0	1
Affordability of financial services	2	8	5	1	2
Financing through local equity market	0	0	2	3	3
Ease of access to loans	1	3	5	4	6
Venture capital availability	1	1	1	4	5
Soundness of banks	5	5	9	5	2
Regulation of securities exchanges	2	3	3	3	6
Legal rights index	4	1	2	9	4

In table 5.15 the responses concerning the factors related to the technology readiness pillar can be seen. The respondents saw the firm-level technology absorption as the most important factor relating to the technology readiness pillar. The respondents also saw foreign direct investment and technology transfer as

37

the least important factor relating to the technology readiness pillar when looking for investment opportunities in developing economies.

Table 5. 15 – Efficiency Enhancers: 9. Technology readiness

	First	Second	Third	Fourth	Fifth
Availability of latest technologies	9	2	1	6	6
Firm-level technology absorption	6	6	6	2	9
FDI and technology transfer	0	6	7	7	2
Internet users/100 population.	7	4	7	2	6
Broadband Internet subscriptions/100 population.	2	6	5	5	2
Internet bandwidth	6	6	3	7	4

In table 5.16 the responses concerning the factors related to the market size pillar can be seen. The respondents saw the domestic market size index as the most important factor relating to the market size pillar. The respondents also saw the foreign market size index as the least important factor relating to the market size pillar when looking for investment opportunities in developing economies.

Table 5. 16 – Efficiency Enhancers: 10. Market size

	First	Second
Domestic market size index	21	9
Foreign market size index	9	21

Innovation and Sophistication:

In table 5.17 the responses concerning the factors related to the business sophistication pillar can be seen. The respondents saw nature of competitive advantage as the most important factor relating to the business sophistication pillar. The respondents also saw willingness to delegate authority as the least important factor relating to the business sophistication pillar when looking for investment opportunities in developing economies.

Table 5. 17 – Innovation and Sophistication: 11. Business sophistication

	First	Second	Third	Fourth	Fifth
Local supplier quantity	4	2	5	1	5
Local supplier quality	7	6	4	6	2
State of cluster development	2	1	1	1	1
Nature of competitive advantage	9	6	2	5	2
Value chain breadth	4	3	8	6	4
Control of international distribution	1	1	4	3	7
Production process sophistication	1	7	2	4	3
Extent of marketing	2	3	2	3	2
Willingness to delegate authority	0	1	2	1	3

38

In table 5.18 the responses concerning the factors related to the innovation pillar can be seen. The respondents saw capacity for innovation as the most important factor relating to the innovation pillar. The respondents also saw utility patents granted per million people as the least important factor relating to the innovation pillar when looking for investment opportunities in developing economies.

Table 5. 18 – Innovation and Sophistication: 12. Innovation

	First	Second	Third	Fourth	Fifth
Capacity for innovation	13	6	5	3	1
Quality of scientific research institutions	3	6	5	5	5
Company spending on R&D	3	7	9	3	3
University-industry collaboration in R&D	2	3	4	4	7
Government procurement of advanced tech products	2	1	5	8	4
Availability of scientists and engineers	7	7	1	2	2
Utility patents granted/million pop.	0	0	1	4	7

Global Competitiveness:

In table 5.19 the responses concerning the pillars of global competitiveness can be seen. The respondents saw the infrastructure pillar as the most important competitiveness pillar. The respondents also saw the goods market efficiency pillar as the least important competitiveness pillar when looking for investment opportunities in developing economies. These twelve competitiveness pillars relate to questions one to twelve in the second section of the questionnaire.

Table 5. 19 – Global Competitiveness: 13. The pillars of global competitiveness

	First	Second	Third	Fourth	Fifth
Institutions	8	4	1	1	0
Infrastructure	3	11	6	2	2
Macroeconomic environment	7	2	2	1	2
Health and primary education	0	1	5	0	2
Higher education and training	2	0	4	3	2
Goods market efficiency	0	0	1	3	5
Labour market efficiency	0	1	2	6	3
Financial market development	3	1	2	3	4
Technological readiness	2	3	0	5	1
Market size	4	3	3	2	3
Business Sophistication	0	4	3	2	3
Innovation	1	0	1	2	3

39

In table 5.20 can be seen that 86.7% of respondents indicated that they see a country's connectedness as an important factor to take into account when looking at investment opportunities in developing economies.

Table 5. 20 – Connectedness of Countries: 14. Is a country's connectedness important? Investors

	Frequency	Percentage
Yes	26	86.7
No	4	13.3
Total	30	100.0

In table 5.21 can be seen that 85.7% of respondents (non-investors) indicated that they see a country's connectedness as an important factor to take into account when looking at investment opportunities in developing economies

Table 5. 21 – Connectedness of Countries: 14. Is a country's connectedness important? Non-investors

	Frequency	Percentage
Yes	6	85.7
No	1	14.3
Total	7	100.0

In table 5.22 can be seen that respondents were divided in their opinion on whether global connectedness or local connectedness is the most important, global connectedness were seen as the more important option.

Table 5. 22 – Connectedness of Countries: 15. Which is more important, global connectedness or local connectedness?

	Frequency	Percentage
Global connectedness	17	56.7
Local connectedness	13	43.3
Total	30	100.0

In table 5.23 can be seen that there were a deadlock between respondents then ask whether a country's depth of connectedness or breadth of connectedness is the more important factor to take into account when looking at investment opportunities in developing economies.

40

In table 5.24 can be seen that 86.7% of respondents indicated that there would be a benefit in looking at developing economies on a regional level when looking at investment opportunities in developing economies.

Table 5. 24 – Development Corridors: 17. Is there a benefit in looking at developing countries on a regional level?

	Frequency	Percent
Yes	26	86.7
No	4	13.3
Total	30	100.0

Connectedness related data

The following cross tabulation tables relate to questions 14 – 17 of the questionnaire which can be found in appendix A and deals with the connectedness related research questions 3 and 4. For information on cross tabulation and p-values please see chapter 4. In short, the cross tabulation tables look at the responses on two variables in a 2x2 table to look for statistical variances. The p-value is the measure with which the statistical relevance is measured and should be >0.05 to be considered statistically relevant.

In table 5.25 & 5.26 can be seen that there were not a statistical significant difference in the way that investors in developing economies and non-investors responded to the benefits of looking at developing economies on a regional level when looking for investment opportunities in these economies. Please find the tables on the next page.

41

Table 5. 25 – Cross tabulation: Investors & Non-investors; and benefits in looking at developing economies on a regional level

1. Do you or your company invest or do business in developing countries? * 17. Is there benefit in looking at developing economies on a regional level (surrounding developing corridors) rather than on a country by country level					
			17. Is there benefit in looking at developing economies and a regional level (surrounding developing corridors) rather than on a country by country level		Total
			Yes	No	
1. Do you or your company invest or do business in developing countries?	Yes	Count	26	4	30
		% within Q1. Do you or your company invest or do business in developing countries?	86.7%	13.3%	100.0%
	No	Count	6	1	7
		% within Q1. Do you or your company invest or do business in developing countries?	85.7%	14.3%	100.0%
Total		Count	32	5	37
		% within Q1. Do you or your company invest or do business in developing countries?	86.5%	13.5%	100.0%

Table 5. 26 – Chi-Square Tests: Investors & Non-investors; and benefits in looking at developing countries on a regional level

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.004[a]	1	.947		
Continuity Correction [b]	0.000	1	1.000		
Likelihood Ratio	.004	1	.947		
Fisher's Exact Test				1.000	.673
Linear-by-Linear Association	.004	1	.948		
N of Valid Cases	37				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .95.

b. Computed only for a 2x2 table

In table 5.27 & 5.28 can be seen that there were not a statistical significant difference in the way that investors from financial related industries and investors from the other industries responded to the benefits of looking at developing economies on a regional level when looking for investment opportunities in these economies.

42

Table 5. 27 – Cross tabulation: Financial industry and benefits in looking at developing countries on a regional level

[R] 3. What is the principal industry of your organization? * 17. Connectedness of Countries - Is there benefit in looking at developing economies on a regional level (surrounding developing corridors) rather than on a country by country level **[Cross tabulation]**					
			17. Connectedness of Countries - Is there benefit in looking at developing economies and a regional level (surrounding developing corridors) rather than on a country by country level		Total
			Yes	No	
[RQ] 3. What is the principal industry of your organization?	Finance Related	Count	9	1	10
		% within [R] 3. What is the principal industry of your organization?	90.0%	10.0%	100.0%
	Other	Count	23	4	27
		% within [R] 3. What is the principal industry of your organization?	85.2%	14.8%	100.0%
Total		Count	32	5	37
		% within [R] 3. What is the principal industry of your organization?	86.5%	13.5%	100.0%

Table 5. 28 – Chi-Square Tests: Financial industry and benefits in looking at developing countries on a regional level

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.145[a]	1	.704		
Continuity Correction [b]	0.000	1	1.000		
Likelihood Ratio	.153	1	.696		
Fisher's Exact Test				1.000	.588
Linear-by-Linear Association	.141	1	.707		
N of Valid Cases	37				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.35.

b. Computed only for a 2x2 table

The following tables shows the responses of investors related to the importance of connectedness of countries when looking for investment opportunities in developing economies.

In table 5.29 & 5.30 related to the connectedness can be seen that there is a statistical significance in respondents' responses to the importance of the connectedness of developing economies whether it is global or local. But to the question of which connectedness is more important the respondents were divided in their responses and there were no statistical relevant variance in which connectedness is more important.

43

14. Connectedness of Countries - When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?			
	Observed N	Expected N	Residual
Yes	26	15.0	11.0
No	4	15.0	-11.0
Total	30		

15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies?			
	Observed N	Expected N	Residual
Global connectedness	17	15.0	2.0
Local connectedness	13	15.0	-2.0
Total	30		

16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies?			
	Observed N	Expected N	Residual
The depth of a country's connectedness to other countries	15	15.0	0.0
The breadth of a country's connectedness to other countries	15	15.0	0.0
Total	30		

	Chi-Square	df	Asymp. Sig.
14. Connectedness of Countries - When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?	16.133[a]	1	.000
15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies? (global or local connectedness)	.533[a]	1	.465
16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies? (Depth or breadth of connectedness)	.000[a]	1	1.000

In table 5.31 & 5.32 can be seen that there were not a statistical significance in the way that respondents responded to the importance of a country's depth and breadth of their connectedness or the importance of a country's global or local connectedness then looking for investment opportunities in developing economies.

