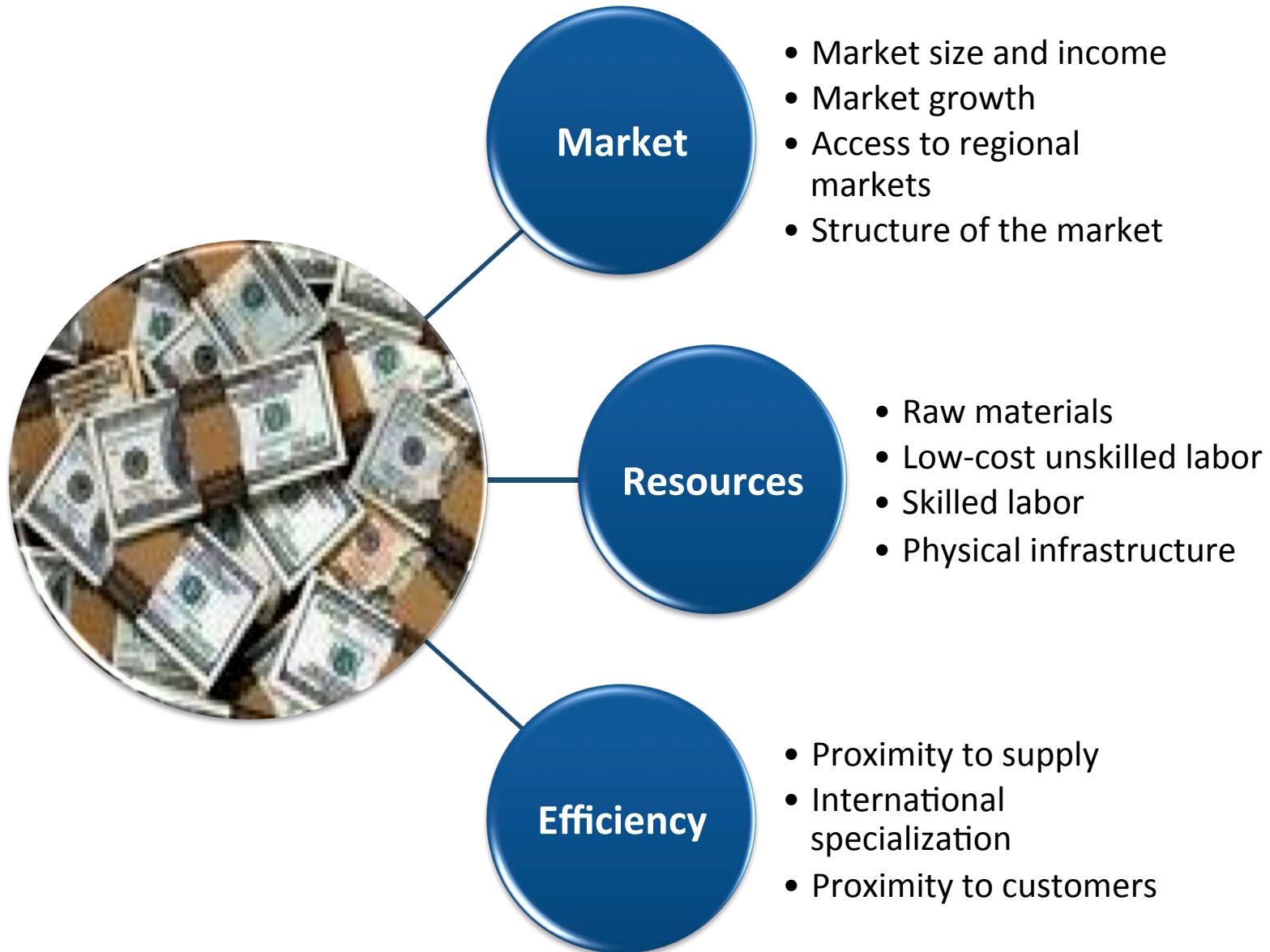


Decision-making process of investors and site selection



Rene Samek
Kumasi, Ghana
15 – 17 May 2012

Why companies invest ?



