



**Digital Platforms and the Provision of Business Intelligence  
and Informational Incentives to Investors:**

**Planning and Implementing Porto's FDI Attraction Platform**

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## **Abstract**

This report concerns the internship on Porto's Municipality (at the Invest Porto department). More specifically, it relates to the planning and implementation process of Invest Porto's digital platform. This report is composed by two different yet complementary approaches: (1) a literature review and a conceptual background part relevant to understand the importance of digital platforms, and, more generally, of information, business intelligence and technical services as an investment incentive; and (2) a more empirical/practical part, consisting in planning and structuring the platform, the content and the services associated with this key instrument for investment attraction to the city of Porto. The methodology for development the platform is also clarified in this second part.

The literature review consists of three different yet related subjects of analysis: (i) the Determinants of Foreign Direct Investment, (ii) Territorial Marketing and (iii) Business Intelligence. In this chapter the main issues regarding these literature topics are reviewed, with the objective of informing the purpose of the internship.

Subsequently, the methodology section describes how the insights from the literature review are applied on the platform through the planning process and content-related information. This second part, also informed by the first, includes a benchmarking analysis where the best digital platforms of investment agencies are studied and evaluated, in order to help conceptualizing and planning the InvestPorto digital platform. This part also includes an account of relevant supporting research that helped the development of the platform.

Keywords: FDI, Determinants, Digital Platforms, Business Intelligence, Territorial Marketing, FDI Motivations, FDI Benefits, Provision of Information, Investor Servicing, Investment Incentives.

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## **Introduction**

Multinational enterprises (MNEs) and Foreign Direct Investment (FDI) have witnessed a considerable increase in scholarly and policy-making interest (Dunning and Lundan, 2008). The voluminous and rich literature available points, in general, to several potential beneficial impacts of FDI and of multinationals' activities (Blomström and Kokko 1999. Brooks, Hasan, Jong-Wha, Son and Zhuang 2010).

Such is the importance of FDI attraction that, nowadays, territories compete fiercely for FDI attraction. In order to become more effective, policy makers should be committed to understand the distinct motivations to invest abroad, in order to implement the adequate policy measures. On the other hand, the theme of FDI attraction assumes special relevance to countries with a struggling economy, such as Portugal, due to the expectation of positive effects stated above.

This dispute between governments may influence significantly the already complex decision-making process of investment. The same is true for the information asymmetry between multinational firms and territories (Faeth, 2009). The provision of Information and Business Intelligence is a key solution (and a relevant policy measure) to reduce this information gap (Ahearne, Grier, and Warnock 2004), and a key reason why investment promotion agencies (IPAs) exist. Therefore, this theme deserves special consideration both in terms of the literature review and on the subsequent empirical part (the latter corresponds to the work done on the internship at InvestPorto).

This report is structured as follows. First, a literature review and a conceptual background section relevant to understand the importance of digital platforms, and, more generally, of information, business intelligence and technical services as an investment incentive are developed. The literature review consists of three different yet related subjects of analysis: (i) the Determinants of Foreign Direct Investment, (ii) Territorial Marketing and (iii) Business Intelligence. In this chapter the main issues regarding these literature topics are reviewed.

Secondly, a more empirical/practical part, consisting in planning and structuring the platform, the content and the services associated with this key instrument for

investment attraction to the city of Porto is presented. The methodology for development the platform is also clarified in this second part.

This methodology section describes how the insights from the literature review are applied on the platform through the planning process and content-related information. This second part, also informed by the first, includes a benchmarking analysis where the best digital platforms of investment agencies are studied and evaluated, in order to help conceptualizing and planning the InvestPorto digital platform. This part also includes an account of relevant supporting research conducted during the internship that helped the development of the platform.

## **Chapter I – Literature Review**

### **1.1. Foreign Direct Investment: definition and relevant considerations**

#### **1.1.1. - Definition of Foreign Direct Investment**

Foreign Direct Investment (FDI) is defined, according to the OECD, in the following way: *“Foreign Direct investment is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise. The “lasting interest” is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise. Direct investment may also allow the direct investor to gain access to the economy of the direct investment enterprise which it might otherwise be unable to do. The objectives of direct investment are different from those of portfolio investment whereby investors do not generally expect to influence the management of the enterprise”* (OECD, 2008, p.17)

FDI has attracted the interest of scholars and policy makers in the past years, leading to a rich debate among the scientific community regarding issues such as the motivations for, and benefits of, FDI (Yamin and Sinkovics 2009; Root and Ahmed 1978).

#### **1.1.2. - FDI Impacts**

It is widely accepted in the relevant literature that FDI may have a significant impact in the host and home economies (Hu and Jefferson 2002). The range and depth of this impact can be diversified, since FDI and the activities of multinational

enterprises (MNEs) are likely to affect several aspects of the economy like (among others) employment, economic growth, productivity, competition and fiscal gains (Mirza and Giroud 2004). This makes the task of evaluating the overall impact of FDI a complex and multidimensional endeavor.

Table I below, adapted from (Zhang 2001), highlights in a very succinct way some of the benefits and costs for the home country related to FDI.

**Table I - Benefits & costs to home country**

<i>Benefits</i>	<i>Costs</i>
Stream of income from foreign earnings	Balance of payment: <ul style="list-style-type: none"> <li>• Initial capital outflow (but often set off by future stream of foreign earnings)</li> <li>• Current account suffers if FDI is to serve home market from low-cost production location</li> <li>• Current account suffers if FDI is a substitute for direct export</li> </ul>
FDI may import intermediate goods or inputs for production from the home country, creating jobs	
MNEs may learn skills from exposure to foreign countries	Employment effects: <ul style="list-style-type: none"> <li>• FDI a substitute for domestic production</li> </ul>

Source – Zhang (2001)

Since FDI has a potentially broad scope and depth of impact, it is hard to accurately conclude whether a certain investment produces a positive or negative effect within an economy. It depends on a variety of factors regarding the economic, regulatory and social structure of the country that hosts the investment, among other firm and subsidiary-related variables (Kottaridi and Stengos 2010).

As several studies show, it is of crucial importance to understand a wide variety of factors regarding the region in which foreign investment occurs in order to maximize the gains of such investment (Zhang et al. 2010; Mayer-Foulkes and Nunnenkamp 2009).

The benefits of MNE and FDI tend to last over time (Wheeler and Mody 1992)

which explains why territories incur on “location tournaments” over who can attract more FDI (Caspers and Dreyhaupt 2007). These “location tournaments” (Mytelka, 2000) have to do with the effort that governments make to gain several benefits from FDI operations in their country or region.

Competition for FDI is often fierce and may lead to significant potential losses from host countries (Root and Ahmed, 1978). The origin of these losses comes, for instance, from the frequent subsidies or tax exemptions that policy makers concede to MNEs in order to influence their decision. These losses are accepted by policy makers since they believe that benefits from FDI surpass the negative impacts thus having net gains from foreign investment (Dreyhaupt 2006).

#### **1.1.2.1. - The Benefits of Foreign Direct Investment**

In spite of what was stated above, according to the majority of studies, FDI is likely to bring several benefits and generally represents a good influence on the economy (Brooks et al. 2010). Hence, a reason why FDI attraction assumes such a huge relevance can be explained with the benefits of the externalities of MNEs’ operations (Zhang et al. 2010).

MNEs are “(...) *companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another*”. (OECD, 2008, p.12)

Some of the FDI benefits relate to the spillovers both from management skills and technology, capital flows, domestic jobs and additional production capacities (Oxelheim and Ghauri 2004). Domestic firms can benefit from the presence of MNE activity in the same region, and the improvement on the productivity is a valid example of these benefits, for instance: local companies can benefit both directly and indirectly from hiring former MNE employees or learning to use the same technology or managerial practices (Blomstrom and Kokko 1998).

The broader impact of FDI can thus be revealed when spillovers occur, giving the chance to local companies to improve their productivity and general operations by

working directly with MNEs. removing the need for domestic firms to spend large sums of money on R&D to achieve better levels of productivity (Breschi and Lissoni 2001). The activity of multinational enterprises may influence significantly international trade at various levels, as it not only tends the increase the levels of exports but it also has the potential to act as a facilitator on the regulations and laws regarding trade of the host country (Blonigen 2005).

In an effort to summarize the beneficial aspects of Foreign Direct Investment (Zhang 2001), Table II developed by Nourbakhshian et al. (2012) lists the main benefits of FDI for the host country (the benefits for the home country were already reviewed in Table 1 above).

**Table II - FDI: Benefits to host country**

Resource Transfer Effects	MNE invests capital in foreign markets Technology; Research supports that MNEs do transfer technology when they invest in a foreign country Management; When MNEs invest and manage in a foreign country, they often transfer management skills to the host country's workforce
Employment Effects	MNEs, by investing in foreign countries, can create employment opportunities for the local workforce But: Acquisition vs. Greenfield Investment
Balance of Payment Effects	Balance of Payment: A country's balance-of-payment is the difference between the payments to and receipts from other countries FDI can have beneficial and negative effects on a country's balance of payment. We look at the beneficial effects

	next
Effect on Competition	Efficient functioning of markets require adequate level of competition between producers
Initial Capital Inflow	When a company invests in a foreign country, it brings capital into that country
Substitute for Imports	To the extent that the goods/services produced by the FDI substitute for imported goods/services, there is a positive effect on B-of-P
Inflow of payments from export of goods and services	To the extent that the goods/services produced by the FDI are exported to another country, there is a positive effect on the host country's Balance of Payments

Source – Adapted from Nourbakhshian et al. (2012).

### **1.1.2.2. Negative outcomes from Foreign Direct Investment**

As stated above, FDI may also affect in a negative manner the host country economy. It has even been suggested that there is a real possibility of FDI having a negative effect on growth (Lensink and Morrissey 2006). The negative impacts of FDI in host countries imply that policy makers, in addition to understanding how to attract FDI, must understand if they should actively promote policies to attract FDI, or, more crucially, what kind of FDI they should promote or attract. In order to facilitate the understanding of the negative effects of Foreign Direct Investment, below there is a list of the main negative effects (Essays UK, 2013):

#### Crowding Out

This phenomenon occurs when the domestic competition is wiped out owing to the presence of the new MNE, increasing unemployment and affecting the economy's performance (Kumar and Pradhan, 2002).

### Reduction of local innovation

When MNEs are at a higher stage of development, local companies tend to do two different things: either they adapt the technology provided by the spillovers of these companies, or they cease the investment in innovation, and integrate the value chain of the established MNE, often through acquisition or joint ventures (Mayer-Foulkes and Nunnenkamp 2009). When this second effect happens, there is a reduction of local innovation.

### Negative wage spillovers

Wage spillovers of MNEs' activities are considered to be mostly positive as workers of MNEs can leave their workplace and become entrepreneurs in the future, which will increase the competitiveness of domestic firms. However, it might cause negative consequences as well, especially if MNEs hire the best workers due to their high wages and thereby leave lower-quality workers at the domestic firms (Lipsey and Sjöholm, 2004).

### Profit repatriation

When MNEs make investments in foreign countries their main objective is to maximize their profit. Some advantageous characteristics of host countries, such as a less costly labor force, natural resource abundance or high quality expertise allow MNEs to enhance their economic performance. MNEs regularly repatriate their profits from investment to the account of their parent companies in the form of dividends or royalties transferred to shareholders as well as the simple transfer of accrued profits. It also helps them avoid larger taxes by using transfer prices. However, this profit repatriation results in huge capital outflows from the host country to the home country and may negatively affect the balance of payment of the former (Billet, 1991).

### Dual economy effect

FDI, especially that occurring in developing countries can lead them to have a dual economy, which has one developed sector mostly owned by foreign firms and underdeveloped sector owned by domestic firms (Van der Ploeg 2006).

### Balance of payment effect

Empirical studies reveal that a bidirectional relationship exists between foreign investments and imports. An increase in FDI inflows from the home country will result in an increase in imports in the host country from the home country (Chaisrisawatsuk and Chaisrisawatsuk 2007). If that effect surpasses a positive impact of FDI on exports, then the net effect on the trade balance (and, ceteris paribus, not counting with the effect on the balance of capital) will be negative.

### **1.1.3. FDI Motivations**

FDI is performed by MNEs. There are many reasons why companies choose to invest abroad. It is accepted that in most cases what drives companies to invest abroad is one or a combination of the following motives: efficiency seeking, market seeking, strategic asset seeking and resource seeking (Dunning and Lundan 2008). These motivations are neither exclusive nor static.

Efficiency Seeking – Corresponds to the search from companies for locations able to provide them with better economies of scale and consequently, higher gains.

Market Seeking – It relates to the pursuit by MNEs for new territories for reasons such as accompanying its customers, following its main suppliers among others. It can be a reactive measure, caused by specific event or a preventive measure, triggered by the perception of a future trend.

Strategic Asset Seeking – It is related with the need from companies to explore strategic advantages able to increase their competitiveness.

Resource Seeking – Corresponds to the internationalization driven by the need to assure resources possibly from different categories: natural or human/technical.

Since motivations for FDI differ so much, according to Faeth (2009) FDI should not be explained by single theories but more broadly by a combination of multiple approaches, such as ownership advantages, agglomeration economies, market size and characteristics, cost factors, transport costs and protection and risk factors and policy variables – which leads to the discussion on FDI determinants, a theme that will also be developed in the internship's final report.

#### **1.1.4. FDI determinants**

The subject of FDI determinants has received considerable attention in the literature. Although there is wide array of FDI determinants, for research purposes they are normally aggregated into categories (Assunção, Forte, and Teixeira 2013).

There are different typologies, still the typology of Root and Ahmed (1978) is the one of the most used among the majority of scholars. According to Root and Ahmed's (1978) typology, FDI determinants are sorted into Economic, Political, Social and Policy-related categories. FDI determinants are very much related with the motivations for FDI stated in the previous section.