Table 5. 31 – Cross tabulation: Depth & Breadth of connectedness; and global & local connectedness

15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies? * 16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies?					
			16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies?		Total
			The depth of a country's connectedness	The breadth of a country's connectedness	
15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies?	Global connectedness	Count	8	9	17
		% within 19. Which is the most important, when looking for investment opportunities in developing economies?	47.1%	52.9%	100.0%
	Local connectedness	Count	7	6	13
		% within 19. Which is the most important, when looking for investment opportunities in developing economies?	53.8%	46.2%	100.0%
Total		Count	15	15	30
		% within 19. Which is the most important, when looking for investment opportunities in developing economies?	50.0%	50.0%	100.0%

Table 5. 32 – Chi-Square tests: Depth & Breadth of connectedness; and global & local connectedness

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.136[a]	1	.713		
Continuity Correction [b]	0.000	1	1.000		
Likelihood Ratio	.136	1	.712		
Fisher's Exact Test				1.000	.500
Linear-by-Linear Association	.131	1	.717		
N of Valid Cases	30				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.50.

b. Computed only for a 2x2 table

45

In the following tables the sample was split into two groups; financial related industries and other industries. The focus of these tables are on the importance of connectedness of countries to investors when looking for investment opportunities in developing economies.

In table 5.33 & 5.34 can be seen that the respondents from the different industries responded positively to the importance of developing economies connectedness whether it is globally or locally when looking for investment opportunities in these economies.

Table 5. 33 – Cross tabulation: By industry - Is a country's connectedness important?

[R] 3. What is the principal industry of your organization? * 14. Connectedness of Countries - When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?					
			14. When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?		
			Yes	No	Total
[RQ] 3. What is the principal industry of your organization?	Finance Related	Count	9	0	9
		% within [R] 3. What is the principal industry of your organization?	100.0%	0.0%	100.0%
	Other	Count	17	4	21
		% within [R] 3. What is the principal industry of your organization?	81.0%	19.0%	100.0%
Total		Count	26	4	30
		% within [R] 3. What is the principal industry of your organization?	86.7%	13.3%	100.0%

Table 5. 34 – Chi-Square tests: By industry - Is a country's connectedness important?

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.978[a]	1	.160		
Continuity Correction [b]	.673	1	.412		
Likelihood Ratio	3.110	1	.078		
Fisher's Exact Test				.287	.218
Linear-by-Linear Association	1.912	1	.167		
N of Valid Cases	30				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.20.

b. Computed only for a 2x2 table

46

In table 5.35 & 5.36 can be seen that the respondents from finance related industries indicated that global connectedness of a country is more important than it local connectedness. The respondents from the other industries leaned more towards local connectedness of a country being more important when looking for investment opportunities in developing economies, but there were not a statistical relevant variance between the industries.

Table 5. 35 – Cross Tabulation: By industry - Is more important, global connectedness or local connectedness?

[R] 3. What is the principal industry of your organization? * 15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies?					
			15. Connectedness of Countries - Which is the most important, when looking for investment opportunities in developing economies?		Total
			Global connectedness	Local connectedness	
[RQ] 3. What is the principal industry of your organization?	Finance Related	Count	7	2	9
		% within [R] 3. What is the principal industry of your organization?	77.8%	22.2%	100.0%
	Other	Count	10	11	21
		% within [R] 3. What is the principal industry of your organization?	47.6%	52.4%	100.0%
Total		Count	17	13	30
		% within [R] 3. What is the principal industry of your organization?	56.7%	43.3%	100.0%

Table 5. 36 – Chi-Square tests: By industry - Is more important, global connectedness or local connectedness?

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.334[a]	1	.127		
Continuity Correction [b]	1.267	1	.260		
Likelihood Ratio	2.455	1	.117		
Fisher's Exact Test				.229	.130
Linear-by-Linear Association	2.256	1	.133		
N of Valid Cases	30				

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 3.90.

b. Computed only for a 2x2 table

In table 5.37 & 5.38 can be seen that the respondents from finance related industries indicated that the breadth of a country's connectedness is more important than its depth of connectedness. The

47

respondents from the other industries leaned more towards the depth of a country's connectedness being more important when looking for investment opportunities in developing economies, but there were not a statistical relevant variance between the industries.

Table 5. 37 – Cross tabulation: By industry - Which is more important, the depth or breadth of a country's connectedness?

[R] 3. What is the principal industry of your organization? * 16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies?			16. Connectedness of Countries - What is the most important, when looking for investment opportunities in developing economies?		Total
			The depth of a country's connectedness	The breadth of a country's connectedness	
[RQ] 3. What is the principal industry of your organization?	Finance Related	Count	3	6	9
		% within [R] 3. What is the principal industry of your organization?	33.3%	66.7%	100.0%
	Other	Count	12	9	21
		% within [R] 3. What is the principal industry of your organization?	57.1%	42.9%	100.0%
Total		Count	15	15	30
		% within [R] 3. What is the principal industry of your organization?	50.0%	50.0%	100.0%

Table 5. 38 – Chi-Square tests - By industry - Which is more important, the depth or breadth of a country's connectedness?

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.429[a]	1	.232		
Continuity Correction [b]	.635	1	.426		
Likelihood Ratio	1.449	1	.229		
Fisher's Exact Test				.427	.213
Linear-by-Linear Association	1.381	1	.240		
N of Valid Cases	30				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 4.50.

b. Computed only for a 2x2 table

48

Chapter 6 – Discussion of Results

6.1 Introduction

The objective of this research was to gain understanding of what investors in developing economies deem to be the most important factors to take into account when analysing investment opportunities in developing economies' growth corridors. The need for this was underlined in chapter 1. The literature review in chapter 2 discussed the various issues related to investment in developing economies' growth corridors and chapter 3 identified the research questions to be tested in this study. In chapter 4 the research approach undertaken for this study was discussed while chapter 5 provided the results received from the survey conducted.

This chapter discuss the results outlined in the previous chapter and includes additional insights. The discussion will make use of the insights and analysis from the previous chapters to formulate a holistic understanding of the factors that investors from different industries deem to be most important when looking at investment opportunities in developing economies' growth corridors. This is presented in weighted scorecards at the end of the chapter showing the results of the data analysis applied to two growth corridors in developing economies, also showing how this relates to existing indexes.

6.2 Research question 1: What factors is seen as the most important to investors when deciding on investment opportunities in developing economies?

In the following tables (6.1-6.13) the results found through the data analysis can be seen showing the five most important factors of each competitiveness pillar. These tables relate to the complete sample of investors that completed the survey. Each of factors has a score and a weight linked to it which were used to create the weighted scorecard. The scores where derived from the responses of the investors and the scores were in turn used to derive the weight of each factor. The scores were calculated by attaching a value of five to each 'most important' response and a value of one to 'fifth most important' each response (responses in between had a value of two to four), these scores were then used to calculate the weighting of each factor and lastly the factors were then ranked to find the five most important factors under each competitiveness pillar.

49

Basic requirements:

From table 5.7, table 6.1 was derived in which the factors that investors in developing economies deem most important when looking at institutions can be seen. Strength of investor protection and property rights were seen as the most important factors by the respondents.

It was interesting to note that very little of the respondents indicated in this questions that any of the corruption related factors were of any importance to them. Developing countries are regarded as regions where there is a lot of corruption. It is also interesting to note that four of the top five factors has to do with some kind of policies that should be put in place by the government, also that the sixth most important factor is judicial independence. This makes it very clear that investors are looking for ways to protect themselves and their businesses above anything else. Government in developing countries have to get this first step right when they are looking to attract investors to their country.

Table 6. 1 Basic requirements: 1. Institutions

Ranking	Factors	Score	Weight
1	Strength of investor protection	60	0.13
2	Property rights	53	0.12
3	Ethical behavior of firms	40	0.09
4	Intellectual property protection	39	0.09
5	Transparency of government policymaking	34	0.08

Corridors act as transnational connections which can be manifested physically (through infrastructure: roads, railway, communication etc.), socially and institutionally (through trade agreements, policies etc.). "Transport routes, which provide the backbone for such corridors, are effectively connecting production units and markets, thus stimulating economic activity, and creating a more conducive environment for growth." (Guina, 2008, p.1)

From table 5.8, table 6.2 was derived in which the factors that investors in developing economies deem most important when looking at infrastructure can be seen. The quality of overall infrastructure and quality of electricity supply were seen as the most important factors by a sizable margin.

It was interesting to note how highly the quality of electrical supply were rated, this is due to the fact that there isn't many industries these days that can run without electricity for even a day without losing a lot of money in the process. Another noteworthy fact is that the respondents chose fixed phones above port and

air transport infrastructure, where the more important industry of mobile phones overshadow the fixed phone lines in the African context.

"There will be an estimated 900 million mobile phones in Africa by 2015, representing an 85 percent penetration from a mere three percent penetration in 2001. This has been one of the most dramatic leaps of communication connectedness by any measure in world history." (Saville & White, 2013, p. 22)

Table 6. 2 Basic requirements: 2. Infrastructure

Ranking	Factors	Score	Weight
1	Quality of overall infrastructure	128	0.28
2	Quality of electricity supply	106	0.24
3	Quality of roads	57	0.13
4	Mobile telephone subscriptions/100 population	48	0.11
5	Fixed telephone lines/100 population.	39	0.09

From table 5.9, table 6.3 was derived in which the factors that investors in developing economies deem most important when looking at the macroeconomic environment can be seen. The annual percentage change in a country's inflation were seen as the most important factor by the respondents.

The annual percentage change in inflation is a very important factor for investors when looking at investment opportunities in developing countries, when there the inflation goes up to quickly in countries, the investment that were made in these countries will lose a lot value and that higher labour wages will follow.