Why companies invest ?

Understanding the drivers of location decision by sector

Primary sector	Manufacturing sector	Services sector
Access to natural resources	Size of local market	Size of local market
Stable investment environment	Growth of local market	Growth of local market
Government effectiveness, incentives	Government effectiveness, incentives	Stable investment environment
Access to international/regional markets	Low labor cost	Access to international/regional markets

Source: UNCTAD World Investment Prospects Survey 2007-09

The Hyundai project

Hyundai Motor Manufacturing Czech

Planned investment:	1.1 billion Euros
Number of employees:	3,500
Decision to invest:	27 March 2006
Start of construction:	1 November 2006
Start of test production:	June 2008 (October 2008)
Start of mass production:	November 2008 (March 2009)
Annual production:	300,000 cars + 600,000 gearboxes
Tier 1 suppliers:	15 – 25 companies
Total number of suppliers:	25 – 50 companies



Hyundai suppliers' projects

Korean Hyundai suppliers investing near Nosovice

Company name	Products	Employees	Location
Donghee	Fuel tanks	230	Cesky Tesin
Dymos	Car seats	300-400	Frydek Mistek
Hanil E-Hwa	Interior parts	500	Chlebovice
Hyundai Mobis	Chassis modules	800	Nosovice
Hyundai Hysco	Steel sheet and pipes	70	Nosovice
Matador-DongWon	Rubber parts	200	Trinec
Pyeong Hwa Automotive	Door module parts	260	Cesky Tesin
Plakor	Plastic parts	500	Mosnov
Sejong	Exhaust systems	250	Karvina
Sungwoo	Sheet metal parts	1,500	Ostrava-Hrabova

What do investors need?

- Economic reasons to invest
 - a. Market
 - b. Resources
 - c. Efficiencies
- **Conductive environment for investment**
- **Information and support**