Economic determinants of FDI are related to aspects that reflect the structure of a country's economy and financial status. The degree of economic integration, the gross domestic product (GDP) or its performance are good examples of determinants of this kind. The economic indicators allow companies to understand the potential of a certain market, a very practical example of this is the decision to whether export or finance a commercial subsidiary, if the GDP is expected to reduce, then a long term presence in that country may be a bad investment (Shamsuddin 1994).

When searching for a market, the economic features of the host country have considerable importance. These determinants are easier to access as many international organizations with high credibility such as the OECD or the World Bank produce several reports on these indicators, reducing the uncertainty on investors (Bovens and Zouridis 2002).

Political determinants have to do with, notably, the perceived political stability of a country (Schneider and Frey 1985). These indicators may not be as easy to obtain as their economic counterparts, but this information is still vital for investors who rely on figures such as the frequency of change in government or the degree of nationalism in a country to better understand the risk in their investment (Staats and Biglaiser 2012). Once again, these indicators have a profound effect in the type of investment done by a multinational. In general, the greater the trust in a political regime, the greater tends to be the investment, or at least the expected presence in a certain market (Lee, Biglaiser, and Staats 2014).

Social determinants are more related to human capital, since their main focus is in the population and their skills. Not only are individual characteristics assessed but also the social dynamic of the population. A couple of good examples of these determinants are the degree of literacy in the population, their technical capability and their propensity to unionize (labor movements) (Coughlin, Terza, and Arromdee 1991). Social determinants are very much related with resource seeking by MNE, it determines if a company is going to produce due to cheap labor (often associated with low literacy) or invest in a research and development facility due to the outstanding know-how of the available scientists and researchers (in this case it is rather associated to the strategic asset seeking motivation). It is important thus to understand well these determinants since they have profound effect in a country's ability to attract FDI and the type of FDI (Suliman and Mollick 2009).

Policy determinants are more related to the incentives' side of investment. They help companies differentiate among seemingly similar countries in economic, social and political terms. Examples of policy determinants are tax-related laws, and these are among the most readily accessible instruments at the disposal of the government to attempt to influence investors. Notably, it is often faster to get results from a tax reduction to a company instead of investing in the promotion of the country's image, thus policy makers often engage in huge opportunity costs to their countries as a result of competition for FDI via aggressive tax incentive measures (Caspers and Dreyhaupt 2007), which may erode the tax base.

There is however a lack of consensus on the relative importance and relevance of different determinants. Many scholars consider, for instance, that low labor costs

attract MNEs' investment, which some authors do not consider necessarily true as many MNEs disregard labor costs as important (Lucas 1993). Below, Table III summarizes the categories of determinants and some examples.

**Table III - Categories and Examples of FDI Determinants**

<b>Determinants Categories</b>	<b>Examples</b>
Policy Variables	Tax policy, trade policy, privatization policy, macroeconomic policy
Business Variables	Investment incentives
Market Related Economic Variables	Market size, market growth, market structure
Resource Related	Raw materials, labor cost, technology
Efficiency Related	Transport and communication costs, labor productivity

Source – Adapted from UNCTAD (2002)

While scholarly understanding of the determinants is far from complete there are a number of important policy ingredients to come up with effective strategies to attract FDI (Brooks et al., 2010).

These ingredients are of critical importance to the planning of the digital platform since is crucial to understand the key determinants of FDI and MNEs' activities, in order to select the content that should be provided in the digital platform, so that the investor is informed about how Porto is positioned in terms of these determinants.

## **1.2. Territorial Marketing**

### **1.2.1. Considerations on territorial marketing and the need to establish visibility and credibility**

As stated earlier, territorial marketing is a theme that holds a great deal of relevance when it comes to digital platforms geared at attracting investment. The main focus of this literature review, particularly on this section, is to assess the relationship between territorial marketing and FDI attraction. The platform itself must be understood as a tool which serves a purpose. This purpose is to be a vehicle to reduce the information asymmetry (Cass 2007), therefore enticing investors to bring investment to the territory in question.

Since the majority of the countries and some regions already provide the type of service that we intend to develop, Porto's digital platform won't be a pioneering or revolutionary project. That leads to the question of how it will be differentiated from other somewhat similar regions.

We intend to achieve that through a thorough and rigorous study leading to select information and the respective means of transmitting that to the investor, providing data that reveals the territory's profile in a way which is both pleasant and helpful to the investor's decision making process. However, showing a city's performance on indicators as the ones scrutinized above in the section on determinants won't imply *per se* success on attracting investment (Neto 2007). There is a need for more proactive promotion.

For that it is important to understand the differentiating elements that make investors choose from two regions that share a set of characteristics. The same problem is already tackled by companies that compete in the same market with the same products: since there are no relevant differences in utility, consumers choose the one that most appeals to them. In spite of sharing the same problem, territories do have specificities that sets them apart from any marketable asset (Boschma 2004) which means that marketing a territory requires a unique strategy. The better we promote a territory, the more chances it has to attract investment. Regional marketing shapes the internal advantages of a territory, and promotes investment and economic development, increasing attractiveness of the area as a whole (Bagautdinova et al. 2012).

Hence the increasing investment in marketing and the integration of marketing-derived strategies in municipal and regional policy is a step forward for improving the attractiveness of the region itself.

This brings benefits at the national point of view as well as the international, since the economic development may be promoted by attracting financial inflows from the country itself or from FDI (Popkova, Dubova, and Romanova 2013). The larger the city or region the more benefits to the economy as whole, depending on the type of investment and on the integration with the economic fabric of the country.

Bagautdinova et al. (2012) infers that a good strategy in territorial marketing can be crucial to the economy of the region and determinant as to whether a particular region can or can't be a good investment location in the eyes of the international community. City/regional marketing is gaining more relevance as a means to shape a region's economy, since it is possible to adapt a country's image to better suit a certain type of industry, attracting international investment in a particular field. Marketing therefore, in a regional/geographic level operates at two levels, the categories of analysis visibility and credibility, whose combination gives a brand do the country, as shown on Table IV.

**Table IV - A Framework for comparing Visibility and Credibility**

	Visibility	
Credibility	Low	High
High	Undiscovered	Unparalleled
Low	Unknown	Undesired

Source: Adapted from (Wells Jr and Wint 1990).

Marketing a territory is very much related to the ability of creating and promoting an image according to the goals of policy maker. The creation and promotion of this image respects a logical process as the one shown on Table IV above. There are two main categories that define “projection” at an international level.

Visibility and credibility are indeed two faces of the same coin, as there is a complex and important complementary relation between them. In order to achieve an international status prone to FDI attraction a country has to simultaneously have visibility and credibility.

Marketing strategies may influence both these aspects. However, it is far easier to gain visibility than credibility. Visibility tends to be easier to achieve simply because it does not imply depth, making it more prone to tangible strategies such as videos, logos, advertising etc. Yet, it is far less durable than credibility.

Credibility has more depth because it requires a larger and more comprehensive analysis by the interpreter, in this case, the investor. Investors may recall a country by what they have seen, but their decision will be based on what they know and expect. In that sense, FDI determinants and their respective specific indicators are very important as they help to build an image based on figures rather than subjective ideas.

A more reliable and complex image: credibility is a statement of what the country really appears to be in the eyes of investors.

**Table V - Relationship among Industrial Buying Decisions, Investment Decisions and Investment Promotion Program**

Buy class	Information Sources	Stages in Industrial Buying Decisions	Stages of investment decisions	Focus of investment promotion
First	Impersonal Sources	Awareness	Awareness	Image building
	Advertising	Interest	Interest	
Purchase	Personal Sources	Evaluation	Evaluation	Investment Generation
	Other Firms	Trial	Trial	
	Salesmen	Adoption	Adoption	
	Users			
Routine Reorder	Limited information requirements		Implementation	Investment Service

Source: Adapted from (Wells Jr and Wint 1990)

The decision to invest is rather similar to industrial buying, thus it follows a very similar process of decision making by investors, “*in both situations the relevant market comprises discrete, lumpy, relatively infrequent but often “important” purchases by corporations*” (Wells Jr and Wint 1990, p.12) Table V, shown above, illustrates the point of the complexity of the process and shows the dynamic identified above: visibility may raise awareness and interest, but reputation influences the next stages of the decision making process.. The relationship between credibility and visibility has the potential to make or break a reputation and requires sensibility in managing it.

Territorial marketing is carried out at a meso-level which means that the range of influence of the enterprises and other organizations from a *city* impact its surroundings, therefore the marketing strategy for a territory is often designed taking into account a broader *region* (Popkova, Dubova, and Romanova 2013). So, in order to fully understand the competitive dynamic of Porto’s city and metropolitan region we have to broaden our scope of analysis to include territories that despite not belonging within the administrative limits of Porto, have an important role in the dynamic of the territory.

In the case of Porto, that includes some of the other cities in the metropolitan area such as Maia or Gaia, territories that will be further assessed with the development of the *Methodology* section.

### **1.2.2. Territorial Strategy**

In practical terms, a marketing strategy to attract FDI consists of a combination of initiatives such as missions, seminars, service activities etc. (Wells Jr and Wint 1991). The goal is to improve the image of the country worldwide and improve the levels of international capital inflow. This can also be referred as investment promotion (Wells Jr and Wint 1990).

This marketing mix has a cost, and when it comes to territorial marketing, the costs are often measured against benefits such as “capital inflow” as well as “job creation”, as governments spend on promotion in order to assure a certain net investment or a certain number of new jobs created through FDI. Marketing has to be understood as an investment in FDI attraction (Wells Jr and Wint 1990), and it can be a complementary effort alongside financial incentives but it can also be a substitute.

Every territory with a strong will to attract FDI has a budget dedicated to it, and it is likely that the budget for promotion will be less onerous than that for attributing for instance fiscal incentives. Fiscal incentives as a mean to attract FDI, have a significant cost. Not because of what the regions spends but because of what the region doesn't earn.

There is an opportunity cost related to the provision of incentives, which may sometimes be higher than the actual earnings from FDI to the economy (Oxelheim and Ghauri 2004; Caspers and Dreyhaupt 2007). Perhaps not surprisingly, policy makers look to marketing as an effective tool to attract FDI and, all in all, a good deal (when compared to other options).

Hence, territorial marketing and related investment promotion initiatives must be analyzed through a comparison with substitute initiatives, like offering fiscal or financial incentives to investors.

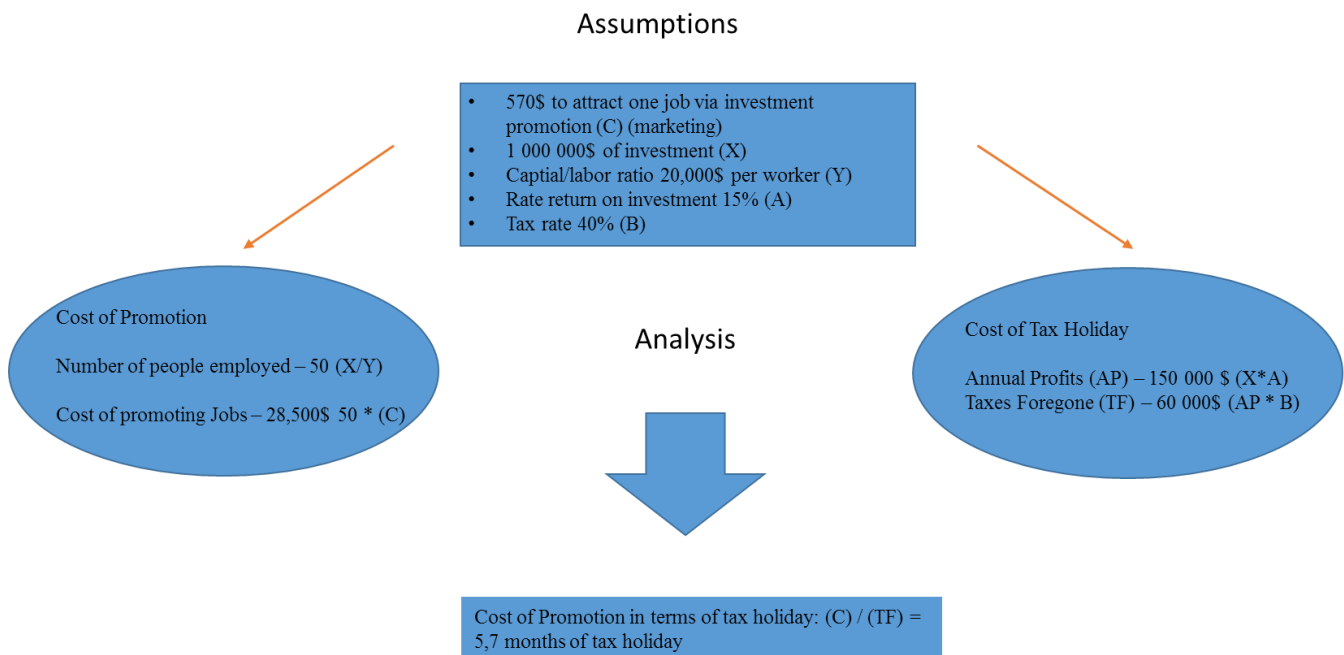
FDI incentives are sorted in four categories, fiscal, regulatory, financial and technical services (the latter category including business intelligence and territorial marketing).

Financial incentives include grants, loans, subsidies, and other instruments, and they have a direct influence on government's funds, thus being less common in developing economies (Tavares-Lehmann, 2016)

Fiscal incentives "are tax provisions granted to qualified investment projects that represent a favorable deviation from general regulations" (Fletcher, 2002, p.4), and represent fiscal revenue foregone or deferred to host countries (Tavares-Lehmann, 2016) Regulatory incentives, rather than representing a direct cost to economies, are profoundly related with the rule of law in the economy, and setting the regulatory ambiance of a certain country; they can be negative (loosening of certain rules) or positive (protection of corporate property).