Table 6. 3 Basic requirements: 3. Macroeconomic environment

Ranking	Factors	Score	Weight
1	Inflation, annual % change	116	0.26
2	Country credit rating	87	0.19
3	Interest rate spread, %	72	0.16
4	Government budget balance, % GDP	68	0.15
5	General government debt, % GDP	54	0.12

From table 5.10, table 6.4 was derived in which the factors that investors in developing economies deem most important when looking at the health and primary education can be seen. The quality of primary education in a country is seen as the most important factor when looking at this competitiveness pillar.

The respondents highlighted some of the major issue facing developing economies and this is the areas there they usually perform poorly in. For instance all the countries that were used to create the scorecard had a life expectancy of just over 50 years which is far below the world average.

Table 6. 4 Basic requirements: 4. Health and primary education

Ranking	Factors	Score	Weight
1	Quality of primary education	90	0.20
2	Business impact of HIV/AIDS	70	0.16
3	Life expectancy, years	69	0.15
4	HIV prevalence, % adult population.	59	0.13
5	Primary education enrolment, net %	47	0.10

Efficiency enhancers:

From table 5.11, table 6.5 was derived in which the factors that investors in developing economies deem most important when looking at higher education and training in a country can be seen. Under this pillar the quality of the educational system is seen as the most important factor to take into account when looking at opportunities in developing economies. As will be seen in the scorecard at the end of the chapter, developing countries usually do badly in this and the previous pillar.

Despite the growth in these corridors, the greatest challenge is education. Education is seen as one of the most important factors in a corridor's success. Even developed corridors like the ones described in chapter 2 feel that education is one of the areas where they have to focus on if they want to succeed. "Knowing that their lagging education rates must be addressed, leadership in both major parties in the southern corridors has focused heavily on economically meaningful improvements to education." (Kotkin, 2013, p.8) These developing economies should put a lot of emphasis on educating their youth if they will be able to reach the bright future that is envisage for them.

Table 6. 5 Efficiency enhancers: 5. Higher education and training

Ranking	Factors	Score	Weight
1	Quality of the educational system	93	0.21
2	Quality of math and science education	69	0.15
3	Extent of staff training	64	0.14
4	Tertiary education enrolment rate	62	0.14
5	Availability of research and training services	52	0.12

From table 5.12, table 6.6 was derived in which the factors that investors in developing economies deem most important when looking at the goods market efficiency in a country can be seen. Under this pillar the intensity of local competition was seen as the most important factor, and when looking at the score in relation to other pillar it is observed that respondents were divided in their opinion due to the relative low scores and weights.

For the respondents it was clearly important to know how intense the competition will be that they face when entering a new market. But was also important to know about the taxation and extent of the tax within the new economy before they enter it because this will be a big part of the cost of doing business in a country. But then looking at all the results under this pillar, the respondents were much divided on these factors.

Table 6. 6 Efficiency enhancers: 6. Goods market efficiency

Ranking	Factors	Score	Weight
1	Intensity of local competition	68	0.15
2	No. procedures to start a business	48	0.11
3	Extent and effect of taxation	45	0.10
4	Total tax rate	37	0.08
5	Extent of market dominance	34	0.08

From table 5.13, table 6.7 was derived in which the factors that investors in developing economies deem most important when looking at labour market efficiency in a country can be seen. Pay and productivity in the labour market was seen as the most important factor under this pillar.

For most investors for various industries wages in a specific country are a very important factor when deciding what to invest in and where to invest. In many cases investor would look at regions there labour

53

is cheap and where they have a fairly high productivity as the respondent have indicated. The hiring and firing practices are also critical to investors where they don't know the labour market and might have to go through a number of candidates before finding the right ones.

Table 6. 7 Efficiency enhancers: 7. Labor market efficiency

Ranking	Factors	Score	Weight
1	Pay and productivity	94	0.21
2	Cooperation in labor-employer relations	85	0.19
3	Hiring and firing practices	72	0.16
4	Reliance on professional management	59	0.13
5	Flexibility of wage determination	46	0.10

From table 5.14, table 6.8 was derived in which the factors that investors in developing economies deem most important when looking at the financial market development in a country can be seen. The availability of financial services was seen as the most important factor under this pillar by a great margin followed by the soundness of the banks in the country.

The respondents unanimously indicated that the availability of financial services are the most important factor to them, this make sense in that the purpose of a company is to make money for them and their shareholder. Thus the importance of these services, to be able to store and send money etc. An interesting fact in way respondents answered in this question is that most felt that financing through the local equity market is not important to them at all.

Table 6. 8 Efficiency enhancers: 8. Financial market development

Ranking	Factors	Score	Weight
1	Availability of financial services	121	0.27
2	Soundness of banks	84	0.19
3	Affordability of financial services	61	0.14
4	Legal rights index	52	0.12
5	Ease of access to loans	46	0.10

From table 5.15, table 6.9 was derived in which the factors that investors in developing economies deem most important when looking at the technological readiness of a country can be seen. Under this pillar the firm-level technology absorption was seen as the most important factor, but when looking at the score in

54

relation to other factors it is observed that respondents were divided in their opinion due to the relatively similar scores and weights.

Table 6. 9 Efficiency enhancers: 9. Technological readiness

Ranking	Factors	Score	Weight
1	Firm-level technology absorption	85	0.19
2	Internet users/100 population.	82	0.18
3	Internet bandwidth	81	0.18
4	Availability of latest technologies	74	0.17
5	Broadband Internet subscriptions/100 population.	61	0.14

From table 5.16, table 6.10 was derived in which the factors that investors in developing economies deem most important when looking at the market size of a country can be seen. Respondents were divided on which factor is more important, with the domestic market size filling the top ranking position.

Domestic market size might have just taken the top spot in this question but it does play an important role in how investors decide on which country to invest in. But this study argues that it is more important for investors to look at these developing economies on a regional level rather than a country by country level. This will increase the scale of the opportunity and make it much more enticing to invest in these economies.

Table 6. 10 Efficiency enhancers: 10. Market size

Ranking	Factors	Score	Weight
1	Domestic market size index	141	0.52
2	Foreign market size index	129	0.48

Innovation and sophistication factors:

From table 5.17, table 6.11 was derived in which the factors that investors in developing economies deem most important when looking at the business sophistication in a country can be seen. Respondents were divided on whether the nature of competitive advantage or local supplier quality factor is more important, with the nature of competitive advantage filling the top ranking position.

By analysing the responses it was interesting to see that the respondents favoured the two local supplier factors and the value chain factor which might indicate that the respondents might be looking at this question from a manufacturing or production point of view. Also the fact that they chose the production process sophistication factor indicates this.

55

Table 6. 11 Innovation and sophistication factors: 11. Business sophistication

Ranking	Factors	Score	Weight
1	Nature of competitive advantage	87	0.19
2	Local supplier quality	85	0.19
3	Value chain breadth	72	0.16
4	Production process sophistication	50	0.11
5	Local supplier quantity	50	0.11

From table 5.18, table 6.12 was derived in which the factors that investors in developing economies deem most important when looking at the innovation in a country can be seen. The capacity for innovation were seen as the most important factor by a significant margin.

It is interesting that the capacity for innovation was ranked as most important factor under this pillar. This might in part be because most investors know that disruptive technologies can come from developing countries where they don't have the money for some technologies and have to invent their own. General electric has had many successes through this strategy in China and India where they have had some innovative breakthroughs.

Table 6. 12 Innovation and sophistication: 12. Innovation

Ranking	Factors	Score	Weight
1	Capacity for innovation	111	0.25
2	Company spending on R&D	79	0.18
3	Availability of scientists and engineers	72	0.16
4	Quality of scientific research institutions	69	0.15
5	Government procurement of advanced tech products	49	0.11

Global competitiveness pillars:

From table 5.19, table 6.13 was derived in which the pillars that investors in developing economies deem most important when looking at a country's competitiveness can be seen. Also, the pillars are ranked in order of importance with each pillar's score and weight shown as well. The weighting of these pillars was used in conjunction with the weighting of the factors shown in the tables above to form the weighted scorecards which is presented at the end of this chapter.

Some of the key goals of corridors as stated by Chapman et al. (2003) are: "better transnational and regional connections and collaborations; optimizing the capacity of existing infrastructure and establishing more effective inter-modal linkages; reducing peripherality and spreading economic benefits more equitably; improving competitiveness generally; promoting polycentricity and creating more balanced communities, and maximizing the benefits of information and communications technology so reducing energy use, pollution, and the need to travel." (p.186)

All of the above mentioned goals are important to investor in corridors according to Chapman, let see what pillars were seen as the most important one to the respondents of this study. Infrastructure was seen as the most important pillar and this makes perfect sense in that this is the backbone on which any corridor and regions are built on, there can be little to no connection between countries if this is not in place. Secondly institutions are also a very important factor in that institutions has to put the right policies in place for business to thrive, also an interesting book to read on institutions and how they can make or break economies is the book Why Nations Fail, it's well worth a read. It was also not surprising to find that the pillar in which there was the most division, Goods market efficiency was ranked as the least important.

Table 6. 13 Global competitiveness pillars: 13. Investors

Ranking	Factors	Score	Weight
1	Infrastructure	83	0.18
2	Institutions	61	0.14
3	Macroeconomic environment	53	0.12
4	Market size	48	0.11
5	Financial market development	35	0.08
6	Technological readiness	33	0.07
7	Business Sophistication	32	0.07
8	Higher education and training	30	0.07
9	Labor market efficiency	25	0.06
10	Health and primary education	21	0.05
11	Innovation	15	0.03
12	Goods market efficiency	14	0.03

6.2 Research Question 2: Is there correlation between the responses of individuals from the same industry? If a correlation is prevalent - what are the weightings of the different factors in different industries?

This part of the analysis will mainly focus on the differences between what the total group and the financial related industries were and how their weightings differ. This data in the following tables were used to create the financial industry specific weighted scorecard at the end of this chapter.

As seen in the tables (6.14-6.26) below, there were a correlation in the responses of the respondents from the financial related industries. And in some cases their responses differ greatly from the responses of the full sample responses, this can be seen most clearly in the way they ranked the twelve competitiveness pillars in table 6.26. The results for the following tables were derived by filtering the data from tables 5.7-5.19 to show only finance related industries, nine respondents.

Basic requirements:

In table 6.14 the factors that investors in developing economies deem most important when looking at institutions can be seen. Strength of investor protection and transparency of government policymaking were seen as the most important factors by the respondents.