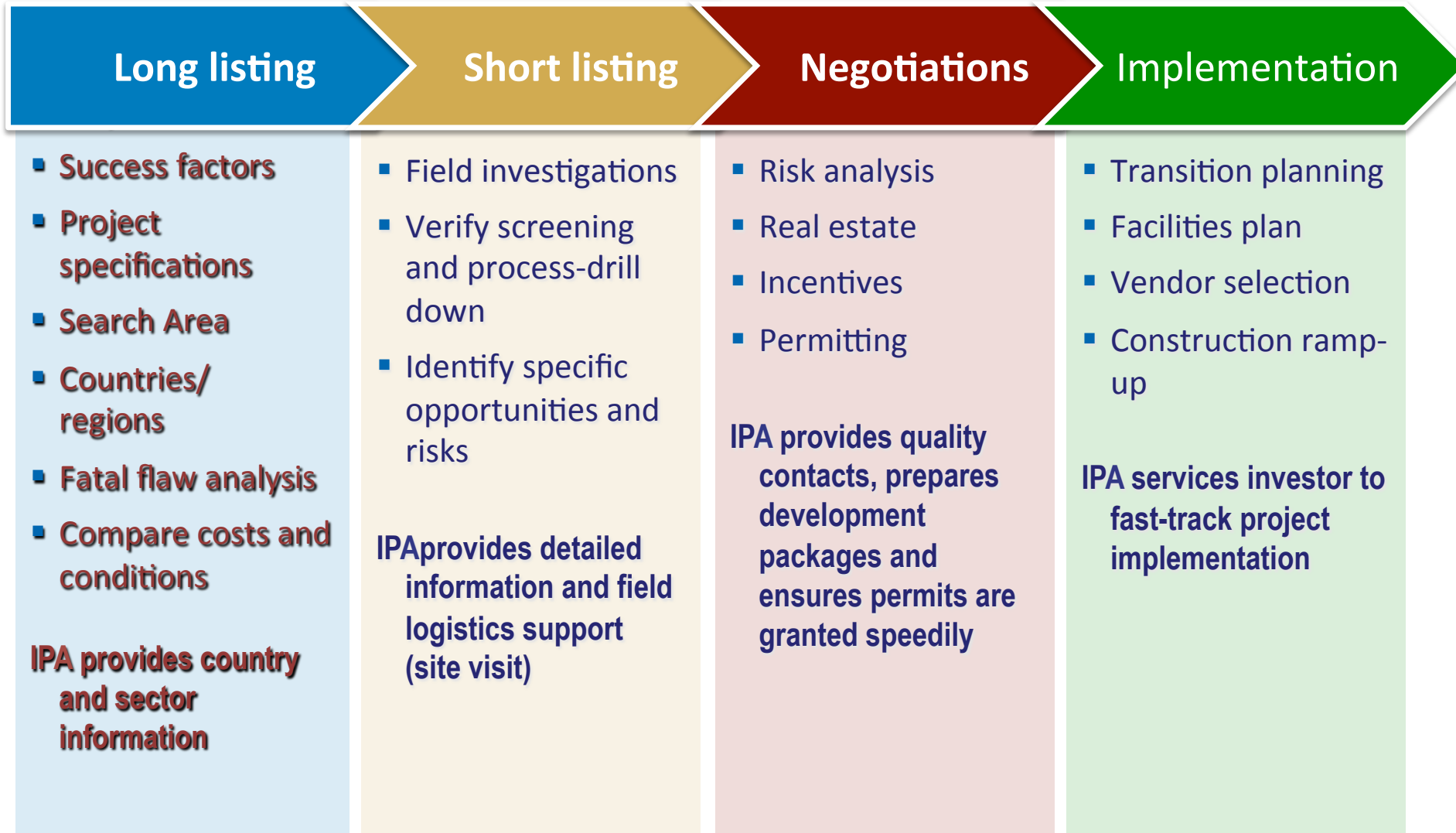
The necessary conditions for an investment

- Market opportunities (internal or external market)
- Prepared locations (buildings, zones, land plots)
- Stable legal environment (laws, regulations)
- Stable physical environment (delivery of electricity etc.)
- Functioning labour market (legislation, education system)
- Developed transport infrastructure (export channels)
- Supporting environment (supporting institutions)