On the other hand, marketing and image promotion represent a direct cost to the host country that is easier to account and to control, and, as already noted, it is also considered relatively inexpensive (Harding and Javorcik 2011) suggesting that, in the long term, marketing may be the most cost-effective means to attract FDI (Wells and Wint, 1990; Harding and Javorcik, 2011).

**Figure I - The cost of promotion vs the cost of tax holiday**



Source: Adapted from Wells Jr and Wint (1990)

### 1.3. Business Intelligence and Digital Platforms

Business intelligence (BI) can be considered as a means to ease the access and interpretation on valuable information on a subject (Petrini and Pozzebon 2009). It is about enabling the access of most people to relevant data which otherwise would imply significantly more resources to obtain if individual collection had to be made. BI should make the most of new information technology, such as websites or search engines (Chung, Chen, and Nunamaker Jr 2005).

It can also be considered a process in which the data gathered from inside and outside the company, in this case a territory, are integrated in order to generate information relevant to the decision-making process of international investors (Petrini and Pozzebon 2009).

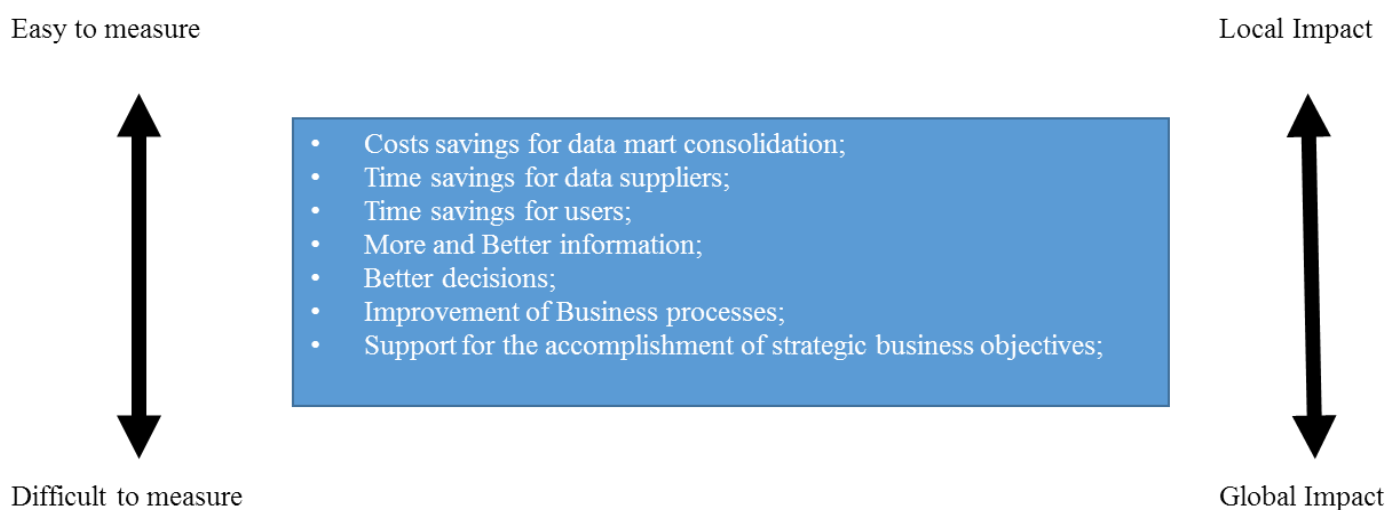
A BI system, as Petrini et al. (2009) put it, has to be open, trustworthy, transparent and permanent.

Only then the tool can do its job while maintaining information integrity, which is absolutely crucial to the trust of an investor in the host country.

Business intelligence, therefore, has to be effective when reducing the information asymmetry. If successful, it increases the level of confidence from citizens and investors in the government (Welch, Hinnant, and Moon 2005) and, as studies show, trust in the local government is an FDI determinant, meaning that BI is an important step in order to increase the flow of international capital. Business intelligence is an intellectual concept that can be materialized through decision support systems that include digital platforms for FDI attraction.

These decision support systems are focused on enabling, helping and improving managerial decision making (Arnott and Pervan 2005). They also present the advantage of reducing IT infrastructure costs by eliminating redundant data extraction processes (Watson and Wixom 2007) and of allowing users, in this case investors, to access data from anywhere in the world, provided that they have an internet connection. Figure II illustrates some of the advantages and scope of BI.

**Figure II - Advantages of business intelligence and of digital strategies**



Source: Adapted from Watson and Wixom (2007)

The arrival of digital platforms is not exclusive to investment agencies. In fact, the governments' approach to these new information technologies seems to be progressively to move into digital the services that to this day remain physical (Bovens and Zouridis 2002).

There is an obvious cost reduction in digitalizing services and increase in information availability and understanding, setting a trend followed by investment promotion agencies (IPAs) as well. These IPAs, allied to other fiscal and financial incentives have been heavily used by governments as a tool to attract FDI (Cass 2007).

However, not all IPAs show signs of significant effectiveness neither their respective digital selves. What reports show, is that for a digital IPA to be effective as a mean of FDI attraction, it needs to select and present in a superb manner the kind of information that makes available, as well as to be user friendly.

Cass (2007) also suggests that policy makers need to realize that these digital platforms act as the face of the country and they need to be intuitive enough to make a pleasant experience for the potential investor. Thus, managing the digital platform for the city of Porto will require a rigorous and detailed study regarding content as well as the more technical side of the website, making its success a joint effort of several experts and professionals from different areas. The main goal is to assure that the user can assess information which follows the criteria explained below in Table VI.

**Table VI - Information Quality Dimensions**

Definition	Dimension	Information quality category
Accuracy	The degree to which information is correct, unambiguous, meaningful, believable and consistent	Intrinsic
Completeness	The degree to which all possible states relevant to user population are represented in stored information	Extrinsic contextual
Currency	The degree to which information is up-to-date, or the degree to which the information precisely reflects the current state of the world that it represents	
Format	The degree to which information is presented in a manner that is understandable and interpretable to the user and thus aids in the completion of a task.	Extrinsic representational

Source: Adapted from Nelson, Todd, and Wixom (2005).

After this literature review on crucial aspects such as those mentioned, the next chapter consists of the empirical part of this dissertation, documenting the work done in the internship at InvestPorto.

## **Chapter II. - Internship Report**

### **2.1. Methodology**

This section contains an overall description of the internship and its activities.

As part of the International Business Master's program of the Faculty of Economics of Porto I was given a choice to further develop my research in one of two ways: writing up a traditional dissertation or experiencing firsthand the work on the field through an internship program, and report it.

My choice was the latter, thus, from this point on I will be describing in detail my role on the workplace that received me.

The internship had the duration of about 7 months in which I worked in a specialized agency within the Porto City Hall called InvestPorto that dealt with the investment attraction policies implemented by the Municipality. More specifically, I was directly involved with the team that was involved in developing the Digital Platform for FDI attraction for the city (InvestPorto platform), contributing, among other aspects, to the production of content.

My applied work is divided into two different stages. First and more important I conducted a research on similar digital platforms to better understand what the best practices were, what was effective and what should not be considered. The benchmarking itself constituted the primary and most relevant aspect of the internship and was developed in that perspective. Secondly I answered to direct requests of research by the agency, mostly related to international benchmarks on key areas for the Municipality –this part will be developed later on this section.

The benchmarking initiative's main goal was to understand which digital platforms were the better designed and the most successful and why, paying special attention to its specificities regarding digital information provision and online services.

As a technical note, the analysis was developed on digital platforms and not on pure websites, and in what related to inward FDI attraction. It is relevant to define the key differences between a digital platform and a website. Digital platforms relate to platforms offering digital services on the web that, accessed by computer, allowed

interaction between the user and the agency without the need of a personal presence by the agency in that interaction. Therefore, a website with limited information and without the capability of analyzing reciprocal outputs wasn't considered. Platform Applications for tablets or mobile devices were valued as a feature of the digital platform as a whole, but not analyzed individually.

The first step towards the development of the benchmarking consisted in analyzing the main digital platforms of investment agencies in the world.

The universe of digital platforms is massive since almost all of the investment agencies throughout the world rely on digital services, so early in the process there was a need to focus the benchmarking in a more restricted set of regions and/or countries. The process of choosing the sample was based on a set of guidelines provided both from the InvestPorto team.

Regardless of the process it was concluded that the sample had to integrate some countries under specific criteria. It was desirable to ensure a representation of different continents in order to cover geographical variety. Also, the sample had to include platforms representing countries, cities and regions in order to further deepen the understanding of what the services of any agency, no matter its jurisdiction, should be. A special look to national investment agencies was also pertinent given that there is indeed competition to attract FDI and to know what our competitors offer is a valuable contribution to our presence on the market.

The purpose of this benchmarking exercise was to provide knowledge to sustain the construction of Porto's Digital Platform which itself is divided in two different stages, the main structure and the content. The understanding of the aspects included in Chapter 1 (Literature review) FDI were a cornerstone of the platform. All the gathered knowledge regarding the subject of BI was important as an instrument to manage the content (and never the content itself). The determinants of FDI were a substantial part of the work because the platform itself had to be fed, and had to have substance. The InvestPorto team delivered and updated inputs in the form of reports, made available for investors. These reports are, among other components, the direct result of an evaluation of FDI determinants in Porto which constitute relevant data for companies willing to invest.

The data cover all the categories included on the literature review, such as economic, political and social as well as the main competitive resources and capabilities of Porto as a city and metropolitan area. Finally, the purpose of the platform was to try to reduce the information asymmetry that frequently occurs when investors study potential locations where to invest.

The goal was that the available content corresponded indeed to all the investor's needs, by doing Porto's differentiation would be achieved through technical services, taking an important step into improving the attractiveness of the region as a whole.

## **2.2. Benchmarking Digital Platforms**

This section contains the description of the process of benchmarking Digital Platforms that was undertaken as a part of the internship.

### **2.2.1. Preliminary considerations**

One of the most influential aspects in choosing platforms to benchmark was the need for discovering the key aspects that make a digital platform effective, so, in order to achieve such conclusions, we had to be aware of which were (and why) the best digital platforms in the world of FDI attraction.

Although there was significant information regarding FDI and the role of investment agencies, there wasn't much awareness when it came to digital platforms. This lack of awareness regarding digital platforms results in the scarcity of studies uploaded in scientific databases, which constituted an important tool to the everyday operations in *Invest Porto*. However, some of the published studies were conducted by leading international organizations, allowing a high level of confidence on the credibility and the accuracy of the data provided by these publications. These reports are the *Global Investment Promotion Best Practices (GIPB)*, in its latest edition by the time the internship started (2012) and some documents by FDI Intelligence, which is part of the Financial Times group.

The benchmarking study conducted by the World Bank presents several criteria used to classify each platform, which will be further assessed and explained on the subsequent subsection on the criteria of the Report. The World Bank document presents

the results of the analysis by sorting the platforms in rankings. There is a very high number of tables throughout the document, however, the sample for our benchmarking had to be less numerous given the time available and the fact that, although the most important task, the benchmarking wasn't to be the only output of the internship.

The range of analysis developed by the World Bank comprehends virtually the entire world, 189 countries to be precise, making it to date the most relevant and complete study of this field.

The study itself is organized into different categories and its unit of analysis, as stated, is the country. Furthermore, the GIPB classifies each platform performance in a regional as well as a worldwide contexts. The information is sorted into tables which are labeled according to the scope of the study, this means that the Platform X (example) will be placed both on a World Rank and a Regional Rank.

The first table used to assist on the benchmark corresponded to Top Overall Digital Platforms. After a brief analysis of the findings a trend was noticed that revealed that most of the Top 10 platforms worldwide were geographically concentrated in Europe. By request of the InvestPorto team, as well as a useful need for geographic diversity a decision was made to include the Top 10 Regional Platforms.

As useful as the report by the World Bank was, there were still some issues that needed to be addressed, mainly the lack of city and regional platforms and the inclusion of other city-based Portuguese agencies.

So, to the original sample from the World Bank report were added several more examples that suited the deficits noticed by the analysis. In an effort to maintain a sound methodological approach all the inclusions followed a set of criteria.

Portuguese agencies fell into a category of their own due to the fact that there aren't many of them, still the geographic distribution within the territory and the size of the areas they represent were taken into account, adding to a final list of 3.

The other inclusions were made according to a mix of research criteria that led to improve the benchmarking:

- Typology – Include platforms from cities and regions;
- Geographical Distribution – Attempt to widen the sample worldwide;
- Similarity – Both political and economic (more specifically sectors of activity).

Based on these three aspects/criteria several examples were taken into account and were analyzed in a very early part of the research. After this stage of the research, a final list of cases was presented to the InvestPorto agency, which helped to select those who should integrate the final sample and those who shouldn't.

The list presented on the section *Other additions* was the result both from this research and the interest of the Municipality according to InvestPorto.

### **2.2.2. A Brief Description of the World Bank Report – Global Investment Promotion Best Practices (GIPB) and its Criteria and Methodology**

This section contains a description of the report, its criteria and contributions to the benchmarking.

#### **2.2.2.1. Description of the World Bank Report (GIPB)**

As stated before, a large contribution of the Benchmarking came from the available work published by the World Bank on the topic of digital investment platforms.

The document itself contains much high detailed information, not exclusively about the digital platforms. It draws several conclusions about the whole dynamics of digital platforms as well as some suggestions and trends, and it's produced triennially.