When compared to the analysis of the total sample (table 6.1), property rights fell from the second ranking to the fifth; strength of auditing and reporting standards where introduced in the third ranking; and intellectual property protection dropped out of the rankings.

Table 6. 14 Basic requirements: 1. Institutions

Ranking	Factors	Score	Weight
1	Strength of investor protection	29	0.21
2	Transparency of government policymaking	15	0.11
3	Strength of auditing and reporting standards	14	0.10
4	Ethical behavior of firms	13	0.10
5	Property rights	12	0.09

In table 6.15 the factors that investors in developing economies deem most important when looking at infrastructure can be seen. The quality of overall infrastructure and quality of electricity supply were seen as the most important factors by a sizable margin.

58

When compared to the analysis of the total sample (table 6.2), quality of overall infrastructure is still the top ranked but now has a much more significant weighting compared to the rest of the factors; and mobile telephone subscriptions per 100 population moved into the second ranking position.

Table 6. 15 Basic requirements: 2. Infrastructure

Ranking	Factors	Score	Weight
1	Quality of overall infrastructure	41	0.30
2	Mobile telephone subscriptions/100 population	21	0.16
3	Quality of electricity supply	21	0.16
4	Quality of roads	18	0.13
5	Fixed telephone lines/100 population.	11	0.08

In table 6.16 the factors that investors in developing economies deem most important when looking at the macroeconomic environment can be seen. The annual percentage change in a country's inflation were seen as the most important factor by the respondents.

When compared to the analysis of the total sample (table 6.3), the respondents ranked the factors in a similar manner.

Table 6. 16 Basic requirements: 3. Macroeconomic environment

Ranking	Factors	Score	Weight
1	Inflation, annual % change	31	0.23
2	Country credit rating	25	0.19
3	Interest rate spread, %	22	0.16
4	Government budget balance, % GDP	22	0.16
5	General government debt, % GDP	18	0.13

In table 6.17 the factors that investors in developing economies deem most important when looking at the health and primary education can be seen. The quality of primary education in a country is seen as the most important factor when looking at this competitiveness pillar.

When compared to the analysis of the total sample (table 6.4), quality of primary education gained more weight at the top of the rankings; and life expectancy moved into the second ranking with a significant increase in its weighting.

Table 6. 17 Basic requirements: 4. Health and primary education

Ranking	Factors	Score	Weight
1	Quality of primary education	34	0.25
2	Life expectancy, years	30	0.22
3	HIV prevalence, % adult population	22	0.16
4	Primary education enrolment, net %	16	0.12
5	Business impact of HIV/AIDS	14	0.10

Efficiency enhancers:

In table 6.18 the factors that investors in developing economies deem most important when looking at higher education and training in a country can be seen. Under this pillar the quality of the educational system is seen as the most important factor to take into account when looking at opportunities in developing economies. As will be seen in the scorecard at the end of the chapter, developing countries usually do badly in this and the previous pillar.

When compared to the analysis of the total sample (table 6.5), secondary education enrolment rate move into the rankings to the fourth position; and availability of research and training services fell out of the rankings.

Table 6. 18 Efficiency enhancers: 5. Higher education and training

Ranking	Factors	Score	Weight
1	Quality of the educational system	24	0.18
2	Quality of math and science education	22	0.16
3	Extent of staff training	21	0.16
4	Secondary education enrolment rate	21	0.16
5	Tertiary education enrolment rate	18	0.13

In table 6.19 the factors that investors in developing economies deem most important when looking at the goods market efficiency in a country can be seen. Under this pillar the total tax rate was seen as the most important factor, and when looking at the score in relation to other pillar it is observed that respondents were divided in their opinion due to the relative low scores and weights.

When compared to the analysis of the total sample (table 6.6), there were many changes in the ranking positions of the factors with the total tax rate moving into the first position; degree of customer orientation and buyer sophistication enter the rankings; extent and effect of taxation and no. procedures to start a business fell out of this ranking.

Table 6. 19 Efficiency enhancers: 6. Goods market efficiency

Ranking	Factors	Score	Weight
1	Total tax rate	17	0.13
2	Intensity of local competition	17	0.13
3	Extent of market dominance	16	0.12
4	Degree of customer orientation	14	0.10
5	Buyer sophistication	11	0.08

In table 6.20 the factors that investors in developing economies deem most important when looking at labour market efficiency in a country can be seen. Pay and productivity in the labour market was seen as the most important factor under this pillar. The financial related industry respondents are more divided in their opinions than the total sample's responses, this can be seen in the lower weightings of the factors.

When compared to the analysis of the total sample (table 6.7), reliance on professional management switched places with hiring and firing practices. The general weight of the factors also lowered in relation to the total sample's responses.

Table 6. 20 Efficiency enhancers: 7. Labor market efficiency

Ranking	Factors	Score	Weight
1	Pay and productivity	22	0.16
2	Cooperation in labor-employer relations	21	0.16
3	Reliance on professional management	18	0.13
4	Hiring and firing practices	18	0.13
5	Flexibility of wage determination	14	0.10

In table 6.21 the factors that investors in developing economies deem most important when looking at the financial market development in a country can be seen. The availability of financial services was seen as the most important factor under this pillar by a great margin followed by the affordability of financial services in the country.

When compared to the analysis of the total sample (table 6.8), can see that they focussed more on the financial side of things with affordability of financial services moving into the second space.

Table 6. 21 Efficiency enhancers: 8. Financial market development

Ranking	Factors	Score	Weight
1	Availability of financial services	44	0.33
2	Affordability of financial services	28	0.21
3	Soundness of banks	17	0.13
4	Regulation of securities exchanges	12	0.09
5	Ease of access to loans	12	0.09

In table 6.22 the factors that investors in developing economies deem most important when looking at the technological readiness of a country can be seen. Internet users per 100 population was seen as the most important factor under this pillar.

When compared to the analysis of the total sample (table 6.9), there was more cohesiveness in the responses and can be seen in the higher weightings of the factors. Also, there were a reshuffle in the ranking.

Table 6. 22 Efficiency enhancers: 9. Technological readiness

Ranking	Factors	Score	Weight
1	Internet users/100 population	32	0.24
2	Broadband Internet subscriptions/100 population	27	0.20
3	Internet bandwidth	23	0.17
4	Availability of latest technologies	22	0.16
5	Firm-level technology absorption	17	0.13

In table 6.23 the factors that investors in developing economies deem most important when looking at the market size of a country can be seen. Respondents were divided on which factor is more important, with the domestic market size filling the top ranking position.

When compared to the analysis of the total sample (table 6.10), the weighting of the factors are exactly the same as for the total sample.

62

Table 6. 23 Efficiency enhancers: 10. Market size

Ranking	Factors	Score	Weight
1	Domestic market size index	42	0.52
2	Foreign market size index	39	0.48

Innovation and sophistication:

In table 6.24 the factors that investors in developing economies deem most important when looking at the business sophistication in a country can be seen. The local supplier quality was seen as the most important factor of this pillar.

When compared to the analysis of the total sample (table 6.11), local supplier quality moves into the top rankings position; with extent of marketing moving into the rankings in the place of product process sophistication. Also, the weighting of the factors improved, showing more cohesiveness in responses.

Table 6. 24 Innovation and sophistication: 11. Business sophistication

Ranking	Factors	Score	Weight
1	Local supplier quality	32	0.24
2	Nature of competitive advantage	27	0.20
3	Local supplier quantity	19	0.14
4	Extent of marketing	16	0.12
5	Value chain breadth	16	0.12

In table 6.25 the factors that investors in developing economies deem most important when looking at the innovation in a country can be seen. Respondents were divided on whether the capacity for innovation or quality of scientific research institution factors in more important, with the latter filling the top position.

When compared to the analysis of the total sample (table 6.12), quality of scientific research institutions now fill the top spot, edging out capacity for innovation by a narrow margin; university-industry collaboration moves into the rankings; and availability of scientists and engineers falls out of the rankings.

Table 6. 25 Innovation and sophistication: 12. Innovation

Ranking	Factors	Score	Weight
1	Quality of scientific research institutions	28	0.21
2	Capacity for innovation	28	0.21

3	Company spending on R&D	27	0.20
4	University-industry collaboration in R&D	19	0.14
5	Government procurement of advanced tech products	16	0.12

Global competitiveness pillars:

In table 6.26 the pillars that investors in developing economies deem most important when looking at a country's competitiveness can be seen. Also, the pillars were ranked in order of importance with each pillar's score and weight shown as well. As seen in the table, the ranking of the factors in significantly different from the ranking in table 6.13 where the rankings of the total sample of investors are illustrated. The weighting of these pillars was used in conjunction with the weighting of the factors shown in the tables above to form the weighted scorecards which is presented at the end of this chapter.

Table 6. 26 Global competitiveness pillars: 13. Financial industry respondents

Ranking	Factors	Score	Weight
1	Infrastructure	24	0.18
2	Market size	22	0.16
3	Financial market development	21	0.16
4	Macroeconomic environment	20	0.15
5	Institutions	17	0.13
6	Business Sophistication	12	0.09
7	Labor market efficiency	6	0.04
8	Health and primary education	5	0.04
9	Higher education and training	3	0.02
10	Innovation	2	0.01
11	Technological readiness	2	0.01
12	Goods market efficiency	1	0.01

6.4 Research question 3: Would looking at investment opportunities in developing economies on a regional level be more beneficial in the respondents' opinion rather than looking at these economies on a country by country base?

As described in Saville & White (2013): "Pankaj Ghemawat (2011) captures the argument effectively: based on hard data, and separating facts from fiction, the evidence shows that rising economic integration can bring large gains in welfare, and more so when integration relates to neighbours." In table 5.20 can be seen that 86.7% of the sample indicated that it would be beneficial to look at developing economies on a regional level rather than on a country to country base.

And in table 5.21 can be seen that 85.7% of individuals that indicated that neither they nor the companies that they work for invest or do business in developing economies. In tables 5.25 and 5.26 these results were analysed to find if there is a statistical difference in how investors and non-investors responded to the question and as seen in these tables there were none found. This leads to conclude that the majority of respondents believe that there is a benefit to looking at developing economies at a regional level.