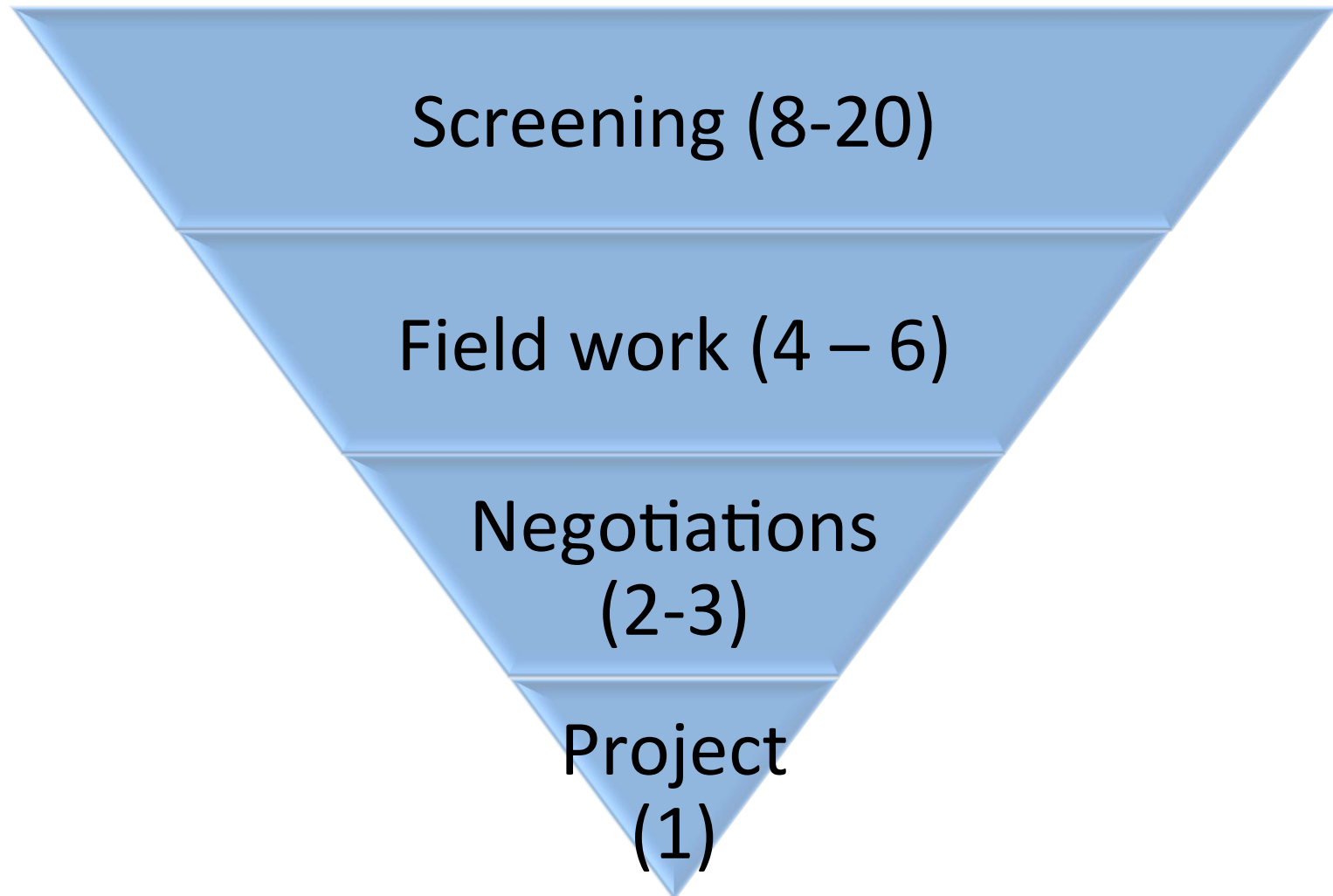
How investors decide on their new locations?



The site selection process



The site selection process



Usual screening criteria

Real estate (land, building)	Services
Labour	Demographics
Taxes	Quality of life
Incentives	Utilities
Community	Market
Logistics	Environmental issues

Case study (2007)

Dutch company in the aerospace industry plans to **expand its manufacturing capacity in a low cost location.**

Activity	manufacturing facility for parts and assembly of aircraft components
Facility	initially 6,400 m ² – ultimately 12,000 m ² ; 8 metres high, 80 m wide and 80 m deep
Site	5 hectares of land, all infrastructure
Logistics	proximity to inland waterways/seaport, maximum 1 transfer of goods

Parts – Year 1 to 5

- 1 Production manager
- 1 IT specialist
- 3 Production leaders
- 6 Industrial engineers
- 40 Production workers

Total: 51

Parts and Assembly – Year 6 to 10

- 1 Senior production manager and 2 production managers
- 4 IT specialists
- 3 Senior production supervisors and 7 production supervisors
- 5 Senior industrial engineers and 20 senior engineers
- 40 Production workers for parts
- 150 Production workers for assembly

Total: 242

Critical decision criteria for this project (as identified by the company):

- ✓ **Lower cost** manufacturing environment than at the present location
- ✓ Industrial **background / experience with aerospace** industry at the new location
- ✓ Company's positive/negative **experience in the selected countries during the selection process**

Potential locations – long list

Country

- Brazil
- Indonesia
- China
- India
- Malaysia
- Thailand
- Turkey
- Czech Republic
- Poland
- Romania