At the time of the research, the most recent report was 2012, so it is likely that by the time the platform of Porto is in full function, the benchmarking that helped its development will be updated by the 2015 edition.

This report is publicly available, and focuses primarily on the provision of information for the tourism sector as well as the agricultural, within the overall analysis of digital platforms. It is a fundamental tool to investment agencies to improve based on the evaluation and considerations presented by the World Bank, therefore, all its findings, including the best practices defined by the researchers are crucial to determine the success of InvestPorto digital platform.

### **2.2.2.2. The criteria of the Report.**

This section is intended to shed some light on the process of evaluation of the featured platforms on the benchmarking exercise, and includes two different aspects, the methodology and the underlying principles of the study. Firstly, the way the World Bank investigators conducted the report was much more interactive than a simple *virtual user* approach – which means a sole digital and autonomous interaction, without any human contribution. As the cited report explains, *“The assessment is based on a review of each IPI’s<sup>1</sup> Web site, and its responses to two investor requests for information. These inquiries are made using a “mystery shopper” approach, whereby a global site selection firm submits GIPB inquiries as the inquiries of a supposed anonymous investor. A small number of IPIs (five) expressed suspicion that these inquiries were GIPB assessments, however, all of these responded to the inquiries with varying degrees of quality. The two inquiries focused on agribusiness and tourism projects, both of which are priority sectors for a large majority of IPIs. Inquiry details were adjusted slightly depending on whether the IPI being assessed was in a developed or developing economy, so as to reinforce relevance to each IPI”* (World Bank, 2012, p. 10)

After the analysis of the inquiries, which aren’t public, the specialists classified each platform. Despite the inquiries not being public, a deeper examination of the report allows the recognition of some key aspects that provide its basis. The quality and quantity of information and studies possessed by the agency via their website is fundamental, since it will have a direct impact on the performance of the inquiries. The other aspect, in spite of being perceived more subtly, is the user friendliness of the website. Despite not being a linear conclusion, the research conducted clearly reveals that the higher the place of a certain platform the better it *looked* and performed, when compared to others not eligible to the rank.

Based on these findings, the benchmarking conducted represented an attempt to improve on the available information by increasing the detail of the parameters of analysis as well as further the study to include platforms from cities and regions.

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<sup>1</sup> IPI means in this context Investment Promotion Intermediary.

### **2.2.2.3. Other Benchmarking Additions from the GIPB study**

As stated above, two tables from the GIPB study were taken into, notably the table with the results from the Top Platforms from the World and Top Platforms from each region. There was an overlap between these two tables since it was expected that many platforms considered top in each region made it into the list of best platforms overall.

From both Top 10's, 14 countries were selected as a basis to the benchmark. These are listed below accompanied by a map to better understand their geographical distribution:

- Austria;
- Czech Republic;
- Germany;
- Australia;
- Denmark;
- Spain;
- Turkey;
- Nicaragua;
- Taiwan;
- Hungary;
- Bangladesh;
- Mauritius;
- Tunisia;
- Thailand

Below in Map I we provide an image to help better understand the geographic distribution of the sample as well as the relative presence by region.<sup>2</sup>

**Map I - Countries of the Platforms selected via the World Bank GIPB study**



Source: Own elaboration.

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<sup>2</sup> The proportions are: Asia (3): 9.68%; Africa (2): 3.57%; Caribbean (1): 4.55% ; Europe (6): 12.5% ; Middle East (1): 4.76% ; Pacific (1): 5%. Total studied (14): 6.94% Total World Countries.

### **2.2.3. Other Additions**

This section describes the process of inclusion in our benchmarking work of cases other than those from the World Bank GIPB.

#### **2.2.3.1. Other cases from Portugal**

As stated previously, the sole contribution of the World Bank reports wasn't enough to draw any conclusions regarding the best practices worldwide. These limitations included the lack of regional / city platforms, the national competitors and to some extent the lack of regional variety.

As a result, a few more cases were added to the previous list. As far as national cases go, three were included: Lisbon and Braga, both cities within the Portuguese mainland and Azores, an autonomous region. The inclusion of Portuguese cities was a direct demand by InvestPorto since it was deemed convenient to increase the awareness of national competitors for investment. These cases weren't featured in any research conducted previously. Still, they were all analyzed under the same criteria as all of the cases on the sample.

Below there is a representation of the geographical distribution of the investment agencies within the Portuguese territory.

**Map II – Location (City and Region) of Portuguese Agencies Distribution**



Source: Own elaboration.

### 2.2.3.2 Other inclusions

In an effort to improve the overall quality of the benchmarking, 9 further examples were included:

- Milan;
- London;
- Sheffield;
- Bogota;
- Catalonia;
- Ottawa;
- Sao Paulo;
- Malaysia;
- Singapore;

Below in Map III we provide an image to help better understand the geographic distribution of the sample as well as the respective rates of presence by each region. <sup>3</sup>

**Map III - Other Inclusions**



Source: Own elaboration.

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<sup>3</sup> Asia (2): 6.45% ; Europe (4): 8.33% ; North America (1): 25% ; South America (2): 15.38% ; Total studied (9): 4.63% Total World Countries

Since the Benchmarking itself was to be as rigorous as possible all these inclusions had to fall under certain rules or criteria, i.e. had to correspond to a certain logic. Two criteria were selected:

1. Political Status;
2. Sector similarity;

For “political status”, the sole request for the cities included was for them not to be the capital of the country, but still represent great economic relevance on it. The only exception was London and Bogotá which corresponded to a direct request of InvestPorto.

The Sector Similarity criteria constituted a different approach, and it followed its own methodology. For an example to be considered economically similar to Porto, the sectors of activity featured on the platform had to share some resemblance to those that are a priority for Porto. Thus, the first step toward this analysis was the definition of which were the strategic economic sectors of the city.

The strategic sectors aren't only the main sectors of the region, they can also be the sectors that the region intends to develop. The same principle applies to all the examples here included, and the information used was solely taken from the respective digital platforms of each country.

The first step was to assess the city of Porto, since the platform wasn't ready by the time the benchmarking was conducted. The selected sectors were drawn from a proposal by the specialized members of the InvestPorto team.

The total of sectors amounted to 10, namely:

- Nearshore Services;
- Health care and Life Sciences;
- Energy & Environmental Technologies;
- Tourism;
- Advanced Engineering, Technologies and Materials;
- Creative Industries;
- Mobility Industries;
- Marine and Maritime Economy;

- ICT;
- Real Estate;

The second step was to apply the same method to the considered options, however, as seemingly clear as the subject of economic sectors is, rare were the situations in which the nomenclature coincided from case to case. To cope with these differences, a table that featured all the strategic sectors considered by each city/region with its own nomenclature was developed. That is Table VII below.

**Table VII - Correspondence among different sectoral taxonomies and sectoral designations**

PORTO	Milan	London	Sheffield	Bogota
Nearshore Services	AgroFood	Tech;	Aerospace	Life Sciences and Biotechnology in Bogota
Health care and Life Sciences	Biotechnologies	Creative Industries;	Nuclear	Services for the Oil and Gas Industry in Bogota
Energy & Environmental Technologies	Chemicals	Life Sciences;	Low Carbon	Technology-based services in Bogota
Tourism	Design	Video Games	Oil and Gas	Other sectors in Bogota
Advanced Engineering, Technologies and Materials	Logistics	Financial Services;	Medical	Industrials in Bogota
Creative Industries	Finance	Business Services;	Logistics and Distribution	Infrastructure in Bogota
Mobility Industries	IT	Retail;	Business and Professional Services	Creative Industries in Bogotá
Marine and Maritime Economy	Real Estate	Financial Technology;	Creative and Digital Industries	
ICT	Machinery			
Real Estate	Fashion			
Catalonia	Ottawa	Sao Paulo	Malasia	Singapura
Food	Aerospace, Secur	Aerospace and Defens	Oil, Gas and Energy	AerospaceEngineering
Automotive	Cleantech	Agribusiness	Palm Oil & Rubber	Chemicals
Chemical	Digital Media	Food	Financial Services	Cities, Infrastructure & Industrial Solutions
Mobility	Film and TV	Automobiles	Tourism	Clean Energy
e commerce	Communication	Green Economy	Business Services	Consumer Business
life sciences	Software	Machinery and Equipm	Electrical & Electronics	Electronics
logistics	Life Sciences	Real Estate Market	Wholesale & Retail	Energy
Shared Services		Research and Develop	Education	Environment and Water
Creative Industries		Oil and Natural Gas	Healthcare	Healthcare
ict		Healthcare	Communications Content & Infrastru	International Non-Profit Organizations
R&D		Financial Services	Agriculture	Infocomm Products
Design		IT and Communication		Infocomm Services
				Logistics and Supply Chain Management
				Marine and Offshore Engineering
				Media and Entertainment
				Medical Technology
				Pharmaceuticals and Biotechnology
	Malasya( <a href="http://etp.pemandu.gov.my/">http://etp.pemandu.gov.my/</a> )			Precision Engineering
				Professional Services

Source: Own elaboration.

As Table VII above shows, once the sectors were revised the next step was to ‘relabel’ them according to the real activity despite the name given by the agency. This meant further research on each sector and on each case. The information provided by the digital platforms was often enough to make well-judged assumptions as to what sectors relate to the same areas despite different names.

The previous table shows how these clusters were conducted via a color code. This code used as a matrix of the sectors of the city of Porto, which was the term of comparison, and each sector of the city was given a different color. To summarize, each color represented one sector, the same sector.

The next step consisted in an attempt to visually represent the relationship between each chosen case, sector wise. The idea was to prove that if each city was fairly similar to Porto, than it should be fairly similar to the others, and at the same time to assess what were the more common strategic sectors of activity that ended up defining these cities.

The visual goal was in the ways of a Venn diagram, which would have the capability of showing the common sectors in each city. However, since the chosen sample had roughly 10 cases it wouldn’t be possible to analyze all of them with one graphic.

To tackle this handicap, the research conducted pointed to a Scatter Graphic as being the optimal solution, thus the information on Table VII was transformed into a numeric language and then turned into the graphic. The process was the following: firstly, the colored code was given a numeric representation, as shown on Table VIII below:

**Table VIII – Resulting Sector Taxonomy**

Nearshore Services	1
Health care and Life Sciences	2
Energy & Environmental Technologies	3
Tourism	4
Advanced Engineering, Technologies and Materials	5
Creative Industries	6
Mobility Industries	7
Marine and Maritime Economy	8
ICT	9
Real Estate	10

Source: Own elaboration.

Afterwards it was a matter of replacing the colors by the respective numbers on each case.

**Table IX - Numbering of Sectors 1**

PORTO	Milan	London	Sheffield	Bogotá	Catalonia	Ottawa	Sao Paulo	Malasia	Singapura
10	10	6	8	6	9	9	10	9	8
9	9	5	7	5	8	9	9	5	7
8	8	2	6	5	7	7	7	4	6
7	6	0	3	3	7	6	7	3	5
6	6	0	3	2	6	3	5	2	5
5	5	0	3	0	6	2	3	1	5
4	0	0	2	0	2	0	3	1	3
3	0	0	0	0	0	0	2	0	3
2	0	0	0	0	0	0	0	0	3
1	0	0	0	0	0	0	0	0	2
					0	0	0	0	2
					0	0	0		2
									1
									0
									0
									0
									0
									0
									0
									0
									0

Source: Own elaboration.

Once this step was taken, the information was rearranged so that it could be turned into a graphic, which implied to eliminate the zeros, as well as adding a column that contained the placement of each city in the graph. Each city would be displayed horizontally and vertically the sectors, as shown below in a small sample of the process:

**Table X - Numbering of Sectors 2**

YPorto	PORTO	YMilan	Milan	YLondon	London
1	10	2	10	3	6
1	9	2	9	3	5
1	8	2	8	3	2
1	7	2	6		
1	6	2	5		
1	5				
1	4				
1	3				
1	2				
1	1				

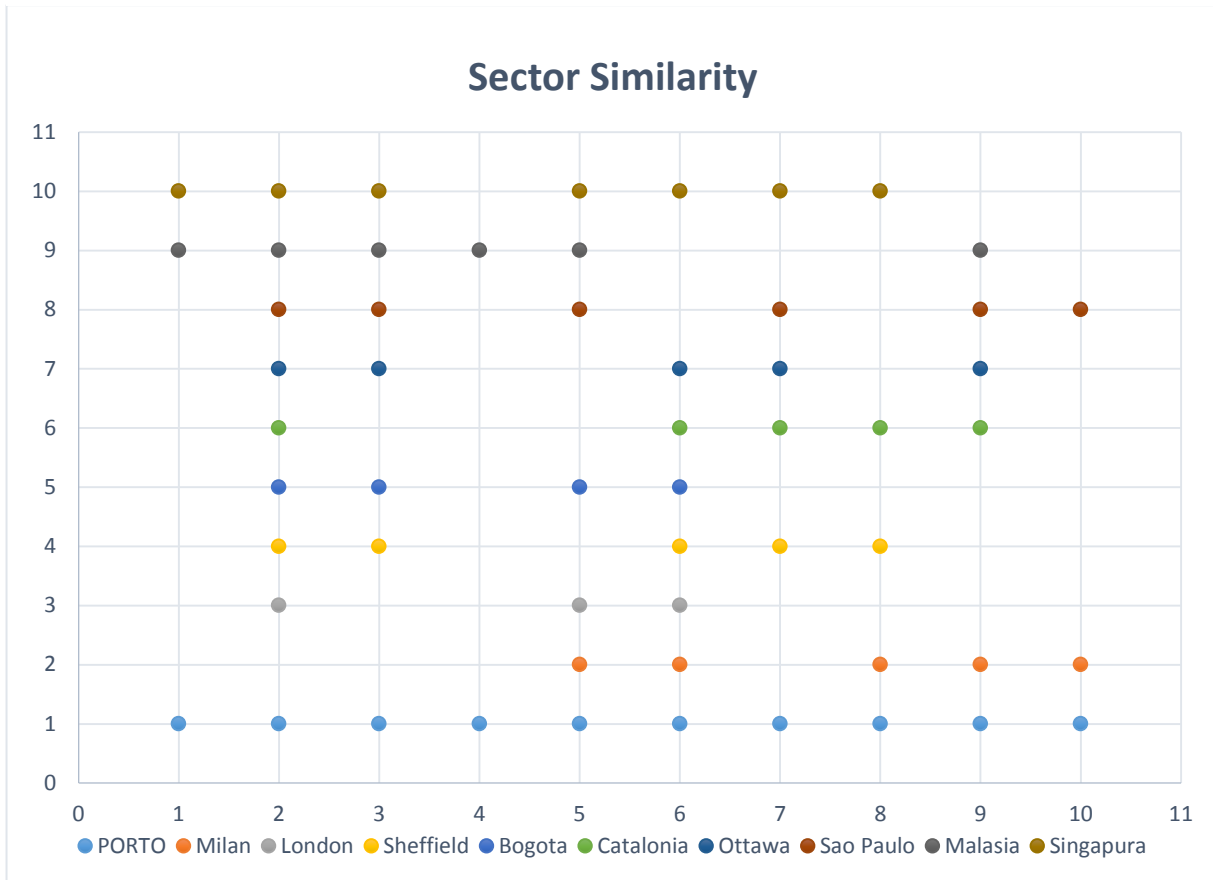
Source: Own elaboration.