A reason for the similar responses might be that the bulk of the survey respondents is currently MBA students and have had access to the same kind of information and that the fact that they are not currently be investing in developing economies but might have worked for companies that did in the past, this might render the fact that they are not currently investing in these economies mute. Also in retrospect, the question of whether or not they invest or do business in these economies should have been phrased differently to include their previous work experience. But for the purpose of this study it will be assumed that the question of whether it is important to look at developing economies at a regional level rather than a country by country base when looking for investment opportunities, be confirmed true.

From tables 5.27 and 5.28 can be seen that there wasn't a statistical difference in how respondents from the chosen industry responded to the above mentioned question. It can, in light of this analysis, be assumed that respondents from the different industries agree that there would be a benefit in looking at developing economies at a regional level when looking for investment opportunities.

Why is this conclusion important in this study? "Most of Africa's countries have low per capita income levels and small populations which result in small markets...not only are most Sub-Saharan African economies small and poor, but 15 are also landlocked, an important contributory factor to high trade transaction costs,

and more generally to the high costs of doing business in Africa." (Hartzenberg, 2011, p.3) Economies in developing economies is in some cases very small in relation to the companies looking to invest in them. Therefore a case can be made for looking at developing countries on a regional or corridor level to increase the attractiveness and size of the proposition/opportunity to these companies looking to invest in them.

6.5 Research Question 4: Is the connectedness of countries important in investment decisions? If so, which is more important to different industries?

"It is clear from this research that there are many different conceptions of corridors and of the scale and spatial relationships over which the corridor idea may be seen to operate. But there is one fundamental characteristic that must be present in the definition or conceptualization of any corridor at whatever scale. That characteristic is that of connection." (Chapman et al., 2003, p.190)

Through the analysis of tables 5.29 and 5.30 it can be implied that a country should be considered well connected when looking for investment opportunities in developing economies. In table 5.29 it can be seen that 26 of the 30 respondents indicated that the connectedness of a country is important factor to take into account when making investment decisions. In table 5.30 the statistical significance of this can be observed. To the question of which kinds of connectedness, global or local connectedness, is the more important to them they when making investment decisions they were divided in their opinion, it can be observed in table 5.30 that there were no statistical significant variance in their responses. To the question of whether the respondents felt that the depth or breadth of a country's connectedness is more important, the respondents were even more divided in their opinions, to the point that there were no variance at all, this can be seen in tables 5.29 and 5.30.

From this analysis can be argued that respondents were in agreement that when making investment decisions on which country to invest in, it is important that the country being deliberated at be considered well connected when deciding on investment opportunities in developing economies. But as to which kind of connectedness factors would be more important for their investment decision, the respondents were divided. In table 5.31 the global and local connectedness were cross tabulated with the depth and the breadth of a country's connectedness to find if the respondents that chose one way in the first question also chose the same way in the second question. In the analysis of this in table 5.32 it can be seen that this proposition is not valid. Are respondents from the same industries less divide in their opinion?

66

In the preceding analysis the respondents was divided into different industries (as discussed in the chapter 4) to find whether respondents from the same industries have the same approach then looking at the importance of connectedness when making investment decisions. In table 5.33 it can be observed that respondents from finance related industries are unanimous in their opinion that a country should be considered well connected when looking for investment opportunities in developing economies. In tables 5.35 and 5.36 it can be observed that 77.8% of respondents from finance related industries indicated that global connectedness is more important to their industry when looking for investment opportunities in developing economies, while respondents from the other industries where still divided in their opinion. In table 5.37 and table 5.38 it can be observed that 66.6% of respondents from finance related industries indicated that the breadth of a country's connectedness is more important when looking for investment opportunities in developing economies and respondents from the other industries had an inverse relationship.

While there were a definite shift in respondent opinions related to the connectedness factors, there were not a statistical significant variance between the two groups. However, when looking at these results, it would be beneficial in having a larger sample group with more representation of the different industries.

In the following section the results of the weighted scorecards will be discussed. These weighted scorecard were created by the analysis done on the data that were gathered from the survey conducted. See chapter 4 etc. for more information on how the score card was created.

The weighted scorecard applied to two corridors

The weighted scorecard was compiled through an analysis of all the data collected from the survey. As seen in chapter 5, the responses on the various factors were weighted and ranked to find the five most important factors under each pillar. The twelve pillars were also weighted and ranked through the analysis of the responses to the survey. After creating the scorecard, data from the world competitiveness index was entered into the scorecard to create ratings for different countries that from part of different corridors and also the corridors themselves. This scorecard was created with the concept of big data in mind, it was created from a massive amount data to create a tool that can be focussed to the needs of investors from different industries to make sense of the massive amount of data out there. This could also be a valuable

© 2014 University of Pretoria. All rights reserved. The copyright in this work vests in the University of Pretoria.

tool for companies looking for investment opportunities in developing economies and helps to filter through data that might not necessarily be important to decisions in their industries.

Presented in tables 6.27 and 6.28 is the scorecard of the total sample group (all industries combined); and this scorecard was applied to the West African corridor and the East African corridors. Please note that due to a lack of information some countries that form part of the corridors are not presented, Niger and Togo from the West African corridor; and the Democratic Republic of the Congo does not form part of this scorecard. Also, presented at the bottom of the scorecards is the rankings from the global competitiveness index rankings and the Visa Africa integration index rankings.

The Visa integration index provides a contemporary measure of integration amongst key economies across the continent and allows for a dynamic study of the evolution of economic integration and how it contributes to Africa's improving socio-economic prosperity. (Saville & White, 2013, p. 24) Comparing this scorecard's results to this index will give a broad view of how the findings relates to the connectedness of the different countries that forms part of this study.

The Global competitiveness index's (GCI) rankings are also included in the bottom of the scorecard to see how the results from the scorecard relate to the GCI rankings to see if there are any major discrepancies.

It is interesting to see that the rankings doesn't always correlate to each other and how badly Nigeria is connected. One of the main differences between the two corridors is the fact that Burundi done really badly in most of the pillars but it is also interesting to note that even with Burundi in the corridor, the East African corridor still did well against the West African corridor. The other distinguishing difference between the corridors is the market size difference between the two corridors. Please find the scorecard on the next page.

Table 6. 27 Scorecard - Investor group - West African Corridor

		Ghana	Nigeria	Senegal	Ivory Coast	Benin	Mali	Burkina Faso	Corridor
1	Institutions	5.7	4.9	6.3	4.6	4.6	4.4	4.8	5.1
2	Infrastructure	4.0	2.7	3.4	4.0	3.1	3.9	2.5	3.4
3	Macroeconomic environment	5.3	5.9	6.2	6.1	5.5	6.1	5.7	5.8
4	Health and primary education	6.5	4.6	6.0	5.3	6.1	4.6	5.2	5.5
5	Higher education and training	4.8	4.3	4.6	4.9	4.3	3.6	3.7	4.3
6	Goods market efficiency	6.6	6.6	6.8	5.9	6.1	6.6	6.4	6.4
7	Labor market efficiency	6.1	6.4	5.8	6.4	5.3	5.7	5.5	5.9
8	Financial market development	6.2	5.8	5.5	5.4	5.0	5.3	4.6	5.4
9	Technological readiness	3.0	3.3	3.4	2.7	2.3	2.6	2.0	2.8
10	Market size	5.6	7.0	4.4	5.0	3.8	4.0	4.3	4.9
11	Business Sophistication	5.7	5.6	5.8	4.8	4.8	5.2	4.4	5.2
12	Innovation	5.1	4.8	5.0	4.7	4.5	4.7	4.4	4.7
	Scorecard Totals	64.5	61.9	63.2	59.7	55.5	56.9	53.8	**59.3**
	GCI rankings	114	120	113	126	130	135	140	
	Visa Africa Index	51.4	40.1	n/a	n/a	n/a	n/a	n/a	**45.7**

Table 6. 28 Scorecard - Investor group - East African Corridor

		Uganda	Rwanda	Burundi	Tanzania	Kenya	Corridor
1	Institutions	4.9	7.1	4.4	5.0	5.3	5.3
2	Infrastructure	3.0	4.4	2.3	3.0	4.2	3.4
3	Macroeconomic environment	5.3	5.9	4.8	5.2	5.6	5.4
4	Health and primary education	5.3	6.5	5.2	5.8	5.5	5.6
5	Higher education and training	4.1	4.6	3.1	3.8	4.9	4.1
6	Goods market efficiency	5.2	7.4	5.7	5.8	6.2	6.0
7	Labor market efficiency	6.4	6.6	4.7	5.6	6.4	6.0
8	Financial market development	5.8	6.2	3.4	5.5	6.9	5.6
9	Technological readiness	2.7	3.0	1.9	2.5	3.5	2.7
10	Market size	4.9	3.6	2.4	5.3	5.3	4.3
11	Business Sophistication	5.2	5.5	4.1	5.0	5.8	5.1
12	Innovation	4.8	5.1	3.6	4.8	5.9	4.8
	Scorecard Totals	57.4	65.9	45.7	57.3	65.4	**58.4**
	GCI rankings	129	66	146	125	96	
	Visa Africa Index	48.0	47.2	n/a	45.0	53.5	**48.4**

69

Presented in tables 6.29 and 6.30 is the scorecard of the financial related industries, this scorecard was applied to the West African corridor and the East African corridors. Please note that due to a lack of information some countries that form part of the corridors are not presented, Niger and Togo from the West African corridor; and the Democratic Republic of the Congo does not form part of this scorecard. Also, presented at the bottom of the scorecards is the rankings from the global competitiveness index and the Visa Africa index.

It is interesting to see how much closer the results were between the two corridors by applying the industry specific scorecard to it. It is also interesting to note that between the two corridors the most distinguishing factor was the market size pillar; and the fact that even with Burundi (which fares poorly in most aspects) in the East African corridor, it gave the West African corridor a run for it money.