Region under Focus

Sao Paulo State

Batam

Shangai and Shenzhen

Chennai (Tamil Nadu State)

Kuala Lumpur (Selangor)

Bangkok

Istanbul area

East Bohemia

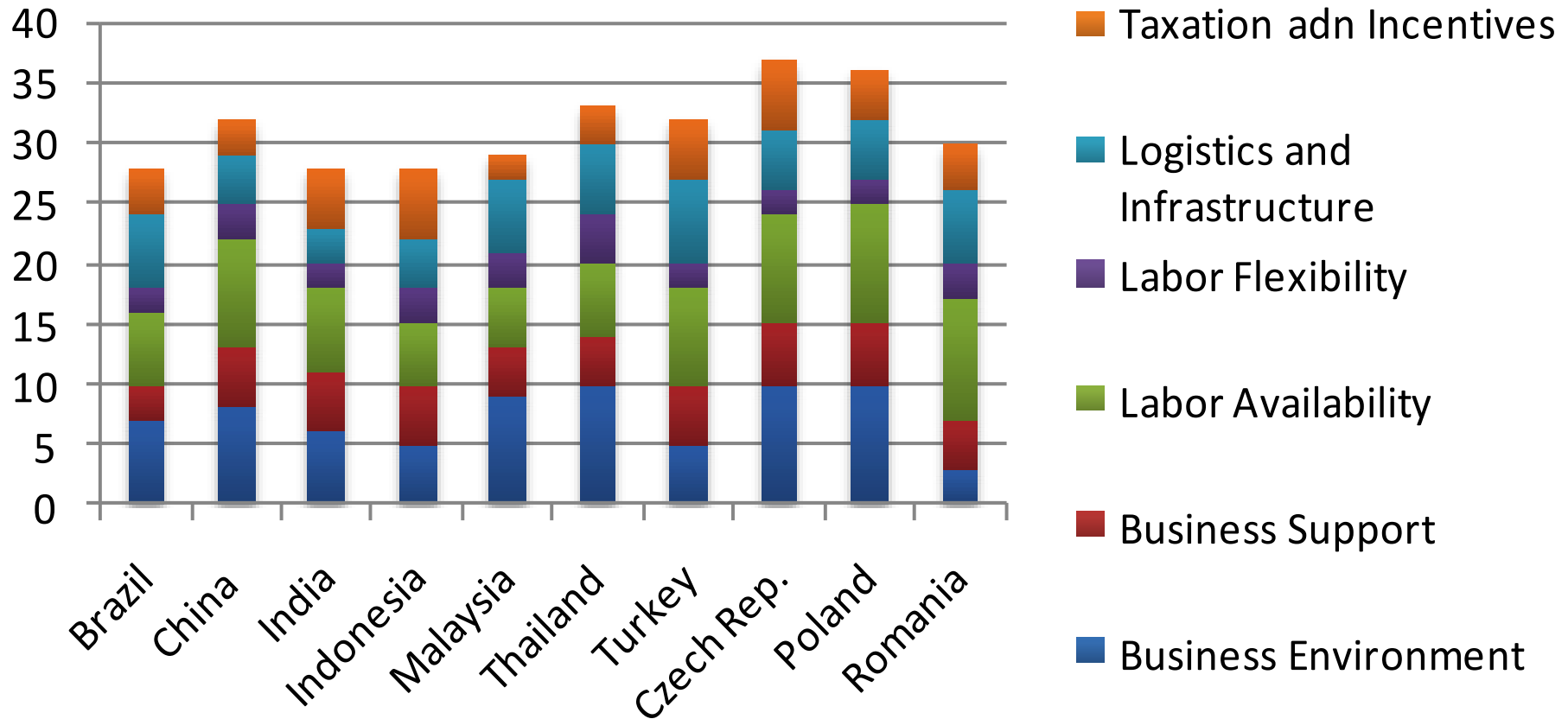
Southeast

Bucharest

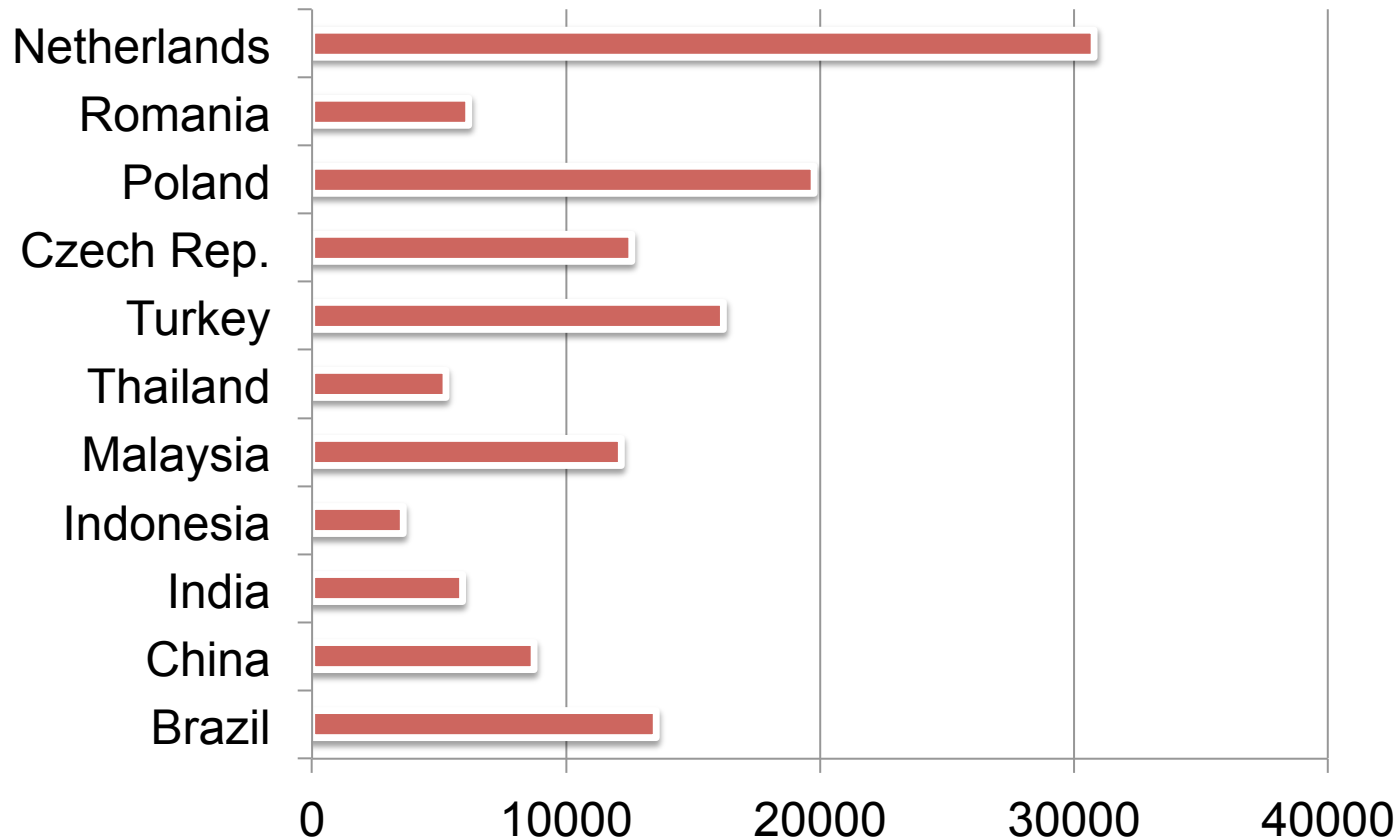
Qualitative analysis - matrix

Categories	Weight	Factors	Weight
General Business Environment	20		
Business Support Environment	17,5		
Labor Availability	22,5	Overall size of labor market Level of unemployment Presence of manufacturing staff Presence of aerospace skills Strength of competition in mfg. English language skills	4 4,5 3 3 3 5
Labor Flexibility	10		
Logistics and Infrastructure	20		
Taxation and Incentives	10		