Once the numerical arrangement was concluded it was a matter of automatically assembling the graphic which was constituted by a horizontal axis with numbers corresponding to a specific city and vertical axis corresponding to a specific sector.

Horizontally – 1. Porto; 2. Milan; 3. London; 4. Sheffield; 5. Bogota; 6. Catalonia; 7. Ottawa; 8. Sao Paulo; 9. Malaysia; 10. Singapore;

Vertically – 1. Nearshore Services; 2. Health care and Life Sciences; 3. Energy & Environmental Technologies; 4. Tourism; 5. Advanced Engineering, Technologies and Materials; 6. Creative Industries; 7. Mobility Industries; 8. Marine and Maritime Economy; 9. ICT; 10. Real Estate.

**Graphic I - Sector Similarity**



Source – Own elaboration

As the resulting graphic clearly displays, there is a significant similarity amongst the selected cases to compose the benchmarking. City wise it is revealed that both London and Bogotá don't show as much similarity as other cities. However, and as stated previously, alongside this methodological approach was, as always, the input of InvestPorto in the pertinent choices. It is also clear that the sectors 2. *Health Care and Life Sciences*, 3. *Energy and Environmental Technology*, 5. *Advance Engineering, Technology and Materials* and 6. *Creative Industries* compose the cluster of sectors that had more relevance in the respective economies and/or show the most effort of promotion.

#### 2.2.4. Benchmarking Criteria

The main purpose of this benchmarking study was to assess what were the overall best practices in each of the cases of the sample and based on that to propose a structure to the digital platform of Porto's Investment Agency. The tool to analyze the sample was an individual template, the template or matrix had to include all the criteria that allowed us to draw conclusions both in content and user friendliness. So, all these categories were based on early research conducted by Porto's agency alongside personal contributions from my own research.

These criteria ended up constituting the main sections of the structure proposal for InvestPorto digital platform, introduced in section 2.2.5. InvestPorto platform. Below is each of the parameters included alongside some examples – All of them obtained from own elaboration. These examples don't represent necessarily the best analyzed, their intent is to show what kind of information is draw from the analysis.

- **Description** –The purpose of the description of each platform is to define the general website and its typology: if it represents a region, a country or a city. In some cases it is also included a reference to the main entity promoting the agency, e.g. a ministry or another entity. This information is considered useful since it provides us with a clear perception of how the investment agencies operate within a national policy.

Example:

#### **Bangladesh Investment Agency**

<http://www.boi.gov.bd/>

#### **Description**

The Board of Investment (BOI) was established in 1989 by the Investment Board Act to encourage investment in private sector, to identify the hindrance of investment and provide necessary facilities and assistance in the establishment of industries. The wide range of services BOI provides include investment promotion and facilitation covering support, suggestion and aftercare support to the investors. The prime vision of BOI is to promote domestic and foreign investment as well to enhance international

competitiveness of Bangladesh and contribute to overall social and economic development of Bangladesh.

- **Why invest** – Under this section the research goal is to understand what the selected agencies consider as both important and appealing in a quick approach. According to the noticeable trend during the research, the *why invest* section not only is featured in the majority of the selected websites, but is also rather similar content-wise, aiming towards a general overview with the key reasons to invest, memorable enough to sustain a fast experience in the website.

Example, Ottawa:

### Why to invest

In this section there is a wide display of factors that lead to the choosing of Ottawa as an intelligent investment. The five sectors are:

- City Profile;
- Location Advantage;
- Site Selection;
- Made in Ottawa Success Stories;
- Ottawa Business Director;

There is also plenty of information available to download in PDF Format, as well as a Sum Up video regarding the main advantages to choose Ottawa.

- **Strategic Sectors Analysis (Number and Content)** – This section allows us to acknowledge what sectors of activity are highlighted by different economies and the level of disaggregation that the agencies recognize as most effective. As far as the content is concerned, it is of crucial importance to assess what is the right level of information provided by the agency since it has the potential to define the level of work performed by Invest Porto. Depending on the theme of the content, most agencies work closely with data providers from the state, however, there is still

plenty of investor-oriented information solely gathered by investment agencies, and this section aims to define the limits that constitute the most effective amount of facts and figures that turns the platform into a specialized tool.

Example, Turkey:

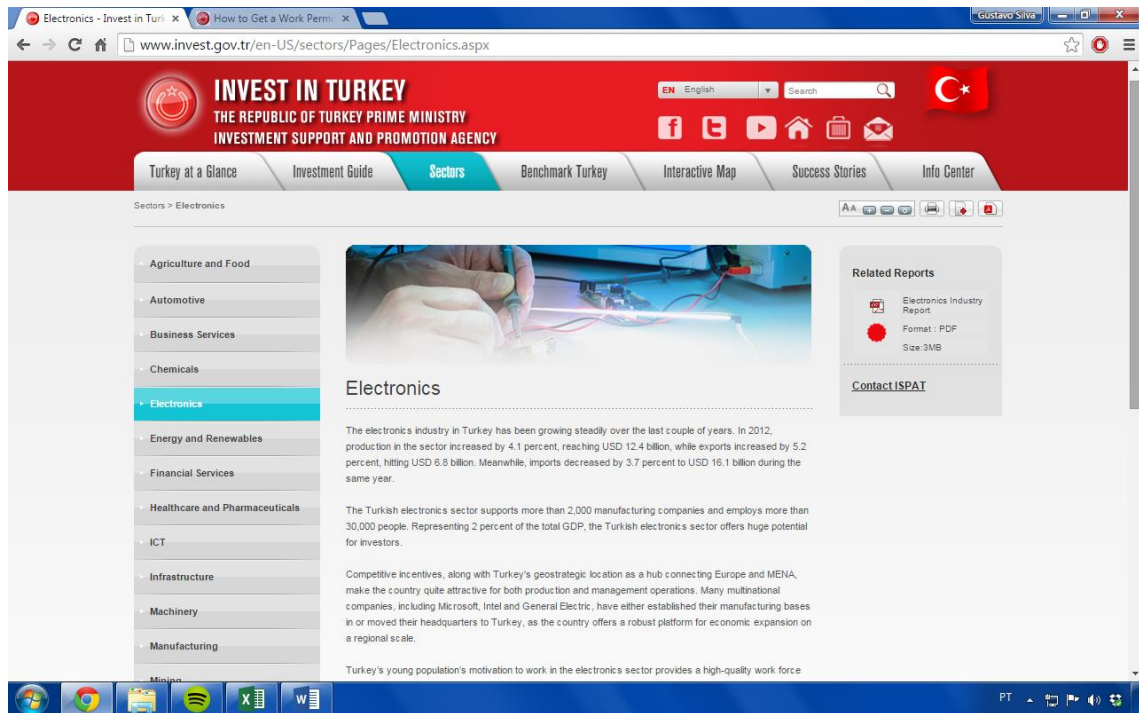
### Strategic Sectors Analysis

Number	16
--------	----

Agriculture and Food	Health Care and Pharmaceuticals
Automotive	ICT
Business Services	Infrastructure
Chemicals	Machinery
Electronics	Manufacturing
Energy and Renewables	Mining
Financial Services	Real Estate
Tourism	Transportation and Logistics

### Strategic Sectors Content

By clicking in the desired sector, the user is lead to a section on which is displayed a full text describing the sector of activity and its main players and how the workforce is qualified. This text offers a brief overview of the sector with some key facts and figures, which can be further complemented with the download of the PDF document available on the top left of the page.



- **Services Offered** – The study of this section serves two purposes. The first one is, to some extent, analyze the potential competitors, since it has been shown in a scientific manner the intense competition for FDI attraction. There is a crucial necessity to understand how the competitors operate in order to attain some differentiation and competitive advantages. The second one, is due to the fact that Invest Porto is a pioneering initiative, and in that sense must be constructed from scratch. In spite of having a well-defined mission and a set of goals, it lacks the methodology to accomplish said goals. This section is thus an effort to define what the agency should and shouldn't do, based on the best practices worldwide. Example, Nicaragua:

## Services Offered

PRONicaragua offers complimentary services to investors interested in exploring business opportunities in Nicaragua. These services include:

- **Complete and relevant information** on business opportunities in Nicaragua through tailor-made packages.

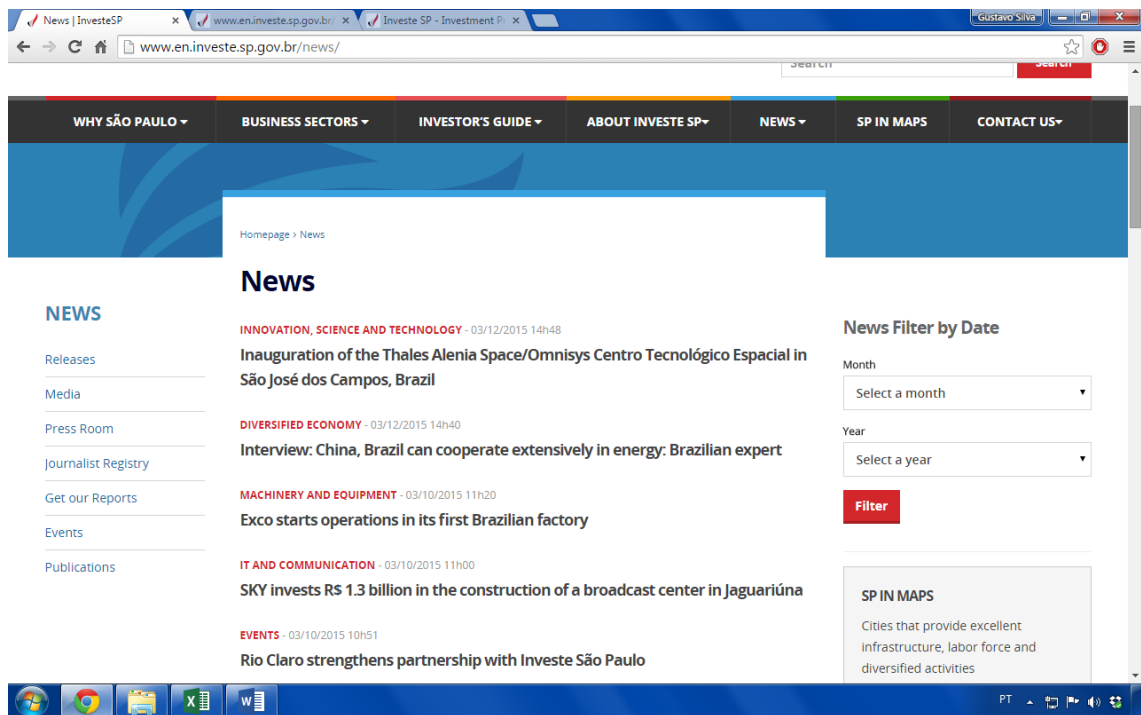
- **Arrangement of country visits** to meet with institutions and key companies of the sector of interest.
- **Facilitation services** throughout the entire investment process, providing contacts and guidance.
- **Assistance in finding local companies** to establish joint ventures and identifying suppliers and other forms of business alliances.
- **Assistance with identifying the ideal real estate** option for your project and support with legal audit.
- **Aftercare services** to offer solutions to the main problems affecting the development of businesses.
- **Prospecting services** for local and foreign companies to identify the ideal trade partner.
- **Publications / Releases / Marketing Content** - It is important to assess not only what is provided by the agency but how deeply integrated with other public services it is. This section allows us to acknowledge the extent of the integration process and the type of services that they find most suited to investors. Furthermore, it also reveals the commitment to the Business Intelligence services by the agency, since from the themes presented the user can assess how large is the scope of knowledge by the agency's team and thus how effective their services would be in a particular area of interest. Lastly, it also reveals how the agency chooses to promote itself and the city/region/country that it represents.