Table 6. 29 Scorecard - Financial Industry - West African Corridor

		Ghana	Nigeria	Senegal	Ivory Coast	Benin	Mali	Burkina Faso	Corridor
1	Institutions	5.9	5.2	6.6	5.0	4.8	4.5	5.0	5.3
2	Infrastructure	4.0	2.8	3.4	3.9	3.1	3.9	2.5	3.4
3	Macroeconomic environment	5.3	5.9	6.2	6.1	5.5	6.1	5.7	5.8
4	Health and primary education	6.4	4.5	5.9	5.2	6.1	4.6	5.2	5.4
5	Higher education and training	4.4	3.6	3.6	3.7	3.7	2.9	2.7	3.5
6	Goods market efficiency	6.5	6.4	6.3	6.0	5.7	6.0	5.5	6.1
7	Labor market efficiency	6.1	6.4	5.9	6.4	5.3	5.7	5.6	5.9
8	Financial market development	5.9	5.2	5.3	5.3	4.6	4.8	4.3	5.0
9	Technological readiness	2.9	3.3	3.3	2.6	2.2	2.6	2.0	2.7
10	Market size	5.6	7.0	4.4	5.0	3.8	4.0	4.3	4.9
11	Business Sophistication	5.7	5.7	5.9	5.1	4.8	5.2	4.7	5.3
12	Innovation	5.0	4.6	4.8	4.4	4.1	4.6	4.4	4.6
	Scorecard Totals	63.7	60.5	61.8	58.8	53.7	55.0	51.8	**57.9**
	GCI rankings	114	120	113	126	130	135	140	
	Visa Africa Index	51.4	40.1	n/a	n/a	n/a	n/a	n/a	**45.7**

70

Table 6. 30 Scorecard - Financial Industry - East African Corridor

		Uganda	Rwanda	Burundi	Tanzania	Kenya	Corridor
1	Institutions	5.1	7.1	4.6	5.2	5.6	5.5
2	Infrastructure	3.0	4.3	2.3	2.9	4.2	3.3
3	Macroeconomic environment	5.3	5.9	4.8	5.2	5.6	5.4
4	Health and primary education	5.2	6.4	5.2	5.8	5.5	5.6
5	Higher education and training	3.1	3.8	2.5	3.0	4.2	3.3
6	Goods market efficiency	6.0	6.4	5.2	5.9	6.7	6.0
7	Labor market efficiency	6.4	6.6	4.8	5.6	6.4	6.0
8	Financial market development	5.4	6.0	3.4	5.1	6.2	5.2
9	Technological readiness	2.6	2.9	1.9	2.4	3.4	2.7
10	Market size	4.9	3.6	2.4	5.4	5.3	4.3
11	Business Sophistication	5.2	5.5	4.1	5.0	5.9	5.1
12	Innovation	4.8	5.3	3.4	4.8	5.6	4.8
	Scorecard Totals	57.0	64.0	44.4	56.3	64.6	**57.2**
	GCI rankings	129	66	146	125	96	
	Visa Africa Index	48.0	47.2	n/a	45.0	53.5	**48.4**

In Saville and White (2013) they describe the TCIP framework they used to create the Visa connectedness index, which aids in assessing the impacts and influence of economic integration. The framework has four pillars and are: the flow of goods and services or trade (T); financial integration and the movement of capital (C); the flow of information and knowledge (I); and the movement of people. All these factors have great relevance on the research that was conducted in this study and it would be greatly beneficial if the scorecard in its next iteration has a combination of these factors in to show not only their competitiveness but also countries connectedness as part of this scorecard.

In the next chapter the conclusions that were reached it this study will be discussed.

Chapter 7 -Conclusion

7.1. Introduction

This chapter synthesizes the findings of the research and presents insights for those interested in understanding the factors that investors deem to be most important when looking for investment opportunities in developing economies. And it review the research background and objectives, and summarises the research findings. The chapter concludes with recommendations for future research.

7.2. Review of research background and objectives

This study was aimed firstly generating insights on what factors investors in developing countries deem to be most important when looking for investment opportunities in developing economies. Secondly it was aimed at finding out if there would be value in looking at investment opportunities on a regional or corridor level rather than looking at it on a country by country level.

This study focussed on addressing the following objectives:

- Was to find the factors that is seen as the most important to investors when deciding on investment opportunities in developing economies.
- Was to find if there is correlation between the responses of individuals from the same industry. And if a correlation is prevalent – to find what the weightings would be that can be placed on the different factors for the different industries.
- Was to find if looking at investment opportunities in developing economies on a regional level be more beneficial in the respondents' opinion rather than looking at these economies on a country by country base.
- Was also to find if the connectedness of countries are important in investment decisions. And if so, which would be the more important connectedness factor for the countries

7.3. Research findings

The factors that were seen as the most important factors for investment decision making in developing economies was found through a survey conducted. These factors where then weighted according to their

72

importance to the respondents and a weighted scorecard was created to present the findings. This scorecard was then implemented on two corridors in developing countries, this is presented in the previous chapter. This scorecard also shows how its rankings relate to two other indexes. There are some interesting outcomes in the results, one being that the scorecard and the Global competitiveness index does not correlate exactly to the connectedness index. It might be interesting to see if the countries connectedness would predict the future performance of these countries or if the scorecard will be closer to be right. None the less, these findings also underlines the fact that there might be a great benefit in combining the scorecard and the connectedness index to have a more broad view on the competitiveness and connectedness of regions as a whole.

There were correlation in the way that the respondents from the chosen industry responded, these responses were also weighted and a scorecard was created with this specific industry in mind. It was interesting how their responses differed from the responses of the total sample, even though the sample was relatively small, there were still some interesting results. In the scorecard it was very interesting that in their results the two corridors were rated much closer to each other than in the results of the whole sample. Also interesting was to see how close the results were, even with Burundi pulling the East African corridor down.

On the question whether in would be more beneficial to look at opportunities on a regional level rather than on a country by country level, the answer was a resounding yes. This also correlates with the research done in the literature review which show how much value there is in countries integrating with their neighbours and regionally. The research showed that developing countries is not regionally integrated, but also showed that by integrating regionally, they can generate sustainable growth for them and also their investors.

To the question which connectedness factor is important, the respondents where totally divided in their opinion. This might be that they didn't understand the difference completely or might be because they just have different opinions on the subject. More research would be necessary to come to a conclusion.

7.4. Recommendations for future research

A study that combine the connectedness and competitiveness of countries to have a wider view on the subject would be very beneficial to all.

© 2014 University of Pretoria. All rights reserved. The copyright in this work vests in the University of Pretoria.

7.5. Conclusion

There are a lot of benefit to be found in looking at developing countries through a different lens when looking for opportunities within these countries. There are so much data available in the world today that it make sense for investors to find a way for them to sift through this data more efficiently to find the information that is the most beneficial to them. This is where this scorecard comes in handy. The scorecard is not only beneficial from investors to look at developing countries, but it would also be very useful for these countries to see themselves through the eyes of the investors from different industries. This will enable them to make certain course correction for them to be seen as more attractive to the investors from the specific industry that they want to attract.

It should also be important for countries in these regions to work together and be better connected to attract investment in their region. Even if one country receives investment ahead of the other ones, there is always a spill over effect when it comes to big investment. It is time for countries in developing economies to hunt in packs and for investors to look at the benefit of investing in these regions.

References

Bartram, P. (2013). *The value of data.* Financial Management (14719185), 42(2), 26-31. Retrieved from: http://0-web.ebscohost.com.innopac.up.ac.za/ehost/pdfviewer/pdfviewer?sid=c0a484f3-8098-4526-bfcc-8c76cb9d3a7c%40sessionmgr115&vid=2&hid=121 [Accessed on: 2013-11-08]

Chapman, D., Pratt, D., Larkham, P., & Dickins, I. (2003). Concepts and definitions of corridors: Evidence from England's midlands. *Journal of Transport Geography, 11*(3), 179. Doi: 10.1016/S0966-6923(03)00029-2

Chase, T. L. (1992). A regional approach to economic development: The Illinois corridors of opportunity program. *Economic Development Review, 10*(4), 88.

Chowdhury, A. K., & Erdenebileg, S. (2006). *GEOGRAPHY AGAINST DEVELOPMENT: A case for landlocked developing countries*. New York: United Nations.

Cotton, L., & Ramachandran, V. (2001). Foreign direct investment in emerging economies: Lessons from sub-Saharan Africa. *WIDER Discussion Papers, United Nations University (UNU), WIDER Discussion Papers // World Institute for Development Economics (UNU-WIDER) 2001/82.* Retrieved from http://hdl.handle.net/10419/53028 [Accessed on: 2013-04-09]

Gernetzky, K. (2012*): "Report on Global Economic Outlook Envisages High Rate of Growth in Africa".* Business Day, 30 August 2012.

Gobble, M. M. (2013). *Big Data: The Next Big Thing in Innovation.* Research Technology Management, 56(1), 64-66. Retrieved from: http://0-web.ebscohost.com.innopac.up.ac.za/ehost/pdfviewer/pdfviewer?sid=1e470c6a-0a93-4b3a-8e04-615e8dcca2f9%40sessionmgr113&vid=1&hid=121 [Accessed: 2013-11-08]

Guina, C. S. (2008). The GMS economic corridors. *Regional Outlook*, 84-86.

Hair, J.E., Black, W.C., Babin, B.J. & Anderson, R.E. (2010). *Multivariate Data Analysis (Seventh Edition).* New Jersey: Pearson Prentice Hall.

Hartzenberg, T. (2011). Regional integration in Africa. *WTO Staff Working Papers, Economic Research and Statistics Division, WTO, Staff working paper ERSD 2011-14.*

Johnson, J. E. (2012). *BIG DATA + BIG ANALYTICS = BIG OPPORTUNITY.* Financial Executive, 28(6), 50-53. Retrieved from: http://0-web.ebscohost.com.innopac.up.ac.za/ehost/pdfviewer/pdfviewer?sid=920ac42f-9e93-4605-8570-8502208634d8%40sessionmgr198&vid=1&hid=121 [Accessed on: 2013-11-08]

Kotkin, J. (2013). America's growth corridors: The key to national revival *No. 75 February 2013, Civic Report, 75*(February 2013), 1. Retrieved from http://www.manhattan-institute.org/pdf/cr_75.pdf [Accessed on: 2013-04-17]

Linda Cotton and Vijaya Ramachandran. (2001). Foreign direct investment in emerging economies: Lessons from sub-Saharan Africa. *WIDER Discussion Papers // World Institute for Development Economics (UNU-WIDER), 2001/82*(82).