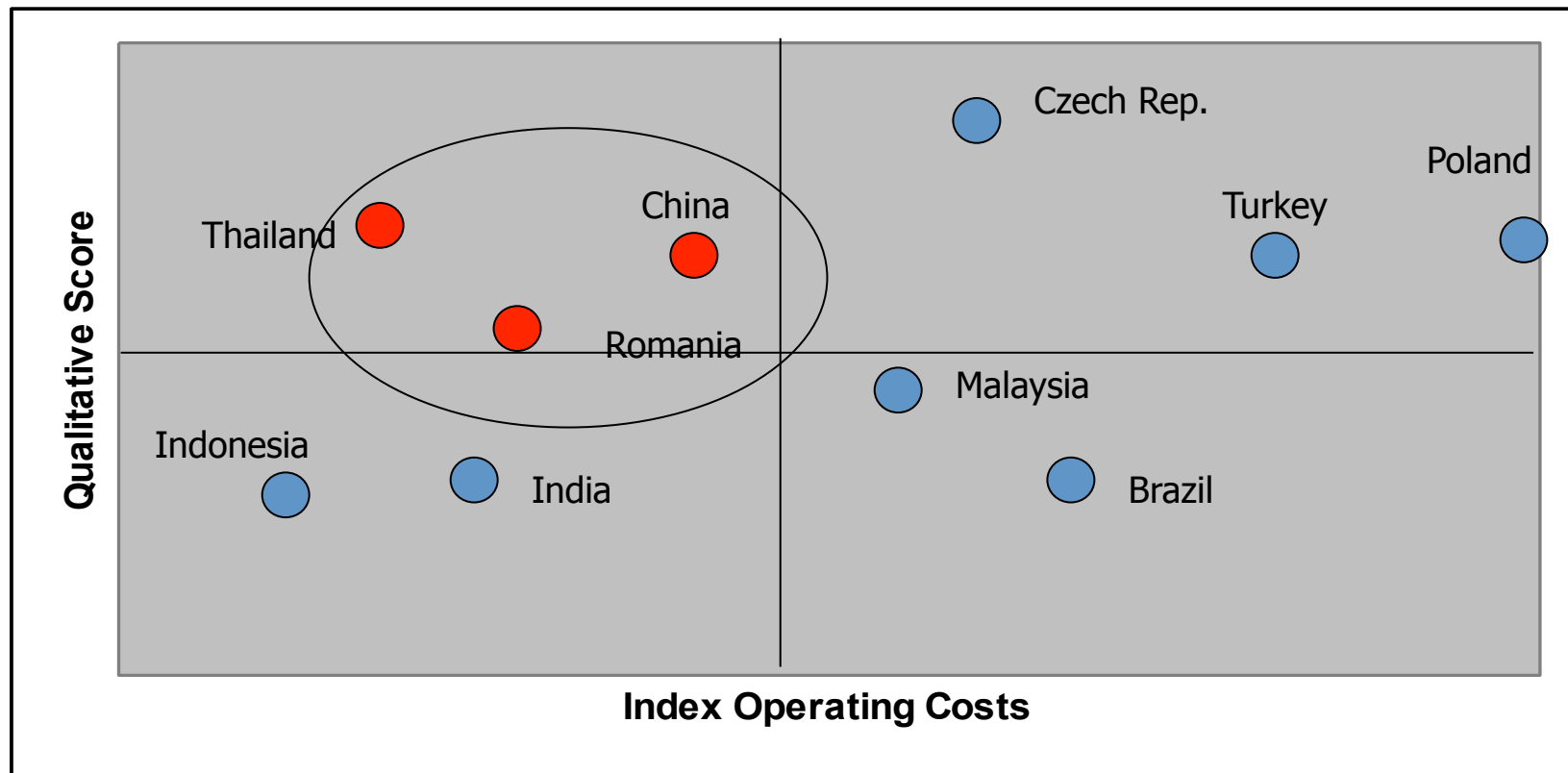
Qualitative analysis - results



Sub-analysis: annual costs per employee



Results of both analyses



Another example of decision-making and site selection



investment in the Czech Republic

1998: **39 potential sites identified in CEE**
14 sites visited (CZ, HU, PL, SK)

March 1999: **Decision to buy a building in the Czech Republic**
Q3 1999: **200 staff trained in Celestica UK**
Q4 1999: **new machinery installed**

Jan 2000: **750 employees**
May 2000: **new building completed**

September 2001: **2,000 employees**



**Their own presentation on
why they had invested in the
Czech Republic, 2002**

Exercise



Imagine you are an owner or director of a company manufacturing plastic containers in which edible oil is sold in shops



You are thinking about building a second manufacturing plant. What type of information you would need to select the best location for that plant?

Exercise – group 1

- Italian manufacturer, 180 employees in Italy
- Typical customers: producers of edible oil
- Market: 60% in Italy, 15% Greece, 20% Nigeria, 5% Liberia
- Idea: to establish a new plant in W.Africa to expand to this market
- Hall 3,500 m², minimum 6 m high
- Land 10,000 m² plus 10,000 m² for future expansion(s)
- Electrical power, drinking water, sewage system, telephone
- 58 employees: 8 managers (2-3 Italians), 50 workers (30 operators of plastic injection moulding machines, 15 warehouse operators, 5 clerical and maintenance)

Exercise – group 2

- Ghanian manufacturer, 180 employees in Accra
- Typical customers: producers of edible oil
- Market: 60% in Ghana, 15% Burkina Faso, 15% Nigeria, 10% Mali
- Idea: to establish a new plant in Ghana to expand
- Hall 3,500 m², minimum 6 m high
- Land 10,000 m² plus 10,000 m² for future expansion(s)
- Electrical power, drinking water, sewage system, telephone
- 58 employees: 8 managers (3-4 from Accra), 50 workers (30 operators of plastic injection moulding machines, 15 warehouse operators, 5 clerical and maintenance)