Example, Sao Paulo:

### **Publications | Releases | Marketing Content**

The section which features these categories is on top of the page under the name *News*. There, the user is able to find several sections that include everything from, news to publications:

- Releases;
- Media;
- Press Room;
- Journalist Registry;
- Get Our Reports;
- Events;
- Publications;



- **Business Location** – This section intends to give some insight about how developed the business location services are. Not only the analysis will be focused on the real estate data base by the agency but also how it relates to the fiscal and juridical side of the location. Therefore this section will also feature some incentives specifically designed for the location process. Example, Sheffield:

## Business Location

The section under “Our Services” called *Soft Landings* offers the possibility of make use of the Business Centers:

- free 6 months use of an office or workshop with reception and admin support
- free 1-to-1 mentoring from a business advisor, who can provide access to relevant specialist help and advice
- links to appropriate support organizations and trade bodies
- **Incentives** – This section is fairly straightforward since it will reveal the incentives that the particular area represented by the agency offers to investors. Inside this analysis the categories of incentives will be featured, although the incentives themselves may not. The main focus is to assess what can be found by an investor during his interaction the digital platform, not the analysis of the effectiveness of the incentives.

Example Spain:

## Incentives

The incentives section is featured on the *Invest in Spain* separator and is divided into several sectors of activities, giving more specificity to the user's research. The sectors are as follows: Training and employment, R&D Renewable energy, Tourism industry, audiovisual industry, Regional incentives, SMEs, Internationalization and European Union.

The screenshot shows a web browser window displaying the 'Incentives' page for the 'Audiovisual industry' on the Invest in Spain website. The page is titled 'Incentives Audiovisual industry' and contains the following content:

- Navigation Menu:** Spain Profile, Setting up a business, Taxes, Incentives, R&D, Renewable energy, Tourism industry, Audiovisual industry (highlighted), Regional incentives, SMEs, Internationalization, European Union, Job Market, Life in Spain, Immigration, Fact sheets.
- Text:** Cinema Law 55/2007 is aimed at bolstering the promotion and development of the production, distribution and showing of films and audiovisual works, and the establishment not only of terms favoring their creation and dissemination but also of measures for the preservation of film-making and audiovisual heritage.
- Text:** Apart from the tax incentives applicable to the film-making industry, some of the main incentives included in the Cinema Law, which are to be granted by the Spanish Institute for Film-making and Audiovisual Arts (Instituto de la Cinematografía y de las Artes Audiovisuales or ICAA), consist of **subsidies** which vary in amount depending on the beneficiaries, for, inter alia (i) script-writing and project development; (ii) cultural and non-regulated training projects; (iii) aid for the amortization of full-length motion pictures and short films; (iv) aid for the distribution of films; and (v) aid for movie theaters.
- Text:** The Law was implemented by Royal Decree 2062/2008, of December 12, 2008, which determines, among other aspects, the bases and conditions regulating aid and subsidies in the areas of creation, production and distribution of films, as well as the use of new technologies and the preservation of film-making heritage.
- Text:** Please also note that Order CUL/2834/2009, establishing the regulatory bases for the aid provided for under Law 55/2007, and implemented by Royal Decree 2062/2008, has obtained the express backing of the European Commission, which declared it to comply with the Community laws on the matter.
- Text:** Without prejudice to the incentives granted directly by the ICAA, referred to above, different agreements have been signed between the ICO and some relevant organizations. Thus, the ICO ICAA Cinema Production Line, aimed at facilitating the financing, in the form of loans, of the production of new audiovisual works (full-length motion pictures and short films, television films, documentaries with a decided cultural content and animated series), whose public communication rights have been assigned by the producers and acquired by an audiovisual communication service provider.
- Text:** For further information, visit the extended version of our online Guide to Business:

The right sidebar contains a search box for 'Aid & incentives search', a newsletter subscription form with fields for 'Country' and 'e-mail', and a 'View last issue' link.

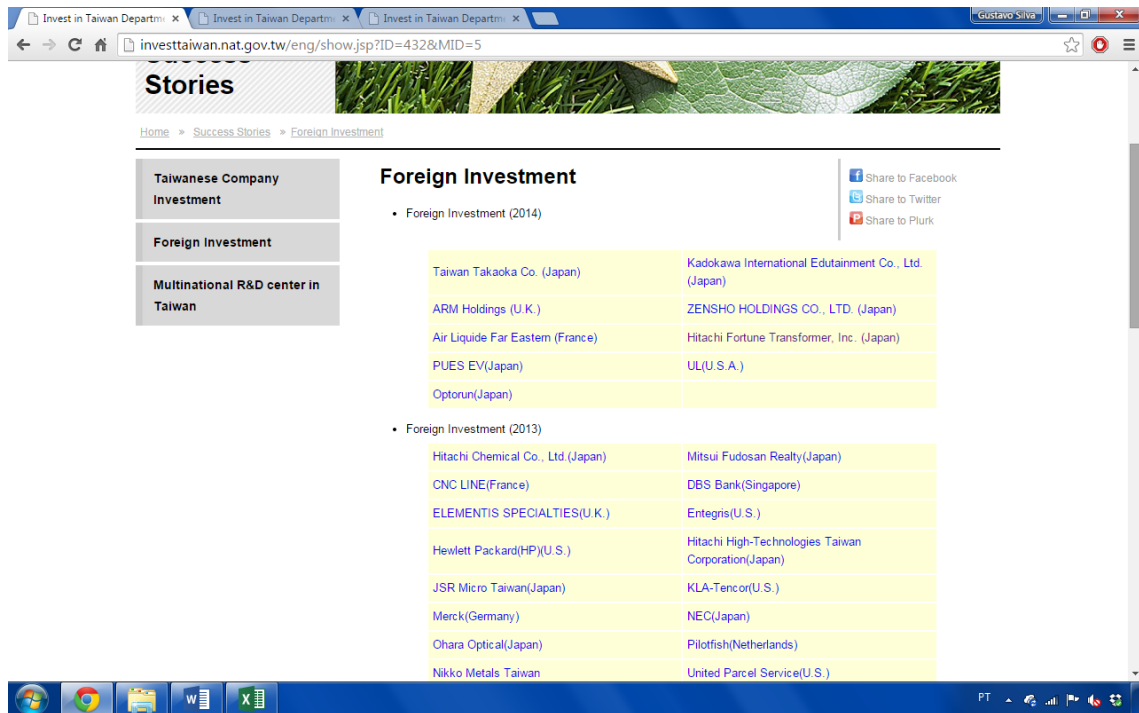
After the overview there is a link on the bottom of the page that leads us to a PDF document entitled *Guide to Business in Spain* where all the detailed information is available. The PDF can be consulted directly on the platform instead of having to do the download.



- **Success Stories | Case Studies** – This section features a simple purpose, which is to answer two questions. The first one is that if the agency provides any document or file that states and describes the implementation process of foreign investors in their territory. The second one is to give a broader prospect to the investor regarding the kind of companies that they may find in the region, establishing good prospects towards possible business partners. Example, Taiwan:

### Success Stories | Case Studies

The success stories / Case studies are sorted according to the year that each company invested in the country. Although this information requires confirmation, it seems that all the companies that invested are featured on this section, and each of which has a brief text describing the investment process.



- **Testimonials** – In this section the analysis focuses on the type (if any) of personalities that lend their image to the work of the agency. Often, the more respected the personality the more credibility the agency attains, there more the testimonial not only represents the person in question but the work of the platform itself.

Example, Nicaragua:

## Testimonials

Curiously, the testimonials are only by the local employees, following the trend of *local impact*. Again, there is nothing very extensive information wise but gives a more intimate perspective of the impact of foreign investors.

**Verónica del Carmen Sánchez Cruz**  
*Massuese*

*“I’ve worked at Aqua Wellness Resort for the past 6 years in different areas such as the maintenance, kitchen and massage areas, where my knowledge keeps improving.*

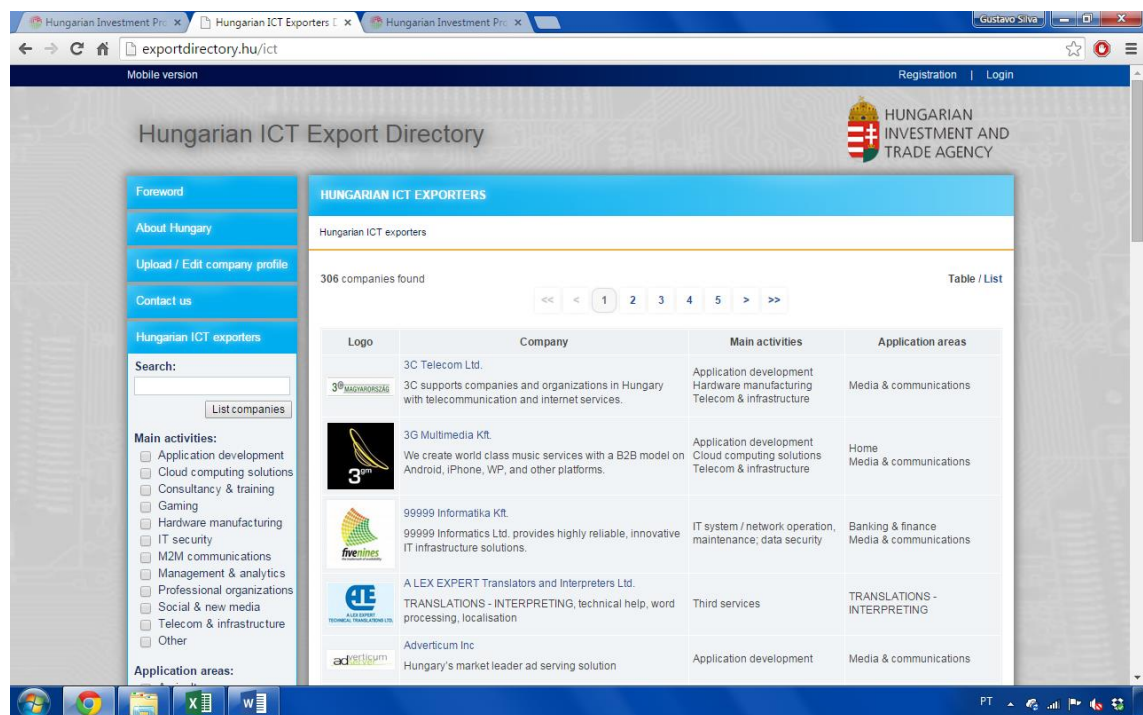
*For me, the most positive aspect of working for this company is that the owners have helped me to obtain my bachelor's degree in business administration, tourism and hotel management. Looking forward, the manager told me that if I learn English I will be able to work in other areas of the hotel to apply my skills, and luckily, English classes are offered here every day.”*

- **Other Features** – This particular section is dedicated to highlight the uniqueness of certain features on the website. To some degree it aims to select and analyze the competitive advantage that a particular agency has in terms of services. Example, Hungary:

## Other Features

Hungary ICT exporters: ICT Export Directory, which is designed to provide everyone with information on ICT products and services available in Hungary.

The main objective of the Directory is to promote Hungarian companies on the foreign markets in the entire world. It is easy to find comprehensive information on Hungarian companies, presented in a clear and practical manner. You can search among the registered Hungarian ICT exporters in an alphabetical list or according to product category or specific keywords.



- **Benchmarking Tools** – Firstly, *Benchmarking Tool* in this consists in an interactive interface that allows the user to compare the region that the agency represents and other regions. This comparison comprehends economic, social, fiscal and / or regulatory indicators and enables the user to select only the data that intends, reducing the overflow of information. After this definition it is important to state that the analysis will focus on the degree of information of the tool as well as the range of the featured regions.

Example, Turkey:

### **Benchmarking Tools**

Available and with high level of complexity, below there is a list of what the potential investor can explore during the comparative analysis, after selecting what he pretends to know there is a list of countries to choose. The result is presented afterwards in a chart.

- **Business Efficiency - Attitudes and Values**
  - Attitudes toward globalization
  - Flexibility and adaptability
- **Business Efficiency - Finance**
  - Finance and banking regulation
- **Business Efficiency - Labor Market**
  - Finance skills
  - Qualified engineers
  - Skilled labor
  - Working hours
- **Business Efficiency - Management Practices**
  - Competent senior managers
  - Credibility of managers
  - International experience
- **Doing Business**
  - Registering property
  - Starting a business
- **Infrastructure - Basic Infrastructure**

- Population - market size
  - Population over 65 years
  - Population under 15 years
  - **Infrastructure - Technological Infrastructure**
  - Development and application of technology
  - **International Trade**
  - Tariff barriers (Trade-weighted barriers, %) TTRI\*
- **Best Practices** – This section intends to highlight the best of each platform analyzed, regardless of the criteria chosen. In this sense it may feature any option or service that is performed in a pleasant/effective/engaging manner from the point of view of an investor.

Example, Bangladesh:

### **Best Practices**

Bangladesh at a glance – a remarkable complete guide regarding:

- Introduction;
- General information;
- Geography;
- People;
- Economy;

(...)

### **2.3. Invest Porto Platform**

This section is dedicated specifically to the InvestPorto Digital Platform.

It has been explained on previous sections that the purpose of this benchmarking study was to allow and enable the creation of a content structure to the Digital Platform of InvestPorto. It was also stated on the section dedicated to the criteria of the benchmarking that the categories were the result of a combined research from the team.

It was expected that once these criteria were defined, InvestPorto would have a clear notion of what should be the contributions to their website in two levels: Content Structure and Content Specification. On a more technical note, the differentiation on accessibility between these two parts was measured in “clicks”, as in: one click lead the *virtual user* to the first and two clicks lead him to the latter.