Martini, L., Tjakraatmadja, J. H., Anggoro, Y., Pritasari, A., & Hutapea, L. (2012). Triple helix collaboration to develop economic corridors as knowledge hub in Indonesia. *Procedia - Social and Behavioural Sciences, 52*(0), 130-139. Doi: 10.1016/j.sbspro.2012.09.449.

Norusis, M.J. (2005). *SPSS 14.0 Statistical Procedures Companion.* New Jersey: Prentice Hall.

Ossa, R. (2013). *A gold rush theory of economic development*.

Priemus, H., & Zonneveld, W. (2003). What are corridors and what are the issues? Introduction to special issue: The governance of corridors. *Journal of Transport Geography, 11*(3), 167. Doi: 10.1016/S0966-6923(03)00028-0.

Saunders, M. and Lewis, P. (2012). *Doing Research in Business & Management: An Essential guide to Planning Your Project.* London: Pearson Education Limited.

Saville, A. & White, L. (2013). *Realising Potential: Connecting Africa. Visa Africa Integration Index.* Retrieved from: https://clickup.up.ac.za/bbcswebdav/pid-251612-dt-content-rid-2000493_1/courses/m12_mba_2013_e/Visa_Africa_Integration_index_F5g.pdf [Accessed on: 2013-06-13]

Schwab, K. (2012). *The Global Competitive Report 2012-2013.* Geneva: World Economic Forum. Retrieved from: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf [Accessed: 2013-07-17]

Schwab, K. (2013). *The Global Competitive Report 2013-2014.* Geneva: World Economic Forum. Retrieved from: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf [Accessed: 2013-11-04]

Stone, S., & Strutt, A. (2009). Transport infrastructure and trade facilitation in the greater Mekong sub region. *ADBI Working Paper Series, Asian Development Bank Institute, ADBI working paper series 130*.

UNCTAD. (2012). *World investment report 2012.* (). New York: United Nations.

Varriale, G. (2012). *Investing in Africa: What to look out for* Euromoney Institutional Investor PLC.

Zikmund, W.G. (2000). *Business Research Methods.* (6th Ed.). United States of America. Orlando: The Dryden Press.

Appendix A - Online Questionnaire

Consent section of Questionnaire

I am conducting research on investment in growth corridors, and am trying to find out more about what investors deem to be the most important factors when looking for investment opportunities in developing countries surrounding these corridors. I'm also trying to find out if there is value in looking at these "corridor" countries on a regional level rather than a country by country level.

To that end, you are asked to complete an online survey about this topic. This *will help us understand how investors decide on which of these investment opportunities to act upon*, and should take no more than 5-10 minutes of your time. **Your participation is voluntary and you can withdraw at any time without penalty**. Of course, all data will be kept confidential. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher: *Supervisor:*

Jurie Johannes Riekert Geldenhuys   *Colin Rowley*

jurie235@gmail.com   *colinrowley@vodamail.co.za*

072 187 3842   *082 828 5413*

Personal info

2. Do you or your company invest or do business in developing countries?
    Yes

    No

3. What is the size of your organisation?
    Less than 50 employees

78

More than 50 employees

4. What industry does your organisation belong to?

Automotive

Banking & Financial services

Communication

Engineering & Construction

Governmental

Healthcare

Hospitality & leisure

Manufacturing

Mining

Retail

Technology

Transportation

Other? (Please specify)

5. What is your role in the organisation?

Survey Questions:

Basic requirements

When looking for investment opportunities in developing economies, which of the following is the most

important?

1. Institutions (Pick the most important 5 factors **in order of importance**)
    1.1. Property rights
    1.2. Intellectual property protection

1.3.   Diversion of public funds by officials

1.4.   Public trust of politicians

1.5.   The absence of irregular payments and bribes

1.6.   Judicial independence

1.7.   The absence of favouritism in decisions of government officials

1.8.   Non-wastefulness of government spending

1.9.   Lack of the burden of government regulation

1.10.   Efficiency of legal framework in settling disputes

1.11.   Efficiency of legal framework in challenging regulations.

1.12.   Transparency of government policymaking

1.13.   The potential cost to business due to the possibility of terrorism

1.14.   The potential cost to business due to the possibility of crime and violence

1.15.   The potential risk to an organisation due to organised crime

1.16.   Reliability of police services

1.17.   Ethical behaviour of firms

1.18.   Strength of auditing and reporting standards

1.19.   Efficacy of corporate boards

1.20.   Protection of minority shareholders' interests

1.21.   Strength of investor protection

2. Infrastructure (Pick the most important 5 factors **in order of importance**)

2.1.   Quality of overall infrastructure

2.2.   Quality of roads

2.3.   Quality of railroad infrastructure

2.4.   Quality of port infrastructure

2.5.   Quality of air transport infrastructure

2.6.   Available airline seat kilometres/week, millions

2.7.   Quality of electricity supply

2.8.   Fixed telephone lines/100 population.

2.9.   Mobile telephone subscriptions/100 population.

3. Macroeconomic environment (Pick the most important 5 factors **in order of importance**)

3.1.   Government budget balance, % GDP (Gross Domestic Product)

3.2.   Gross national savings, % GDP (Gross Domestic Product)

3.3.   Inflation, annual % change

3.4.   Interest rate spread, %

3.5.   General government debt, % GDP (Gross Domestic Product)

3.6.   Country credit rating

4. Health and primary education (Pick the most important 5 factors **in order of importance**)
   4.1. Business impact of malaria
   4.2. Malaria cases/100,000 population.
   4.3. Business impact of tuberculosis
   4.4. Tuberculosis incidence/100,000 population.
   4.5. Business impact of HIV/AIDS
   4.6. HIV prevalence, % adult population.
   4.7. Infant mortality, deaths/1,000 live births
   4.8. Life expectancy, years
   4.9. Quality of primary education
   4.10. Primary education enrolment, net %

Efficiency Enhancers

When looking for investment opportunities in developing economies, which of the following is the most important?

5. Higher education and training (Pick the most important 5 factors **in order of importance**)
   5.1. Secondary education enrolment rate
   5.2. Tertiary education enrolment rate
   5.3. Quality of the educational system
   5.4. Quality of math and science education
   5.5. Quality of management schools
   5.6. Internet access in schools
   5.7. Availability of research and training services
   5.8. Extent of staff training

6. Goods market efficiency (Pick the most important 5 factors **in order of importance**)
   6.1. Intensity of local competition
   6.2. Extent of market dominance
   6.3. Effectiveness of anti-monopoly policy
   6.4. Extent and effect of taxation
   6.5. Total tax rate
   6.6. No. procedures to start a business
   6.7. No. days to start a business

6.8. Agricultural policy costs

6.9. Prevalence of trade barriers

6.10. Trade tariffs

6.11. Prevalence of foreign ownership

6.12. Business impact of rules on FDI (Foreign Direct Investment)

6.13. Burden of customs procedures

6.14. Imports as a percentage of GDP (Gross Domestic Product)

6.15. Degree of customer orientation

6.16. Buyer sophistication

7. Labour market efficiency (Pick the most important 5 factors **in order of importance**)

7.1. Cooperation in labour-employer relations

7.2. Flexibility of wage determination

7.3. Rigidity of employment index

7.4. Hiring and firing practices

7.5. Redundancy costs, weeks of salary

7.6. Pay and productivity

7.7. Reliance on professional management

7.8. Brain drain

7.9. Women in labour force, ratio to men

8. Financial market development (Pick the most important 5 factors **in order of importance**)

8.1. Availability of financial services

8.2. Affordability of financial services

8.3. Financing through local equity market

8.4. Ease of access to loans

8.5. Venture capital availability

8.6. Soundness of banks

8.7. Regulation of securities exchanges

8.8. Legal rights index

9. Technological readiness (Pick the most important 5 factors **in order of importance**)

9.1. Availability of latest technologies

9.2. Firm-level technology absorption

9.3. FDI and technology transfer

9.4. Internet users/100 population.

  9.5. Broadband Internet subscriptions/100 population.

  9.6. Internet bandwidth

10. Market size (Place **in order of importance**)
  10.1. Domestic market size index
  10.2. Foreign market size index

Innovation and sophistication factors

When looking for investment opportunities in developing economies, which of the following is the most important?

11. Business Sophistication (Pick the most important 5 factors **in order of importance**)
  11.1. Local supplier quantity
  11.2. Local supplier quality
  11.3. State of cluster development
  11.4. Nature of competitive advantage
  11.5. Value chain breadth
  11.6. Control of international distribution
  11.7. Production process sophistication
  11.8. Extent of marketing
  11.9. Willingness to delegate authority

12. Innovation (Pick the most important 5 factors **in order of importance**)
  12.1. Capacity for innovation
  12.2. Quality of scientific research institutions
  12.3. Company spending on R&D
  12.4. University-industry collaboration in R&D
  12.5. Government procurement of advanced tech products
  12.6. Availability of scientists and engineers
  12.7. Utility patents granted/million pop.

Global Competitive

13. The pillars of the Global Competitive (Pick the most important 5 factors **in order of importance**)
  13.1. Institutions

13.2.   Infrastructure

13.3.   Macroeconomic environment

13.4.   Health and primary education

13.5.   Higher education and training

13.6.   Goods market efficiency

13.7.   Labour market efficiency

13.8.   Financial market development

13.9.   Technological readiness

13.10. Market size

13.11. Business Sophistication

13.12. Innovation

Connectedness of countries

14. When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?

Yes

No

15. Which is the most important, when looking for investment opportunities in developing economies? A country's...

Global connectedness

Local connectedness

16. What is the most important, when looking for investment opportunities in developing economies? (**Depth** = doing a lot of trade with a few partners; **Breadth** = doing trade with many partners)

The depth of a country's connectedness to other countries

The breadth of a country's connectedness to other countries

17. Is there benefit in looking at developing economies on a regional level (surrounding developing corridors) rather than on a country by country level?