1. Informed potential investor
2. Ignorant potential investors

Informed potential investor

1. Has studied the market and sees a market opportunity
2. Studies investment/business climate at several potential locations to see if it makes sense to invest
3. Studies investment and business climate at several potential locations to decide which location would be best for this investment
4. Does not need data on the market
5. Does need information on potential locations, investment and business climate, and available support

Ignorant potential investor

1. Produces the product(s) for which there is a demand in our country/region/city or continent/globally
2. Has not paid any attention to potential market opportunities in our country/region/city/continent
3. Does need to be told about the opportunity/ies – needs some basic data on the market and opportunity
4. Does need information on potential locations, investment and business climate, and available support

2 types of potential investors

1. Informed potential investor

- Already has an idea/plan: to establish a new plant in Africa to expand to this market

2. Ignorant potential investor

- Never thought of potential market opportunities in Africa
- Never thought of potential lower costs of manufacturing in Africa
- Does not have any contacts in Africa, apart from customers
- **Does produce product(s) for which there is currently demand in Ghana and/or Africa (West Africa)**

Hyundai Central Europe project

Clearly-defined project:

plan to set up a car manufacturing and assembly plant in Central Europe to serve the European market while keeping the cost of production at a reasonably low level

Presentation to an ignorant potential investor

Not a clearly-defined project: company came to see opportunities

British company – manufacturing door handles for cars and painting them in metallic paint. Until recently all its customers were in Britain (Toyota, Honda, GM, Rover), but there is increasing demand from continental Europe and a decline in UK demand: they came for a visit