### 2.3.1. Content Structure – 1 click.

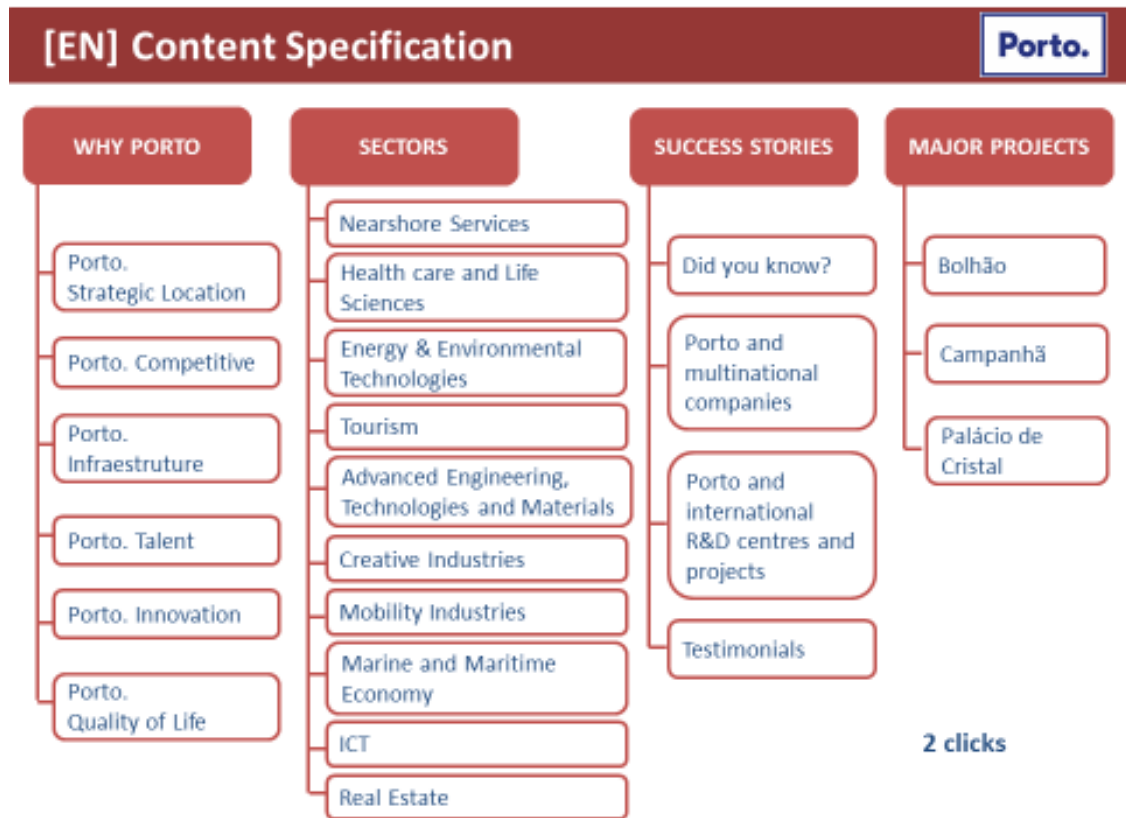
Figure III - InvestPorto 1



Source: InvestPorto/Own Elaboration.

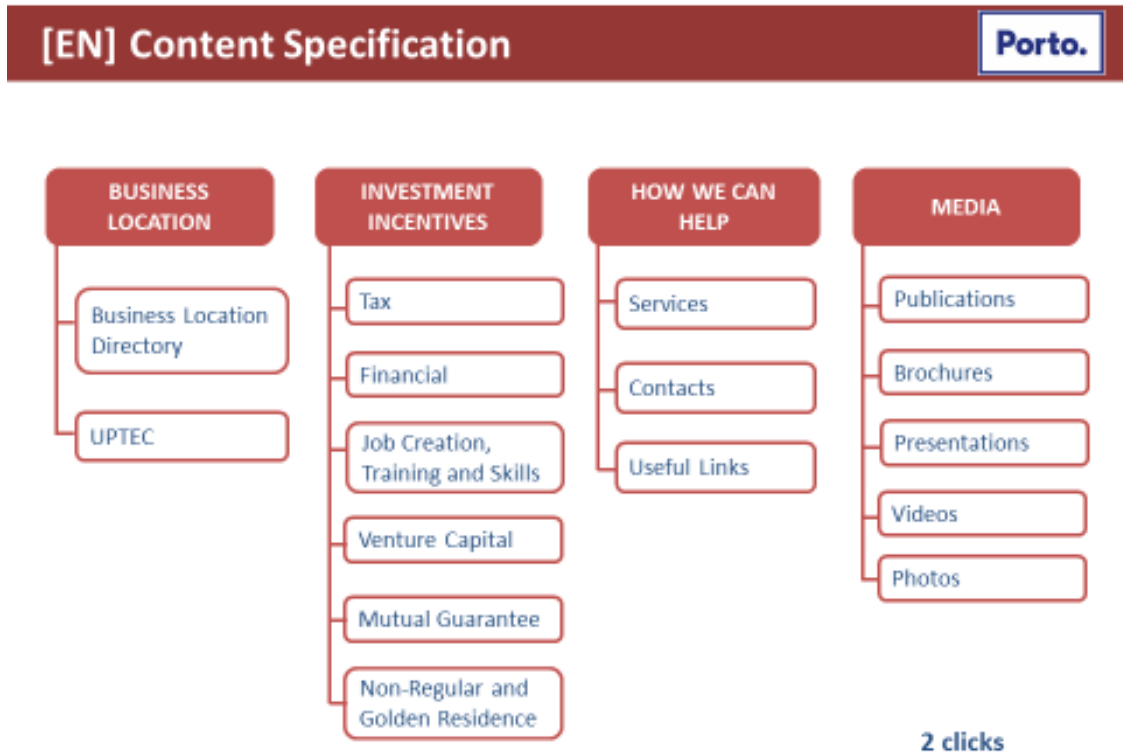
### 2.3.2. Content Specification – 2 Clicks

Figure IV - InvestPorto 2



Source: InvestPorto/Own Elaboration.

Figure V - InvestPorto 3



Source: InvestPorto/Own Elaboration

## **2.4. Other Supporting Research Conducted in the Internship**

This section reports on other tasks performed during the internship.

Any internship that allows the intern to integrate a team requires a contribution that often exceeds the main output of the internship itself – although it is related to this objective. Therefore, during the time at Invest Porto I had the opportunity to participate on other projects that offered me valuable and deep knowledge regarding the day to day operations of an investment agency.

I stated before that the main goal of my participation as an intern was the development of both content and structure of the digital platform of Invest Porto through a benchmarking. However, as important as it may have been, the goal of an investment agency far exceeds its digital self. From the time I spent with the team of Invest Porto I was able to understand the scope of responsibilities that fall onto the team and are often common to investment agencies, which was a precious experience resulting from this internship, and related to many aspects I learnt in the International Business Masters.

### **2.4.1. Business Intelligence Reports to support International Missions – Territorial *Dossier***

As part of the economic policy for the city as whole, in which the FDI attraction was a crucial part, the leaders of the Municipality and of InvestPorto often engaged in business trips abroad as well as the organization of visits from international investors delegations to the city of Porto. InvestPorto was often responsible for the organization and preparation of the visits both abroad and in Porto. Part of these responsibilities was to assure that the delegation from the City Hall was prepared with of the key facts and figures of the region with which the business relationship was taking place. The main purpose was to provide intelligence to the delegation. Depending on the goals of the visit, the studies fell within a variety of subjects from demographic data to a study of the main enterprises or sectors, for instance.

Apart from other side chores inside the preparation of each meeting, the key task was the briefing the delegation through reports, named Territorial Dossiers. The preparation of these reports was similar to the process of the benchmarking introduced in the previous section, since there was a need to standardize the process in order to facilitate the work of the agency as these reports were often a team work.

The first step was to assess what type information was requested: political, social, regulatory or economic. Afterwards, a proposed matrix containing the terms of the analysis was proposed, studied and validated by the agency (including requested adjustments), starting the next step of research.

The sole condition for the research was the credibility of the sources of information, which meant the validation of websites and data bases by the experts of the team as well. Once these steps were concluded the dossiers were developed, often accompanied by other more specific and unique files in line with the purpose of the relationship.

Presented below is the list of some territories examined, this list includes just the cases that introduced relevant differences on the analysis, the other cases followed the same structure as in the so-called *General Matrix*, which parameters of analysis are applied to Shenzhen in the example below developed:

General Matrix / Shenzhen:

Shenzhen's dossier was developed in accordance with the method introduced above. The dossier was created purposefully to support the visit of a delegation of Chinese political leaders to the city of Porto. The collected information was intended to give a clear picture of the city as a whole, drawing focus on several areas. The dossier was projected to inform the participants of the meetings on the welcoming ceremony which dictated the fast reading nature of it. The dossier contained four areas of research, specifically:

1. General Information – This section was developed with the intent of summarizing the main facts and figures of Shenzhen. It spanned the areas of Geography, Demography and Administrative Structure;

2. Economic Indicators – This section presented some figures regarding the economy of the region like: Gross Domestic Product, Employment rates, Inflation rates, Import and Exports.
3. Shenzhen Strategic Sectors – The section dedicated to the analysis of the sectors of activity with the most relevance in Shenzhen's economy and with better prospects of growth;
4. Shenzhen Trivia – The report, as previously noted, was developed for the welcoming ceremony, which meant that it should maintain the balance between hard information (as the economic profile) and entertaining reading. As such, this section was dedicated to establish the lighter nature of the dossier, introducing some themes as awards and ranking places.

Still regarding the Shenzhen political and business meetings, another piece of information was developed, this one destined to the City Hall data base rather than the general public. The demanded task had to do with Shenzhen main companies: it was requested the development of a matrix of analysis to be applied to the research of any company in Shenzhen. This matrix served as a guideline to help standardize the research, thus regardless of the person or the company under scrutiny, the results would be homogenous.

Below are listed the determined fields of research:

1. Company Description;
2. Figures: Turnover, Employees, R&D Investment, Exports and Exports Markets;
3. Business Areas and Segments of Activity;
4. Subsidiaries: Country and Facts and Figures;
5. Main Projects, Products and Services;
6. Contacts;

Qatar:

Qatar's dossier was much similar to the structure of Shenzhen, since it shared many features and areas of research. Still, some fields were introduced to adapt the dossier to requested specifications of the City Hall. Apart from the fields introduced in the Shenzhen dossier, the following areas were added:

1. Economic Relations with Portugal – Data regarding the main commercial transactions between the countries (imports and exports);
2. Relations with Porto – Any bonds between these parts including cultural associations, companies and social relations;
3. Business Opportunities between Porto and Qatar – Research and identification of patterns of consuming and the matching between Human Resource know-how from Porto and potential needs in Qatar;

Thailand:

Thailand's file was the most extensive of the examples here introduced and the most unique, not only the analysis followed a general overview of the territory, but it also featured a section in which a series of companies were studied and described. Thailand's dossier didn't share the same matrix as the other subjects.

The analysis developed contained a higher detail of information in the economic front as the request was to assess the industrial structure of the country with special emphasis on the sectors of activity in which were measured the impact on GDP, Trends, Growth and Political influence.

The studied included the followings sectors:

- Agriculture and food;
- Services;
- Fashion;
- Electronics;
- Mobility;

- Alternative Energies.

As for the companies, a list of the biggest 16 was researched under the following criteria:

- Sales;
- Profits;
- Assets;
- Market Value;

#### **2.4.2. Business Intelligence Reports to Support International Missions – *Porto Dossier***

As previously stated, InvestPorto played an important role in the economic policy of Porto, its mission consisted in research and report on the regions and territories requested by the City Hall, providing information on various levels and with different degrees of detail. In section 2.4.1. Business Intelligence Reports to support International Missions – Territorial Dossier several examples of gathered information were presented, all of them concerning foreign regions.

However, the main responsibility of InvestPorto agency involved the attraction of Foreign Direct Investment through the promotion of Porto and its capabilities. Thus, another subject worked on was the research of Porto itself. The elaboration of the dossier regarding Porto was influenced by the research conducted on the previous section, as many fields constituted the basic categories of information for investment purposes.

Still, despite these similarities, the process of data gathering and data structuring minded a different approach on the count of information sources – on the previous section the data was often drawn from institutional sources (as investment promotion agencies – IPAs) where the information intended to investors was already processed.

InvestPorto, as the city's IPA, shared the same responsibility of its peers and foreign investors relied on its intelligence to prospect Porto's market.

The elaboration of this report followed three distinct strategies: the first one corresponded to the method developed for the *Territorial Dossiers* where several basic areas of research were established in accordance with the type of information that other

IPAs presented on their websites – This was related to foreign promotional efforts by the representatives of the city hall in business trips. The second strategy was the result of foreign investors demand, making use of InvestPorto as a service provider for investors. Lastly, the third approach consisted in the research and collection of data for the intended creation of InvestPorto Benchmarking Tool, a process further explained on section 2.4.3. InvestPorto Benchmarking Tool.

#### Promotional Efforts:

This section was developed with the purpose of presenting the city of Porto on foreign countries. According to the strategy for each business trip, the documents constructed varied on the specificity of information, which meant that several explicit areas were added by request of the delegation. Apart from that, the most used presentation introduced some general features of the city as:

1. Strategic Location: political integration and logistics;
2. Talented Workforce: information about the quality of education;
3. R&D and Innovation Network;
4. Infra-Structure;
5. Competitive Costs;
6. Strategic Sectors: growth and quality figures;
7. Incentives to Investment;

Still within this section, a more complete file was developed with the purpose of adding more information to the categories above. This file assembled much of the research conducted on the city of Porto and northern region, and served as an overview similar to the ones introduced on the section above. *Porto Dossier's* structure was as follows:

- General Information: Political Stance, Demography and Geography;
- Economy: both from the city of Porto and the surrounding Greater Porto Region, the records regarded the GDP, Exports, Industrial Structure, Enterprise Turnover, etc.;

- Technological Poles and Clusters: consisting on a list of the most relevant;
- Education and Science: listing schools and universities, profiling of students and data concerning the tertiary education.
- University of Porto – with special emphasis in its social, economic and cultural influence;
- Science: mainly the influence on the economic performance of the city;
- R&D Centers and International Partnerships: in order to assess the degree of internationalization of the sector;
- Culture and Tourism: Facts and figures that stated the increasing growth of the sector as well as the international acclamation by relevant organizations;

### **2.4.3. Production of materials to satisfy foreign investors' demands**

InvestPorto was often requested intelligence directly from investors. This intelligence didn't follow any specific logic as it was produced *on demand*. Still, and because the data concerned the city of Porto, its construction was always developed with the intent of integrating it with the platform, under some category highlighted on the above section 2.3.2. Content Specification – 2 Clicks.