Yes

No

Appendix B

Personal Info

1. Do you or your company invest or do business in developing countries?

	Frequency	Percentage
Yes	30	81.1
No	7	18.9
Total	37	100.0

2. What is the size of your organisation?

	Frequency	Percentage
Less than 50 employees	9	24.3
More than 50 employees	28	75.7
Total	37	100.0

3. What industry does your organisation belong to?

	Frequency	Percentage
Agriculture	1	2.7
Airlines & Aerospace (including Defence)	1	2.7
Banking, Finance & Financial Services	7	18.9
Business Support & Logistics	1	2.7
Education	1	2.7
Engineering & Construction	3	8.1
Food & Beverage	2	5.4
Government	2	5.4
Insurance	3	8.1
Manufacturing	2	5.4
Mining	2	5.4
Retail & Consumer Durables	1	2.7
Telecommunications, Technology, Internet & Electronics	3	8.1
Utilities & Energy	3	8.1
Other	5	13.5
Total	37	100.0

4. What is your role in the organisation?

	Frequency	Percentage
CEO	2	5.4
Channel Manager - a role that resides in Marketing	1	2.7
Chief entertainer	1	2.7
Co-Owner / Software Development Project Manager	1	2.7
Consultant and management	1	2.7

Data	1	2.7
Director	1	2.7
Engineer	1	2.7
Finance specialist	1	2.7
Financial adviser	1	2.7
Financial Manager	2	5.4
Investment Manager	1	2.7
Investment Officer	1	2.7
Lead Engineer	1	2.7
Legal Advisor	1	2.7
Manager	2	5.4
Manager SA Defence Program	1	2.7
Managing Director	1	2.7
Middle Management	1	2.7
Mining Engineer	1	2.7
Modern Trade Manager	1	2.7
National Accounts Manager	1	2.7
Operations Manager	1	2.7
Owner	1	2.7
Plant Manager	1	2.7
Project Manager	3	8.1
Sales Trader	1	2.7
Specialist	1	2.7
Strategic Business Manager	1	2.7
Sustainable development	1	2.7
Town Planner	1	2.7
Transactor	1	2.7
Total	37	100.0

Survey questions

Basic requirements

When looking for investment opportunities in developing economies, which of the following is the most important?

1. Institutions (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Property rights	9	4	2	1	2
Intellectual property protection	4	5	1	1	3
Diversion of public funds by officials	0	0	0	1	0
Public trust of politicians	0	0	0	1	0
The absence of irregular payments and bribes	1	6	2	1	2
Judicial independence	2	4	2	1	6
The absence of favoritism in decisions of government officials	0	0	2	1	1
Non-wastefulness of government spending	1	0	0	0	1
Lack of the burden of government regulation	2	1	4	3	1
Efficiency of legal framework in settling disputes	1	2	2	5	3
Efficiency of legal framework in challenging regulations	0	1	2	1	1
Transparency of government policymaking	2	1	6	3	2
The potential cost to business due to the possibility of terrorism	0	0	1	1	0
The potential cost to business due to the possibility of crime and violence	0	3	2	0	0
The potential risk to an organization due to organized crime	0	0	1	1	0
Reliability of police services	1	0	0	2	2
Ethical behavior of firms	3	3	2	6	3
Strength of auditing and reporting standards	1	4	2	2	2
Efficacy of corporate boards	0	1	1	0	1
Protection of minority shareholders' interests	1	0	0	2	0
Strength of investor protection	9	2	5	4	6

2. Infrastructure (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Quality of overall infrastructure	23	6	3	1	2
Quality of roads	3	6	5	4	9
Quality of railroad infrastructure	0	2	2	3	3
Quality of port infrastructure	1	1	2	8	3
Quality of air transport infrastructure	0	2	1	5	7
Available airline seat kilometers/week, millions	0	2	0	3	1
Quality of electricity supply	8	14	10	1	2
Fixed telephone lines/100 population.	1	1	7	3	5
Mobile telephone subscriptions/100 population	1	3	7	9	5

3. Macroeconomic environment (Pick the most important 5 factors **in order of importance**)

88

	First	Second	Third	Fourth	Fifth
Government budget balance, % GDP (Gross Domestic Product)	4	6	6	8	6
Gross national savings, % GDP (Gross Domestic Product)	5	3	5	7	10
Inflation, annual % change	16	10	5	3	1
Interest rate spread, %	2	9	8	6	5
General government debt, % GDP (Gross Domestic Product)	1	4	7	6	9
Country credit rating	9	5	6	7	6

4. Health and primary education (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Business impact of malaria	3	2	3	6	4
Malaria cases/100,000 population.	0	3	2	1	0
Business impact of tuberculosis	0	1	3	2	7
Tuberculosis incidence/100,000 population.	0	0	1	3	2
Business impact of HIV/AIDS	6	6	6	4	2
HIV prevalence, % adult population.	4	4	5	7	5
Infant mortality, deaths/1,000 live births	3	1	3	1	0
Life expectancy, years	5	5	7	4	9
Quality of primary education	14	7	3	4	5
Primary education enrolment, net %	2	8	4	5	2

Efficiency Enhancers

When looking for investment opportunities in developing economies, which of the following is the most important?

5. Higher education and training (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Secondary education enrolment rate	2	3	4	9	2
Tertiary education enrolment rate	3	8	6	5	6
Quality of the educational system	18	6	2	1	4
Quality of math and science education	1	13	3	4	2
Quality of management schools	3	1	8	2	2

	First	Second	Third	Fourth	Fifth
Internet access in schools	2	0	1	4	4
Availability of research and training services	2	4	8	5	6
Extent of staff training	6	2	5	7	11

6. Goods market efficiency (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Intensity of local competition	9	3	5	3	5
Extent of market dominance	2	5	2	2	2
Effectiveness of anti-monopoly policy	1	0	1	1	2
Extent and effect of taxation	3	6	4	2	1
Total tax rate	3	4	0	2	3
No. procedures to start a business	4	5	4	3	1
No. days to start a business	4	1	3	2	1
Agricultural policy costs	0	0	3	0	0
Prevalence of trade barriers	3	0	3	4	2
Trade tariffs	1	1	2	6	4
Prevalence of foreign ownership	1	2	2	0	3
Business impact of rules on FDI (Foreign Direct Investment)	2	2	3	3	3
Burden of customs procedures	1	2	0	3	2
Imports as a percentage of GDP (Gross Domestic Product)	0	1	1	1	0
Degree of customer orientation	2	2	3	3	1
Buyer sophistication	1	3	1	2	7

7. Labor market efficiency (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Cooperation in labor-employer relations	11	8	4	3	5
Flexibility of wage determination	4	5	3	6	6
Rigidity of employment index	2	5	2	3	1
Hiring and firing practices	6	10	4	3	4
Redundancy costs, weeks of salary	0	0	5	1	7
Pay and productivity	9	5	11	8	0
Reliance on professional management	4	2	4	7	8
Brain drain	1	1	2	3	5
Women in labor force, ratio to men	0	1	2	3	1

8. Financial market development (Pick the most important 5 factors **in order of importance**)

90

	First	Second	Third	Fourth	Fifth
Availability of financial services	19	9	5	1	1
Affordability of financial services	2	10	5	2	3
Financing through local equity market	0	1	2	4	3
Ease of access to loans	2	4	5	5	7
Venture capital availability	1	1	2	4	5
Soundness of banks	7	6	11	6	3
Regulation of securities exchanges	2	5	3	4	8
Legal rights index	4	1	4	10	6

9. Technological readiness (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Availability of latest technologies	11	6	1	7	6
Firm-level technology absorption	7	6	9	3	10
FDI and technology transfer	1	7	9	9	3
Internet users/100 population.	7	4	8	3	8
Broadband Internet subscriptions/100 population	2	7	5	6	4
Internet bandwidth	9	7	4	8	5

10. Market size (Place **in order of importance**)

	First	Second
Domestic market size index	27	10
Foreign market size index	10	27

Innovation and sophistication factors

When looking for investment opportunities in developing economies, which of the following is the most important?

11. Business Sophistication (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Local supplier quantity	5	2	6	4	5
Local supplier quality	8	7	4	7	3
State of cluster development	2	3	1	1	2
Nature of competitive advantage	11	8	2	6	2
Value chain breadth	6	4	9	6	6

	First	Second	Third	Fourth	Fifth
Control of international distribution	2	1	5	4	7
Production process sophistication	1	7	4	5	5
Extent of marketing	2	4	2	3	2
Willingness to delegate authority	0	1	4	1	4

12. Innovation (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Capacity for innovation	17	7	5	5	1
Quality of scientific research institutions	4	8	8	6	5
Company spending on R&D	4	8	10	3	4
University-industry collaboration in R&D	3	4	5	5	7
Government procurement of advanced tech products	2	2	5	8	8
Availability of scientists and engineers	7	7	3	5	3
Utility patents granted/million pop.	0	1	1	4	8

Global Competitiveness

When looking for investment opportunities in developing economies, which of the following is the most important?

13. The pillars of the Global Competitiveness (Pick the most important 5 factors **in order of importance**)

	First	Second	Third	Fourth	Fifth
Institutions	8	5	2	2	2
Infrastructure	4	11	8	4	4
Macroeconomic environment	8	3	2	2	3
Health and primary education	0	1	5	0	2
Higher education and training	2	1	4	5	2
Goods market efficiency	0	0	1	3	5
Labour market efficiency	0	1	5	6	5
Financial market development	3	3	3	3	4
Technological readiness	2	3	0	5	1
Market size	8	3	3	3	3
Business Sophistication	0	5	3	2	3
Innovation	2	1	1	2	3

Connectedness of countries

14. When looking for investment opportunities in developing economies, is it important that the country considered be well connected (infrastructural, communicational and so forth) to other countries whether it is globally or locally?

	Frequency	Percentage
Yes	33	89.2
No	4	10.8
Total	37	100.0

15. Which is the most important, when looking for investment opportunities in developing economies? A country's...

	Frequency	Percentage
Global connectedness	20	54.1
Local connectedness	17	45.9
Total	37	100.0

16. What is the most important, when looking for investment opportunities in developing economies? (**Depth** = doing a lot of trade with a few partners; **Breadth** = doing trade with many partners)

	Frequency	Percentage
The depth of a country's connectedness to other countries	17	45.9
The breadth of a country's connectedness to other countries	20	54.1
Total	37	100.0

17. Is there benefit in looking at developing economies on a regional level (surrounding developing corridors) rather than on a country by country level?

	Frequency	Percent
Yes	32	86.5
No	5	13.5
Total	37	100.0