Reports were developed on the following areas:

#### Schools:

The analysis of Porto's international and also the most highly ranked schools was developed to present the quality of education to investors who found the need to move to the city. In this case, no universities were studied since the main focus was on pre-university education. The schools analyzed were taken from national rankings of performance, including both public and private education. After the selection of the sample, the schools were researched for the following categories:

- Description: Small history of the establishment and key figures;
- Facilities: Sports centers or Arts stages;
- Curriculum;

- Main activities: Sports, cultural and scientific clubs;
- Academic Year Schedule;
- Fees;
- Admission conditions;
- Contacts and Photos;

#### Public Spaces and Auditoriums:

Another *on demand* request was for the inventory of public spaces and auditoriums with the capability of sustaining ceremonies and business gatherings. All the process was conducted in accordance with the demands of the investors and the research took into account the following criteria:

- Name;
- Address;
- Contacts;
- Main (and unique) features;
- Room capacity;

In total, 9 public spaces were investigated and its information added to InvestPorto data base to further inclusion on the platform under the category *Porto Infrastructure* and/or *Porto Quality of Life*, as featured on section 2.3.2. Content Specification – 2 Clicks.

#### Business Networks:

Following the trend set by the previous sections, further research of the political and economic stance of Porto was conducted. This section was established in the content structure as part of the *useful links* and aimed at the elaboration of an inventory of all the international chambers of commerce with local or national presence. This data base congregated information regarding the website, description, address, contacts and figure in charge, amounting for a total of 34 assessed organizations.

Afterwards the focus shifted for the main associations with capabilities of enabling the business environment on the city. These associations were perceived as especially relevant for international businesses or investors and were further studied. Each report contained, on top of the categories above, the mission and main objectives and in total were analyzed 8 organizations, namely:

- *Associação Empresarial de Portugal;*
- *ANJE;*
- *Associação Comercial do Porto;*
- *Inesc;*
- *Inegi;*
- *AIP;*
- *Instituto Fraunhofer;*
- *Turismo de Portugal;*

#### **2.4.4. InvestPorto Benchmarking Tool**

As previously mentioned, all the topics on section 2.4 – Supporting Research were to be included on the platform of InvestPorto, inside one of the categories presented on section 2.3.2. Content Specification – 2 Clicks. The content, as shown, was developed based on the results suggested by the benchmarking presented on section 2.2. Benchmarking of Digital Platforms. One of the suggestions was the creation of a benchmarking tool, which itself was present on a variety of analyzed platforms and was perceived as a valuable commodity for investors, since the comparison of territories is part of the decision making process.

The benchmarking tool is defined on section on page 45 of the chapter 2.2.4 - Benchmarking Criteria as *“an interactive interface that allows the user to compare the region that the agency represents and other regions. This comparison comprehends economic, social, fiscal and / or regulatory indicators and enables the user to select only the data that intends, reducing the overflow of information”*

InvestPorto’s take on its benchmarking tool followed the same construction as the definition above, as such, the basic elements of the creation of the platform were the

selection of countries to compare Portugal with and the fields and its data. On this tool, the focus wasn't set on the city of Porto, as the majority of websites and indexes consulted were linked to countries instead of cities/regions.

**Countries to compare:**

In order to assure the usefulness of the benchmarking tool, the selection of countries took into account that the decision-making process of Foreign Direct Investment involved the research of several options. On the selection of the countries, a few recommendations were followed, specifically:

- Geographic variety – The need to assure a broad range of possibilities;
- Diverse Political Stance – Including regional integration and regime;
- European (Union) members – To include the physical closest competitors;
- FDI attraction *Champions* – Countries that excelled at attracting investors;
- Industrial *Siblings* – Countries that shared the same efficiency levels at producing commodities with high similarity on the Portuguese own GDP;

Apart from the previous cases, and in order to have a better understanding of the representativeness in every field, in every ranking scrutinized was also included the list of the 6 countries that preceded Portugal and the 6 countries that followed it. Below, there is the list of 38 countries included on the research:

**Table XI - Countries Analyzed**

Germany	Ireland	Italy	Romania	United Kingdom	United States
Belgium	Hungary	Lithuania	Sweden	South Africa	Colombia
Croatia	Netherlands	Luxembourg	Switzerland	Angola	Canada
Spain	Greece	Poland	Turkey	Morocco	Brazil
Finland	France	Israel	Ukraine	Mozambique	Argentina
Mexico	Japan	Thailand	Indonesia	Qatar	China, P.R.
India	Czech Republic				

Source: Own elaboration

Below in Map IV an image to help better understand the geographic distribution of the countries as well as the respective rates of presence by each region.<sup>4</sup>

**Map IV - Benchmarking Tool Range**



Source: Own Elaboration

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<sup>4</sup> Asia (5): 16.13% ; Africa (4): 7.14% Europe (20): 41.67% ; Middle East (3): 14.29%; North America (3): 75% ; South America (3): 23.08%; Total studied 38: 17.59% Total World Countries

## **Fields and Data:**

For this section the initial prospect was that the benchmarking tool would evaluate and compare Porto with Portugal's performance. Yet, there was the problem identified on top of the section, namely the lack of regional/city indexes and rankings which constituted the main source of information for this section. These Fields and Data are related to the Foreign Direct Investment determinants, a topic already revised on the literature review.

Despite the focus on Portugal, the fields to be researched were the ones introduced on the section 2.3.2. Content Specification – 2 Clicks, under the name of *Why Porto*, a section already developed with the intent of further scrutinize the city of Porto.

Similar categories were already introduce in section 2.4.2 - Business Intelligence Reports to Support International Missions – Porto Dossier in the unit Promotional Efforts, and were identified as the competitive advantages of the cities and countries. This meant that these units were applicable to every region, therefore differences on the attractiveness of the territories could be accurately measured through them by foreign investors. Below, the list of the fields of analyzed:

1. Strategic Location;
2. Competitiveness;
3. Infrastructure;
4. Talent;
5. Quality of Life;

Subsequently, in each field were investigated what were the main indicators that each should contain. This research took into account the degree of adequacy for the field as well as the availability of information. Still, about the availability was the concern that all the data must had been featured in rankings, otherwise there wouldn't be any comparisons amongst the countries gathered above. Therefore, the main focus of the research was on finding the most credible and extensive rankings that could

demonstrate the differences under each of the sections above. The following process was then repeated to all the fields and respective indicators, a procedure not concluded in the duration of the internship, still at the time under completion. Below, to illustrate the method, a sample of the process for field 2) Competitiveness.

The analyze Porto Competitiveness a list of indicators was gathered, below the actual file with the indicators to research:

**Table XII - Competitiveness Indicators**

<b>INDICATORS</b>	
1	Ease of Doing Business Rank
2	Enabling Trade Index
3	Governance Matters Score
4	Global Competitiveness Index
5	Time required to start a business
6	Trade tariffs (% duty)
7	Index of physical security
8	Ease of hiring foreign labor
9	Foreign investors
10	Access Index
11	Corruption Perceptions Index
12	The Travel & Tourism Competitiveness Index
13	Average cost of living
14	Cost of telecommunications
15	Labor compensation per hour worked: total economy (annual growth)
16	Cost-of-living index
17	Occupancy cost (office rents)
18	European Cities and Regions of the Future ranking

Source: Own Elaboration

Afterwards, to each of these 18 indicators was attributed a source of information, duly verified and checked in order to assure the quality of the data. Once this procedure was taken the examination began and the results were noted on a different table, which itself contained some fields to clarify the results. Below, the table for the indicator *1- Ease of doing business*. (Annotation – All the countries presented in section 2.4.5 – InvestPorto Benchmarking Tool: *Countries to compare* were represented by two letters, in accordance to a matrix elaborated for the purpose, example Portugal – PT).

- Description and surrounding countries:

**Table XIII – Countries Ranking**

indicator:		Ease of Doing Business Rank			
description	year	unit	country	score	rank
Country overall rankings in terms of starting a business, registering property, protecting investors and enforcing contracts.	2015		6° Taiwan		19
			5° Switzerland		20
			4° Austria		21
			3° United Arab Emirates		22
			2° Latvia		23
			1° Lithuania		24
			PT		25
			1° Thailand		26
			2° Netherlands		27
			3° Mauritius		28
			4° Japan		29
			5° Macedonia		30
			6° France		31

source: World Bank – Doing Business <http://www.doingbusiness.org/>

Source: InvestPorto/Own Elaboration.

- Countries to Compare:

**Table XIV - Countries Ranking 2**

indicator: Ease of Doing Business Rank					
description	year	unit	country	score	rank
Country	2015		PT		25
overall			DE		14
rankings in			BE		42
terms of			HR		65
starting a			ES		33
business,			FI		9
registering			FR		31
property,			GR		61
protecting			NL		27
investors			HU		54
and			IE		13
enforcing			IT		56
contracts.			LT		24
			LU		59
			PL		32
			CZ		44
			RO		48
			SE		11
			CH		20
			TR		55
			UA		96
			UK		8
			ZA		43
			AO		181

MA	71
MZ	127
AR	124
BR	120
CA	16
CO	34
US	7
MX	39
QA	50
CN	90
IN	142
IL	40
JP	29
TH	26
ID	114

Source: Own elaboration

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**2.4.5. International Benchmarks on Urban Rehabilitation**

Another important role of InvestPorto was to answer the requests from the Mayor, regarding a variety of areas. As I stated previously, the Invest Porto agency is an initiative integrated in the economic policy of the municipality, as a result, it is heavily integrated with all practices that contribute to such economic development. Therefore it served as the main entity for the provision of information regarding international practices. The academic and professional background of the team that constituted Invest Porto was considered ideal to the development of essential reports of international source to assist the decision making process of policy makers.

All the examples of files developed for the City Hall included on this report followed a similar method in which to every requested document an early research based a proposition of criteria to guideline the document. These criteria were then revised and validated by members of InvestPorto, and afterwards the research was

conducted, always minding the quality of the sources of information. However, in each case studied, there was the possibility of adding other criteria that highlighted the uniqueness in each project.

This section is dedicated to one of the most important files developed under this collaboration and it regards projects of Urban Rehabilitation. The main condition was that InvestPorto provided a document with enough detail so that the Mayor could have a clear idea of the cultural and social side of the projects as well as of the financial aspects.

The purpose of the investigation was to benchmark projects that transformed old, industrial facilities, into facilities that promoted culture and businesses, preserving at the same time the cultural heritage of the buildings. In total, 3 cases were analyzed and reported:

- Matadero: a former Slaughter House in Madrid – Spain;
- Kop Van Zuid: a former harbor in Rotterdam – Netherlands;
- Battersea: a former power station in London – United Kingdom;

On each case, the following fields were assessed and filled in:

#### **PLACEMAKERS**

Section dedicated to the entities in charge of the construction of the project, namely architects and civil engineering companies.

#### **DESCRIPTION**

Section in which an overview of the plan was stated, including the process of development of the project and its historical significance, alongside some key facts;

#### **OBJECTIVES**

What was intended with the project including cultural and social impacts, and benefits on the overall economy of the surrounding area.

### **CONCEPT / FACILITIES**

Total area build, area reengineered and the facilities that the project included. Namely, residential areas, business areas and offices and cultural parks or spaces.

### **MOBILITY and FUNDING**

When available, information regarding the funding of the projects as well as its main contributors and methods of profitability. Also, its relation with the city's transport city and accessibility and the promotion of tourism.

### **STRATEGY**

When available, insights of the projects regarding all the areas involved. From developers of the concept, to political representatives, architects and all the process of development in general.

### **RESULTS**

Information regarding the outcome of the project as well as data that measured its success. Figures that revealed the intended purposes and the actual state.

### **PHOTOS**

\*\*\*\*\*

After the description and explanation of all the tasks performed in this internship, some concluding remarks are provided.

## Conclusion

From the beginning of the internship until its conclusion it was clear the synergetic relationship between the theoretical principles of Foreign Direct Investment, namely FDI determinants, and the usage of this information to increase FDI attraction. There was in fact an opportunity to enhance the teachings from the university by applying them in real life situations. The fact that InvestPorto was still in early development allowed me to better understand and contribute to the process of attraction of foreign investors and the management of Foreign Direct Investment within a region.

The main challenge was to help develop InvestPorto Digital Platform, which was achieved in two distinct stages:

- *On Field* - Through benchmarking the best world practices, I was able to provide the agency with technical insights regarding the best way to handle and deliver Business Intelligence to foreign investors, displayed afterwards in the website's structure;
- *Investigating* - Through the elaboration of the literature review, accentuating the determinants of FDI I was able to better understand the key performance indicators of a region regarding its propensity to attract FDI. Thus, having a useful input to the process of data gathering.

Foreign Direct Investment represents a significant improvement on local economies and continues to justify the investment on organizations and resources by policy makers. Realizing the usefulness of this internship for both parts, it is clear to me that initiatives such as this one, which intend to strengthen the bonds between universities and public organizations, are to be saluted and promoted since they represent reciprocal benefits for both parts and, consequently, to society itself.

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